

What you need to know **Flexible Rate Deposits** **for Self-Managed Super** **Funds**

Product Disclosure Statement



Issue date:

1 November 2016

Issued by:

Commonwealth Bank of Australia ABN 48 123 123 124
AFSL 234945

Disclosures and Important Information

This Product Disclosure Statement (PDS) has been prepared by the Commonwealth Bank of Australia ('Commonwealth Bank'), the issuer of Flexible Rate Deposits. The objective of this PDS is to give you information about this product to allow you to make a decision about its suitability for your circumstances and objectives. If you decide to invest in Flexible Rate Deposits, you should keep this PDS and all other documentation relating to your Flexible Rate Deposits investment for future reference.

Terms

Flexible Rate Deposit investments are bank deposits. Indicative terms for each Flexible Rate Deposit can be found in the relevant Indicative Term Sheet we send to you, and should be read in conjunction with this PDS.

Confirmation

You must read the Confirmation carefully and ensure that it aligns with your understanding of the key commercial terms because, to the extent that there is any inconsistency between the Indicative Term Sheet and the Confirmation, the Confirmation prevails to the extent of that inconsistency. If there is any inconsistency between the Terms and Conditions and the Confirmation, the Confirmation prevails. If you think that there is an error in the Confirmation you should contact your sales representative immediately to resolve the matter.

Definitions

Capitalised words and phrases used in this PDS have the meaning given to those words and phrases as set out in the 'Global Fixed Income Deposit Terms and Conditions' and 'Appendix 1: Flexible Rate Deposit Mini/Maxi Transactions'.

Investment decisions

It is impossible in a document of this type to take into account the investment objectives, tax position, financial situation and particular needs of each reader. Accordingly, nothing in this PDS should be construed as a recommendation by Commonwealth Bank, or any associate of it or any other person concerning investment in Flexible Rate Deposits. Readers should not rely on this PDS as the sole or principal basis of a decision to invest in Flexible Rate Deposits and should seek independent financial and taxation advice before making a decision whether to invest in Flexible Rate Deposits. Any information or representation not contained in this PDS must not be relied upon as having been authorised by or on behalf of Commonwealth Bank. Nothing in this PDS is, or may be relied upon as, a representation as to the future performance of Flexible Rate Deposits.

Preparation of this PDS

Commonwealth Bank has taken all reasonable care to ensure that the information contained in this PDS is true and accurate in all material respects and that, to the best of its knowledge and belief, such information does not omit anything likely to affect its scope.

Changes to information in this PDS

This PDS is current at the time of issue. Information in this PDS is subject to change from time to time. Where information is not materially adverse to investors, Commonwealth Bank will update the information by posting a notice on its website at commbank.com.au. You can request a paper copy of updated information by contacting your financial adviser.

Associations

Commonwealth Bank has not taken into account any labour standards or environmental, social or ethical considerations in the selection, retention or realisation of the investment.

Any person receiving this PDS electronically should note that applications can only be accepted if the issuer receives your completed and signed 'Global Fixed Income Deposits Terms and Conditions' and 'Appendix 1: Flexible Rate Deposit Mini/Maxi Transactions'. We will send you paper copies of this PDS free of charge upon request.

Examples

Examples contained in this PDS are hypothetical only and use rates and figures selected by Commonwealth Bank to demonstrate key features of Flexible Rate Deposits. The rates and figures used are not the actual rates and figures applicable to any particular issuance of Flexible Rate Deposits. In order to assess the merits of any particular issuance of Flexible Rate Deposits, you need to use the rates and figures applicable at the time you are considering investing in that issuance.

Jurisdiction and selling restrictions

This PDS and Indicative Term Sheet do not constitute an offer or invitation in relation to Flexible Rate Deposits in any place outside of Australia.

This offer or invitation is only available to a 'resident of Australia' as defined in the Income Tax Assessment Act 1936.

Registration with the Australian Securities and Investments Commission

This PDS has not been lodged with the Australian Securities and Investments Commission (ASIC) and is not required by the Corporations Act 2001 (Cth) to be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS.

Issued by Commonwealth Bank of Australia

ABN 48 123 123 124, AFSL 234945

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General Information

Features at a glance

Topic	Description	More information
Issuer	Commonwealth Bank	
What are Flexible Rate Deposits?	<p>Flexible Rate Deposits are hold-to-maturity, fixed-term investments with a floating rate of interest that is reset quarterly based on the three-month Bank Bill Swap Rate (BBSW) plus a predetermined fixed Margin, together with the benefit of:</p> <ol style="list-style-type: none"> Protection against falls in BBSW below an agreed Minimum Base Rate if you select Flexible Rate Deposit Mini. You choose the Minimum Base Rate (subject to parameters we set), and in return we calculate the corresponding fixed Margin, which takes into account the cost of protecting you against falls in BBSW below your chosen Minimum Base Rate. The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini will be the sum of: <ol style="list-style-type: none"> the fixed Margin; <i>and</i> the higher of: <ol style="list-style-type: none"> BBSW in respect of the Interest Period; <i>and</i> Any applicable Minimum Base Rate. <p>Please refer to 'What is a Flexible Rate Deposit Mini' on page 12 for worked examples</p> <p>or</p> The potential to maximise the fixed Margin you receive in exchange for you foregoing rises in BBSW above an agreed Maximum Base Rate if you select Flexible Rate Deposit Maxi. You choose the Maximum Base Rate (subject to parameters we set), and in return we calculate the corresponding fixed Margin, which will be higher than the fixed Margin applied to an investment in Flexible Rate Deposit Mini because you do not have the cost of protection of a Minimum Base Rate and you are foregoing rises in BBSW above the Maximum Base Rate. The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Maxi will be the sum of: <ol style="list-style-type: none"> the fixed Margin, <i>and</i> the lower of: <ol style="list-style-type: none"> BBSW in respect of the Interest Period; <i>and</i> Any applicable Maximum Base Rate <p>Please refer to 'What is Flexible Rate Deposit Maxi' on page 20 for worked examples</p> <p>or</p> The combination of the protection against falls in BBSW below an agreed Minimum Base Rate (Flexible Rate Deposit Mini) and the potential to maximise the fixed Margin you receive in exchange for foregoing rises in BBSW above an agreed Maximum Base Rate (Flexible Rate Deposit Maxi) if you select Flexible Rate Deposit Mini Maxi. You choose the Minimum Base Rate and Maximum Base Rate (subject to parameters we set), and in return we calculate the corresponding fixed Margin, which takes into account the cost of protecting you 	

against falls in BBSW below your chosen Minimum Base Rate and that you are foregoing rises in BBSW above the Maximum Base Rate. The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini Maxi will be the sum of:

- a) the fixed Margin; *and*
- b) either:
 - (i) Any applicable Minimum Base Rate if it is equal to or higher than BBSW; or
 - (ii) Any applicable Maximum Base Rate if it is equal to or lower than BBSW; or
 - (iii) BBSW if it is higher than any applicable Minimum Base Rate and lower than any applicable Maximum Base Rate.

Please refer to 'What is a Flexible Rate Deposit Mini Maxi' on page 28 for worked examples.

BBSW is a rate that is widely used in the Australian market as a reference rate for pricing wholesale deposits and loans. Note that BBSW is different from the Reserve Bank of Australia's official cash rate. More information on BBSW can be found on the Australian Financial Markets Association website at www.afma.com.au/data/BBSW.

The fixed Margin, Minimum Base Rate/s and Maximum Base Rate/s, as the case may be, are set on the Deal Date and remain unchanged for the Term of the investment.

Unless otherwise agreed by the Bank, you can have multiple minimum and maximum base rates during the Term of your investment, subject to:

- ▶ one Minimum Base Rate per year for a Flexible Rate Deposit Mini
- ▶ one Maximum Base Rate per year for a Flexible Rate Deposit Maxi
- ▶ one Minimum Base Rate and one Maximum Base Rate per year for a Flexible Rate Deposit Mini Maxi.

You can also choose the term in which you have minimum and / or maximum base rates subject to any minimum and / or maximum base rate commencing on the Start Date and being continuous for a minimum term of one year.

Any Minimum Base Rate must be lower than the current BBSW on the Deal Date, and any Maximum Base Rate must be higher than the current BBSW on the Deal Date.

Suitability

Flexible Rate Deposits may be suitable for self-managed super funds (SMSFs) if you have a good understanding of Interest Rate markets and would like to invest in a tailored fixed-term investment based on your Interest Rate view and cash flow requirements. In all cases, you will need to discuss these matters with your financial adviser to determine whether Flexible Rate Deposits suit your needs, objectives and the investment strategy you have set for your SMSF. If you decide to proceed, you can then invest in one or more Flexible Rate Deposits with us by contacting your financial adviser.

Key benefits

Flexibility

You can tailor your Flexible Rate Deposit to suit your Interest Rate view and cash flow requirements.

See page 8

Certainty of returns

The fixed Margin, Minimum Base Rate/s and Maximum Base Rate/s, as the case may be, are set on the Deal Date and remain unchanged for the Term of the investment.

Flexible Rate Deposit Mini

You have the certainty of knowing that the minimum Interest Rate you receive will be the sum of the fixed Margin and the Minimum Base Rate.

Flexible Rate Deposit Maxi

You have the certainty of knowing that the fixed Margin you receive will be higher than the fixed Margin applied to a Flexible Rate Deposit Mini because you do not have the cost of protection of a Minimum Base Rate and you are foregoing rises in BBSW above the Maximum Base Rate.

Flexible Rate Deposit Mini Maxi

You have the certainty of knowing that the minimum Interest Rate you receive will be the sum of the fixed Margin and the Minimum Base Rate. The fixed Margin you receive will depend on the levels of your chosen Minimum Base Rate/s and Maximum Base Rate/s, so it could be higher, lower or the same as that for the Flexible Rate Deposit Mini or Flexible Rate Deposit Maxi.

Potential for attractive returns on your investment

Flexible Rate Deposits are not At Call Deposits, and by investing in Flexible Rate Deposits you agree to keep your Deposit Amount invested until the Maturity Date. By investing for a longer term, it is possible that you will earn Interest exceeding standard At Call Deposits during the Term of your investment.

Deposit with Commonwealth Bank

Flexible Rate Deposits are deposit liabilities of Commonwealth Bank and protected accounts for the purposes of the Financial Claims Scheme and the statutory priorities in the *Banking Act 1959* if Commonwealth Bank is wound up. Payments under the Financial Claims Scheme are subject to a limit for each depositor. The terms of the Financial Claims Scheme are subject to change.

See 'Financial Claims Scheme' on page 38 for further information about protected accounts

Key risks

IMPORTANT

Flexible Rate Deposits are not the same as standard Term Deposits or At Call Deposits. Most importantly, Flexible Rate Deposits are hold-to-maturity, fixed term investments. The Bank will give consideration in its absolute discretion to any request in writing to terminate a Flexible Rate Deposit Transaction prior to the Maturity Date, and subject to you providing us with at least thirty one (31) days' prior notice in writing. A shorter notice period as agreed with the Bank may apply in cases of financial hardship as agreed by the Bank. If we agree to terminate your Flexible Rate Deposit, and you accept the indicative termination quote, your Flexible Rate Deposit will be terminated and your Deposit Amount (plus or minus the Break Cost and including and accrued interest) will be returned to you on day 32 (or as

See 'Early Termination' on pages 9 and 34 for more information

Key risks continued

agreed in the case of financial hardship). Notwithstanding you are in hardship, if your investment is terminated early, the costs may be significant and the **Early Termination Value may be less than your Deposit Amount** (the amount originally invested), which means you may suffer a loss. Please refer to 'Early termination' on page 9 and 34 for more information.

Change in trustees

A change in trustee or member status in SMSFs— such as a change of directors in a corporate trust, or the divorce or death of a trustee or member – may trigger a termination of the investment prior to maturity, and a Break Cost may be incurred. Please refer to 'Early Termination' on pages 9 and 34 for more information.

Interest Rate risk

Interest Rates may not move as you expect. For example, if BBSW falls during the Term of your investment, your Interest return will also fall and may be inferior to that of other investments.

Credit risk

The risk that Commonwealth Bank does not or cannot meet its obligations to you under the terms of Flexible Rate Deposits.

Reinvestment risk

The risk that the proceeds from the payment of the Deposit Amount and Interest Payments might have to be reinvested at a lower rate than the original investment.

Operational risk

You are reliant on the ability of Commonwealth Bank to price and settle your Flexible Rate Deposits in a timely and accurate manner. Should Commonwealth Bank's operational process fail, you may suffer losses or experience delays in payment.

Change of law

There is a risk that a change in taxation, corporate or other relevant laws, regulations, interpretations or rules may adversely affect your investment.

Potential conflicts of interest

We and our related bodies corporate may conduct transactions as principal and as agent in various financial instruments used to price Flexible Rate Deposits. These trading activities may affect (positively or negatively) the market price of your Flexible Rate Deposit.

Market disruption

If BBSW is not available we will use the buying rate quoted by Commonwealth Bank at or about 10.30am (Sydney time) on the first day of the Interest Period for bills of exchange accepted by a leading Australian bank and which have a term equivalent to the period.

Minimum Deposit Amount

The minimum Deposit Amount is A\$100,000. You cannot add additional monies to the Deposit Amount during the Term of your Flexible Rate Deposit, but you can have one or more Flexible Rate Deposits, subject to each having a minimum Deposit Amount of A\$100,000.

Flexible Rate Deposits

Terms available	One to five years, unless otherwise agreed by the Bank.	
Calculation and payment of Interest	You will receive an Interest Payment on each quarterly Payment Date during the Term of your Flexible Rate Deposit. Interest Payments are paid in arrears for each period and cannot be reinvested into your Deposit Amount as compounding Interest.	See pages 11, 18 and 26 for examples
Fees and charges	There are no fees payable to establish or maintain your Flexible Rate Deposit, although you should be aware that Commonwealth Bank may require you to pay Break Costs if you request termination of your Flexible Rate Deposit prior to the Maturity Date, which may impact your Early Termination Value.	
How to apply	<ul style="list-style-type: none"> ▶ Please contact your financial adviser to determine whether Flexible Rate Deposits suit your needs, objectives and the investment strategy you have set for your SMSF. ▶ If you decide to proceed, please read this PDS and sign the 'Global Fixed Income Deposit Terms and Conditions' and 'Appendix 1: Flexible Rate Deposit Mini/Maxi Transactions', and return them to your financial adviser, who will contact us. ▶ You can then invest in one or more Flexible Rate Deposits with us by contacting your financial adviser. ▶ The terms of Flexible Rate Deposits can vary. It is important that you read the relevant Indicative Term Sheet, in addition to this PDS, the 'Global Fixed Income Deposit Terms and Conditions' and 'Appendix 1: Flexible Rate Deposit Mini/Maxi Transactions' before you invest. ▶ There is no cooling-off period in respect of an investment in Flexible Rate Deposits. 	

1. What are Flexible Rate Deposits?

Flexible Rate Deposits are hold-to-maturity, fixed-term investments with a floating rate of interest that is reset quarterly based on the **three-month BBSW plus a predetermined fixed Margin**, together with the benefit of:

1. Protection against falls in BBSW below an agreed Minimum Base Rate if you select **Flexible Rate Deposit Mini**. You choose the Minimum Base Rate (subject to parameters we set), and in return we calculate the corresponding fixed Margin, which takes into account the cost of protecting you against falls in BBSW below your chosen Minimum Base Rate. The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini will be the sum of:
 - a) the fixed Margin, *and*
 - b) the higher of:
 - (i) BBSW in respect of the Interest Period; *and*
 - (ii) Any applicable Minimum Base Rate.

Please refer to 'What is a Flexible Rate Deposit Mini' on page 12 for a worked example.

or

2. The potential to maximise the fixed Margin you receive in exchange for you foregoing rises in BBSW above an agreed Maximum Base Rate if you select a **Flexible Rate Deposit Maxi**. You choose the Maximum Base Rate (subject to parameters we set), and in return we calculate the corresponding fixed Margin, which will be higher than the fixed Margin applied to an investment in a Flexible Rate Deposit Mini because you do not have the cost of protection of a Minimum Base Rate and you are foregoing rises in BBSW above the Maximum Base Rate. The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Maxi will be the sum of:
 - a) the fixed Margin, *and*
 - b) the lower of:
 - (i) BBSW in respect of the Interest Period, *and*
 - (ii) Any applicable Maximum Base Rate

Please refer to 'What is a Flexible Rate Deposit Maxi' on page 20 for a worked example.

or

3. The combination of the protection against falls in BBSW below an agreed Minimum Base Rate (Flexible Rate Deposit Mini) and the potential to maximise the fixed Margin you receive in exchange for foregoing rises in BBSW above an agreed Maximum Base Rate (Flexible Rate Deposit Maxi) if you select a **Flexible Rate Deposit Mini Maxi**. You choose the Minimum Base Rate and Maximum Base Rate (subject to parameters we set), and in

return we calculate the corresponding fixed Margin, which takes into account the cost of protecting you against falls in BBSW below your chosen Minimum Base Rate and that you are foregoing rises in BBSW above the Maximum Base Rate. The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini Maxi will be the sum of:

- a) the fixed Margin; *and*
- b) either:
 - (i) Any applicable Minimum Base Rate if it is equal to or higher than BBSW; or
 - (ii) Any applicable Maximum Base Rate if it is equal to or lower than BBSW; or
 - (iii) BBSW if it is higher than any applicable Minimum Base Rate and lower than any applicable Maximum Base Rate.

Please refer to 'What is a Flexible Rate Deposit Mini Maxi' on page 28 for a worked example.

BBSW is a rate that is widely used in the Australian market as a reference rate for pricing wholesale deposits and loans. Note that BBSW is different from the Reserve Bank of Australia's official cash rate. More information on BBSW can be found on the Australian Financial Markets Association website at www.afma.com.au/data/BBSW.

The fixed Margin, Minimum Base Rate/s and Maximum Base Rate/s, as the case may be, are set on the Deal Date and remain unchanged for the Term of the investment.

Unless otherwise agreed by the Bank, you can have multiple minimum and maximum base rates during the Term of your investment, subject to:

- ▶ one Minimum Base Rate per year for a Flexible Rate Deposit Mini
- ▶ one Maximum Base Rate per year for a Flexible Rate Deposit Maxi
- ▶ one Minimum Base Rate and one Maximum Base Rate per year for a Flexible Rate Deposit Mini Maxi.

You can also choose the term in which you have minimum and / or maximum base rates subject to any minimum and / or maximum base rate commencing on the Start Date and being continuous for a minimum term of one year.

Any Minimum Base Rate must be lower than the current BBSW on the Deal Date, and any Maximum Base Rate must be higher than the current BBSW on the Deal Date.

You will receive an Interest Payment on each quarterly Payment Date during the Term of your Flexible Rate Deposit. Interest Payments are paid in arrears for each Interest Period and cannot be reinvested into your Deposit Amount as compounding Interest.

The minimum Deposit Amount is A\$100,000. You cannot add additional monies to the Deposit Amount during the Term of your Flexible Rate Deposit, but you can have one or more stand-alone Flexible Rate Deposits, subject to each having a minimum Deposit Amount of A\$100,000.

The terms available are one to five years, unless otherwise agreed by the Bank.

2. Who are Flexible Rate Deposits suitable for?

Flexible Rate Deposits may be suitable for SMSFs if you have a good understanding of Interest Rate markets and would like to invest in a tailored fixed-term investment based on your Interest Rate view and cash flow requirements. In all cases, you will need to discuss these matters with your financial adviser to determine whether Flexible Rate Deposits suit your needs, objectives and the investment strategy you have set for your SMSF. If you decide to proceed, you can then invest in one or more Flexible Rate Deposits with us by contacting your financial adviser.

3. Key benefits of Flexible Rate Deposits

Flexibility

You can tailor your Flexible Rate Deposit to suit your Interest Rate view and cash flow requirements by choosing:

- ▶ the amount of your Flexible Rate Deposit subject to a minimum Deposit Amount of A\$100,000
- ▶ the Term of your Flexible Rate Deposit one to five years, unless otherwise agreed by the Bank
- ▶ whether you have a Flexible Rate Deposit Mini, Flexible Rate Deposit Maxi or Flexible Rate Deposit Mini Maxi, or one or more of each
- ▶ the levels of the Minimum Base Rate/s and Maximum Base Rate/s, as the case may be, (subject to any Minimum Base Rate being lower than the current BBSW on the Deal Date, and any Maximum Base Rate being higher than the current BBSW on the Deal Date)
- ▶ unless otherwise agreed by the Bank, whether or not you have one or more Minimum and/or Maximum Base Rates during the Term of your investment, subject to:
 - ▶ one Minimum Base Rate per year for a Flexible Rate Deposit Mini
 - ▶ one Maximum Base Rate per year for a Flexible Rate Deposit Maxi
 - ▶ one Minimum Base Rate and one Maximum Base Rate per year for a Flexible Rate Deposit Mini Maxi.

- ▶ the term in which you have minimum and / or maximum base rates subject to any minimum and / or maximum base rate commencing on the Start Date and being continuous for a minimum term of one year.

Certainty of returns

The fixed Margin, Minimum Base Rate/s and Maximum Base Rate/s, as the case may be, are set on the Deal Date and remain unchanged for the Term of the investment.

- ▶ *Flexible Rate Deposit Mini*
You have the certainty of knowing that the minimum Interest Rate you receive will be the sum of the fixed Margin and any applicable Minimum Base Rate.
- ▶ *Flexible Rate Deposit Maxi*
You have the certainty of knowing that the fixed Margin you receive will be higher than the fixed Margin applied to a Flexible Rate Deposit Mini because you do not have the cost of protection of a Minimum Base Rate and you are foregoing rises in BBSW above the Maximum Base Rate.
- ▶ *Flexible Rate Deposit Mini Maxi*
You have the certainty of knowing that the minimum Interest Rate you receive will be the sum of the fixed Margin and any applicable Minimum Base Rate. The fixed Margin you receive will be dependent on your chosen Minimum Base Rate/s and Maximum Base Rate/s, so it could be higher, lower or the same as that for the Flexible Rate Deposit Mini or Flexible Rate Deposit Maxi.

Potential for attractive returns on your investment

Flexible Rate Deposits are not At Call Deposits, and by investing in Flexible Rate Deposits you agree to keep your Deposit Amount invested until the Maturity Date. By investing for a longer term, it is possible that you will earn Interest exceeding standard At Call Deposits during the Term of your investment.

Deposit with Commonwealth Bank

Flexible Rate Deposits are deposit liabilities of Commonwealth Bank and protected accounts for the purposes of the Financial Claims Scheme and the statutory priorities in the *Banking Act 1959* if Commonwealth Bank is wound up. Payments under the Financial Claims Scheme are subject to a limit for each depositor. The terms of the Financial Claims Scheme are subject to change.

Commonwealth Bank is one of the largest listed companies on the Australian Securities Exchange. You can read more about Commonwealth Bank at

www.commbank.com.au/about-us.

4. Key risks of Flexible Rate Deposits

IMPORTANT

Flexible Rate Deposits are not the same as standard Term Deposits or At Call Deposits. Most importantly, Flexible Rate Deposits are hold-to-maturity, fixed term investments. The Bank will give consideration in its absolute discretion to any request in writing to terminate a Flexible Rate Deposit Transaction prior to the Maturity Date, and subject to you providing us with at least thirty one (31) days' prior notice in writing. A shorter notice period as agreed with the Bank may apply in cases of financial hardship as agreed by the Bank. If we agree to terminate your Flexible rate Deposit, and you accept the indicative termination quote, your Flexible Rate Deposit will be terminated and your Deposit Amount (plus or minus the Break Cost and including and accrued interest) will be returned to you on day 32 (or as agreed in the case of financial hardship). Notwithstanding you are in hardship, if your investment is terminated early, the costs may be significant and the **Early Termination Value may be less than your Deposit Amount** (the amount originally invested), which means you may suffer a loss. Please refer to 'Early termination' on page 34 for more information.

Change in trustees

A change in trustee or member status in SMSFs – such as a change of directors in a corporate trust, or the divorce or death of a trustee or member – may trigger a termination of the investment prior to maturity. In the event of any such change, a Break Cost may be incurred.

Please refer to 'Early Termination' on page 34 for more information.

Interest Rate risk

Interest Rates may not move as you expect. For example, if BBSW falls during the Term of your investment, your Interest return will also fall and may be inferior to that of other investments.

▶ *Flexible Rate Deposit Mini*

If BBSW remains higher than your Minimum Base Rate for the full Term of your investment, you might have received a greater benefit had you invested in a different product without the cost of a Minimum Base Rate.

▶ *Flexible Rate Deposit Maxi*

The highest Interest Rate you can receive will be the Maximum Base Rate plus the fixed Margin if BBSW is trading at or above the Maximum Base Rate on the first day of an Interest Period. You are therefore foregoing any future rises in BBSW above the agreed Maximum Base Rate.

▶ *Flexible Rate Deposit Mini Maxi*

This is a combination of the risks for Flexible Rate Deposit Mini and Flexible Rate Deposit Maxi. That is:

- ▶ If BBSW remains higher than your Minimum Base Rate for the full Term of your investment, you might have received a greater benefit had you invested in a different product without the cost of a Minimum Base Rate
- ▶ The highest Interest Rate you can receive will be the Maximum Base Rate plus the fixed Margin if BBSW is trading at or above the Maximum Base Rate on the first day of an Interest Period. You are therefore foregoing any future rises in BBSW above the agreed Maximum Base Rate.

Credit risk

The risk that Commonwealth Bank does not or cannot meet its obligations to you under the terms of Flexible Rate Deposits.

Reinvestment risk

The risk that the proceeds from the payment of the Deposit Amount and Interest Payments might have to be reinvested at a lower rate than the original investment.

Operational risk

You are reliant on the ability of Commonwealth Bank to price and settle your Flexible Rate Deposits in a timely and accurate manner. Should Commonwealth Bank's operational process fail, you may suffer losses or experience delays in payment.

Change of law

There is a risk that any change in taxation, corporate or other relevant laws, regulations, interpretations or rules may adversely affect your investment.

Potential conflicts of interest

We and our related bodies corporate may conduct transactions as principal and as agent in various financial instruments used to price Flexible Rate Deposits. These trading activities may affect (positively or negatively) the market price of your Flexible Rate Deposit.

Market disruption

If BBSW is not available we will use the buying rate quoted by Commonwealth Bank at or about 10.30am (Sydney time) on the first day of the Interest Period for bills of exchange accepted by a leading Australian bank and which have a term equivalent to the period.

5. What are some ways to select Flexible Rate Deposits?

You should discuss with your financial adviser which Flexible Rate Deposit to select based on your needs, objectives and the investment strategy you have set for your SMSF.

You may also wish to take into account your view on future Interest Rate movements as set out below:

- ▶ You may select a **Flexible Rate Deposit Mini** if you think Interest Rates will rise during the Term of your investment but you want the protection of a Minimum Base Rate just in case you're wrong.
- ▶ You may select a **Flexible Rate Deposit Maxi** if you think Interest Rates will trend only slightly higher during the Term of your investment but won't reach the level of the Maximum Base Rate. You would receive a higher fixed Margin in exchange for foregoing rises in BBSW above the Maximum Base Rate.
- ▶ You may select a **Flexible Rate Deposit Mini Maxi** if you think Interest Rates will rise slightly or remain stable during the Term of your investment but you want the protection of a Minimum Base Rate just in case you're wrong. In exchange, you forgo rises in BBSW above the Maximum Base Rate to offset some or all of the cost of Minimum Base Rate protection.

6. What is a Flexible Rate Deposit Mini?

Overview

A Flexible Rate Deposit Mini offers you a fixed-term investment with a floating rate of interest that is reset quarterly based on the three-month BBSW, plus a predetermined fixed Margin together with protection against falls in BBSW below an agreed Minimum Base Rate.

You choose the Minimum Base Rate (subject to parameters we set), and in return we calculate the corresponding fixed Margin, which takes into account the cost of protecting you against falls in BBSW below your chosen Minimum Base Rate. You can have multiple Minimum Base Rates during the Term of your investment, subject to one Minimum Base Rate per year, unless otherwise agreed by the Bank (see example 2 on page 14). You can also choose the term in which you have Minimum Base Rates subject to any Minimum Base Rate commencing on the Start Date and being continuous for a minimum term of one year.

The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini will be the sum of:

- a) the fixed Margin, *and*
- b) the higher of:
 - (i) BBSW in respect of the Interest Period; *and*
 - (ii) Any applicable Minimum Base Rate.

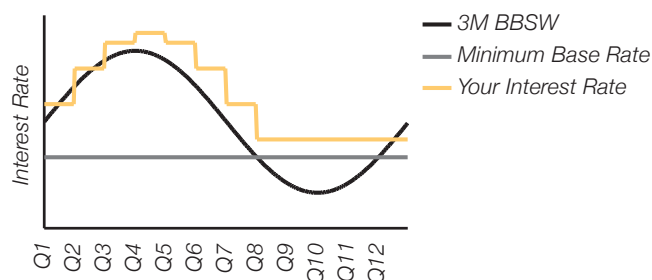
BBSW is a rate that is widely used in the Australian market as a reference rate for pricing wholesale deposits and loans. Note that BBSW is different from the Reserve Bank of Australia's official cash rate. More information on BBSW can be found on the Australian Financial Markets Association website at www.afma.com.au/data/BBSW.

The fixed Margin and Minimum Base Rate/s are set on the Deal Date and remain unchanged for the Term of the investment.

Your Interest Payments will vary with movements in BBSW, such that if BBSW rises your Interest Payments will also rise and if BBSW falls your Interest Payments will also fall – subject to the agreed Minimum Base Rate.

The graph below highlights that the Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini will be the sum of:

- a) the fixed Margin; *and*
- b) the higher of:
 - (i) BBSW in respect of the Interest Period; *and*
 - (ii) The Minimum Base Rate.



How are the fixed Margin and Minimum Base Rate/s calculated?

On the Deal Date, you select the Minimum Base Rate that will apply to your Flexible Rate Deposit Mini. The Minimum Base Rate must be lower than the current BBSW. In return, the Bank will calculate the corresponding fixed Margin. You can have multiple Minimum Base Rates during the Term of your investment, subject to one Minimum Base Rate per year, unless otherwise agreed by the Bank (see example 2 on page 14). You can also choose the term in which you have Minimum Base Rates subject to any Minimum Base Rate commencing

on the Start Date and being continuous for a minimum term of one year (see example 3 on page 16).

The factors impacting the Bank's calculation of the fixed Margin are generally market conditions, the Term of your investment and the agreed Minimum Base Rate. For example, the lower the Minimum Base Rate the higher the fixed Margin, as you have a lower level of protection against falls in BBSW, and vice versa.

Interest calculations

During the Term of your investment, you are paid a floating rate of interest on each Payment Date. Your Interest Payments will be calculated using the sum of the fixed Margin and the higher of:

- a) BBSW in respect of the Interest Period; *and*
- b) the Minimum Base Rate.

These amounts will be paid in arrears for each period from (and including) the previous Payment Date (or the Start Date, in the case of the first period) to (but excluding) the next Payment Date.

For the first Payment Date, this period is the number of days elapsed from (and including) the Start Date to (but excluding) the next Payment Date. During the Term of your investment, your Interest Payments will vary at each Payment Date, depending on the number of days in the calculation period, because the Interest Rate for each Interest Period is set on the first Business Day of the calculation period based on BBSW. If any Payment Date is not a Business Day then payment is postponed until the next Business Day. If a Payment Date is postponed until the next Business Day, no additional Interest is payable in respect of that delay in payment, and there is no adjustment to that Interest Period or any subsequent Interest Period.

Your Interest Payment can be calculated using the following formula:

$$\text{Interest} = \text{Deposit Amount} \times \text{Interest Rate} \times (\text{Days}/365)$$

Where:

Interest = your Interest Payment

Deposit Amount = the amount of money you have invested in a Flexible Rate Deposit Mini

Interest Rate = the sum of the fixed Margin and the higher of:

- a) BBSW in respect of the Interest Period; *and*
- b) the Minimum Base Rate

Days = the number of days in the Interest Period, being the number of days beginning on and including the Start Date up to but excluding the first payment date and thereafter, the number of days beginning on and including the last payment date up to but excluding the next payment date (or in the case of the last Interest Period, the Maturity Date). No adjustment is made to the number of days if a Payment Date falls on a day that is not a Business Day.

When are Interest Payments made?

You will receive an Interest Payment on each quarterly Payment Date during the Term of your Flexible Rate Deposit. Interest Payments are paid in arrears for each period and cannot be reinvested into your Deposit Amount as compounding Interest.

Worked example I

Scenario assumptions:

Deposit Amount	\$100,000
Term	5 years
Margin	0.70% p.a.
Minimum Base Rates	1.50 % p.a.
Interest Rate	The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini will be the sum of: <ul style="list-style-type: none"> a) the fixed Margin; <i>and</i> b) the higher of: <ul style="list-style-type: none"> (i) BBSW in respect of the Interest Period; <i>and</i> (ii) Any applicable Minimum Base Rate
Interest Payments	Quarterly

The examples below are indicative only, and the Interest Rates included are not intended as a prediction or otherwise of future Interest Rate movements or levels.

Example payments table

In the table below, we have highlighted (in **bold**, in each quarter) the inputs used to calculate the Interest Rate in respect of each Interest Period, which is the sum of the fixed Margin and the higher of BBSW and the Minimum Base Rate. The table also highlights how rises and falls in BBSW over the investment term can impact your returns.

This worked example uses quarterly payments and has artificially adjusted the number of days in each quarter so each year contains 365 days. Note that payments may only be made on a quarterly basis as set out in the relevant Indicative Term Sheet for your investment.

Quarter	Deposit Amount	Fixed Margin	3 Month BBSW	Minimum Base Rate	Interest Rate	Days in Quarter	Interest Payment
1	\$100,000	0.70%	2.65%	1.50%	3.35%	91	\$835.21
2	\$100,000	0.70%	2.60%	1.50%	3.30%	91	\$822.74
3	\$100,000	0.70%	2.50%	1.50%	3.20%	91	\$797.81
4	\$100,000	0.70%	2.50%	1.50%	3.20%	92	\$806.58
5	\$100,000	0.70%	2.25%	1.50%	2.95%	91	\$735.48
6	\$100,000	0.70%	2.00%	1.50%	2.70%	91	\$673.15
7	\$100,000	0.70%	1.75%	1.50%	2.45%	91	\$610.82
8	\$100,000	0.70%	1.25%	1.50%	2.20%	92	\$554.52
9	\$100,000	0.70%	1.25%	1.50%	2.20%	91	\$548.49
10	\$100,000	0.70%	1.00%	1.50%	2.20%	91	\$548.49
11	\$100,000	0.70%	1.00%	1.50%	2.20%	91	\$548.49
12	\$100,000	0.70%	1.25%	1.50%	2.20%	92	\$554.52
13	\$100,000	0.70%	2.00%	1.50%	2.70%	91	\$673.15
14	\$100,000	0.70%	2.50%	1.50%	3.20%	91	\$797.81
15	\$100,000	0.70%	2.50%	1.50%	3.20%	91	\$797.81
16	\$100,000	0.70%	3.00%	1.50%	3.70%	92	\$932.60
17	\$100,000	0.70%	4.00%	1.50%	4.70%	91	\$1,171.78
18	\$100,000	0.70%	4.50%	1.50%	5.20%	91	\$1,296.44
19	\$100,000	0.70%	5.75%	1.50%	6.45%	91	\$1,608.08
20	\$100,000	0.70%	6.00%	1.50%	6.70%	92	\$1,688.77



"We would like to invest \$100,000 for a five-year term. We believe Interest Rates will rise during that time so we would like to invest at floating rates, but would like the protection of a Minimum Base Rate of 1.50% p.a. just in case we're wrong. The Bank has calculated a fixed Margin of BBSW plus 0.70% p.a."

All example calculations in the table below use this formula:

$$\text{Interest Payment} = \text{Deposit Amount} \times \text{Interest Rate} \times (\text{Days}/365)$$

Examples of Interest calculations:

In Quarter 12, the BBSW of 1.25% p.a. is below the Minimum Base Rate of 1.50% p.a., so the Minimum Base Rate is used to calculate the Interest Payment as per the table above:

$$\begin{aligned} \text{Deposit Amount} &= \$100,000 \\ \text{Interest Rate} &= 2.20\% \text{ p.a., being the Minimum Base Rate of 1.50\% p.a. plus the fixed Margin of 0.70\% p.a.} \\ \text{Days} &= 92 \\ \text{Interest Payment} &= \$100,000 \times 2.20\% \times (92/365) \\ &= \$2,200 \times 0.25205479 \\ &= \mathbf{\$554.52} \end{aligned}$$

In Quarter 20, the BBSW of 6.00% p.a. is above the Minimum Base Rate of 1.50% p.a., so BBSW is used to calculate the Interest Payment as per the table above:

$$\begin{aligned} \text{Deposit Amount} &= \$100,000 \\ \text{Interest Rate} &= 6.75\% \text{ p.a., being the BBSW of 6.00\% p.a. plus the fixed Margin of 0.70\% p.a.} \\ \text{Days} &= 92 \\ \text{Interest Payment} &= \$100,000 \times 6.70\% \times (92/365) \\ &= \$6,700 \times 0.25205479 \\ &= \mathbf{\$1,688.77} \end{aligned}$$

On the Maturity Date

In this example, as per the table above, on the Payment Date for Quarter 20, which is the Maturity Date, you will receive both your last Interest Payment of \$1,688.77 and your \$100,000 Deposit Amount back.

Worked example 2 Multiple Minimum Base Rates

Scenario assumptions:

Deposit Amount	\$100,000
Term	5 years
Margin	0.75% p.a.
Minimum Base Rates	Year 1: 1.00% p.a. Year 2: 1.25% p.a. Year 3: 1.50% p.a. Year 4: 1.75% p.a. Year 5: 2.00% p.a.
Interest Rate	The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini will be the sum of: a) the fixed Margin; <i>and</i> b) the higher of: (i) BBSW in respect of the Interest Period and (ii) Any applicable Minimum Base Rate
Interest Payments	Quarterly

With a Flexible Rate Deposit Mini, you can have multiple Minimum Base Rates during the Term of your investment, subject to one Minimum Base Rate per year, unless otherwise agreed by the Bank.

In all cases, the factors impacting the calculation of the fixed Margin as quoted by the Bank are generally market conditions and the Term of your investment and the level of the agreed Minimum Base Rates. For example, the lower the Minimum Base Rates the higher the fixed Margin as you have lower levels of protection against falls in BBSW, and vice versa.

Example payments table

In the table below, we have highlighted (in **bold**, in each quarter) the inputs used to calculate the Interest Rate in respect of each Interest Period, which is the sum of the fixed Margin and the higher of BBSW and the Minimum Base Rate. The table also highlights how rises and falls in BBSW over the investment term can impact your returns.

This worked example uses quarterly payments and has artificially adjusted the number of days in each quarter so each year contains 365 days. Note that payments may only be made on a quarterly basis as set out in the relevant Indicative Term Sheet for your investment.

Quarter	Deposit Amount	Fixed Margin	3 Month BBSW	Minimum Base Rate	Interest Rate	Days in Quarter	Interest Payment
1	\$100,000	0.75%	2.65%	1.00%	3.40%	91	\$847.67
2	\$100,000	0.75%	2.50%	1.00%	3.25%	91	\$810.27
3	\$100,000	0.75%	2.25%	1.00%	3.00%	91	\$747.95
4	\$100,000	0.75%	2.00%	1.00%	2.75%	92	\$693.15
5	\$100,000	0.75%	1.50%	1.25%	2.25%	91	\$560.96
6	\$100,000	0.75%	1.25%	1.25%	2.00%	91	\$498.63
7	\$100,000	0.75%	1.00%	1.25%	2.00%	91	\$498.63
8	\$100,000	0.75%	1.00%	1.25%	2.00%	92	\$504.11
9	\$100,000	0.75%	1.25%	1.50%	2.25%	91	\$560.96
10	\$100,000	0.75%	1.25%	1.50%	2.25%	91	\$560.96
11	\$100,000	0.75%	1.75%	1.50%	2.50%	91	\$623.29
12	\$100,000	0.75%	2.00%	1.50%	2.75%	92	\$693.15
13	\$100,000	0.75%	2.50%	1.75%	3.25%	91	\$810.27
14	\$100,000	0.75%	3.00%	1.75%	3.75%	91	\$934.93
15	\$100,000	0.75%	3.75%	1.75%	4.50%	91	\$1,121.92
16	\$100,000	0.75%	4.25%	1.75%	5.00%	92	\$1,260.27
17	\$100,000	0.75%	5.00%	2.00%	5.75%	91	\$1,433.56
18	\$100,000	0.75%	5.25%	2.00%	6.00%	91	\$1,495.89
19	\$100,000	0.75%	5.75%	2.00%	6.50%	91	\$1,620.55
20	\$100,000	0.75%	6.00%	2.00%	6.75%	92	\$1,701.37

All example calculations in the table above use this formula:

$$\text{Interest Payment} = \text{Deposit Amount} \times \text{Interest Rate} \times \frac{\text{Days}}{365}$$

Examples of Interest calculations:

In Quarter 7, the BBSW of 1.00% p.a. is below the Minimum Base Rate of 1.25% p.a., so the Minimum Base Rate is used to calculate the Interest Payment as per the table above.

Deposit Amount	= \$100,000
Interest Rate	= 2.00% p.a., being the Minimum Base Rate of 1.25% p.a. plus the fixed Margin of 0.75% p.a.
Days	= 91
Interest	= \$100,000 × 2.00% × (91/365)
Payment	= \$2,000 × 0.24931507 = \$498.63

In Quarter 10, the BBSW of 1.25% p.a. is below the Minimum Base Rate of 1.50% p.a., so the Minimum Base Rate is used to calculate the Interest Payment as per the table above:

Deposit Amount	= \$100,000
Interest Rate	= 2.25% p.a., being the Minimum Base Rate of 1.50% p.a. plus the fixed Margin of 0.75% p.a.
Days	= 91
Interest	= \$100,000 × 2.25% × (91/365)
Payment	= \$2,250 × 0.24931507 = \$590.96

In Quarter 20, BBSW of 6.00% is above the Minimum Base Rate of 2.00% p.a., so BBSW is used to calculate the Interest Payment as per the table above:

Deposit Amount	= \$100,000
Interest Rate	= 6.75% p.a., being the BBSW of 6.00% p.a. plus the fixed Margin of 0.75% p.a.
Days	= 92
Interest	= \$500,000 × 6.75% × (92/365)
Payment	= \$6,750 × 0.25205479 = \$1,701.37

On the Maturity Date

In this example, as per the table above, on the Payment Date for Quarter 20, which is the Maturity Date, you will receive both your last Interest Payment of \$1,701.37 and your \$100,000 Deposit Amount back.

Worked example 3

Choosing the years in which you have Minimum Base Rates

Scenario assumptions:

Deposit Amount	\$100,000
Term	5 years
Margin	Year 1: 0.70% p.a. Year 2: 0.70% p.a. Year 3: 0.80% p.a. Year 4: 0.80% p.a. Year 5: 0.80% p.a.
Minimum Base Rates	Year 1: 1.50% p.a. Year 2: 1.50% p.a. Year 3: Not applicable Year 4: Not applicable Year 5: Not applicable
Interest Rate	The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini will be the sum of: a) the fixed Margin; <i>and</i> b) the higher of: (i) BBSW in respect of the Interest Period; <i>and</i> (ii) Any applicable Minimum Base Rate
Interest Payments	Quarterly

With a Flexible Rate Deposit Mini, you can also choose the term in which you have Minimum Base Rates subject to any Minimum Base Rate commencing on the Start Date and being continuous for a minimum term of one year.

In all cases, the factors impacting the Bank's calculation of the fixed Margin are generally market conditions, the Term of your investment and the agreed Minimum Base Rate/s. For example, the lower the Minimum Base Rate the higher the fixed Margin, as you have less protection against falls in BBSW, and vice versa.

Example payments table

In the table below, we have highlighted (in **bold**, in each quarter) the inputs used to calculate the Interest Rate in respect of each Interest Period, which is the sum of the fixed Margin and the higher of BBSW and the Minimum Base Rate. The table also highlights how rises and falls in BBSW over the investment term can impact your returns.

This worked example uses quarterly payments and has artificially adjusted the number of days in each quarter so each year contains 365 days. Note that payments may only be made on a quarterly basis as set out in the relevant Indicative Term Sheet for your investment.

Quarter	Deposit Amount	Fixed Margin	3 Month BBSW	Minimum Base Rate	Interest Rate	Days in Quarter	Interest Payment
1	\$100,000	0.70%	2.60%	1.50%	3.30%	91	\$822.74
2	\$100,000	0.70%	2.25%	1.50%	2.95%	91	\$735.48
3	\$100,000	0.70%	2.00%	1.50%	2.70%	91	\$673.15
4	\$100,000	0.70%	1.75%	1.50%	2.45%	92	\$617.53
5	\$100,000	0.70%	1.25%	1.50%	2.20%	91	\$548.49
6	\$100,000	0.70%	1.25%	1.50%	2.20%	91	\$548.49
7	\$100,000	0.70%	1.00%	1.50%	2.20%	91	\$548.49
8	\$100,000	0.70%	1.25%	1.50%	2.20%	92	\$554.52
9	\$100,000	0.80%	1.25%	N/A	2.05%	91	\$511.10
10	\$100,000	0.80%	1.50%	N/A	2.30%	91	\$573.42
11	\$100,000	0.80%	1.75%	N/A	2.55%	91	\$635.75
12	\$100,000	0.80%	1.75%	N/A	2.55%	92	\$642.74
13	\$100,000	0.80%	2.00%	N/A	2.80%	91	\$698.08
14	\$100,000	0.80%	2.50%	N/A	3.30%	91	\$822.74
15	\$100,000	0.80%	2.50%	N/A	3.30%	91	\$822.74
16	\$100,000	0.80%	3.00%	N/A	3.80%	92	\$957.81
17	\$100,000	0.80%	4.00%	N/A	4.80%	91	\$1,196.71
18	\$100,000	0.80%	4.50%	N/A	5.30%	91	\$1,321.37
19	\$100,000	0.80%	5.75%	N/A	6.55%	91	\$1,633.01
20	\$100,000	0.80%	6.00%	N/A	6.80%	92	\$1,713.97

All example calculations in the table above use this formula:

$$\text{Interest Payment} = \text{Deposit Amount} \times \text{Interest Rate} \times \frac{\text{Days}}{365}$$

Examples of Interest calculations:

In Quarter 6, the BBSW of 1.25% p.a. is below the Minimum Base Rate of 1.50% p.a., so the Minimum Base Rate is used to calculate the Interest Payment as per the table above.

$$\begin{aligned} \text{Deposit Amount} &= \$100,000 \\ \text{Interest Rate} &= 2.20\% \text{ p.a., being the Minimum Base Rate} \\ &\quad \text{of 1.50\% p.a. plus the fixed Margin of} \\ &\quad \text{0.70\% p.a.} \\ \text{Days} &= 91 \\ \text{Interest} &= \$100,000 \times 2.20\% \times (91/365) \\ \text{Payment} &= \$2,200 \times 0.24931507 \\ &= \mathbf{\$548.49} \end{aligned}$$

In Quarter 9, you do not have a Minimum Base Rate so the BBSW of 1.25% p.a. is used to calculate the Interest Payment as per the table above:

$$\begin{aligned} \text{Deposit Amount} &= \$100,000 \\ \text{Interest Rate} &= 2.05\% \text{ p.a, being BBSW of 1.25\% p.a.} \\ &\quad \text{plus the fixed Margin of 0.80\% p.a.} \\ \text{Days} &= 91 \\ \text{Interest} &= \$100,000 \times 2.05\% \times (91/365) \\ \text{Payment} &= \$2,050 \times 0.24931507 \\ &= \mathbf{\$511.10} \end{aligned}$$

In Quarter 20, you do not have a Minimum Base Rate so the BBSW of 6.00% p.a. is used to calculate the Interest Payment as per the table above:

$$\begin{aligned} \text{Deposit Amount} &= \$100,000 \\ \text{Interest Rate} &= 6.80\% \text{ p.a, being BBSW of 6.00\% p.a.} \\ &\quad \text{plus the fixed Margin of 0.80\% p.a.} \\ \text{Days} &= 92 \\ \text{Interest} &= \$100,000 \times 6.80\% \times (92/365) \\ \text{Payment} &= \$6,800 \times 0.25205479 \\ &= \mathbf{\$1,713.97} \end{aligned}$$

On the Maturity Date

In this example, as per the table above, on the Payment Date for Quarter 20, which is the Maturity Date, you will receive both your last Interest Payment of \$1,713.97 and your \$100,000 Deposit Amount back.

7. What is a Flexible Rate Deposit Maxi?

Overview

A Flexible Rate Deposit Maxi offers you a fixed-term investment with a floating rate of interest that is reset quarterly based on the three-month BBSW, plus a predetermined fixed Margin and the potential to maximise the fixed Margin you receive in exchange for foregoing rises in BBSW above an agreed Maximum Base Rate.

You choose the Maximum Base Rate (subject to parameters we set), and in return we calculate the corresponding fixed Margin, which will be higher than that applicable to a Flexible Rate Deposit Mini because you do not have the cost of Minimum Base Rate protection and you are foregoing rises in BBSW above the Maximum Base Rate. You can have different Maximum Base Rates during the Term of your investment, subject to one Maximum Base Rate per year, unless otherwise agreed by the Bank (see example 5 on page 22). You can also choose the term in which you have Maximum Base Rates subject to any Maximum Base Rate commencing on the Start Date and being continuous for a minimum term of one year (see example 6 on page 24).

The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Maxi will be the sum of:

- a) the fixed Margin, *and*
- b) the lower of:
 - (i) BBSW in respect of the Interest Period; *and*
 - (ii) Any applicable Maximum Base Rate

Please refer to 'What is a Flexible Rate Deposit Maxi' on page 20 for a worked example.

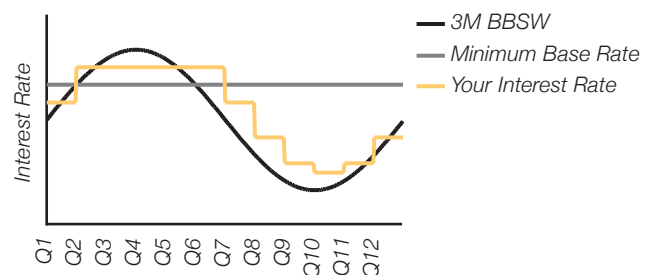
BBSW is a rate that is widely used in the Australian market as a reference rate for pricing wholesale deposits and loans. Note that BBSW is different from the Reserve Bank of Australia's official cash rate. More information on BBSW can be found on the Australian Financial Markets Association website at www.afma.com.au/data/BBSW.

The fixed Margin and Maximum Base Rate/s are set on the Deal Date and remain unchanged for the Term of the investment.

Your Interest Payments will vary with movements in BBSW, such that if BBSW falls your Interest Payments will also fall and if BBSW rises your Interest Payments will also rise – subject to the Maximum Base Rate.

The graph below highlights that the Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Maxi will be the sum of:

- a) the fixed Margin; *and*
- b) the lower of:
 - (i) BBSW in respect of the Interest Period; *and*
 - (ii) Any applicable Maximum Base Rate



How are the fixed Margin and Maximum Base Rate calculated?

On the Deal Date, you select the Maximum Base Rate that will apply to your Flexible Rate Deposit Maxi. The Maximum Base Rate must be higher than the current BBSW. In return, the Bank will calculate the corresponding fixed Margin. You can have multiple Maximum Base Rates during the Term of your investment, subject to one Maximum Base Rate per year, unless otherwise agreed by the Bank (see example 5 on page 24). You can also choose the term in which you have Maximum Base Rates subject to any Maximum Base Rate commencing on the Start Date and being continuous for a minimum term of one year (see example 6 on page 24).

The factors impacting the calculation of the fixed Margin as quoted by the Bank are generally market conditions, the Term of your investment and the level of the Maximum Base Rate. For example, the lower the Maximum Base Rate the higher the fixed Margin as you have less upside to take advantage of rises in BBSW, and vice versa.

Interest calculations

During the Term of your investment, you are paid a floating rate of interest on each Payment Date.

Your Interest Payments will be calculated using the sum of the fixed Margin and the lower of:

- a) BBSW in respect of the Interest Period; *and*
- b) Any applicable Maximum Base Rate.

These amounts will be paid in arrears for each period from (and including) the previous Payment Date (or the Start Date, in the case of the first period) to (but excluding) the next Payment Date.

For the first Payment Date, this period is the number of days elapsed from (and including) the Start Date to (but excluding) the next Payment Date. During the Term of your investment, your Interest Payments will vary at each Payment Date, depending on the number of days in the calculation period, because the Interest Rate for each Interest Period is set on the first Business Day of the calculation period based on BBSW. If any Payment Date is not a Business Day then payment is postponed until the next Business Day. If a Payment Date is postponed until the next Business Day, no additional Interest is payable in respect of that delay in payment, and there is no adjustment to that Interest Period or any subsequent Interest Period.

Your Interest Payment can be calculated using the following formula:

$$\text{Interest} = \text{Deposit Amount} \times \text{Interest Rate} \times (\text{Days}/365)$$

Where:

Interest = your Interest Payment

Deposit Amount = the amount of money you have invested in Flexible Rate Deposit Maxi

Interest Rate = the sum of the fixed Margin and the lower of:

- a) BBSW in respect of the Interest Period; and
- b) Any applicable Maximum Base Rate

Days = the number of days in the Interest Period, being the number of days beginning on and including the Start Date up to but excluding the first Payment Date and thereafter, the number of days beginning on and including the last Payment Date up to but excluding the next Payment Date (or in the case of the last Interest Period, the Maturity Date). No adjustment is made to the number of days if a Payment Date falls on a day that is not a Business Day.

When are Interest Payments made?

You will receive an Interest Payment on each quarterly Payment Date during the Term of your Flexible Rate Deposit. Interest Payments are paid in arrears for each period and cannot be reinvested into your Deposit Amount as compounding Interest.

Worked example 4

Scenario assumptions:

Deposit Amount	\$100,000
Term	5 years
Margin	0.90% p.a.
Maximum Base Rate	4.50% p.a.
Interest Rate	The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Maxi will be the sum of: <ul style="list-style-type: none"> a) the fixed Margin; <i>and</i> b) the lower of: <ul style="list-style-type: none"> (i) BBSW in respect of the Interest Period (ii) Any applicable Maximum Base Rate
Interest payments	Quarterly

Example payments table

In the table below, we have highlighted (in **bold**, in each quarter) the inputs used to calculate the Interest Rate in respect of each Interest Period, which is the sum of the fixed Margin and the lower of BBSW and the Maximum Base Rate. The table also highlights how rises and falls in BBSW over the investment term can impact your returns.

This worked example uses quarterly payments and has artificially adjusted the number of days in each quarter so each year contains 365 days. Note that payments may only be made on a quarterly basis as set out in the relevant Indicative Term Sheet for your investment.

The examples below are indicative only and the Interest Rates included are not intended as a prediction or otherwise of future Interest Rate movements or levels.

All example calculations in the table below use this formula:

$$\text{Interest Payment} = \text{Deposit Amount} \times \text{Interest Rate} \times (\text{Days}/365)$$

Quarter	Deposit Amount	Fixed Margin	3 Month BBSW	Maximum Base Rate	Interest Rate	Days in Quarter	Interest Payment
1	\$100,000	0.90%	2.65%	4.50%	3.55%	91	\$885.07
2	\$100,000	0.90%	2.60%	4.50%	3.50%	91	\$872.60
3	\$100,000	0.90%	2.50%	4.50%	3.40%	91	\$847.67
4	\$100,000	0.90%	2.50%	4.50%	3.40%	92	\$856.99
5	\$100,000	0.90%	2.25%	4.50%	3.15%	91	\$785.34
6	\$100,000	0.90%	2.00%	4.50%	2.90%	91	\$723.01
7	\$100,000	0.90%	1.75%	4.50%	2.65%	91	\$660.68
8	\$100,000	0.90%	2.00%	4.50%	2.90%	92	\$730.96
9	\$100,000	0.90%	2.50%	4.50%	3.40%	91	\$847.67
10	\$100,000	0.90%	3.00%	4.50%	3.90%	91	\$972.33
11	\$100,000	0.90%	3.25%	4.50%	4.15%	91	\$1,034.66
12	\$100,000	0.90%	3.75%	4.50%	4.65%	92	\$1,172.05
13	\$100,000	0.90%	3.75%	4.50%	4.65%	91	\$1,159.32
14	\$100,000	0.90%	4.50%	4.50%	5.40%	91	\$1,346.30
15	\$100,000	0.90%	5.00%	4.50%	5.40%	91	\$1,346.30
16	\$100,000	0.90%	5.00%	4.50%	5.40%	92	\$1,361.10
17	\$100,000	0.90%	5.00%	4.50%	5.40%	91	\$1,346.30
18	\$100,000	0.90%	6.00%	4.50%	5.40%	91	\$1,346.30
19	\$100,000	0.90%	6.00%	4.50%	5.40%	91	\$1,346.30
20	\$100,000	0.90%	6.50%	4.50%	5.40%	92	\$1,361.10



“We would like to invest \$100,000 for a five-year term. We believe Interest Rates will trend only slightly higher during that time so we’d like to invest as floating rates. We would like to maximise the fixed Margin we receive in exchange for foregoing rises in BBSW above a Maximum Base Rate of 4.50% p.a. The Bank has calculated a higher fixed Margin of BBSW plus 0.90% p.a.”

Examples of Interest calculations:

In Quarter 6, the BBSW of 2.00% p.a. is below the Maximum Base Rate of 4.50% p.a., so BBSW is used to calculate the Interest Payment as per the table above:

Deposit Amount = \$100,000
Interest Rate = 2.90% p.a., being BBSW of 2.00% p.a. plus the fixed Margin of 0.90% p.a.
Days = 91
Interest Payment = $\$100,000 \times 2.90\% \times (91/365)$
 = $\$2,900 \times 0.24931507$
 = **\$723.01**

In Quarter 20, the BBSW of 6.50% p.a. is above the Maximum Base Rate of 4.50% p.a., so the Maximum Base Rate is used to calculate the Interest Payment as per the table above:

Deposit Amount = \$100,000
Interest Rate = 5.40% p.a., being the Maximum Base Rate of 4.50% p.a. plus the fixed Margin of 0.90% p.a.
Days = 92
Interest Payment = $\$100,000 \times 5.40\% \times (92/365)$
 = $\$5,400 \times 0.25205479$
 = **\$1,361.10**

On the Maturity Date

In this example, as per the table above, on the Payment Date for Quarter 20, which is the Maturity Date, you will receive both your last Interest Payment of \$1,361.10 and your \$100,000 Deposit Amount back.

Worked example 5 Multiple Maximum Base Rates

Scenario assumptions:

Deposit Amount	\$100,000
Term	5 years
Margin	0.95% p.a.
Maximum Base Rates	Year 1: 3.75% p.a. Year 2: 4.00% p.a. Year 3: 4.25% p.a. Year 4: 4.50% p.a. Year 5: 4.75% p.a.
Interest Rate	The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Maxi will be the sum of: <ul style="list-style-type: none"> a) the fixed Margin and b) the lower of: <ul style="list-style-type: none"> (i) BBSW in respect of the Interest Period, <i>and</i> (ii) Any applicable Maximum Base Rate
Interest payments	Quarterly

With a Flexible Rate Deposit Maxi, you can have multiple Maximum Base Rates during the Term of your investment, subject to one Maximum Base Rate per year, unless otherwise agreed by the Bank.

In all cases, the factors impacting the calculation of the fixed Margin as quoted by the Bank are generally market conditions and the level of the Maximum Base Rate/s. For example, the lower the Maximum Base Rate the higher the fixed Margin, as you have less upside to take advantage of favourable movements in the BBSW, and vice versa.

Example payments table

In the table below, we have highlighted (in **bold**, in each quarter) the inputs used to calculate the Interest Rate in respect of each Interest Period, which is the sum of the fixed Margin and the lower of BBSW and the Maximum Base Rate. The table also highlights how rises and falls in BBSW over the investment term can impact your returns.

This worked example uses quarterly payments and has artificially adjusted the number of days in each quarter so each year contains 365 days. Note that payments may only be made on a quarterly basis as set out in the relevant Indicative Term Sheet for your investment.

Quarter	Deposit Amount	Fixed Margin	BBSW	Maximum Base Rate	Interest Rate	Days in Quarter	Interest Payment
1	\$100,000	0.95%	2.65%	3.75%	3.60%	91	\$897.53
2	\$100,000	0.95%	2.60%	3.75%	3.55%	91	\$885.07
3	\$100,000	0.95%	2.50%	3.75%	3.45%	91	\$860.14
4	\$100,000	0.95%	2.50%	3.75%	3.45%	92	\$869.59
5	\$100,000	0.95%	2.25%	4.00%	3.20%	91	\$797.81
6	\$100,000	0.95%	2.00%	4.00%	2.95%	91	\$735.48
7	\$100,000	0.95%	1.75%	4.00%	2.70%	91	\$673.15
8	\$100,000	0.95%	2.00%	4.00%	2.95%	92	\$743.56
9	\$100,000	0.95%	2.50%	4.25%	3.45%	91	\$860.14
10	\$100,000	0.95%	3.00%	4.25%	3.95%	91	\$984.79
11	\$100,000	0.95%	3.25%	4.25%	4.20%	91	\$1,047.12
12	\$100,000	0.95%	3.75%	4.25%	4.70%	92	\$1,184.66
13	\$100,000	0.95%	3.75%	4.50%	4.70%	91	\$1,171.78
14	\$100,000	0.95%	4.50%	4.50%	5.45%	91	\$1,358.77
15	\$100,000	0.95%	5.00%	4.50%	5.45%	91	\$1,358.77
16	\$100,000	0.95%	5.00%	4.50%	5.45%	92	\$1,373.70
17	\$100,000	0.95%	5.00%	4.75%	5.70%	91	\$1,421.10
18	\$100,000	0.95%	6.00%	4.75%	5.70%	91	\$1,421.10
19	\$100,000	0.95%	6.00%	4.75%	5.70%	91	\$1,421.10
20	\$100,000	0.95%	6.50%	4.75%	5.70%	92	\$1,436.71

All example calculations in the table above use this formula:

$$\text{Interest Payment} = \text{Deposit Amount} \times \text{Interest Rate} \times \frac{\text{Days}}{365}$$

Examples of Interest calculations:

In Quarter 6, the BBSW of 2.00% p.a. is below the Maximum Base Rate of 4.00% p.a., so BBSW is used to calculate the Interest Payment as per the table above:

$$\begin{aligned} \text{Deposit Amount} &= \$100,000 \\ \text{Interest Rate} &= 2.95\% \text{ p.a., being the BBSW of } 2.00\% \text{ p.a.} \\ &\quad \text{plus the fixed Margin of } 0.95\% \text{ p.a.} \\ \text{Days} &= 91 \\ \text{Interest} &= \$100,000 \times 2.95\% \times (91/365) \\ \text{Payment} &= \$2,950 \times 0.24931507 \\ &= \mathbf{\$735.48} \end{aligned}$$

In Quarter 15, the BBSW of 5.00% p.a. is above the Maximum Base Rate of 4.50% p.a., so the Maximum Base Rate of 4.50% p.a. is used to calculate the Interest Payment as per the table above:

$$\begin{aligned} \text{Deposit Amount} &= \$100,000 \\ \text{Interest Rate} &= 5.45\% \text{ p.a., being the Maximum Base} \\ &\quad \text{Rate of } 4.50\% \text{ p.a. plus the fixed Margin} \\ &\quad \text{of } 0.95\% \text{ p.a.} \\ \text{Days} &= 91 \\ \text{Interest} &= \$100,000 \times 5.45\% \times (91/365) \\ \text{Payment} &= \$5,450 \times 0.24931507 \\ &= \mathbf{\$1,358.77} \end{aligned}$$

In Quarter 20, the BBSW of 6.50% p.a. is above the Maximum Base Rate of 4.75% p.a., so the Maximum Base Rate of 4.75% p.a. is used to calculate the Interest Payment as per the table above:

$$\begin{aligned} \text{Deposit Amount} &= \$100,000 \\ \text{Interest Rate} &= 5.70\% \text{ p.a., being the Maximum Base} \\ &\quad \text{Rate of } 4.75\% \text{ p.a. plus the fixed Margin} \\ &\quad \text{of } 0.95\% \text{ p.a.} \\ \text{Days} &= 92 \\ \text{Interest} &= \$100,000 \times 5.70\% \times (92/365) \\ \text{Payment} &= \$5,700 \times 0.25205479 \\ &= \mathbf{\$1,436.71} \end{aligned}$$

On the Maturity Date

In this example, as per the table above, on the Payment Date for Quarter 20, which is the Maturity Date, you will receive both your last Interest Payment of \$1,436.71 and your \$100,000 Deposit Amount back.

Worked example 6

Choosing the years in which you have Maximum Base Rates

Scenario assumptions:

Deposit Amount	\$100,000
Term	5 years
Margin	Year 1: 0.85% p.a. Year 2: 0.85% p.a. Year 3: 0.85% p.a. Year 4: 0.80% p.a. Year 5: 0.80% p.a.
Maximum Base Rates	Year 1: 3.50% p.a. Year 2: 3.50% p.a. Year 3: 3.50% p.a. Year 4: Not applicable Year 5: Not applicable
Interest Rate	The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Maxi will be the sum of: a) the fixed Margin; <i>and</i> b) the lower of: (i) BBSW in respect of the Interest Period (ii) Any applicable Maximum Base Rate
Interest payments	Quarterly

With a Flexible Rate Deposit Maxi, you can also choose the term in which you have Maximum Base Rates subject to any Maximum Base Rate commencing on the Start Date and being continuous for a minimum term of one year (see example 5 on page 22).

In all cases, the factors impacting the Bank's calculation of the fixed Margin are generally market conditions and the Maximum Base Rate/s. For example, the lower the Maximum Base Rate the higher the fixed Margin, as you have less upside to take advantage of favourable movements in the BBSW, and vice versa.

Example payments table

In the table below, we have highlighted (in **bold**, in each quarter) the inputs used to calculate the Interest Rate in respect of each Interest Period, which is the sum of the fixed Margin and the lower of BBSW and the Maximum Base Rate. The table also highlights how rises and falls in BBSW over the investment term can impact your returns.

This worked example uses quarterly payments and has artificially adjusted the number of days in each quarter so each year contains 365 days. Note that payments may only be made on a quarterly basis as set out in the relevant Indicative Term Sheet for your investment.

Quarter	Deposit Amount	Fixed Margin	3 Month BBSW	Maximum Base Rate	Interest Rate	Days in Quarter	Interest Payment
1	\$100,000	0.85%	2.60%	3.50%	3.45%	91	\$860.14
2	\$100,000	0.85%	2.25%	3.50%	3.10%	91	\$772.88
3	\$100,000	0.85%	2.00%	3.50%	2.85%	91	\$710.55
4	\$100,000	0.85%	1.75%	3.50%	2.60%	92	\$655.34
5	\$100,000	0.85%	1.25%	3.50%	2.10%	91	\$523.56
6	\$100,000	0.85%	1.75%	3.50%	2.60%	91	\$648.22
7	\$100,000	0.85%	2.25%	3.50%	3.10%	91	\$772.88
8	\$100,000	0.85%	3.00%	3.50%	3.85%	92	\$970.41
9	\$100,000	0.85%	3.50%	3.50%	4.35%	91	\$1,084.52
10	\$100,000	0.85%	4.50%	3.50%	4.35%	91	\$1,084.52
11	\$100,000	0.85%	5.50%	3.50%	4.35%	91	\$1,084.52
12	\$100,000	0.85%	6.00%	3.50%	4.35%	92	\$1,096.44
13	\$100,000	0.80%	6.00%	N/A	6.80%	91	\$1,695.34
14	\$100,000	0.80%	5.75%	N/A	6.55%	91	\$1,633.01
15	\$100,000	0.80%	5.50%	N/A	6.30%	91	\$1,570.68
16	\$100,000	0.80%	5.00%	N/A	5.80%	92	\$1,461.92
17	\$100,000	0.80%	5.00%	N/A	5.80%	91	\$1,446.03
18	\$100,000	0.80%	5.50%	N/A	6.30%	91	\$1,570.68
19	\$100,000	0.80%	5.75%	N/A	6.55%	91	\$1,633.01
20	\$100,000	0.80%	6.00%	N/A	6.80%	92	\$1,713.97

All example calculations in the table above use this formula:

$$\text{Interest} = \text{Deposit Amount} \times \text{Rate} \times (\text{Days}/365)$$

Examples of Interest calculations:

In Quarter 6, the BBSW of 1.75% p.a. is below the Maximum Base Rate of 3.50% p.a., so BBSW is used to calculate the Interest Payment as per the table above:

Deposit Amount	= \$100,000
Interest Rate	= 2.60% p.a., being the BBSW of 1.75% p.a. plus the fixed Margin of 0.85% p.a.
Days	= 91
Interest	= \$100,000 × 2.60% × (91/365)
Payment	= \$2,600 × 0.24931507 = \$648.22

In Quarter 11, the BBSW of 5.50% p.a. is above the Maximum Base Rate of 3.50% p.a., so the Maximum Base Rate of 3.50% p.a. is used to calculate the Interest Payment as per the table above:

Deposit Amount	= \$100,000
Interest Rate	= 4.35% p.a., being the Maximum Base Rate of 3.50% p.a. plus the fixed Margin of 0.85% p.a.
Days	= 91
Interest	= \$100,000 × 4.35% × (91/365)
Payment	= \$4,350 × 0.24931507 = \$1,084.52

In Quarter 20, you do not have a Maximum Base Rate so the BBSW of 6.00% p.a. is used to calculate the Interest Payment as per the table above:

Deposit Amount	= \$100,000
Interest Rate	= 6.8% p.a. being BBSW of 6.00% p.a. plus the fixed Margin of 0.80% p.a.
Days	= 92
Interest	= \$100,000 × 6.80% × (92/365)
Payment	= \$6,800 × 0.25205479 = \$1,713.97

On the Maturity Date

In this example, as per the table above, on the Payment Date for Quarter 20, which is the Maturity Date, you will receive both your last Interest Payment of \$1,713.97 and your \$100,000 Deposit Amount back.

8. What is a Flexible Rate Deposit Mini Maxi?

Overview

A Flexible Rate Deposit Mini Maxi offers investors a fixed-term investment with a floating rate of interest that is reset quarterly based on the three-month BBSW, plus a predetermined fixed Margin and the combination of the protection against falls in BBSW below an agreed Minimum Base Rate (Flexible Rate Deposit Mini) and the potential to maximise the fixed Margin you receive in exchange for foregoing rises in BBSW above an agreed Maximum Base Rate (Flexible Rate Deposit Maxi).

You choose the Minimum Base Rate and Maximum Base Rate (subject to parameters we set), and in return we calculate the corresponding fixed Margin, which takes into account the cost of protecting you against falls in BBSW below your chosen Minimum Base Rate and that you are foregoing rises in BBSW above the Maximum Base Rate. You can have different Minimum and Maximum Base Rates during the Term of your investment, subject to one Minimum and Maximum Base Rate per year, unless otherwise agreed by the Bank (see example 8 on page 30). You can also choose the term in which you have Minimum and Maximum Base Rates subject to any Minimum and Maximum Base Rate commencing on the Start Date and being continuous for a minimum term of one year (see example 9 on page 32).

The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini Maxi will be the sum of:

- a) the fixed Margin; *and*
- b) either:
 - (i) Any applicable Minimum Base Rate if it is equal to or higher than BBSW; or
 - (ii) Any applicable Maximum Base Rate if it is equal to or lower than BBSW; or
 - (iii) BBSW if it is higher than any applicable Minimum Base Rate and lower than any applicable Maximum Base Rate.

BBSW is a rate that is widely used in the Australian market as a reference rate for pricing wholesale deposits and loans. Note that BBSW is different from the Reserve Bank of Australia's official cash rate. More information on BBSW can be found on the Australian Financial Markets Association website at www.afma.com.au/data/BBSW.

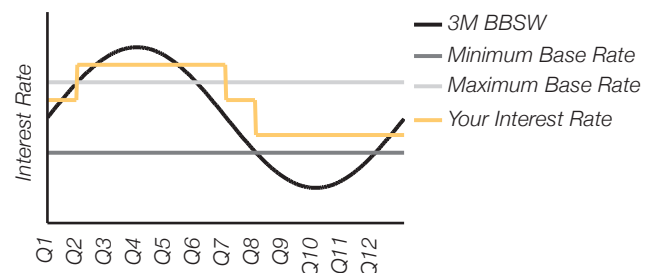
The fixed Margin, Minimum Base Rate and Maximum Base Rate are set on the Deal Date and remain unchanged for the Term of the investment.

Your Interest Payments will vary with movements in BBSW, such that:

- ▶ If BBSW falls your Interest Payments will also fall – subject to the Minimum Base Rate.
- ▶ If BBSW rises your Interest Payments will also rise – subject to the Maximum Base Rate.

The graph below highlights that the Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini Maxi will be the sum of:

- a) the fixed Margin; *and*
- b) either:
 - (i) Any applicable Minimum Base Rate if it is equal to or higher than BBSW; or
 - (ii) Any applicable Maximum Base Rate if it is equal to or lower than BBSW; or
 - (iii) BBSW if it is higher than any applicable Minimum Base Rate and lower than any applicable Maximum Base Rate.



How are the fixed Margin, Minimum Base Rate and Maximum Base Rate calculated?

On the Deal Date, you select the Minimum Base Rate and Maximum Base Rate that will apply to your Flexible Rate Deposit Mini Maxi. The Minimum Base Rate must be lower than the current BBSW, and the Maximum Base Rate must be higher than the current BBSW. In return, the Bank will calculate the corresponding fixed Margin. You can have multiple minimum and maximum base rates during the Term of your investment in each Flexible Rate Deposit Mini Maxi transaction, subject to one Minimum Base Rate and one Maximum Base Rate per year, unless otherwise agreed by the Bank. You can also choose the term in which you have Minimum and Maximum Base Rates subject to any Minimum and Maximum Base Rate commencing on the Start Date and being continuous for a minimum term of one year (see example 9 on page 32).

The factors impacting the Bank's calculation of the fixed Margin are generally market conditions, the Term of your investment, and the agreed Minimum Base Rate and Maximum Base Rate.

For example:

- ▶ The lower the Minimum Base Rate the higher the fixed Margin, as you have a lower level of protection against falls in BBSW, and vice versa; and
- ▶ The lower the Maximum Base Rate the higher the fixed Margin, as you have less upside to take advantage of favourable movements in the BBSW, and vice versa.

Interest calculations

During the Term of your investment you are paid a floating rate of Interest on each Payment Date. Your Interest Payments will be calculated using the sum of:

- a) the fixed Margin; *and*
- b) either:
 - (i) Any applicable Minimum Base Rate if it is equal to or higher than BBSW; or
 - (ii) Any applicable Maximum Base Rate if it is equal to or lower than BBSW; or
 - (iii) BBSW if it is higher than any applicable Minimum Base Rate and lower than any Maximum Base Rate.

These amounts will be paid in arrears for each period from (and including) the previous Payment Date (or the Start Date, in the case of the first period) to (but excluding) the next Payment Date. For the first Payment Date, this period is the number of days elapsed from (and including) the Start Date to (but excluding) the next Payment Date.

During the Term of your investment, your Interest Payments will vary at each Payment Date, depending on the number of days in the calculation period, because the Interest Rate for each Interest Period is set on the first Business Day of the calculation period based on BBSW. If any Payment Date is not a Business Day then payment is postponed until the next Business Day. If a Payment Date is postponed until the next Business Day, no additional Interest is payable in respect of that delay in payment, and there is no adjustment to that Interest Period or any subsequent Interest Period.

Your Interest Payment can be calculated using the following formula:

$$\text{Interest} = \text{Deposit Amount} \times \text{Interest Rate} \times (\text{Days}/365)$$

Where:

Interest = your Interest Payment

Deposit Amount = the amount of money you have invested in a Flexible Rate Deposit Mini Maxi

Interest Rate = the relevant BBSW, Minimum Base Rate or Maximum Base Rate on a Payment Date, plus the fixed Margin as described above

Days = the number of days in the Interest Period, being the number of days beginning on and including the Start Date up to but excluding the first Payment Date and thereafter, the number of days beginning on and including the last Payment Date up to but excluding the next Payment Date (or in the case of the last Interest Period, the Maturity Date). No adjustment is made to the number of days if a Payment Date falls on a day that is not a Business Day.

When are Interest Payments made?

You will receive an Interest Payment on each quarterly Payment Date during the Term of your Flexible Rate Deposit. Interest Payments are paid in arrears for each period and cannot be reinvested into your Deposit Amount as compounding Interest.

Worked example 7

Scenario assumptions:

Deposit Amount	\$100,000
Term	5 years
Margin	0.80% p.a.
Minimum Base Rate	1.50% p.a.
Maximum Base Rate	4.50 % p.a.
Interest Rate	The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini Maxi will be the sum of: a) the fixed Margin; <i>and</i> b) either: (i) Any applicable Minimum Base Rate if it is equal to or higher than BBSW; or (ii) Any applicable Maximum Base Rate if it is equal to or lower than BBSW; or (iii) BBSW if it is higher than any applicable Minimum Base Rate and lower than any applicable Maximum Base Rate.

Interest payments Quarterly

Quarter	Deposit Amount	Fixed Margin	3 Month BBSW	Minimum Base Rate	Maximum Base Rate	Interest Rate	Days in Quarter	Interest Payment
1	\$100,000	0.80%	2.65%	1.50%	4.50%	3.45%	91	\$860.14
2	\$100,000	0.80%	2.60%	1.50%	4.50%	3.40%	91	\$847.67
3	\$100,000	0.80%	2.50%	1.50%	4.50%	3.30%	91	\$822.74
4	\$100,000	0.80%	2.50%	1.50%	4.50%	3.30%	92	\$831.78
5	\$100,000	0.80%	2.25%	1.50%	4.50%	3.05%	91	\$760.41
6	\$100,000	0.80%	2.00%	1.50%	4.50%	2.80%	91	\$698.08
7	\$100,000	0.80%	1.25%	1.50%	4.50%	2.30%	91	\$573.42
8	\$100,000	0.80%	1.25%	1.50%	4.50%	2.30%	92	\$579.73
9	\$100,000	0.80%	1.25%	1.50%	4.50%	2.30%	91	\$573.42
10	\$100,000	0.80%	2.25%	1.50%	4.50%	3.05%	91	\$760.41
11	\$100,000	0.80%	2.75%	1.50%	4.50%	3.55%	91	\$885.07
12	\$100,000	0.80%	3.25%	1.50%	4.50%	4.05%	92	\$1,020.82
13	\$100,000	0.80%	3.75%	1.50%	4.50%	4.55%	91	\$1,134.38
14	\$100,000	0.80%	4.25%	1.50%	4.50%	5.05%	91	\$1,259.04
15	\$100,000	0.80%	5.00%	1.50%	4.50%	5.30%	91	\$1,321.37
16	\$100,000	0.80%	5.25%	1.50%	4.50%	5.30%	92	\$1,335.89
17	\$100,000	0.80%	5.50%	1.50%	4.50%	5.30%	91	\$1,321.37
18	\$100,000	0.80%	6.00%	1.50%	4.50%	5.30%	91	\$1,321.37
19	\$100,000	0.80%	6.00%	1.50%	4.50%	5.30%	91	\$1,321.37
20	\$100,000	0.80%	6.50%	1.50%	4.50%	5.30%	92	\$1,335.89

Example payments table

In the table below, we have highlighted (in **bold**, in each quarter) the inputs used to calculate the Interest Rate in respect of each Interest Period, which is the sum of:

- a) the fixed Margin; *and*
- b) either:
 - (i) Any applicable Minimum Base Rate if it is equal to or higher than BBSW; or
 - (ii) Any applicable Maximum Base Rate if it is equal to or lower than BBSW; or
 - (iii) BBSW if it is higher than any applicable Minimum Base Rate and lower than any applicable Maximum Base Rate.

The table also highlights how rises and falls in BBSW over the investment term can impact your returns.

This worked example uses quarterly payments and has artificially adjusted the number of days in each quarter so each year contains 365 days. Note that payments may only be made on a quarterly basis as set out in the relevant Indicative Term Sheet for your investment.

The examples below are indicative only, and the Interest Rates included are not intended as a prediction or otherwise of future Interest Rate movements or levels.



"I would like to invest \$100,000 for a five-year term. I believe Interest Rates will rise slightly or remain stable during that time so would like to invest at floating rates. I would however like the protection of an agreed Minimum Base Rate of 1.50% just in case I'm wrong. I am also prepared to agree to forgo rises in BBSW above a Maximum Base Rate of 4.50% p.a. to offset some or all of the cost of Minimum Base Rate protection. The Bank has calculated a fixed Margin of BBSW plus 0.80 % p.a."

All example calculations in the table above use this formula:

$$\text{Interest Payment} = \text{Deposit Amount} \times \text{Interest Rate} \times \frac{\text{Days}}{365}$$

Examples of Interest calculations:

In Quarter 7, the BBSW of 1.25% p.a. is below the Minimum Base Rate of 1.50% p.a., so the Minimum Base Rate is used to calculate the Interest Payment as per the table above:

Deposit Amount	= \$100,000
Interest Rate	= 2.30% p.a., being the Minimum Base Rate of 1.50% p.a. plus the fixed Margin of 0.80% p.a.
Days	= 91
Interest Payment	= \$100,000 × 2.30% × (91/365) = \$2,300 × 0.24931507 = \$573.42

In Quarter 10, the BBSW of 2.25% p.a. is above the Minimum Base Rate of 1.50% p.a. and below the Maximum Base Rate of 4.50% p.a., so BBSW is used to calculate the Interest Payment as per the table above:

Deposit Amount	= \$100,000
Interest Rate	= 3.05% p.a., being BBSW of 2.25% p.a. plus the fixed Margin of 0.80% p.a.
Days	= 91
Interest Payment	= \$100,000 × 3.05% × (91/365) = \$3,050 × 0.24931507 = \$760.41

In Quarter 20, the BBSW of 6.50% p.a. is above the Maximum Base Rate of 4.50% p.a., so the Maximum Base Rate is used to calculate the Interest Payment as per the table above:

Deposit Amount	= \$100,000
Interest Rate	= 5.30% p.a., being the Maximum Base Rate of 4.50% p.a. plus the fixed Margin of 0.80% p.a.
Days	= 92
Interest Payment	= \$100,000 × 4.50% × (92/365) = \$4,500 × 0.25205479 = \$1,335.89

On the Maturity Date

In this example, as per the table above, on the Payment Date for Quarter 20, which is the Maturity Date, you will receive both your last Interest Payment of \$1,335.89 and your \$100,000 Deposit Amount back.

Worked example 8

Multiple minimum and maximum base rates

Scenario assumptions:

Deposit Amount	\$100,000
Term	5 years
Margin	0.90% p.a.
Minimum Base Rates	Year 1: 1.00% p.a. Year 2: 1.25% p.a. Year 3: 1.50% p.a. Year 4: 1.75% p.a. Year 5: 2.00% p.a.
Maximum Base Rates	Year 1: 3.75% p.a. Year 2: 4.00% p.a. Year 3: 4.25% p.a. Year 4: 4.50% p.a. Year 5: 4.75% p.a.

Interest Rate The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini Maxi will be the sum of:

- a) the fixed Margin; *and*
- b) either:
 - (i) Any applicable Minimum Base Rate if it is equal to or higher than BBSW; or
 - (ii) Any applicable Maximum Base Rate if it is equal to or lower than BBSW; or
 - (iii) BBSW if it is higher than any applicable Minimum Base Rate and lower than any applicable Maximum Base Rate.

Interest payments Quarterly

Note that under Flexible Rate Deposit Mini Maxi, you can have multiple minimum and maximum base rates during the Term of your investment, subject to one Minimum Base Rate and one Maximum Base Rate per year, unless otherwise agreed by the Bank.

In all cases, the factors impacting the Bank's calculation of the fixed Margin are generally market conditions and the levels of the minimum and maximum base rate/s. For example, the lower the Maximum Base Rate the higher the fixed Margin, as you have less upside to take advantage of favourable movements in BBSW, and vice versa.

Example payments table

In the table below we have highlighted (in **bold**, in each quarter) the inputs used to calculate the Interest Rate in respect of each Interest Period, which is the sum of:

- a) the fixed Margin; *and*
- b) either:
 - (i) Any applicable Minimum Base Rate if it is equal to or higher than BBSW; or
 - (ii) Any applicable Maximum Base Rate if it is equal to or lower than BBSW; or
 - (iii) BBSW if it is higher than any applicable Minimum Base Rate and lower than any applicable Maximum Base Rate.

The table also highlights how rises and falls in BBSW over the investment term can impact your returns.

This worked example uses quarterly payments and has artificially adjusted the number of days in each quarter so each year contains 365 days. Note that payments may only be made on a quarterly basis as set out in the relevant Indicative Term Sheet for your investment.

All example calculations in the table above use this formula:

$$\text{Interest Payment} = \text{Deposit Amount} \times \text{Interest Rate} \times (\text{Days}/365)$$

Examples of Interest calculations:

In Quarter 8, the BBSW of 1.00% p.a. is below the Minimum Base Rate of 1.25% p.a., so the Minimum Base Rate is used to calculate the Interest Payment as per the table above:

Deposit Amount = \$100,000

Interest Rate = 2.15% p.a., being the Minimum Base Rate of 1.25% p.a. plus the fixed Margin of 0.90% p.a.

Days = 92

Interest Payment = \$100,000 × 2.15% × (92/365)
= \$2,150 × 0.25205479
= **\$541.92**

In Quarter 14, the BBSW of 4.25% p.a. is above the Minimum Base Rate of 1.75% p.a. and below the Maximum Base Rate of 4.50% p.a., so BBSW is used to calculate the Interest Payment as per the table above:

Deposit Amount = \$100,000

Interest Rate = 5.15% p.a., being the BBSW of 4.25% p.a. plus the fixed Margin of 0.90% p.a.

Days = 91

Interest Payment = \$100,000 × 5.15% × (91/365)
= \$5,150 × 0.24931507
= **\$1,283.97**

Quarter	Deposit Amount	Fixed Margin	3 Month BBSW	Minimum Base Rate	Maximum Base Rate	Interest Rate	Days in Quarter	Interest Payment
1	\$100,000	0.90%	2.65%	1.00%	3.75%	3.55%	91	\$885.07
2	\$100,000	0.90%	2.60%	1.00%	3.75%	3.50%	91	\$872.60
3	\$100,000	0.90%	2.50%	1.00%	3.75%	3.40%	91	\$847.67
4	\$100,000	0.90%	2.50%	1.00%	3.75%	3.40%	92	\$856.99
5	\$100,000	0.90%	2.25%	1.25%	4.00%	3.15%	91	\$785.34
6	\$100,000	0.90%	2.00%	1.25%	4.00%	2.90%	91	\$723.01
7	\$100,000	0.90%	1.50%	1.25%	4.00%	2.40%	91	\$598.36
8	\$100,000	0.90%	1.00%	1.25%	4.00%	2.15%	92	\$541.92
9	\$100,000	0.90%	1.25%	1.50%	4.25%	2.40%	91	\$598.36
10	\$100,000	0.90%	1.50%	1.50%	4.25%	2.40%	91	\$598.36
11	\$100,000	0.90%	2.75%	1.50%	4.25%	3.65%	91	\$910.00
12	\$100,000	0.90%	3.25%	1.50%	4.25%	4.15%	92	\$1,046.03
13	\$100,000	0.90%	3.75%	1.75%	4.50%	4.65%	91	\$1,159.32
14	\$100,000	0.90%	4.25%	1.75%	4.50%	5.15%	91	\$1,283.97
15	\$100,000	0.90%	5.00%	1.75%	4.50%	5.40%	91	\$1,346.30
16	\$100,000	0.90%	5.25%	1.75%	4.50%	5.40%	92	\$1,361.10
17	\$100,000	0.90%	5.50%	2.00%	4.75%	5.65%	91	\$1,408.63
18	\$100,000	0.90%	6.00%	2.00%	4.75%	5.65%	91	\$1,408.63
19	\$100,000	0.90%	6.00%	2.00%	4.75%	5.65%	91	\$1,408.63
20	\$100,000	0.90%	6.50%	2.00%	4.75%	5.65%	92	\$1,424.11

In Quarter 20, the BBSW of 6.50% p.a. is above the Maximum Base Rate of 4.75% p.a., so the Maximum Base Rate is used to calculate the Interest Payment as per the table above:

Deposit Amount = \$100,000

Interest Rate = 5.65% p.a., being the Maximum Base Rate of 4.75% p.a. plus the fixed Margin of 0.90% p.a.

Days = 92

Interest Payment = \$100,000 × 5.65% × (92/365)
= \$5,650 × 0.25205479
= **\$1,424.11**

On the Maturity Date

In this example, as per the table above, on the Payment Date for Quarter 20, which is the Maturity Date, you will receive both your last Interest Payment of \$1,424.11 and your \$100,000 Deposit Amount back.

Worked example 9

Choosing the years in which you have Minimum and Maximum Base Rates

Scenario assumptions:

Deposit Amount	\$100,000
Term	5 years
Margin	Year 1: 0.75% p.a. Year 2: 0.75% p.a. Year 3: 0.75% p.a. Year 4: 0.80% p.a. Year 5: 0.80% p.a.
Minimum Base Rates	Year 1: 1.50% p.a. Year 2: 1.50% p.a. Year 3: 1.50% p.a. Year 4: Not applicable. Year 5: Not applicable.
Maximum Base Rates	Year 1: 3.50% p.a. Year 2: 3.50% p.a. Year 3: 3.50% p.a. Year 4: Not applicable. Year 5: Not applicable.
Interest Rate	The Interest Rate in respect of each Interest Period for a Flexible Rate Deposit Mini Maxi will be the sum of: a) the fixed Margin; <i>and</i> b) either: (i) Any applicable Minimum Base Rate if it is equal to or higher than BBSW; or (ii) Any applicable Maximum Base Rate if it is equal to or lower than BBSW; or (iii) BBSW if it is higher than any applicable Minimum Base Rate and lower than any applicable Maximum Base Rate.

Interest payments Quarterly

With a Flexible Rate Deposit Mini Maxi, you can also choose the term in which you have Minimum and Maximum Base Rates subject to any Minimum and Maximum Base Rate commencing on the Start Date and being continuous for a minimum term of one year.

In all cases, the factors impacting the Bank's calculation of the fixed Margin are generally market conditions and the levels of Minimum Base Rate/s and Maximum Base Rate/s. For example, the lower the Maximum Base Rate the higher the fixed Margin, as you have less upside to take advantage of favourable movements in BBSW, and vice versa.

Example payments table

In the table below we have highlighted (in **bold**, in each quarter) the inputs used to calculate the Interest Rate in respect of each Interest Period, which is the sum of:

- a) the fixed Margin; *and*
- b) either:
 - (i) Any applicable Minimum Base Rate if it is equal to or higher than BBSW; or
 - (ii) Any applicable Maximum Base Rate if it is equal to or lower than BBSW; or
 - (iii) BBSW if it is higher than any applicable Minimum Base Rate and lower than any applicable Maximum Base Rate.

The table also highlights how rises and falls in BBSW over the investment term can impact your returns.

This worked example uses quarterly payments and has artificially adjusted the number of days in each quarter so each year contains 365 days. Note that payments may only be made on a quarterly basis as set out in the relevant Indicative Term Sheet for your investment.

All example calculations in the table above use this formula:

$$\text{Interest Payment} = \text{Deposit Amount} \times \text{Interest Rate} \times \frac{\text{Days}}{365}$$

Examples of Interest calculations:

In Quarter 4, the BBSW of 1.25% p.a. is below the Minimum Base Rate of 1.50% p.a., so the Minimum Base Rate is used to calculate the Interest Payment as per the table above:

$$\begin{aligned} \text{Deposit Amount} &= \$100,000 \\ \text{Interest Rate} &= 2.25\% \text{ p.a., being the Minimum Base Rate of 1.50\% p.a. plus the fixed Margin of 0.75\% p.a.} \\ \text{Days} &= 92 \\ \text{Interest Payment} &= \$100,000 \times 2.25\% \times (92/365) \\ &= \$2,250 \times 0.25205479 \\ &= \mathbf{\$567.12} \end{aligned}$$

In Quarter 9, the BBSW of 2.50% p.a. is above the Minimum Base Rate of 1.50% p.a. and below the Maximum Base Rate of 3.50% p.a., so BBSW is used to calculate the Interest Payment as per the table above:

$$\begin{aligned} \text{Deposit Amount} &= \$100,000 \\ \text{Interest Rate} &= 3.25\% \text{ p.a., being the BBSW of 2.50\% p.a. plus the fixed Margin of 0.75\% p.a.} \\ \text{Days} &= 91 \\ \text{Interest Payment} &= \$100,000 \times 3.25\% \times (91/365) \\ &= \$3,250 \times 0.24931507 \\ &= \mathbf{\$810.27} \end{aligned}$$

Quarter	Deposit Amount	Fixed Margin	3 Month BBSW	Minimum Base Rate	Maximum Base Rate	Interest Rate	Days in Quarter	Interest Payment
1	\$100,000	0.75%	2.65%	1.50%	3.50%	3.40%	91	\$847.67
2	\$100,000	0.75%	2.25%	1.50%	3.50%	3.00%	91	\$747.95
3	\$100,000	0.75%	1.75%	1.50%	3.50%	2.50%	91	\$623.29
4	\$100,000	0.75%	1.25%	1.50%	3.50%	2.25%	92	\$567.12
5	\$100,000	0.75%	1.25%	1.50%	3.50%	2.25%	91	\$560.96
6	\$100,000	0.75%	1.25%	1.50%	3.50%	2.00%	91	\$498.63
7	\$100,000	0.75%	1.25%	1.50%	3.50%	2.00%	91	\$498.63
8	\$100,000	0.75%	1.50%	1.50%	3.50%	2.25%	92	\$567.12
9	\$100,000	0.75%	2.50%	1.50%	3.50%	3.25%	91	\$810.27
10	\$100,000	0.75%	3.50%	1.50%	3.50%	4.25%	91	\$1,059.59
11	\$100,000	0.75%	4.00%	1.50%	3.50%	4.25%	91	\$1,059.59
12	\$100,000	0.75%	4.00%	1.50%	3.50%	4.25%	92	\$1,071.23
13	\$100,000	0.80%	4.25%	N/A	N/A	5.05%	91	\$1,259.04
14	\$100,000	0.80%	4.50%	N/A	N/A	5.30%	91	\$1,321.37
15	\$100,000	0.80%	5.25%	N/A	N/A	6.05%	91	\$1,508.36
16	\$100,000	0.80%	6.00%	N/A	N/A	6.80%	92	\$1,713.97
17	\$100,000	0.80%	5.75%	N/A	N/A	6.55%	91	\$1,633.01
18	\$100,000	0.80%	5.50%	N/A	N/A	6.30%	91	\$1,570.68
19	\$100,000	0.80%	5.25%	N/A	N/A	6.05%	91	\$1,508.36
20	\$100,000	0.80%	5.00%	N/A	N/A	5.80%	92	\$1,461.92

In Quarter 20, you do not have a Minimum or Maximum Base Rate so the BBSW of 5.00% p.a. is used to calculate the Interest Payment as per the table above:

Deposit Amount = \$100,000

Interest Rate = BBSW of 5.00% p.a. plus the fixed Margin of 0.80% p.a.

Days = 92

Interest Payment = \$100,000 × 5.80% × (92/365)
= \$5,800 × 0.25205479
= **\$1,461.92**

On the Maturity Date

In this example, as per the table above, on the Payment Date for Quarter 20, which is the Maturity Date, you will receive both your last Interest Payment of \$1,461.92 and your \$100,000 Deposit Amount back.

9. What happens during the Term of my investment?

What happens on the Deal Date?

On the Deal Date, we agree on the commercial terms of your Flexible Rate Deposit with your financial adviser, including:

- ▶ the Deposit Amount you invest in your Flexible Rate Deposit
- ▶ the Start Date
- ▶ the Deposit Date
- ▶ the Maturity Date
- ▶ the fixed Margin
- ▶ the Minimum Base Rate/s for Flexible Rate Deposit Mini
- ▶ the Maximum Base Rate/s for Flexible Rate Deposit Maxi
- ▶ the Minimum Base Rate/s and Maximum Base Rate/s for Flexible Rate Deposit Mini Maxi.

The commercial terms will remain unchanged for the Term.

You must nominate the bank account into which we will deposit moneys payable to you under your Flexible Rate Deposit.

We will send you a Confirmation, which will set out in writing the commercial terms of your Flexible Rate Deposit.

What happens on the Deposit Date?

You must deposit the Deposit Amount with the Bank as specified in the Confirmation.

What happens on the Start Date?

This is the date your Flexible Rate Deposit starts and is the first day used in Interest calculations.

What happens after the Start Date?

You will receive Interest on each quarterly Payment Date during the Term of your investment, determined in accordance with the applicable appendix. We will send you an Interest Payment statement for your records after each Payment Date throughout the Term of your Flexible Rate Deposit.

What happens on the Maturity Date?

Commonwealth Bank will return the Deposit Amount to your nominated bank account on the Maturity Date, together with your Interest Payment for the final Payment Date, which will be the same as the Maturity Date.

10. Can I terminate my Flexible Rate Deposit prior to the Maturity Date?

Flexible Rate Deposits are hold-to-maturity, fixed term investments. The Bank will give consideration in its absolute discretion to any request in writing to terminate a Flexible Rate Deposit Transaction prior to the Maturity Date, and subject to you providing us with at least thirty one (31) days' prior notice in writing. A shorter notice period as agreed with the Bank may apply in cases of financial hardship as agreed by the Bank. Notwithstanding you are in hardship, if your investment is terminated early, the costs may be significant and the **Early Termination Value may be less than your Deposit Amount** (the amount originally invested), which means you may suffer a loss. Please refer to 'Early termination' on page 35 for a worked example.

The cost to withdraw (also known as the **Break Cost**) is the cost that the Bank estimates when you request termination of your Flexible Rate Deposit prior to the Maturity Date (i.e. withdraw all the Deposit Amount in Flexible Rate Deposits held with the Bank). The Bank determines a reasonable estimate of the Bank's costs, if any, in replacing or terminating the finance provided by your Flexible Rate Deposits investment.

The likelihood of incurring an early withdrawal cost will depend on whether there has been an increase in the Bank's funding costs.

The main factors that influence funding costs are:

- ▶ liquidity in the financial markets
- ▶ market pricing of credit risk
- ▶ the time remaining until your investment's maturity
- ▶ present value factors.

The Bank will apply the termination adjustment amount to your Deposit Amount to calculate your Early Termination Value. As the cost is influenced by market conditions, the Bank cannot provide certainty regarding the amount of the Break Cost until the date of your Early Termination request. During the global financial crisis in 2008, for example, the cost of borrowing for banks rose substantially, mainly due to the rapid rise in credit spreads and low liquidity in global financial markets.

Using a number of assumptions the Bank has estimated the costs impact if credit conditions changed from current levels and returned to those at the height of the global financial crisis in 2008 after one year of investment. Under those conditions, an early termination from Flexible Rate Deposits would have resulted in a cost of approximately 1% per annum of the Deposit Amount for the remaining term to maturity (please see "Early Termination Worked Example" below for more information).

If we agree to terminate your Flexible Rate Deposit prior to the Maturity Date, we will provide you with an indicative termination quote that sets out the estimated Break Cost, accrued Interest, the Early Termination Value and how long the indicative termination quote will remain valid. The Early Termination Value is your Deposit Amount, plus or minus the Break Cost. Accrued Interest is paid in addition to the Early Termination Value. Depending on the circumstances, the costs may be significant, insubstantial or be of economic benefit to you.

If you accept the indicative termination quote, and notify us of your acceptance, we will agree to process your request. The Flexible Rate Deposits investment will be terminated, and your Deposit Amount (plus or minus the Break Cost and including any accrued Interest) will be returned to you on day 32. For the avoidance of doubt you will receive Interest on your investment during the 31-day notice period.

You cannot make a partial withdrawal of your Deposit Amount or request a partial Early Termination from Flexible Rate Deposits.

Early Termination worked example

You invested \$500,000 in a Flexible Rate Deposit on 30 November 2012, with a Maturity Date of 30 November 2017. On 14 November 2014, you request an Early Termination. After considering your case, we agree to an Early Termination and (for the purpose of this example) determine that the termination adjustment amount (Break Cost) is A\$4,500 p.a.

The Bank will apply the Break Cost to your Deposit Amount based on the time remaining until the Maturity Date (three years in this example). That is:

$$\text{\$4,500} \times 3 = \text{\$13,500}$$

Please note that the Break Cost is applied to the Deposit Amount. What you receive as your Early Termination Value is equal to $\text{\$500,000} - \text{\$13,500} = \text{\$486,500}$. The Bank will also pay any accrued but unpaid Interest for the broken Interest Period. You will receive the Early Termination Value on 16 December 2014, being 32 days after 14 November 2014, when we agreed to your request for Early Termination.

As shown, it is possible that you may receive back an Early Termination Value that is less than the initial Deposit Amount invested. Please note that figures are provided as an example only and should not be used as a guide to the size of the Break Cost at any particular time.

If you decide to invest in Flexible Rate Deposits, you should do so intending to hold to maturity and should not invest funds you will require for other purposes during the Term of your investment.

11. Fees and charges

There are no fees payable to establish or maintain your Flexible Rate Deposit, although you should be aware that Commonwealth Bank may require you to pay Break Costs if you request termination of your Flexible Rate Deposit investment prior to the Maturity Date and this may impact your Early Termination Value.

12. How to apply?

- ▶ Please contact your financial adviser to determine whether Flexible Rate Deposits suit your needs, objectives and the investment strategy you have set for your SMSF.
- ▶ If you decide to proceed, please read this PDS and sign the 'Global Fixed Income Deposit Terms and Conditions' and 'Appendix 1: Flexible Rate Deposit Mini/Maxi Transactions' and return them to your financial adviser, who will contact us.
- ▶ You can then invest in one or more Flexible Rate Deposits with us by contacting your financial adviser.
- ▶ The terms of Flexible Rate Deposits can vary, and it is important that you read the relevant Indicative Term Sheet, in addition to this PDS, 'Global Fixed Income Deposit Terms and Conditions' and 'Appendix 1: Flexible Rate Deposit Mini/Maxi Transactions' before you invest.
- ▶ There is no cooling-off period in respect of an investment in Flexible Rate Deposits.

13. Taxation

Providing Commonwealth Bank with your Tax File Number ('TFN')

Commonwealth Bank is required to report details of income earned, withholding tax deducted and TFNs quoted on an account, to the Australian Taxation Office annually. The collection of TFNs and their use and disclosure are strictly regulated by the Privacy Act (1988).

When you invest in Flexible Rate Deposits, you may provide your TFN, your Australian Business Number ('ABN') or notify us of an applicable exemption. This is because accounts that earn Interest are subject to the Pay-As-You-Go ('PAYG') withholding rules.

- ▶ If the investment is made in the course of an enterprise (that is, business activities), you may provide an ABN as an alternative to your TFN.

- ▶ For joint accounts, the Australian Taxation Office (ATO) requires a minimum of two TFNs or ABNs (one each) from the account holders.
- ▶ If a formal trust is established and a trustee makes the investment, the trustee may quote the TFN of the trust.

Provision of a TFN or ABN is not compulsory. However, if you decide not to provide a TFN or ABN (or applicable exemption), then tax will be automatically deducted by us from interest, currently at the rate of 49%, if you are claiming an exemption, you will need to tell us the type of exemption you are claiming. Those eligible include:

- ▶ most pensioners;
- ▶ companies or unincorporated associations that are exempt from lodging tax returns and do not have TFNs (for example, charitable, social and non-profit organisations); and
- ▶ children under 18 where the investment income is less than A\$416 per annum.

Taxation

Taxation law is complex and its application will depend on a person's individual circumstances. When determining whether or not this product is suitable for you, you should consider the impact it will have on your own taxation position and seek professional advice on the tax implications it may have for you.

We set out below some key points you should consider and if appropriate discuss with your tax adviser:

- ▶ Interest income will give rise to taxable income, this includes interest earned between an Payment Date and Early Termination date (even if not separately paid in cash because it forms part of the amount paid to you upon Early Termination).
- ▶ The initial adviser fee you pay to your adviser may be deductible or form part of your cost base for CGT purposes. The treatment will depend upon on your individual circumstances;
- ▶ The redemption of your Flexible Rate Deposits under an Early Termination that results in the return of a Deposit Amount less than your initial Deposit Amount could give rise to a tax deduction. Conversely, the redemption of your Flexible Rate Deposits under an Early Termination that results in the return of a Deposit Amount greater than your initial Deposit Amount could give rise to assessable income. We recommend you speak to your tax adviser about the tax consequences of an Early Termination.

14. General matters

Customer information and privacy

What information we collect

In this clause 'you' includes our customer and any person who holds office in an entity which is a customer. We collect information about you (such as your name, address and contact details) and information about your interactions with us (such as transactions on your account). We may also collect publicly available information about you.

Why we collect your information and what we use it for

We collect your information because we are required to identify you in accordance with the *Anti Money Laundering and Counter-Terrorism Financing Act 2006* and in order to comply with taxation laws, such as the *Taxation Administration Act 1953* and the *Income Tax Assessment Act 1936*. We also collect it to administer our customer relationships and internal processes, including risk management and pricing; to meet our obligations in relation to external payment systems and under our arrangements with government agencies; and to tell you about products and services that may interest you (unless you tell us not to). If you don't want to receive marketing information, you can tell us by calling 13 22 21 or speaking to your relationship manager.

If you give us your electronic and telephone contact details, you agree we may use these to communicate with you electronically, or by phone or SMS, including providing updates, reminders and marketing information (unless you tell us not to).

You must give us accurate and complete information; otherwise you may be breaking the law and we may not be able to provide you with the products and services that you require.

If you change your personal details (such as your address, name or email address) you must tell us straight away.

Who we may exchange your information with

We may exchange your information with other members of the Commonwealth Bank Group, who may use your information for any of the purposes we do.

We may also exchange your information with others outside the Group, including your representatives, our service providers, other financial institutions (for example, in relation to a mistaken payment claim), enforcement or government authorities, relevant public registers and payment system operators (for example, BPAY Pty Ltd).

Sometimes it may be necessary to send your information overseas – for example, where we outsource functions overseas, send information to Group members overseas, need to complete a transaction on your behalf, or where this is required by laws and regulations in Australia or in another country. See our Group Privacy Policy for more information.

Our Group Privacy Policy

Our Group Privacy Policy is available on our website or upon request from any Commonwealth Bank branch and should be read in conjunction with the above. It contains further details about our information collection and handling practices, including information about:

- ▶ other ways we may collect, use or exchange your information
- ▶ how you may access and seek correction of the information
- ▶ how to make a complaint about a breach of your privacy rights, and our complaint-handling procedures.

We encourage you to check our website regularly for any updates to the Policy.

How to contact us

For privacy-related enquiries, please contact us by:

- ▶ emailing CustomerRelations@cba.com.au
- ▶ calling **1800 805 605**
- ▶ writing to the address listed in our Group Privacy Policy.

Other disclosures

Under common law, banks are permitted to disclose customer information in the following circumstances:

- a) where disclosure is compelled by law
- b) where there is a duty to the public to disclose
- c) where our interests require disclosure
- d) where disclosure is made with your express or implied consent.

So that we can manage our relationships, customer information may be disclosed to:

- ▶ brokers and agents who refer your business to us
- ▶ any person acting on your behalf, including your financial adviser, solicitor, settlement agent, accountant, executor, administrator, trustee, guardian or attorney
- ▶ financial institutions that request information from us if you seek credit from them
- ▶ valuers and insurers if you have borrowed from the Bank to purchase property (so that the Bank can obtain a valuation of your property and confirm that it is insured)

- ▶ aid with insurance matters, including those concerning medical practitioners (to verify or clarify, if necessary, any health information you may provide), claims investigators and reinsurers (to assess and manage any claim you make) and insurance reference agencies (where the Bank is considering whether or not to accept a proposal of insurance from you and, if so, on what terms) organisations to which we may outsource certain functions.

In all circumstances, where our contractors, agents and outsourced service providers become aware of customer information, confidentiality arrangements apply. Customer information may only be used by our agents, contractors and outsourced service providers for the purposes we require.

We may be required to disclose customer information by law – for example, under Court Orders or Statutory Notices pursuant to taxation or social security laws, or under laws relating to sanctions, antimoney laundering or counter-terrorism financing.

We may send customer information overseas if:

- ▶ it is necessary to complete a transaction
- ▶ we outsource certain functions overseas.

We may also be permitted to disclose information in other circumstances. For more information, please see our Group Privacy Policy.

Access to your personal information

The law allows you (subject to permitted exceptions) to access your personal information. You can do this by contacting:

Customer Relations
Commonwealth Bank
Reply Paid 41
Sydney NSW 2001

We may charge you an administration fee for providing access.

Code of Banking Practice

The relevant provisions of the Code of Banking Practice apply to Flexible Rate Deposits. You should read Commonwealth Bank's information booklet 'The Better Banking Book', copies of which may be obtained by telephoning Commonwealth Bank on 13 2221 (between 8am and 8pm, Monday to Friday), by contacting your relationship manager, by visiting our website at www.commbank.com.au or from any branch of Commonwealth Bank.

The Better Banking Book contains useful information on a range of banking matters. These include the rights and obligations that arise out of the banker and customer relationship, account opening procedures, Commonwealth Bank's obligations regarding confidentiality of your information, complaint handling procedures, bank cheques, the advisability

of you informing Commonwealth Bank promptly when you are in financial difficulty and the advisability of you reading the Terms and Conditions applying to any banking service provided to you or in which you are interested.

What if I have a complaint?

The Code of Banking Practice requires us to have procedures in place for dispute resolution. The Code states that the process for dispute resolution is to be readily available to customers (investors) free of charge.

Should you wish to make a complaint relating to Flexible Rate Deposits you should either:

- ▶ contact the adviser through whom you bought the product; or

if you bought the product directly from us:

- ▶ Telephone Client Relations from 8:00 am to 5:00 pm Sydney time, Monday to Friday on **1300 786 039** (outside Australia +61 2 9118 1466) or write to:

Client Relations
Locked Bag 22
Australia Square NSW 1215
- ▶ If Commonwealth Bank's internal dispute resolution is unsuccessful, you may take the matter to an external authority such as the Financial Ombudsman Service Ltd.

Financial Ombudsman Service Ltd
GPO Box 3
Melbourne VIC 3001
Tel: **1300 780 808**
Fax: **(03) 9613 6399**

Information about Commonwealth Bank

The continuous disclosure obligations of Commonwealth Bank mean that Commonwealth Bank must disclose to the ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of its ordinary shares. Copies of the information disclosed to the ASX can be viewed on the public file at the ASX for Commonwealth Bank.

Information about Commonwealth Bank, including documents such as financial statements and annual reports, or any documents sent to the ASX to fulfil our continuous disclosure obligations, can be provided free of charge to anyone who requests these documents.

If you would like copies of these documents write to:

Commonwealth Bank of Australia
Ground Floor, Tower 1,
201 Sussex Street
Sydney NSW 2000

You should obtain independent advice in respect to the nature of the business activities in which Commonwealth Bank is participating and to the prospects of those business activities.

Australian residents

Only Australian residents (as defined in the *Income Tax Assessment Act 1936*) can invest in Flexible Rate Deposits.

Disclosures

Employee remuneration

Commonwealth Bank will be entitled to generate revenue in relation to Flexible Rate Deposits. The employees and directors of Commonwealth Bank may participate in that revenue through remuneration including indirect shareholding.

Commonwealth Bank, as part of its employee remuneration arrangements, conducts an incentive system based on the success of its activities. The employees of Commonwealth Bank may participate in these incentive remuneration arrangements.

Financial Claims Scheme

The Financial Claims Scheme (also known as the Australian Government Deposit Guarantee), under the Banking Act, currently covers deposit amounts you hold in a bank, building society or credit union and foreign subsidiary banks (**ADIs**) in aggregate up to a statutory prescribed limit per account holder per ADI which is currently A\$250,000 (please note that for the purposes of calculating this total joint accounts are considered to be held in equal shares). You may be entitled to a payment in some circumstances. Payments under the scheme are subject to a limit for each depositor. Information about the Financial Claims Scheme can be obtained from www.fcs.gov.au. The terms of the Financial Claims Scheme are subject to change.

Contact details and directory

For more information, please contact us on 1300 786 039.

Registered office of the issuer

Commonwealth Bank of Australia
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

