

Instalment Warrants

Supplementary Product Disclosure Statement



Issue date:

13 April 2015

Issued by:

Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945

This document is a supplementary product disclosure statement for the purposes of Part 7.9 of the Corporations Act. It has been issued by Commonwealth Bank in relation to the PDS issued by Commonwealth Bank on 11 March 2014.

This SPDS supplements the PDS dated 11 March 2014 and must only be read in conjunction with that PDS. This SPDS replaces the SPDS also dated 11 March 2014.

This SPDS is dated 13 April 2015.

Terms defined in the PDS have the same meaning in this SPDS.

This SPDS has been issued for the purpose of providing details about individual Series and the related Underlying Securities.

1.1 Commonwealth Bank Instalment Warrants

(a) Summary Table of Instalment Warrants

Instalment Warrant ASX Code	Underlying Security	ASX Code of Underlying Security	Completion Payment	Maturity Date	Issue size
AMCIYA	Arcor Limited	AMC	\$4.15	29/07/2015	375,000
AMPIYA	AMP Limited	AMP	\$2.50	29/07/2015	750,000
ANZIYA	ANZ Bank Group Limited	ANZ	\$14.50	29/07/2015	250,000
BENIYA	Bendigo and Adelaide Bank Ltd	BEN	\$6.25	29/07/2015	250,000
BHPIYA	BHP Billiton Limited	BHP	\$17.00	29/07/2015	225,000
BOQIYA	Bank of Queensland Limited	BOQ	\$6.31	29/07/2015	250,000
CCLIYA	Coca-Cola Amatil Limited	CCL	\$6.47	29/07/2015	375,000
CPUIYA	Computershare Limited	CPU	\$6.00	29/07/2015	500,000
CSLIYA	CSL Limited	CSL	\$33.00	29/07/2015	87,500
FMGIYA	Fortescue Metals Group	FMG	\$1.75	29/07/2015	1,500,000
IAGIYA	Insurance Australia Group	IAG	\$3.00	29/07/2015	750,000
ILUIYA	Iluka Resources Limited	ILU	\$5.25	29/07/2015	375,000
LLCIYA	Lend Lease Group	LLC	\$4.50	29/07/2015	250,000
MQGIYA	Macquarie Group Limited	MQG	\$19.35	29/07/2015	100,000
NABIYA	National Australia Bank Limited	NAB	\$15.00	29/07/2015	250,000
NCMIYA	Newcrest Mining Limited	NCM	\$6.00	29/07/2015	375,000
ORGIYA	Origin Energy Limited	ORG	\$6.50	29/07/2015	375,000
QBEIYA	QBE Insurance Group	QBE	\$8.50	29/07/2015	375,000
RIOIYA	RIO Tinto Limited	RIO	\$26.50	29/07/2015	125,000
STOIYA	Santos Limited	STO	\$7.00	29/07/2015	375,000
STWIYA	SPDR S&P/ASX 200 Fund	STW	\$23.00	29/07/2015	100,000
SUNIYA	Suncorp Group Limited	SUN	\$5.93	29/07/2015	500,000
TAHIYA	TABCORP Holdings Group	TAH	\$1.3628	29/07/2015	500,000

Instalment Warrant ASX Code	Underlying Security	ASX Code of Underlying Security	Completion Payment	Maturity Date	Issue size
TLSIYA	Telstra Corporation Limited	TLS	\$2.50	29/07/2015	1,500,000
TOLIYA	Toll Holdings Limited	TOL	\$2.75	29/07/2015	500,000
WBCIYA	Westpac Banking Group	WBC	\$14.90	29/07/2015	250,000
WESIYA	Wesfarmers Limited	WES	\$18.8347	29/07/2015	172,830
WOWIYA	Woolworths Limited	WOW	\$17.00	29/07/2015	225,000
WPLIYA	Woodside Petroleum Limited	WPL	\$18.50	29/07/2015	200,000
AMCIYB	Amcor Limited	AMC	\$5.65	29/07/2015	375,000
AMPIYB	AMP Limited	AMP	\$3.25	29/07/2015	750,000
ANZIYB	ANZ Bank Group Limited	ANZ	\$20.00	29/07/2015	250,000
ASXIYB	ASX Limited	ASX	\$26.00	29/07/2015	50,000
BENIYB	Bendigo and Adelaide Bank Ltd	BEN	\$8.00	29/07/2015	250,000
BHPIYB	BHP Billiton Limited	BHP	\$22.50	29/07/2015	225,000
BOQIYB	Bank of Queensland Limited	BOQ	\$8.80	29/07/2015	250,000
CCLIYB	Coca-Cola Amatil Limited	CCL	\$8.97	29/07/2015	375,000
CPUIYB	Computershare Limited	CPU	\$8.00	29/07/2015	500,000
CSLIYB	CSL Limited	CSL	\$46.50	29/07/2015	87,500
FMGIYB	Fortescue Metals Group	FMG	\$2.50	29/07/2015	1,500,000
IAGIYB	Insurance Australia Group	IAG	\$4.00	29/07/2015	750,000
ILUIYB	Iluka Resources Limited	ILU	\$7.50	29/07/2015	375,000
LLCIYB	Lend Lease Group	LLC	\$6.50	29/07/2015	250,000
MQGIYB	Macquarie Group Limited	MQG	\$28.88	29/07/2015	100,000
NABIYB	National Australia Bank Limited	NAB	\$21.00	29/07/2015	250,000
NCMIYB	Newcrest Mining Limited	NCM	\$8.00	29/07/2015	375,000
ORGIYB	Origin Energy Limited	ORG	\$9.00	29/07/2015	375,000
QBEIYB	QBE Insurance Group	QBE	\$12.00	29/07/2015	375,000
RIOIYB	RIO Tinto Limited	RIO	\$37.00	29/07/2015	125,000
STOIYB	Santos Limited	STO	\$10.00	29/07/2015	375,000
STWIYB	SPDR S&P/ASX 200 Fund	STW	\$32.50	29/07/2015	100,000
SUNIYB	Suncorp Group Limited	SUN	\$7.92	29/07/2015	375,000
TAHIYB	TABCORP Holdings Group	TAH	\$1.8576	29/07/2015	500,000
TLSIYB	Telstra Corporation Limited	TLS	\$3.50	29/07/2015	1,500,000

Instalment Warrant ASX Code	Underlying Security	ASX Code of Underlying Security	Completion Payment	Maturity Date	Issue size
TOLIYB	Toll Holdings Limited	TOL	\$4.00	29/07/2015	500,000
WBCIYB	Westpac Banking Group	WBC	\$20.40	29/07/2015	250,000
WESIYB	Wesfarmers Limited	WES	\$26.5547	29/07/2015	172,830
WOWIYB	Woolworths Limited	WOW	\$23.50	29/07/2015	225,000
WPLIYB	Woodside Petroleum Limited	WPL	\$25.75	29/07/2015	200,000
ANZIYC	ANZ Bank Group Limited	ANZ	\$25.00	29/07/2015	500,000
NABIYC	National Australia Bank Limited	NAB	\$27.00	29/07/2015	500,000
TLSIYC	Telstra Corporation Limited	TLS	\$4.25	29/07/2015	3,000,000
WBCIYC	Westpac Banking Group	WBC	\$26.00	29/07/2015	500,000
AGLIYA	AGL Energy Limited	AGK	\$7.84	22/03/2016	500,000
AGLIYB	AGL Energy Limited	AGK	\$10.55	22/03/2016	500,000
AZJIYA	Aurizon Holding Limited	AZJ	\$2.75	22/03/2016	750,000
AZJIYB	Aurizon Holding Limited	AZJ	\$3.50	22/03/2016	750,000
BXBIYA	Brambles Limited	BXB	\$5.25	22/03/2016	500,000
BXBIYB	Brambles Limited	BXB	\$7.00	22/03/2016	500,000
SYDIYA	Sydney Airport	SYD	\$2.50	22/03/2016	800,000
SYDIYB	Sydney Airport	SYD	\$3.50	22/03/2016	800,000
TCLIYA	Transurban Group	TCL	\$4.25	22/03/2016	800,000
TCLIYB	Transurban Group	TCL	\$5.25	22/03/2016	800,000
MQGIYC	Macquarie Group Limited	MQG	\$44.00	22/03/2016	100,000
ANZIYD	ANZ Bank Group Limited	ANZ	\$30.50	15/06/2015	500,000
BHPIYD	BHP Billiton Limited	BHP	\$33.00	15/06/2015	400,000
NABIYD	National Australia Bank Limited	NAB	\$30.50	15/06/2015	500,000
TLSIYD	Telstra Corporation Limited	TLS	\$5.00	15/06/2015	1,500,000
WBCIYD	Westpac Banking Group	WBC	\$31.00	15/06/2015	500,000

Commonwealth Bank reserves the right to increase the issue size, with the consent of the ASX. ASIC and the ASX take no responsibility for the contents of this SPDS or for the Instalment Warrants.

(b) Potential conflicts of interest

Members of the Commonwealth Bank Group may conduct transactions as principal in the Underlying Securities and Instalment Warrants, and may hold financial products (such as options) related to the Underlying Securities and Instalment Warrants. Our employees may also receive remuneration based on the Underlying Securities and Instalment Warrants.

Members of the Commonwealth Bank Group may from time to time advise, lend to, conduct trading activities with and/or be a substantial shareholder in the Listed Entities or companies associated with them. In addition, members of the Commonwealth Bank Group may advise any of the Listed Entities in relation to activities, such as acting as a corporate adviser for debt or equity transactions, which may or may not affect the value of the Underlying Securities. These activities are unrelated to the Instalment Warrants.

(c) Experienced investors

You should not invest in Instalment Warrants unless you:

- ◆ are familiar with securities and options
- ◆ are familiar with leveraged (geared) investment in securities
- ◆ understand and are comfortable with the risks of investing in Instalment Warrants

(d) Further advice recommended

An investment in Instalment Warrants involves financial and other risks and is only suitable for you if you fully understand the risks of investing in Instalment Warrants. Before making an investment in Instalment Warrants, you should:

- ◆ carefully read all of this SPDS and the PDS
- ◆ seek independent professional legal, taxation and financial advice to determine whether an investment in Instalment Warrants is right for you
- ◆ carefully consider the potential benefits and the risks involved in investing in Instalment Warrants, in light of your individual circumstances, including your particular investment needs, objectives and financial and taxation circumstances.

Further details about the risks of investing in Instalment Warrants are set out in the PDS.

(e) Underlying Securities

You are responsible for selecting the Underlying Security for any Instalment Warrant that you acquire. As such, the performance of any Instalment Warrant will depend mainly on investment decisions made by you. There is a risk that the value of, and returns from, your Instalment Warrants will decrease. This may occur because of poor performance of a specific Underlying Security, a sector in the financial markets or the share market generally. You should not rely on this SPDS or the PDS as the sole basis for any investment decision in relation to an Instalment Warrant or any Underlying Security, but should obtain relevant information concerning the Underlying Security and obtain independent financial advice.

A photograph of a man and a woman smiling and looking at a laptop screen. The woman is in the foreground, resting her chin on her hand, and the man is behind her, leaning in. They are both dressed in light-colored, professional attire.

Instalment Warrants

Product Disclosure Statement



Issue date:

11 March 2014

Issued by:

Commonwealth Bank of Australia ABN 48 123 123 124 AFSL Number 234945

You should read all sections of this document before making a decision to acquire this financial product. As the information in this document has been prepared without considering your objectives, financial situation or needs, you should, before acting on the information, consider its appropriateness to your circumstances.

This Product Disclosure Statement (PDS)

This document is a PDS issued by Commonwealth Bank dated 11 March 2014.

A copy of this PDS has not been and will not be lodged with ASIC, pursuant to sections 1015B and 1015D of the Corporations Act. Commonwealth Bank will notify ASIC that this PDS is in use in accordance with section 1015D of the Corporations Act. This PDS complies with the requirements of Schedule 10 to the ASX Operating Rules as varied or waived by the ASX. ASIC and the ASX take no responsibility for the contents of this PDS or for the Instalment Warrants.

This PDS and any updated information (updated as set out in "Changes to information in the PDS" below), constitute the general terms and conditions that govern the issue by Commonwealth Bank of Instalment Warrants. This PDS is not a standalone document and is not of itself an offer capable of acceptance. The additional terms relating to each Series of Instalment Warrants will be set out in a Supplementary Product Disclosure Statement (SPDS) which will be supplemental to, and should be read together with, this PDS.

An SPDS will accompany this PDS. If it does not, please contact Commonwealth Bank on 1300 786 039.

Information and representations

This PDS (and any SPDS relating to this PDS) has been prepared and issued by Commonwealth Bank as issuer of the Instalment Warrants. Any other parties distributing this product are only doing so as a distributor for Commonwealth Bank. You should only rely on information in this PDS and any SPDS. No person is authorised to give any information or to make any representation about any Series of Instalment Warrants that is not contained in this PDS or the relevant SPDS. Any such information or representation may not be relied on as having been authorised by Commonwealth Bank.

Commonwealth Bank has prepared this PDS and any SPDS using only publicly available information. No Listed Entity (other than Commonwealth Bank) has been involved in its preparation or given any information specifically to Commonwealth Bank for the purpose of its preparation. Nothing in this PDS or any SPDS can be relied on as implying that there has been no change in the affairs of any Listed Entity or Commonwealth Bank since the date of this PDS or the relevant SPDS (as the case may be), or as a representation as to the future in relation to any Listed Entity or Commonwealth Bank. Information in this PDS and any SPDS about any Listed Entity (other than Commonwealth Bank) has not been independently verified. Accordingly, Commonwealth Bank does not accept any liability or responsibility for, and makes no representation or warranty, express or implied, as to the accuracy or completeness of such information. You should make your own enquiries.

Nothing in this PDS or any SPDS is an express or implied endorsement by Commonwealth Bank of an investment in the Underlying Securities of any Listed Entity.

No Applications

Members of the general public may only invest in Instalment Warrants by acquiring them on the ASX.

Changes to information in the 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 www.commbank.com.au/warrants

You can request a paper copy without charge of updated information by telephoning 1300 786 039.

Terminology

A Glossary is included in section 10 of this PDS in which various words and phrases used in this PDS (and any SPDS) are defined. If you do not understand a word or phrase you should refer to the Glossary. Capitalised words that are used in this PDS have the meaning set out in the Glossary, unless the context requires otherwise. Unless stated otherwise (a) all dollar amounts and performance data in this PDS are quoted in Australian dollars; and (b) all references to time are to Sydney time.

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 identify and 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 2221, or speak to your relationship manager. If you give us your electronic and telephone details, you agree we may use this to communicate with you electronically, by phone or SMS, including providing updates, reminders and (unless you tell us not to) marketing information.

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 (e.g. 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 Group who may use your information for any of the purposes we can.

We may also exchange your information with others outside the Group, for example, your representatives, our service providers (including any registrar), other financial institutions (for example, in relation to a mistaken payment claim), enforcement and 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, where we 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 at commbank.com.au (follow the Privacy Policy link) or upon request from any branch of the Bank 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; and
- ▶ 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:

- ▶ email at CustomerRelations@cba.com.au
- ▶ telephone 1800 805 605, or
- ▶ writing to the address in our Group Privacy Policy.

Additional Obligations

The Bank may be subject to laws or regulations in Australia or another country that affect your relationship with the Bank (eg. Laws that address taxation). So that we may comply with our obligations under these laws or regulations, we may:

- ▶ require you to provide information about you or your product;
- ▶ disclose any information we are required to concerning you (including sending your information overseas);
- ▶ withhold an amount from a payment to you if required to do so, and if we do, we will not reimburse you for the amount withheld; and/or
- ▶ take such other action as is reasonably required, including, for example, closing your account.

Foreign jurisdictions

No action has been taken to register or qualify any Series of Instalment Warrants or otherwise to permit a public offering of any Series of Instalment Warrants in any jurisdiction outside of Australia.

This PDS and any SPDS is not an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this PDS and any SPDS outside Australia may be restricted by law. Persons who come into possession of this PDS and any SPDS who are not in Australia should seek advice on and observe such restrictions. Any failure to comply with such restrictions may be a violation of applicable securities laws.

In particular, no Series of Instalment Warrants has been or will be registered under the United States Securities Act of 1933, as amended (the "US Securities Act"), or the laws of any State of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, a US Person (as defined in Regulation S under the US Securities Act).

Experienced investors

You should not invest in Instalment Warrants unless you:

- ▶ are familiar with securities and options; and
- ▶ are familiar with leveraged (geared) investment in securities; and
- ▶ understand and are comfortable with the risks of investing in Instalment Warrants.

Further advice recommended

An investment in Instalment Warrants involves financial and other risks and is only suitable for you if you fully understand the risks of investing in Instalment Warrants. Before making an investment in Instalment Warrants, you should:

- ▶ carefully read all of this PDS and the SPDS for the Series of Instalment Warrants you are considering;
- ▶ seek independent professional legal, taxation and financial advice to determine whether an investment in Instalment Warrants is right for you; and

Further details about the risks of investing in Instalment Warrants are set out in section 3.

Underlying Securities

You are responsible for selecting the Underlying Securities for any Instalment Warrant that you acquire. As such, the performance of any Instalment Warrant will depend mainly on investment decisions made by you. There is a risk that the value of, and returns from, your Instalment Warrant will decrease. This may occur because of poor performance of a specific Underlying Security, a sector in the financial markets or the share market generally. You should not rely on this PDS as the sole basis for any investment decision in relation to an Instalment Warrant or any Underlying Security, but should obtain relevant information concerning the Underlying Security and, where necessary, obtain independent financial advice.

- ▶ carefully consider the potential benefits and the risks involved in investing in Instalment Warrants in light of your individual circumstances, including your particular investment needs, objectives and financial and taxation circumstances.

Commonwealth Bank

Instalment Warrants are not bank deposits with or liabilities of Commonwealth Bank and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Commonwealth Bank does not guarantee any particular rate of return or the performance of the Instalment Warrants, nor does it guarantee the repayment of capital from the Instalment Warrants.

The value of an Instalment Warrant depends on, amongst other things, the ability of Commonwealth Bank to fulfil its obligations under the Instalment Warrants.

Any obligations of Commonwealth Bank to make payments in respect of the Instalment Warrants are unsecured obligations of Commonwealth Bank and are not deposit liabilities of Commonwealth Bank and are not guaranteed by any other party. If Commonwealth Bank is wound up, these obligations would rank equally with other unsecured obligations of Commonwealth Bank and ahead of subordinated debt and obligations to shareholders but after all deposit liabilities of Commonwealth Bank and other than liabilities preferred by law. In this regard section 13A(3) of the Banking Act 1959 (Cth) provides that if Commonwealth Bank becomes unable to meet its obligations, the assets of Commonwealth Bank in Australia are to be used to meet its deposit liabilities in Australia in priority to all other liabilities of Commonwealth Bank (which include any obligations of Commonwealth Bank in respect of the Instalment Warrants).

Admission to trading status on the ASX

Unless stated otherwise in an SPDS, an application will be made to the ASX to enable the Series of Instalment Warrants referred to in the relevant SPDS to be admitted to trading status on the ASX within 7 days of the date of the relevant SPDS. The fact that the ASX may admit a Series of Instalment Warrants to trading status from time to time is not to be taken in any way as an indication of the merits of Commonwealth Bank or the Instalment Warrants.

The ASX does not warrant the accuracy or truth of the contents of this PDS or the SPDS for the Series. In admitting the Instalment Warrants to trading status and not objecting to the Terms, the ASX has not authorised or caused the issue of this PDS or the SPDS for the Series and is not in any way a party to, or concerned in, authorising or causing the issue of this PDS or the SPDS for the Series, or the making of offers or invitations with respect to any Series of Instalment Warrants. The ASX takes no responsibility for the contents of this PDS or the SPDS for the Series. The ASX makes no representation as to whether this PDS, the SPDS for the Series or the Terms comply with the Corporations Act or the ASX Rules.

To the extent permitted by law, the ASX will be under no liability for any claim whatsoever, including for any financial or consequential loss or damage suffered by you or any other person, where that claim arises wholly or substantially out of reliance on any information contained in this PDS or any SPDS, or any error in, or omission from, this PDS or any SPDS.

This PDS and any SPDS comply in all respects with the requirements of Schedule 10 of the ASX Operating Rules, as varied by the ASX with respect to this PDS and the relevant SPDS.

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1.0 Investment overview

To find information on the topics listed below, see the section number listed. This Investment Overview indicates the kind of information you can find in this PDS, but is not intended to be a complete summary. You should read all of this PDS carefully and seek professional legal, taxation, and financial advice to determine whether an investment in Instalment Warrants is appropriate for you.

Topic	Description	For more information
Who is the Issuer?	Commonwealth Bank of Australia	Section 7
What are Instalment Warrants?	<p>Instalment Warrants offer investors the opportunity to access the benefits of investing in listed securities and build a listed securities portfolio over a period without paying for all of the securities upfront.</p> <p>Instalment Warrants are listed CHESS approved securities which trade on the ASX. The initial amount that you will pay to acquire an Instalment Warrant on-market is sometimes referred to as the “first instalment”.</p> <p>Each Instalment Warrant provides you with:</p> <ul style="list-style-type: none"> ▶ a Beneficial Interest in an Underlying Security which is held on trust for you by the Trustee, subject to the Mortgage; ▶ the ability to benefit from any Dividends, Special Dividends and related franking credits (subject to eligibility and any withholding for Tax); ▶ a limited recourse loan from Commonwealth Bank (as in, the Loan); ▶ the ability to obtain full legal title to the Underlying Security at any time by paying the Completion Payment; and ▶ a listed investment that may be sold on the ASX prior to the Maturity Date. 	Section 2.1
What are the Underlying Securities?	Instalment Warrants are expected to be available over a variety of ASX listed securities, as specified in one or more SPDS.	
ASX quotation	Instalment Warrants are intended to be quoted and traded on the ASX.	
What is the Loan?	When you acquire an Instalment Warrant, you will receive a limited recourse loan from Commonwealth Bank. The amount of the Loan will generally be between 50% and 100% of the Underlying Security price on the date of the SPDS for the Series.	Section 2.2 Section 8
What happens at the Maturity Date?	<p>You can choose to:</p> <ul style="list-style-type: none"> ▶ Sell your Instalment Warrants before close of normal trading on the ASX on the Maturity Date and receive the prevailing market price; or ▶ Provide a valid Completion Notice and pay the Completion Payment for each Instalment Warrant and receive the Underlying Security; or ▶ Do nothing, and receive the sale proceeds less the amounts owed to the Trustee and Commonwealth Bank in most circumstances. 	Section 2.3
What happens while I hold Instalment Warrants?	<ul style="list-style-type: none"> ▶ All Ordinary Dividends paid (subject to any withholding for Tax) on the Underlying Security will be paid to you in cash. ▶ Any Special Dividends paid (subject to any withholding for Tax) on the Underlying Security will be used to reduce your Loan Amount. ▶ Subject to eligibility, you may also be entitled to any franking credits attached to those Dividends. 	Section 2.4

Topic	Description	For more information
What are some of the key benefits of investing in Instalment Warrants?	<ul style="list-style-type: none"> ▶ The potential to earn greater returns than an equivalent unleveraged (ungeared) investment in the Underlying Security due to the leverage (gearing) incorporated in Instalment Warrants. ▶ No margin calls. ▶ The ability to benefit from dividends (including any related franking credits, subject to eligibility and any withholding for Tax) and any increase in the market price of the Underlying Security over the life of the Instalment Warrant. ▶ The ability to pay the Completion Payment for each Instalment Warrant at any time on or before the Maturity Date to take ownership of the Underlying Security. ▶ A level of capital protection through the limited recourse nature of the Loan. ▶ An investment that may be bought or sold on the ASX prior to the Maturity Date. ▶ An investment which may be an eligible investment for superannuation entities (including self-managed superannuation funds). 	Section 3.1
What are some of the key risks of investing in Instalment Warrants?	<ul style="list-style-type: none"> ▶ The value of the Underlying Securities may fall, which would result in the value of Instalment Warrants falling, potentially to zero. ▶ The leverage (gearing) incorporated in Instalment Warrants will magnify any losses that occur. ▶ Instalment Warrants are not bank deposits. Any obligations of Commonwealth Bank to make payments in respect of the Instalment Warrants are unsecured obligations of Commonwealth Bank. ▶ The performance by Commonwealth Bank of its obligations under the Instalment Warrants is not guaranteed by the ASX, the National Guarantee Fund, ASX Clear or any other person. ▶ There is some risk that tax laws may not be enacted as anticipated. Refer to Section 13 of the Tax Opinion for further information. 	Section 3.2
How do I invest in Instalment Warrants?	<p>Instalment Warrants can be purchased on the ASX.</p> <p>Before investing you should:</p> <ul style="list-style-type: none"> ▶ Carefully read all of this PDS and any SPDS relevant to the Instalment Warrants that you want to invest in. ▶ Consult your professional legal, taxation and financial adviser. ▶ Contact a broker such as Commonwealth Securities Limited (CommSec) and sign a warrants trading agreement. ▶ Organise for your broker to place an order to acquire the relevant Commonwealth Bank Instalment Warrant on your behalf. 	Section 2.5
How do I realise my investment in Instalment Warrants?	<p>There are a number of alternatives:</p> <p>During the Term:</p> <ul style="list-style-type: none"> ▶ Pay the Completion Payment and take ownership of the Underlying Securities. This can be done at any time by requesting a Completion Notice and returning it with funds as required; or ▶ Sell the Instalment Warrants on market and receive the prevailing market price less costs. <p>At the Maturity Date:</p> <ul style="list-style-type: none"> ▶ Please refer to “<i>What happens at the Maturity Date</i>” above. 	Section 2.8

Topic	Description	For more information
What are the tax considerations of investing in Instalment Warrants?	<p>Some general information on the indicative tax treatment for Instalment Warrants from Clayton Utz is included in Section 5. Nevertheless, you should seek your own independent taxation advice to determine whether an Instalment Warrant is suitable for you and your circumstances, and what the implications of investing are for you. Investors should also refer to the ATO website http://www.ato.gov.au/content/00260483.htm</p> <p>Depending on your circumstances, some of the tax consequences you should consider include:</p> <ul style="list-style-type: none"> ▶ deductibility of interest; ▶ Dividends, Special Dividends (which may not be received by you in cash) and trust distributions may be treated as assessable income; ▶ franking credits on Dividends; and ▶ capital gains tax (including discount treatment) upon subsequent disposal of the Instalment Warrants or Underlying Securities. <p>Investors should also be aware of the 'at risk' holding rules relating to eligibility for the franking tax offset. In this respect, Investors should refer to the ATO website http://www.ato.gov.au/individuals/content.aspx?menuid=0&doc=/content/00313594.htm&page=11</p>	Section 5
Dividends and corporate actions	<p>The Trustee will pass on to you all ordinary Dividends (less any Tax withheld) paid in relation to Underlying Securities relating to your Instalment Warrant. Depending on your circumstances, you may also be entitled to any associated franking credits. Special Dividends will generally be used to reduce the Loan amount (and therefore the Completion Payment).</p> <p>A corporate action is an event which may alter the capital structure of an Underlying Security. You will not generally participate in entitlement offers, rights issues, Dividend reinvestment plans or share purchase plans. If such an event occurs, Commonwealth Bank may make adjustments to the Instalment Warrants with the aim of maintaining, as far as possible, the value of the Instalment Warrant.</p> <p>You will not have voting rights or be able to attend general meetings in relation to the Underlying Securities, nor will you receive annual reports.</p>	Section 2.4 & 2.6
What other matters should I be aware of?	<p>Underlying Securities</p> <p>Instalment Warrants are available over a variety of ASX listed securities, as specified in the SPDS for the Series.</p> <p>Each Series of Instalment Warrants has a unique ASX code which will be specified in the SPDS for the Series.</p> <p>You are responsible for selecting any Instalment Warrant you acquire.</p> <p>Maturity Date</p> <p>The Maturity Date for a Series of Instalment Warrants will be specified in the SPDS for the Series.</p> <p>In some circumstances, the Maturity Date may be brought forward.</p>	Section 6
Is there a cooling-off period?	<p>There is no cooling-off period.</p>	

2.0 What are Instalment Warrants and how do they work?

This section provides a summary of some of the terms governing the Instalment Warrants. The complete terms (Terms) are set out in the relevant Trust Deed (a copy of which is available from Commonwealth Bank and a summary of which is provided in section 9.2) and the Loan Agreement (which is set out in section 8). You should read and understand the Terms before investing in Instalment Warrants. You should also obtain professional advice which takes into account your particular investment needs, objectives and financial circumstances. In the event of any inconsistency between this summary and the Terms, the Terms will prevail.

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2.1 What are Instalment Warrants?

Instalment Warrants offer investors the opportunity to access the benefits of investing in listed securities and build a listed securities portfolio over a period without paying for all of the securities upfront.

An Instalment Warrant is a bundle of contractual and other rights which in aggregate consists of:

- ▶ a Beneficial Interest in the Underlying Security which is held on trust for you by the Trustee;
- ▶ the ability to benefit from any Dividends and Special Dividends and related franking credits (subject to eligibility and any withholding for Tax) (see section 5);
- ▶ a limited recourse loan from Commonwealth Bank (as in, the Loan) (see section 2.2). The Loan will be equal to the Completion Payment;
- ▶ the ability to obtain full legal title to the Underlying Security at any time by paying the Completion Payment (see section 2.3(b)); and
- ▶ an investment that may be sold on the ASX prior to the Maturity Date (see section 2.8).

If you require more background information on the nature of Instalment Warrants, you should read the ASX booklet “Understanding Trading and Investment Warrants” which is available free of charge from the ASX, or speak to your financial adviser.

All Instalment Warrants are expected to be issued initially to a Commonwealth Bank Entity. That Commonwealth Bank Entity will then sell Instalment Warrants on the ASX. Members of the general public will only be able to invest in Instalment Warrants by purchasing them on the ASX.

2.2 What is the Loan?

Commonwealth Bank is offering to make a limited recourse loan available to you in respect of each Instalment Warrant you acquire, which will be secured by a mortgage over the Underlying Security.

(a) Overview

When you acquire an Instalment Warrant, you will receive a limited recourse Loan from Commonwealth Bank. The amount of the Loan will in general be between 50% to 100% of the Underlying Security price on the date of the SPDS for the Series.

The amount of the Loan specified in the SPDS is only valid on the date of that SPDS and may change in accordance with the Terms. You should also note that the effective gearing of an Instalment Warrant will change as the Underlying Security price and the Loan Amount changes.

When you acquire an Instalment Warrant from another Holder the Loan Commonwealth Bank makes to you will be used to pay the Interest Amount in respect of the period from the day you acquire the Instalment Warrant until the Maturity Date, and to repay the previous Holder’s Loan (see section 2.8(c) for more information).

If you want to have ownership of the Underlying Security transferred directly to you, you can pay the Completion Payment at any time up to (and including) 12.00pm (midday) (Sydney time) on the Maturity Date of the Instalment Warrant (see section 2.3(c) for more information) by submitting a Completion Notice and paying the Completion Payment.

(b) Limited recourse

A key feature of Instalment Warrants is that the loan is made by Commonwealth Bank on a limited recourse basis.

Limited recourse means that if you do not pay the Completion Payment by 12.00pm (midday) (Sydney time) on the Maturity Date, while you will be in default of your obligations under the loan, the only action Commonwealth Bank will take is to enforce its Mortgage, sell the Underlying Security, and use the sale proceeds to pay the Completion Payment. Commonwealth Bank will not seek recourse against any other monies or assets you may have. If the sale proceeds of the Underlying Security are less than the amount of the Loan, Commonwealth Bank will not seek to enforce your obligation to pay the outstanding balance of the Loan.

Note: Holders who do not provide their TFN or ABN (if applicable) or who are not resident in Australia will need to make an Equalisation Payment if a Special Dividend is paid on any Underlying Security. If this occurs, the Holder's obligation to pay the Equalisation Amount would not be limited recourse in nature. See section 3 for more information.

(c) What is the Loan Amount?

The Loan Amount is the amount outstanding under the Loan from time to time. The Completion Payment at any point in time will be equal to the Loan Amount at that point in time.

The amount of the Loan for each Instalment Warrant is variable. It is set on the date of the SPDS for the Series and may afterwards be adjusted in accordance with the Terms. Every adjustment to the Loan Amount will be notified via an announcement to the ASX.

The current amount of the Loan Amount (which will be the amount of the Completion Payment that you would need to make in order to take ownership of the Underlying Security) will be available from www.commbank.com.au/warrants.

(d) What is the Interest Amount?

The Interest Amount is the amount of interest payable in respect of the Loan. It is paid by a transferee from the date of acquisition to the Maturity Date.

The formula for calculating the Interest Amount (IA) for each Instalment Warrant is:

$$IA = IR \times LA \times IP/365$$

Where:

- IR = the Interest Rate applicable to the Instalment Warrant (see section 2.2(g) for more information);
- LA = the Loan Amount; and
- IP = the number of days in the Interest Period.

Example

This example is illustrative only.

An Instalment Warrant over XYZ Underlying Securities has the following details:

LA	= \$20.00
Maturity Date	= 30 June 2012
IR at 1 March 2012	= 8%

On 1 March 2012, XYZ Underlying Securities are trading at \$38.00. The Interest Amount paid as part of the acquisition price of XYZ Instalment Warrants is:

$$IA = 0.08 \times \$20.00 \times 121/365 = \$0.53 \text{ (rounded to the nearest cent)}$$

(e) How do I pay the Interest Amount?

The Interest Amount will be paid automatically when you acquire your Instalment Warrant.

Please refer to section 2.8(c) for more information.

(f) What is the Interest Period?

The Interest Period for the purposes of the above calculation is the period from (and including) the Effective Date to (and excluding) the Maturity Date.

(g) What is the Interest Rate?

The Interest Rate is used to determine each Interest Amount payable in relation to your Instalment Warrants. The Interest Rate applicable to your Instalment Warrants will be determined by Commonwealth Bank on the date you acquire your Instalment Warrants, and will be fixed until the earlier of the Maturity Date or when you transfer those Instalment Warrants. The Interest Rate will reflect the fact that the Loan is made on a limited recourse basis and provides you with some capital protection.

The following table shows:

- ▶ some of the factors which may affect the Interest Rate applicable to Instalment Warrants at the time that they are issued; and
- ▶ how changes in those factors (assuming all other variables are constant) may affect the level of the Interest Rate at the time Instalment Warrants are acquired.

Variable	Change in Variable	Effect on Interest Rate
Underlying Security Price	▲	▼
Volatility of Share Price	▲	▲
Current Loan Amount	▼	▼
Future Expected Dividends	▲	▲
Market Interest Rates	▲	▲

You should be aware that:

- ▶ other factors including current and forecasted economic conditions (for example inflation) may affect the level of the Interest Rate; and
- ▶ there may be simultaneous moves in two or more of the variables listed above.

(h) Mortgage

(i) What is the Mortgage?

The Trustee will grant an equitable mortgage over the property of each Separate Trust (including each Underlying Security and all Accretions) in favour of Commonwealth Bank. The Mortgage secures the repayment of the Secured Monies and, subject to the Trust Deed, Commonwealth Bank has a first right to recover the Secured Monies from the sale proceeds of any Underlying Security.

No Encumbrance (except for the Mortgage) may be created in respect of the property of each Separate Trust.

(ii) What are the Secured Monies?

The Secured Monies consist of:

- ▶ all advances and interest under the Loan Agreement in respect of that Instalment Warrant from time to time; and
- ▶ any other amounts required to be paid to Commonwealth Bank under the Terms, which will include:
 - ▶ the Equalisation Amount (if any – see section 2.5(b) for more information);
 - ▶ any Taxes which the Trustee pays on your behalf; and
 - ▶ all fees, costs, charges, liabilities and expenses and Taxes incurred by Commonwealth Bank or the Trustee in relation to the sale of the Underlying Security.

(iii) When can the Mortgage be enforced?

Commonwealth Bank may enforce its Mortgage if you fail to pay any monies owing to Commonwealth Bank on the due date for payment, for example you do not pay:

- ▶ the Completion Payment on the Maturity Date;
- ▶ an Equalisation Amount when it becomes due and payable (refer to section 2.5 and the Trust Deed); and
- ▶ any Taxes for which you are liable (see the Trust Deed for more information).

(i) How do I repay the Loan?

You may, at any time up to (and including) 12.00pm (midday) (Sydney time) on the Maturity Date, pay the Completion Payment and take ownership of the Underlying Security. See section 2.3(b) for details of how you may request a copy of the Completion Notice from Commonwealth Bank at any time (which will be a personalised document and include details of the Completion Payment) and section 2.2(d) above for information on how you can determine the amount of the Completion Payment.

Alternatively, you may be able to sell the Instalment Warrant up to the close of normal trading on the ASX on the Maturity Date. This will result in the Loan being repaid automatically with the proceeds of a new Loan made by Commonwealth Bank to the new Holder. Refer to section 2.8(c) for more information on what will happen if you transfer your Instalment Warrant.

Finally, you can do nothing and, after the Maturity Date, the Underlying Security will be sold and the proceeds of that sale will be used to extinguish the Loan. Refer to section 2.2(b) for more information on the limited recourse nature of the Loan.

2.3 What happens at the Maturity Date?

(a) Summary

You can choose to:

- ▶ sell the Instalment Warrant up to the close of normal trading on the ASX on the Maturity Date and receive the prevailing market value; or
- ▶ give a valid Completion Notice and make the Completion Payment in accordance with clause 2.3(c) below; or
- ▶ do nothing, and receive the Assessed Value Payment. You will not receive any proceeds if that amount is less than 5% of the Completion Payment.

(b) What happens if I give a valid Completion Notice and pay the Completion Payment?

If you deliver a valid Completion Notice (which will require you to make the Completion Payment in accordance with clause 2.3(c) below), then the following will occur:

- ▶ the Loan will be repaid;
- ▶ the Mortgage in respect of the relevant Underlying Security will be discharged;
- ▶ the Instalment Warrant will be cancelled; and
- ▶ Commonwealth Bank will organise for the Underlying Security to be transferred to you within 20 Business Days of the date on which you gave the valid Completion Notice.

You may do this at any time as well as at the Maturity Date. To request a Completion Notice prior to the Maturity Date you must telephone 1300 733 794.

(c) How do I give a Completion Notice and pay the Completion Payment?

If you wish to give a Completion Notice and pay the Completion Payment for an Instalment Warrant that you hold, then you must:

- ▶ give Commonwealth Bank, no later than 12.00pm (Sydney time) on the Maturity Date for the Instalment Warrant, a duly completed Completion Notice; and
- ▶ make the Completion Payment in full. The proceeds of such payment must be received by Commonwealth Bank in cleared funds within 5 Business Days of the day the Completion Notice is given to Commonwealth Bank, or by 12.00pm (midday) (Sydney time) on the Maturity Date, whichever is sooner.

Commonwealth Bank will instruct the Registrar to send all Holders a reminder of the Maturity Date and a form of Completion Notice not less than 25 days before the Maturity Date.

Commonwealth Bank and the Registrar have the right to rely upon the contact details that have been provided by the Holder and will not be held responsible for the accuracy of that information. It is the Holder's responsibility to notify the Registrar of any change of address.

Holders may request a Completion Notice at any time during their investment. Completion Notices received during the 10 Business Days immediately prior to the Maturity Date will be processed as though they were received on the Maturity Date.

(d) Who can give a Completion Notice and pay the Completion Payment?

A Completion Notice may be given by:

- ▶ the person who appears on the Register as the Holder of the relevant Instalment Warrant at the time the Completion Notice is given; or
- ▶ a person who, although not registered as the Holder when the Completion Notice is given, is entitled to be registered as the Holder of the Instalment Warrant and who becomes the registered Holder within 5 Business Days after delivery of the Completion Notice.

A Completion Notice given by such person will be recognised as effective provided that no other Completion Notice is given in respect of the same Instalment Warrant by a person who, to the knowledge or in the reasonable opinion of Commonwealth Bank, became entitled to be registered as the Holder at a later time than the person who gave the earlier Completion Notice.

(e) Can I give a Completion Notice and pay the Completion Payment before the Maturity Date?

You may give a Completion Notice and pay the Completion Payment for any Instalment Warrants that you hold at any time up to 12.00pm (midday) (Sydney time) on the Maturity Date and receive the Underlying Securities. Commonwealth Bank will not refund any portion of the pre-paid Interest Amount if you pay the Completion Payment early.

(f) Do I have to give a Completion Notice and pay the Completion Payment?

No, you do not have to give a Completion Notice or pay the Completion Payment. However, you will be in default of your obligation to repay the Loan if you do not and Commonwealth Bank will take action – see section 2.3(g) immediately below.

(g) What will happen if I do not pay the Completion Payment at the Maturity Date?

If you:

- ▶ do not give a valid Completion Notice as and when required (which is accepted by Commonwealth Bank); or
- ▶ give a valid Completion Notice and Commonwealth Bank does not receive the Completion Payment in cleared funds by 12:00pm (Sydney time) on the Maturity Date,

then Commonwealth Bank or a Commonwealth Bank Entity will sell the Underlying Securities pursuant to the Mortgage, with the proceeds of that sale distributed in the Priority Order, and your Instalment Warrants will be cancelled. Refer to section 2.2(b) for more information on the limited recourse nature of the Loan and section 2.3(k) for more information on the Priority Order.

(h) What if I do not pay the Completion Payment in respect of an Instalment Warrant in full?

If you do not pay the Completion Payment for an Instalment Warrant covered by the Completion Notice in full, Commonwealth Bank will treat your Completion Notice in respect of that Instalment Warrant as being an incomplete notice. It is not possible to partially pay the Completion Payment in respect of an Instalment Warrant.

However, you may pay the Completion Payment (in full) in respect of some but not all of your Instalment Warrants. This is sometimes referred to as a “partial exercise” in respect of Instalment Warrants.

If you pay the Completion Payment (in full) in respect of some but not all of your Instalment Warrants within a particular series, then Commonwealth Bank and the Trustee may determine which of your Instalment Warrants (and therefore which of the Underlying Securities to which those Instalment Warrants relate) within that Series the Completion Notice relates to.

(i) What if the Underlying Security is trading on a Deferred Settlement basis?

If the Underlying Security or the Instalment Warrant are trading on a Deferred Settlement basis at the time you give a Completion Notice, the Completion Notice shall not be deemed to be given until the end of the Deferred Settlement Period.

(j) What if the Underlying Security includes a fraction of an Underlying Security?

Any fractions of an Underlying Security which are included in your Instalment Warrants will be disregarded in relation to the giving of a Completion Notice.

(k) What is the Priority Order?

The payment of the proceeds of a sale or disposal of the Underlying Security or of a surplus or other amount received by Commonwealth Bank or the Trustee under the Trust Deed will be made in the following order:

- ▶ in payment or reimbursement of all costs, charges, liabilities, expenses and Taxes of the Trustee;
- ▶ in payment or reimbursement of all fees, costs, charges, liabilities, expenses and Taxes incurred in relation to the Relevant Event;
- ▶ in payment to Commonwealth Bank of the Completion Payment in respect of the relevant Underlying Security and any other amounts payable to Commonwealth Bank; and
- ▶ in payment of the balance (if any) to the Relevant Holder.

2.4 What happens while I hold Instalment Warrants?**(a) Will I receive dividends?**

- ▶ All Ordinary Dividends paid (subject to any withholding for Tax) on the Underlying Security will be paid to you in cash.
- ▶ Any Special Dividends paid (subject to any withholding for Tax) on the Underlying Security will be used to reduce your Loan Amount (and, therefore, the amount of the Completion Payment).
- ▶ Subject to eligibility, you may also be entitled to any franking credits attached to those Dividends (see section 4.3 for more information).

If you have not provided a TFN or ABN (if applicable), or you are not resident in Australia, then you will be required to pay Commonwealth Bank an Equalisation Payment if a Special Dividend is paid on any Underlying Security (see section 2.5 for more information).

Other Accretions to an Underlying Security will not be distributed but will form part of the Underlying Security, subject to the Mortgage. To the extent such Accretion arises pursuant to a corporate action described in section 2.7, such Accretion may be dealt with in accordance with the relevant provision of that section, which may include Commonwealth Bank seeking to realise value for the Accretion and applying any value realised to reduce the Loan Amount.

If a distribution is paid to the Trustee after the Maturity Date in respect of an Underlying Security for which a valid Completion Notice has been given (and the Completion Payment paid), then the cash amount of the distribution will be payable by the Trustee to you.

(b) I receive voting rights in relation to the Underlying Securities?

As a Holder of an Instalment Warrant, you are not entitled to attend, speak or vote at any meeting of members (or class of members) of the relevant Listed Entity.

The Trustee will not exercise any right to vote in respect of any Underlying Security (whether in its own right or on your behalf).

(c) Not entitled to receive annual reports.

As a Holder of an Instalment Warrant, you are not entitled to receive any annual reports or notices of meetings of the relevant Listed Entity.

2.5 Will there be any adjustments of ordinary Dividends and Special Dividends?

(a) Ordinary Dividends and withholding Tax

If a Holder is not an Australian tax resident or is a resident who has not provided their TFN (or ABN in certain circumstances) and the trustee has an obligation to pay or withhold any Tax with respect to ordinary Dividends, the Trustee will withhold the Tax and pay it to the relevant tax collecting authority. The Trustee will pay the remainder of the ordinary Dividend to the Holder.

(b) Special Dividends and the Equalisation Amount

If a Special Dividend is paid, it will be used to reduce the Holder's Completion Payment instead of being paid in cash. All Holders' Completion Payments will be adjusted by the same amount. Some Holders with tax obligations may be required to pay an Equalisation Amount.

This would apply to Holders in the following circumstances:

- ▶ If a Special Dividend is paid and the Trustee is legally obliged to withhold an amount of Tax because you have not provided a TFN or ABN to the Trustee (or you have not notified us of a relevant exemption); or
- ▶ If a Special Dividend is paid and the Trustee is legally obliged to withhold an amount of Tax because you are a non-resident and withholding tax applies; or
- ▶ If a Special Dividend is paid and the Trustee is legally obliged to withhold an amount of Tax because the Holder holds the Instalment Warrant in their capacity as a trustee and they have not provided all of the information required for the Trustee to make a "correct TB statement" under section 102UG of the Tax Act.

If this applies then:

- ▶ The Trustee will be required to pay the Tax to the ATO or other relevant tax collecting authority;
- ▶ Commonwealth Bank will lend to you an amount equal to the Equalisation Amount and on your behalf pay and apply that amount in accordance with the Priority Order for your relevant Instalment Warrant;
- ▶ You will be required to pay the Equalisation Amount to Commonwealth Bank as a debt immediately due and payable; and
- ▶ If you fail to pay the Equalisation Amount, Commonwealth Bank may (without notice to you) enforce its Mortgage and terminate some or all of your Instalment Warrants to recover this amount.

The Equalisation Amount is not subject to the limited recourse provision of the Loan.

Example

This example is illustrative only.

The table below shows how the Loan Amount will vary for a hypothetical Instalment Warrant over XYZ Underlying Securities where the Investor does not provide their TFN or ABN, assuming XYZ pays an unfranked Special Dividend of 4 cents per Share.

Variation of the Loan Amount		
	TFN/ABN Provided	TFN/ABN Not Provided
Loan Amount immediately before Special Dividend	\$1.24	\$1.24
Unfranked Special Dividend of \$0.04	(\$0.04)	(\$0.0214)*
Equalisation Amount advanced by Commonwealth Bank (per Instalment Warrant)	Nil	(\$0.0186)
Reduced Loan Amount	\$1.20	\$1.20
Equalisation Amount owing by Holder (per Instalment Warrant)	Nil	\$0.0186

* Net of withholding tax on the dividend for a resident tax payer where TFN/ABN was not provided (and an exemption does not apply). This example assumes a tax rate of 46.5%.

The Holder is required to pay the Equalisation Amount of \$0.0186 per Instalment Warrant to Commonwealth Bank.

2.6 How do I invest in Instalment Warrants?

(a) On market acquisitions only

Members of the general public may only acquire Instalment Warrants on the ASX.

(b) What additional amounts are payable on acquisition of Instalment Warrants?

Aside from the market price of the Instalment Warrant, none. However, your broker may charge brokerage.

(c) What factors might affect the market price of Instalment Warrants?

The price of Instalment Warrants on the ASX will vary depending on a variety of factors.

The table below shows:

- ▶ some of the factors which may affect the market value of Instalment Warrants on the ASX; and
- ▶ how changes in those factors (assuming all other variables are constant) may affect the value of Instalment Warrants in the secondary market.

Variable	Change in Variable	Effect on Interest Rate
Price of the Underlying Security	▲	▼
Volatility of the Underlying Security	▲	▲
Time remaining until the Maturity Date	▼	▼
Level of interest rates in Australia	▲	▲
Dividend paid on the Underlying Security	▲	▼
Future expected Dividends on the Underlying Security	▲	▲

You should be aware that:

- ▶ other factors including current and forecasted economic conditions (for example inflation and corporate actions) may affect the value of Instalment Warrants; and
- ▶ there may be simultaneous moves in one or more of the variables listed above.

2.7 Corporate actions and Extraordinary Events

(a) What will happen to Instalment Warrants if a corporate action occurs?

Although many of the events listed in this section 2.7 may also constitute an Extraordinary Event, Commonwealth Bank may elect to deal with such events in accordance with this section.

(i) Takeover bids

A takeover offer for the Underlying Security will not be accepted by the Trustee, other than a compulsory acquisition.

The Trustee may nominate an Early Maturity Date with the consent of the ASX.

(ii) Buy backs

If the Underlying Security is subject to a buy back offer, the Trustee will reject such an offer and will not be bound to give any notification of it to any Holder.

Commonwealth Bank may nominate an Early Maturity Date with the consent of the ASX.

(iii) Entitlements Offers

If a Listed Entity makes an Entitlements Offer in relation to the Underlying Security, the Trustee is not obliged to take any action in respect of the rights issue but may (at its discretion) take Reasonable Action as is prudent without incurring additional liability to confer the benefit of the Entitlements Offer on the Holder.

(iv) Other corporate actions

If the Underlying Security is subject to:

- ▶ a compulsory acquisition;
- ▶ a scheme of arrangement, quasi-scheme of arrangement or merger in the nature of a scheme of arrangement;
- ▶ a consolidation or subdivision or similar reconstruction;
- ▶ a bonus issue;
- ▶ an arrangement whereby the Listed Entity reduces its share capital and makes any cash payment in respect of the Underlying Security;
- ▶ an Entitlements Offer in relation to which the Trustee takes Reasonable Action; or
- ▶ any other event which Commonwealth Bank determines (in its reasonable opinion) to have a dilutive or concentrative effect on the theoretical value of the Underlying Security,

the Instalment Warrants and the proceeds and property received in respect of such corporate action may be dealt with in accordance with section 2.7(a)(v) below.

(v) Adjustments to Instalment Warrants

If an event specified in section 2.7(a)(iv) occurs, Commonwealth Bank or the Trustee at Commonwealth Bank's direction (as the case may be) may do any one or more of the following as permitted by the Trust Deed:

- ▶ issue new Instalment Warrants to you over an Underlying Security which is different to the Underlying Security immediately prior to the event occurring;

- ▶ sell all or any property received as a result of such event in such manner and at such times as Commonwealth Bank or the Trustee may determine in its absolute discretion and distribute the net proceeds of such sale in accordance with the Priority Order as soon as practicable;
- ▶ retain some or all of the property received as a result of such event so as to comprise, or form part of, an Underlying Security;
- ▶ distribute some or all of the cash receipts received as a result of such event in accordance with the Priority Order;
- ▶ take Reasonable Action;
- ▶ reconstruct (with the consent of the ASX) a Series of Instalment Warrants, including without limitation, dividing the Instalment Warrants into a greater number of Instalment Warrants, or consolidating the Instalment Warrants into a lesser number of Instalment Warrants;
- ▶ with the consent of the ASX, make any other adjustment to the commercial terms of the Instalment Warrant including the Loan Amount, the Underlying Security, the number of Instalment Warrants you hold, or any other variable relevant to the exercise, settlement, payment or other terms of the Instalment Warrants; or
- ▶ nominate an Early Maturity Date with the consent of the ASX.

(vi) What is Reasonable Action?

Reasonable Action is action taken or omitted by Commonwealth Bank or the Trustee (after consultation with Commonwealth Bank) which is lawful, practicable, does not create a risk of liability for Commonwealth Bank or the Trustee unacceptable to it and is otherwise reasonable.

(b) What will happen to Instalment Warrants if an Extraordinary Event occurs?

- (i) If an Extraordinary Event occurs Commonwealth Bank may nominate an Early Maturity Date and, if the Extraordinary Event occurs due to actual or proposed delisting of the relevant Listed Entity or withdrawal of admission to trading status or grant of quotation or suspension of trading or quotation, and the Underlying Security cannot be transferred to the Holder, then the Holder will receive a Liquidated Damages Amount. Some of the events which could lead to an Early Maturity Date are intended to allow investors the flexibility they need to make their own decisions in takeovers or other corporate actions.

If Commonwealth Bank nominates an Early Maturity Date, then Holders will be able to make the same choices that would have been available to them at the Maturity Date as summarised in section 2.3(a).

(ii) What are Extraordinary Events?

Commonwealth Bank may, with the consent of the ASX, treat the occurrence of any of the following events in relation to an Underlying Security or a Series of Instalment Warrants as an Extraordinary Event:

- ▶ actual or proposed delisting of the relevant Listed Entity;
- ▶ withdrawal of admission to trading status or grant of quotation;
- ▶ suspension of trading or quotation;
- ▶ a Tax Event; and
- ▶ announcement of a commitment (conditional or not) to propose a Scheme or to make a Takeover Bid or a Buy-Back Offer,

except, in the case of a Series of Instalment Warrants, if that delisting, withdrawal or suspension is caused by Commonwealth Bank; and

- ▶ any other event designated by Commonwealth Bank to be an Extraordinary Event.

2.8 How do I realise my investment in Instalment Warrants?

(a) There are a number of alternatives.

Up to and including the Maturity Date:

- ▶ sell the Instalment Warrants on the ASX and receive the prevailing market price for Instalment Warrants; or
- ▶ give a valid Completion Notice to Commonwealth Bank and make the Completion Payment to take ownership of the Underlying Securities (see section 2.3(b) for more information).

At the Maturity Date:

See section 2.3(a) for a summary of the choices available to a Holder at the Maturity Date.

(b) How can I transfer my Instalment Warrants?

A Transfer:

- ▶ may be effected by ASX Settlement in accordance with the ASX Settlement Operating Rules and the Terms, subject to at least a minimum marketable parcel being transferred;
- ▶ in all cases, must be a Proper Transfer or a Prescribed Transfer in accordance with the Trust Deed, the Corporations Act and the ASX Settlement Operating Rules

(otherwise the Registrar will not register the Transfer); and

- ▶ takes effect when the Register is updated.

If the Registrar refuses to register a Transfer, the Holder will be notified within 5 Business Days after the Transfer is lodged (failure to give such notice does not invalidate the refusal to register).

Commonwealth Bank will make the form for a Prescribed Transfer available on request subject to the payment of an administrative fee.

(c) What will happen as a result of the Transfer?

- ▶ If you acquire an Instalment Warrant as a Transferee you irrevocably authorise and direct Commonwealth Bank on the Effective Date to apply the Loan Amount as follows for each Instalment Warrant transferred to you:
 - first, to satisfy your obligation to pay the Interest Amount for the remaining term of the Instalment Warrant; and
 - the remainder toward repayment of the net amount due by the Transferor to Commonwealth Bank on transfer of the Instalment Warrant.
- ▶ If you sell an Instalment Warrant before its Maturity Date, Transfer Costs may be payable by or to you. You irrevocably authorise and direct Commonwealth Bank to set off any refunds of the Interest Amount or Transfer Costs (if any) owed by Commonwealth Bank to you as the Transferor in payment of any Transfer Costs payable by you to Commonwealth Bank (if any) and then in partial repayment of your Loan in respect of the Instalment Warrants transferred to the extent of the refund due.

The Interest Amount that Commonwealth Bank will refund to you will be calculated on a pro rata basis based on the number of days remaining in the Interest Period and the Interest Rate applying to your Loan at the time at which the Interest Amount was prepaid.

The Transfer Costs will be payable to you if the Interest Amount paid by the Transferee exceeds the Interest Amount refunded to you, and will be equal to the difference. The Transfer Costs will be payable by you to Commonwealth Bank if the Interest Amount refunded to you exceeds the Interest Amount paid by the Transferee, and will be equal to the difference.

As all amounts will be applied under the Loan Agreement, no Transfer Costs or refund of any Interest Amount will be paid to you in cash.

In other words, each Transfer of an Instalment Warrant will result in the following occurring automatically and without any further action required by the transferee or the transferor of the Instalment Warrant:

- ▶ transfer of the Beneficial Interest of the transferor in the Underlying Security to the transferee, subject to the Mortgage;
- ▶ the Underlying Securities remaining in trust for the benefit of the transferee;
- ▶ the transferee receiving a Loan from Commonwealth Bank equal to the current Loan Amount of the Instalment Warrant. The advance made under the Loan will be used to:
 - prepay the Interest Amount for the remainder of the life of the Instalment Warrant; and
 - repay the balance of the transferor's Loan;
- ▶ the transferor's Loan being repaid as noted immediately above;
- ▶ the transferor's obligation to pay Transfer Costs and any rights to receive Transfer Costs or a refund of the Interest Amount being satisfied; and
- ▶ the Mortgage remaining in place, but now securing the funds advanced in relation to the new Loan.

Please note that settlement of trades on the ASX currently takes place on a T+3 basis. This means that ASX purchasers will generally not appear on the Register as the Holder of the Instalment Warrant until the fourth Business Day following the transaction.

Example of Transfer Costs

Assume that an investor purchased Instalment Warrants with a Loan Amount (at that time) of \$18.75 from another investor that acquired those Instalment Warrants with an Interest Rate of 9.50%p.a. On the Effective Date for the purchase, the time to the Maturity Date was 100 days and the Interest Rate had increased from 9.50%p.a. to 10.50%p.a. The Interest Amount payable by the Transferee would be \$0.539 (10.50%p.a. x \$18.75 x 100/365) and the refund of interest payable to the Transferor would be \$0.488 (9.50%p.a. x \$18.75 x 100/365).

Accordingly, Transfer Costs of \$0.051 (the difference between the two amounts) would be payable by Commonwealth Bank to the Transferor in this example because the Interest Amount is greater than the refund of interest payable to the Transferor. In practice, no cash payments are made as the Transferee's Loan (\$18.75) is applied to pay the Transferee's Interest Amount (\$0.539) and the balance (\$18.211) is applied together with the Transferor's Interest refund (\$0.488) and Transfer Costs (\$0.051) to repay the Transferor's Loan in full.

2.9 What happens if Commonwealth Bank is in default?

Commonwealth Bank has an obligation to deliver the Underlying Securities to you if a valid Completion Notice is received (and the Completion Payment paid).

You may give a default notice to Commonwealth Bank if we fail to deliver the Underlying Security to you on the Settlement Date (which will generally be within 20 Business Days after delivery of the valid Completion Notice).

Commonwealth Bank must pay you the Liquidated Damages Amount (if any) within 10 Business Days of the day on which you give it a default notice.

The Liquidated Damages Amount is calculated as:

$$A = 1.1 \times S$$

where:

A = the Liquidated Damages Amount;

S = the aggregate of the values of the items of property comprising the Underlying Security on the date that the valid Completion Notice was given, being:

- ▶ where the item of property is traded on the ASX on the relevant date, the Weighted Average Sale Price of that item of property on the ASX;
- ▶ otherwise, the value determined by Commonwealth Bank with the consent of the ASX to be the fair market value of that item of property on the relevant date,

where the Weighted Average Sale Price is determined by Commonwealth Bank (in its sole discretion), by dividing the total of the sale prices of identical items of property on the ASX on each of the 5 Trading Days immediately following the relevant date (excluding special crossings, option exercises and overseas sales reported on those days) by the number of those items the subject of sales during each of such Trading Days, and then calculating the arithmetic average of such daily volume weighted prices.

Example

This example is illustrative only.

$$\begin{aligned} S \text{ (Weighted Average Sale Price)} &= \$10.00 \\ A &= 1.1 \times \$10.00 \\ A &= \$11.00 \end{aligned}$$

You would receive Liquidated Damages of \$11.00 in this example.

3.0 Benefits and risks

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3.1 What are some of the benefits of investing in Instalment Warrants?

- ▶ The potential to earn greater returns than an equivalent unleveraged (ungeared) investment in the Underlying Security due to the leverage (gearing) incorporated in Instalment Warrants.
- In other words, Holders will pay less than 100% of the cost of the Underlying Securities but will receive 100% of any and all returns as though they own the Underlying Securities.
- ▶ No margin calls.
 - ▶ The ability to benefit from dividends (including any related franking credits, subject to eligibility and any withholding for Tax) paid by and any increase in the market price of the Underlying Security over the life of the Instalment Warrant.
 - ▶ The ability to pay the Completion Payment for each Instalment Warrant at any time on or before the Maturity Date to take ownership of the Underlying Security.
 - ▶ A level of capital protection through the limited recourse nature of the Loan. Any Equalisation Amount will not be subject to the limited recourse provision of the Loan (see section 2.5(b)).
 - ▶ An investment that may be bought or sold on the ASX on or prior to the Maturity Date.
 - ▶ An investment which may be an eligible investment for superannuation entities (including self-managed superannuation funds).

3.2 What are some of the risks of investing in Instalment Warrants?

An investment in Instalment Warrants involves a degree of risk. You may lose some or all of the money you invest in Instalment Warrants. This section provides a summary of some of the risks that an Investor in Instalment Warrants will be exposed to. Those risks have been divided into two categories:

- ▶ risks associated specifically with Instalment Warrants (sections 3.2(a)); and
- ▶ risks associated with any investment (sections 3.2(b)).

Some of the significant risks include the following:

- ▶ the value of the Underlying Securities may fall, which would result in the value of Instalment Warrants falling (see section 3.2(a)(i));
- ▶ the leverage (gearing) incorporated in Instalment Warrants will magnify any losses that occur (see section 3.2(a)(ii));
- ▶ potential conflicts of interest for Commonwealth Bank may arise (see section 3.2(a)(iii));
- ▶ Commonwealth Bank may exercise any of the discretions it has under the Terms (see section 3.2(a)(iv)); and
- ▶ the tax implications of your investment may change.

Summary of risks only – no substitute for independent financial advice

This section provides a summary of some of the significant risks that an investment in Instalment Warrants will be exposed to. It does not provide a substitute for independent financial advice that takes into account your particular circumstances.

Experienced investors

You should not invest in Instalment Warrants unless you:

- ▶ are familiar with securities and options; and
- ▶ are familiar with leveraged (geared) investment in securities; and
- ▶ understand and are comfortable with the risks of investing in Instalment Warrants.

Further advice recommended

An investment in Instalment Warrants involves financial and other risks and is only suitable for you if you fully understand the risks of investing in Instalment Warrants. Before making an investment in Instalment Warrants you should:

- ▶ carefully read all of this PDS and the SPDS for the Series of Instalment Warrants you are considering;
- ▶ seek independent professional legal, taxation and financial advice to determine whether an investment in Instalment Warrants is right for you; and
- ▶ carefully consider the potential benefits and the risks involved in investing in Instalment Warrants in light of your individual circumstances, including your particular investment needs, objectives and financial and taxation circumstances.

Underlying Securities

You are responsible for selecting the Underlying Securities for any Instalment Warrant that you acquire. As such, the performance of any Instalment Warrant will depend mainly on investment decisions made by you. There is a risk that the value of, and returns from, your Instalment Warrants will decrease. This may occur because of poor performance of a specific Underlying Security, a sector in the financial markets or the share market generally. You should not rely on this PDS as the sole basis for any investment decision in relation to an Instalment Warrant or any Underlying Security, but should obtain relevant information concerning the Underlying Security and, where necessary, obtain independent financial advice.

(a) Risks specific to Instalment Warrants

(i) The market price of Instalment Warrants may rise or fall

The market price of an Instalment Warrant is expected to depend on a number of variables, including those set out in the table below. The table also indicates how the market price of an Instalment Warrant is expected to change given a change in each variable.

Variable	Change in Variable	Effect on Interest Rate
Price of the Underlying Security	▲	▼
Volatility of the Underlying Security	▲	▲
Time remaining until the Maturity Date	▼	▼
Level of interest rates in Australia	▲	▲
Dividend paid on the Underlying Security	▲	▼
Future expected dividends on the Underlying Security	▲	▲

Other factors that may affect the market price of Instalment Warrants include:

- ▶ the real or anticipated changes in general economic conditions and the earnings results of the Underlying Security;
- ▶ corporate actions (such as takeovers) associated with the Underlying Security.

There may be simultaneous moves in two or more of the variables listed above.

(ii) Leverage

Losses and gains on Instalment Warrants will be magnified because of the leverage (gearing) incorporated within the Instalment Warrants by the Loan, in comparison with an equivalent unleveraged (ungeared) investment in the Underlying Security. In other words, the value of an investment in an Instalment Warrant will decrease by an amount that is greater than the amount of any decrease in the value of the Underlying Security.

More leverage (gearing) means more risk. In other words, a highly leveraged (geared) investment will be exposed to more risk than an equivalent lowly leveraged (geared) investment.

Example

This example is illustrative only.

Assume you have \$10,000 to invest. We compare an investment in XYZ Underlying Securities trading at \$10.00 with the same dollar investment in Instalment Warrants over XYZ Underlying Securities.

Due to the leverage provided by Instalment Warrants over XYZ, you can purchase a greater quantity giving you a greater exposure to XYZ Underlying Securities, in this case doubles the exposure.

As you can see in the example below, if XYZ share price rises, the market price of Instalment Warrants over XYZ will rise, doubling the percentage return when compared to XYZ Underlying Securities.

Equally, if XYZ share price falls, the market price of Instalment Warrants over XYZ will fall doubling the percentage loss when compared to XYZ Underlying Securities.

Investment in XYZ Underlying Securities versus XYZ Instalment Warrants

Assumptions

Investment Amount	\$10,000
XYZ Underlying Security Price	\$10.00

Instalment Warrant Details

XYZ Instalments Market Price	\$5.00
XYZ Completion Payment (Loan)	\$6.00
Leverage	60%

	XYZ Underlying Securities	XYZ Instalment Warrants
XYZ Underlying Security Price	\$10.00	\$5.00
Leverage	no leverage	60%
Quantity	1,000	2,000
Consideration	\$10,000.00	\$10,000.00

Underlying Security Price Rises to \$11.00

	XYZ Underlying Securities	XYZ Instalment Warrants
Underlying Security Price	\$11.00	\$6.00
Value	\$11,000.00	\$12,000.00
Gain/Loss	\$1,000.00	\$2,000.00
Return	10%	20%
Leverage	no leverage	55%

Underlying Security Price falls to \$9.00

	XYZ Underlying Securities	XYZ Instalment Warrants
Underlying Security Price	\$9.00	\$4.00
Value	\$9,000.00	\$8,000.00
Gain/Loss	-\$1,000.00	-\$2,000.00
Return	-10%	-20%
Leverage	no leverage	67%

* 60% leverage (Completion Payment/Security Price)

** For illustration purposes only. Does not take into consideration changes in other variables such as volatility or interest rates. Assumes change in price occurs same day and the instalment warrant has a delta of 1.

In the case of Instalment Warrants, the extent of leverage (gearing) at any point in time is determined by dividing the Loan Amount by the market price of the Underlying Security. Importantly, this means that the extent of the leverage (gearing) incorporated in an Instalment Warrant, and therefore the degree of risk that an investment in Instalment Warrants will be exposed to, will change as the market price of the Underlying Security changes. The initial gearing levels shown for a Series of Instalment Warrants in the Summary Table of Instalment Warrants in an SPDS are only valid on the date of the SPDS for that Series. It is possible that the extent of leverage (gearing) incorporated in an Instalment Warrant will change materially over the life of that Instalment Warrant.

Example

This example is illustrative only.

How to calculate the leverage of an Instalment Warrant		
Leverage = (Completion Payment/Price of Underlying Securities)* 100		
How the leverage of an Instalment Warrant changes as the price of Underlying Securities moves		
Underlying Security Price	Completion Payment	Leverage
\$10.00	\$6.00	60%
\$8.00	\$6.00	75%
\$11.00	\$6.00	55%

(iii) Potential conflicts of interest

You should be aware that Commonwealth Bank may hedge its economic exposures in relation to Instalment Warrants, although it is not obliged to. Those hedging activities may be conducted in securities, futures contracts, options or other derivatives related to the Underlying Security. Commonwealth Bank may effect or unwind a substantial part of its hedging positions at any time during the term of an Instalment Warrant, including as it approaches its Maturity Date. Such hedging activities may adversely affect the value of the Underlying Security and the Instalment Warrants.

Other conflicts of interest may also arise in relation to Instalment Warrants. See section 9.7 for information on further potential conflicts of interests and other activities of members of Commonwealth Bank Group.

(iv) Commonwealth Bank's discretion

The Terms confer discretion on Commonwealth Bank to make decisions which could adversely affect the value of your Instalment Warrants in a number of circumstances. These include the discretion to:

- ▶ bring the Maturity Date forward on the occurrence of an Extraordinary Event (see section 2.7 for more information);

- ▶ determine what adjustments may be appropriate to your Instalment Warrants in the case of a corporate action (see section 2.7 for more information); and
- ▶ vary or make any adjustments to the Terms of the Instalment Warrants without your consent (see section 9.2(h) for more information).

You do not have the power to require Commonwealth Bank to obtain your consent, consult with you, or otherwise give any direction to it, in relation to the exercise of any of its discretions. Commonwealth Bank will be required to obtain the consent of ASX before it may exercise its discretions in some circumstances.

(v) Entitlement to franking credits

Your entitlement to franking credits is subject to certain conditions being satisfied. Failure to satisfy these conditions may deny you the benefit of any franking credits that may be attached to any Dividends you receive in relation to your Instalment Warrants. In particular, your entitlement to franking credits will be denied if you do not maintain sufficient ownership risk in the Underlying Security for the minimum period required by Tax law (see section 5 for more information).

(vi) Non-provision of a TFN/ABN

If a Special Dividend is paid and you have not provided your TFN or ABN, you will be required to immediately pay an Equalisation Amount to Commonwealth Bank – refer to section 2.5(b) for more information.

(vii) Counterparty risk – Commonwealth Bank

The value of the Instalment Warrants depends on, among other things, the ability of Commonwealth Bank to perform its obligations in accordance with the Trust Deed. Those obligations include:

- ▶ arranging the transfer of the Underlying Security to the Holder after the Maturity Date (or paying the Liquidated Damages Amount as noted in section 2.9); and
- ▶ selling the Underlying Securities pursuant to the Mortgage, and distributing the proceeds of that sale in accordance with the Priority Order, if the Holder fails to give a valid Completion Notice when required (see section 2.3 for more information).

The financial performance and position of Commonwealth Bank may affect its ability to perform its obligations.

Instalment Warrants are not bank deposits with or liabilities of Commonwealth Bank and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Commonwealth Bank does not guarantee any particular rate of return or the performance of the Instalment Warrants, nor does it guarantee the repayment of capital from the Instalment Warrants.

The value of an Instalment Warrant depends on, amongst other things, the ability of Commonwealth Bank to fulfil its obligations under the Instalment Warrants. Any obligations of Commonwealth Bank to make payments in respect of the Instalment Warrants are unsecured obligations of Commonwealth Bank and are not deposit liabilities of Commonwealth Bank and are not guaranteed by any other party. If Commonwealth Bank is wound up, these obligations would rank equally with other unsecured obligations of Commonwealth Bank and ahead of subordinated debt and obligations to shareholders but after all deposit liabilities of Commonwealth Bank and other than liabilities preferred by law. In this regard section 13A(3) of the Banking Act 1959 (Cth) provides that if Commonwealth Bank becomes unable to meet its obligations, the assets of Commonwealth Bank in Australia are to be used to meet its deposit liabilities in Australia in priority to all other liabilities of Commonwealth Bank (which include any obligations of Commonwealth Bank in respect of the Instalment Warrants).

Section 7 includes information about Commonwealth Bank. Investors must, however, make their own assessment of the ability of Commonwealth Bank to meet its obligations in respect of Instalment Warrants.

The performance by Commonwealth Bank of its obligations under the Instalment Warrants is not guaranteed by the ASX, the National Guarantee Fund, ASX Clear or any other person.

The rights of Holders against Commonwealth Bank in respect of Instalment Warrants are set out in the Trust Deed. Commonwealth Bank only has those obligations set out or provided for in the Trust Deed, and does not otherwise owe contractual, fiduciary or other obligations or liabilities to Holders. Accordingly, any profits earned and any losses incurred by Commonwealth Bank, the Administrator and their associates, in relation to Instalment Warrants, the Underlying Security, other warrants, derivatives or other products accrue entirely to those parties, without any claim to or interest in them by Holders or other persons.

(viii) Counterparty risk – Trustee

The value of the Instalment Warrants depends on, among other things, the ability of the Trustee to perform its obligations in accordance with the Trust Deed.

The Trustee (Share Direct Nominees Pty Limited) is a wholly owned subsidiary of Commonwealth Bank. It is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of Commonwealth Bank. Commonwealth Bank does not guarantee or otherwise provide any assurance in respect of the obligations of the Trustee.

The Trustee is obliged or permitted under the Trust Deed in certain cases to sell trust property, including to Commonwealth Bank, at prices determined by reference to the market. The Trustee is also permitted to sell trust property relating to more than one Instalment Warrant as part of the one transaction. Dealing with Commonwealth Bank, and dealing with aggregated trust property, might result in proceeds that would be different if the Trustee had dealt with a different counterparty or in respect of the trust property of a single Holder only or both.

(ix) Trading risks**A. Possible illiquidity of ASX trading**

There is no accurate indication as to the extent to which the Instalment Warrants will trade on the ASX, nor is there sufficient evidence to determine definitively whether that market will be liquid or illiquid. Commonwealth Bank or a Commonwealth Bank Entity will conduct market making activities in relation to the Instalment Warrants by the provision of bids and offers made in a spread around the prevailing market price to help ensure liquidity in the market for the Instalment Warrants.

There are no spread or quantity obligations applied to the market making requirements. Market making activities will be subject to competitive pressures and in times of extreme volatility, the ability of market makers to maintain a market will be put under stress. Investors should be aware that in these situations, the presence of suitable quotes cannot be assured.

Further, the liquidity of an Instalment Warrant may be affected by the liquidity of the Underlying Security to which it relates.

B. Suspension of trading in Instalment Warrants

Trading in Instalment Warrants on the ASX may be halted or suspended by the ASX in accordance with the ASX Operating Rules. This may occur, for example, whenever the ASX deems such action appropriate to protect investors or if Commonwealth Bank fails to comply with the ASX Operating Rules or the Terms.

C. Suspension of trading in, or de-listing of, Underlying Securities

Trading in Underlying Securities on the ASX may be halted or suspended by the ASX in accordance with the ASX Operating Rules. This may occur, for example, whenever the ASX deems such action appropriate to protect investors.

Except where it constitutes an Extraordinary Event, a suspension in trading, de-listing or withdrawal of trading status in relation to the Underlying Security will not affect the validity of the Instalment Warrants, or in any way affect the obligations of Commonwealth Bank under the Instalment Warrants, unless the Instalment Warrants themselves consequently have their trading status withdrawn or are suspended.

D. Deferred settlement

A Series of Instalment Warrants may, if so specified in the SPDS for the Series, commence quotation on the ASX initially on a Deferred Settlement basis. The SPDS will specify the date on which normal trading of the Instalment Warrants on the ASX is expected to begin. Instalment Warrants may also trade on a Deferred Settlement basis at other times throughout their Term.

(x) Taxation Considerations

The taxation considerations summarised in section 5 of this PDS are of a general nature only and are based on a number of assumptions which are set out in that section. In considering the potential taxation outcomes of investing in Instalment Warrants, it is important that you consider the applicability of those assumptions in relation to your investment in Instalment Warrants.

The taxation outcome of investing in Instalment Warrants depends on your individual circumstances and Commonwealth Bank recommends you seek independent taxation advice which takes into account your personal circumstances before making any investment decision. There is some risk that tax laws may not be enacted as anticipated. Refer to Section 13 of the Tax Opinion for further information.

(xi) Takeover bids

If a takeover offer is made for a Listed Entity the Trustee will not accept the offer in respect of the Underlying Securities. Although a Holder may elect to complete early, Commonwealth Bank gives no assurance that Underlying Securities acquired by a Holder as a result of the completion of Instalment Warrants will be able to participate in any takeover offer for the relevant Listed Entity. Commonwealth Bank does not undertake to do anything other than to enable an exercising Holder to take delivery of the Underlying Security in accordance with the Trust Deed.

The Maturity Date for the Instalment Warrants is not affected by any takeover offer for the Underlying Security unless Commonwealth Bank declares an Early Maturity Date. Commonwealth Bank has no obligation to do so.

(xii) National Guarantee Fund (not a guarantor in all cases)

If an Instalment Warrant has been acquired through the ASX, an investor may claim against the National Guarantee Fund if its broker fails to complete a purchase or sale of an Instalment Warrant. An investor cannot make a claim against the fund for loss caused by an investment decision, or by Commonwealth Bank's failure to issue an Instalment Warrant or to meet its settlement obligations arising from the lapse or exercise of an Instalment Warrant.

(iii) Change of law

Changes to laws or their interpretation, or government administrative practices, in Australia including taxation and corporate regulatory laws and practices could have a negative impact on the returns of an Instalment Warrant.

(b) General risks**(i) Investment decisions**

It is impossible in a document of this nature to take into account the investment objectives, taxation or financial situation and particular needs of each potential investor. Accordingly, nothing in this PDS is a recommendation by Commonwealth Bank or any other person concerning investment in Instalment Warrants or any other security. Potential investors should not rely on this PDS as the sole basis for any investment decision in relation to Instalment Warrants, the Underlying Securities, shares in Commonwealth Bank or any other security. Potential investors should assess whether an investment in the Instalment Warrants is appropriate for them having regard to their own investment objectives, financial situation and needs and should seek independent financial, legal and taxation advice before making a decision whether to invest.

Owing to the nature of Instalment Warrants, this PDS does not purport to make any statement or representation about the prospects and risks of investing in the Underlying Securities, either at the date of this PDS or in the future.

(ii) General market conditions

General movements in local and international stock markets, prevailing and anticipated economic conditions, investor sentiment, interest rates and exchange rates could all affect the market price of Instalment Warrants. These risks are generally applicable to any investment on the ASX or any other stock market. It is possible that the impact of these matters on Instalment Warrants will differ from their impact on the price of the Underlying Securities.

4.0 Fees and other costs

4.1 Interest

Holders will effectively pay the portion of the Interest Amount that is referable to the period of time they are the Holder of an Instalment Warrant. This will be effected through the transfer mechanics for Instalment Warrants, which provide for the prepayment and refund of interest at the time Instalment Warrants are acquired and sold. See section 2.2 for information on Interest Amount and section 2.8(c) for information on the transfer mechanics.

Example of refund of interest

An Instalment Warrant over XYZ Underlying Securities has the following details:

Completion Payment (loan)	= \$20.00
Maturity Date	= 30 June 2012
Interest Rate at 1 March 2012	= 8%

On 1 March 2012, XYZ Underlying Securities are trading at \$38.00. The Interest Amount paid as part of the acquisition price of the XYZ Instalment Warrant is:

$$\begin{aligned} \text{IA} &= 0.08 \times \$20.00 \times 121/365 \\ &= \$0.53 \text{ (rounded to the nearest cent)} \end{aligned}$$

Two months later on 1 May 2012, XYZ Underlying Securities are trading at \$42.00. You decide to sell your Instalment Warrant over XYZ Underlying Securities and receive an interest refund as part of your sale proceeds. Assuming that the Interest Rate is still 8%, the refund amount will be:

$$\begin{aligned} \text{Refund} &= 0.08 \times \$20.00 \times 60/365 \\ \text{Interest} &= \$0.26 \text{ (rounded to the nearest cent)} \end{aligned}$$

Therefore the interest cost of holding the Instalment Warrant from 1 March 2012 to 1 May 2012 was \$0.27 (being \$0.53- \$0.26).

You will not receive a refund of interest in cash. Instead, we will set off any refunds of the Interest Amount owed to you in partial repayment of your Loan. Refer to section 2.8(c).

4.2 Adviser fees

Commonwealth Bank recommends that you seek independent financial advice if you are considering an investment in Instalment Warrants. You may have to pay a fee that you agree with your independent financial advisor for providing that advice.

4.3 Brokerage and other transfer fees

If you buy or sell an Instalment Warrant on the ASX, in addition to any amount you may have to pay to acquire the Instalment Warrant, your broker may charge you a brokerage for that purchase.

4.4 GST

If Commonwealth Bank or the Trustee become liable as a supplier to pay GST under any GST Legislation, the supplier may add an amount in respect of that GST to the agreed price of the affected supply.

Where the Trustee receives a demand or assessment for any Tax in respect of your Instalment Warrants, Underlying Securities or Mortgage, Commonwealth Bank may pay that amount and you must immediately pay an amount equal to such Tax.

4.5 Other costs

If you do nothing at the Maturity Date, or Commonwealth Bank enforces its Mortgage in respect of your Instalment Warrants, other fees, costs and expenses incurred in connection with the sale of the Underlying Security (i.e. any brokerage or tax) must be paid by you.

If you elect to make any payment by direct debit, a processing fee may be payable if there are insufficient funds in your nominated account.

5.0 Tax considerations

Confidential

The Directors
Commonwealth Bank of Australia
Level 23, Darling Park 1
201 Sussex Street
Sydney NSW 2000

11 March 2014

Our ref 15005/80139841

Dear Sirs

COMMONWEALTH BANK INSTALMENT WARRANTS

You have asked us to advise you in relation to the main Australian income tax, goods and services tax (**GST**) and stamp duty implications for Holders who acquire Instalment Warrants on the ASX pursuant to the Product Disclosure Statement dated on or about 11 March 2014 (**PDS**).

This advice is provided only for the benefit of the Commonwealth Bank and may not be relied upon by any other person. As the taxation implications for each Holder may be different, each prospective Holder should obtain their own independent professional taxation advice on the full range of taxation implications applicable to their own individual facts and circumstances.

This advice is based on Australian taxation laws in force and administrative practices generally accepted as at the date of the PDS. Any of these may change in future without notice and legislation introduced to give effect to announcements may contain provisions that are currently not contemplated. Future changes in taxation laws, their interpretation or associated administrative practices could affect the taxation treatment of the Instalment Warrants.

The summary contained in this advice is of a general nature only and does not address all of the taxation consequences for a prospective Holder. In particular, the summary does not address the taxation consequences of corporate actions in relation to the Underlying Securities.

All capitalised terms used in this advice have the meaning given to them in the PDS. All legislative references in this advice are to provisions of the *Income Tax Assessment Act 1936* or the *Income Tax Assessment Act 1997* (together, the **Tax Act**).

1. ASSUMPTIONS

This summary of taxation implications assumes:

- (a) the Holder is an Australian resident for tax purposes;
- (b) the Holder is one of the following:
 - (i) an individual;
 - (ii) a superannuation fund with assets of less than \$100 million; or
 - (iii) a non-financial entity with an annual turnover of less than \$100 million, financial assets of less than \$100 million and total assets of less than \$300 million;
- (c) the Holder will hold the Instalment Warrants on capital account and will not be a person who is carrying on a business of either trading in securities or investing in securities in the course of which the Holder regularly acquires and disposes of securities;
- (d) at all times the Trustee will be an Australian resident and management and control of the Separate Trust will be in Australia;
- (e) the Instalment Warrants will be denominated in Australian dollars;

- (f) the Underlying Securities will be either:
 - (i) ordinary shares in a company that is an Australian resident for tax purposes; or
 - (ii) units in a unit trust that is a resident trust estate that has 300 or more beneficiaries (treating associates as a single beneficiary) and is a widely held unit trust for the purposes of Schedule 2F of the Tax Act, that are listed on the ASX;
- (g) no person (together with their associates) will hold 20% or more of the Underlying Securities of any Listed Entity;
- (h) the largest 20 holdings of Underlying Securities in any Listed Entity will be entitled to less than 75% of the total issued Underlying Securities of that Listed Entity (treating associates as a single holder);
- (i) it is expected that assessable distributions will be made in respect of the Underlying Securities;
- (j) the Trustee will not enter into any positions in relation to the Underlying Securities other than acquiring legal title;
- (k) the Holder will not enter into any positions in relation to the Beneficial Interest in the Underlying Securities other than the Loan, and the “delta” of the combination of the Beneficial Interest and Loan will be greater than or equal to 0.3 at all times to the Maturity Date; and
- (l) all transactions the Holder enters into with the Commonwealth Bank or Commonwealth Bank Entities in relation to the Instalment Warrants, and all transactions the Trustee (in its capacity as such) enters into with the Commonwealth Bank or Commonwealth Bank Entities in relation to the Underlying Securities, will be at prevailing market prices and otherwise on arm’s length terms.

The summary contained in this advice only applies where the assumptions above are valid for a particular Holder. Any Holder that does not meet the assumptions may have different tax consequences.

2. TAX REFORM

On 17 January 2011, the previous Government announced that it will amend the Tax Act to treat an investor in instalment warrants meeting certain requirements as the owner of the underlying asset for all income tax purposes.

The terms of the proposed changes are set out in the consultation paper headed “Income Tax Treatment of Instalment Warrants Proposals Paper” dated 10 March 2010 (**Proposals Paper**) and in the Assistant Treasurer’s Media Release 8/2011 dated 17 January 2011. The relevant requirements should be met by an instalment warrant over underlying securities comprising listed or widely held shares or units, where the loan is compliant with sections 67A and 67B of the Superannuation Industry (Supervision) Act (**SIS Act**) (relevant for superannuation fund investors only).

On 14 December 2013, the current Government announced that it will proceed with the proposed amendments.

The discussion in this advice is based on the assumption that the above mentioned changes will be enacted in the terms announced and that, under the proposed provisions, the Holder should be treated as the owner of the Underlying Securities as against the Trustee for the purposes of the Tax Act. In those circumstances the taxation consequences outlined in this advice should apply to the Holder.

However, if Exposure Draft legislation is not released or enacted in the terms announced, the taxation implications arising from an investment will be different to those discussed below (as the ATO will likely take the view that the Holder is not absolutely entitled to the Underlying Securities as against the Trustee). A high level summary of the potential taxation consequences for Holders in these circumstances is set out in paragraph 13 below. If the Exposure Draft legislation is not released or enacted in the terms announced, the Holder should consult with their own taxation advisor and obtain comprehensive advice on the taxation implications of investing in the Instalment Warrants.

The ATO has stated that, up until the time of enactment of the proposed changes, it will accept tax returns as lodged and will not take any compliance action (see Tax Relief for Investors in Instalment Warrants at <http://www.ato.gov.au>). The Holder is solely responsible for obtaining advice in relation to the proposed changes, and should not rely on the Commonwealth Bank or its advisors to remain informed regarding any changes to the Tax Act.

3. INTEREST

3.1 Deductibility of Interest Amount

To the extent that the Loan Amount is used to:

- (a) acquire Underlying Securities from which the Holder expects to derive assessable Dividend income; and/ or
- (b) prepay the Interest Amount,

the Holder should be entitled to a deduction for the Interest Amount incurred, reduced by an amount that is reasonably attributable to the cost of capital protection.

The amount that is reasonably attributable to the cost of capital protection will be equal to the excess (if any) of:

- (a) the Interest Amount; over
- (b) the interest that would have been paid on the Loan Amount at the “benchmark rate” at the time the Interest Amount was incurred.

This amount will not be deductible. This amount will be treated as the cost of acquiring a notional put option (see paragraph 4.2 below).

The “benchmark rate” is the Reserve Bank of Australia’s indicator lending rate for standard variable housing loans, plus 100 basis points. The benchmark rate for the month of January 2014 was 6.95%.

The purpose for which the Instalment Warrant is acquired will be a matter determined according to the Holder’s individual circumstances. To the extent that any part of the Loan Amount is applied for non-assessable income producing purposes or to acquire assets for the sole purpose of deriving capital gains, some interest may not be allowed as a deduction. In this regard, the ATO is currently reviewing the deductibility of interest on various investment loans in particular where the deductions for interest expenses exceed assessable income (see in particular the ATO Compliance Program Current Areas of Focus at <http://www.ato.gov.au/General/Tax-Planning>). As a result, there remains a residual risk that some part of an Interest Amount may be denied deductibility in those circumstances. Accordingly, the Holder should seek independent advice on the deductibility of the Interest Amount in the Holder’s particular circumstances.

3.2 Timing of Deductions

A deduction for the prepaid Interest Amount should be allowed in the income year in which it is incurred only if it is less than \$1,000 or if all of the following are satisfied:

- (a) the Holder is either an individual who incurs the interest otherwise than in the course of carrying on a business or a small business entity (with a turnover of less than \$2 million per annum) that does not elect for the deduction to be apportioned;
- (b) the Interest Period is 12 months or less and ends before the end of the following income year; and
- (c) the Underlying Securities are shares in a listed company or units in a unit trust that has 300 or more beneficiaries and is a widely held unit trust for the purposes of Schedule 2F of the Tax Act.

In all other circumstances (for example where the Interest Period is more than 12 months), any deduction for the prepaid Interest Amount will be apportioned on a straight line basis over the Interest Period.

The Interest Period will start on the date the Holder acquires an Instalment Warrant and will end on the Maturity Date. Consequently, the Holder may be entitled to deduct the Interest Amount paid at the time the Holder acquires an Instalment Warrant where that occurs less than 12 months before the Maturity Date and the other conditions above are satisfied.

3.3 Refund of Interest if there is a transfer of the Instalment Warrants

When the Holder sells an Instalment Warrant before the Maturity Date, the Commonwealth Bank will refund part of the Interest Amount prepaid by the Holder and that refund will be used by Commonwealth Bank in partial satisfaction of the Holder’s Loan (see clause 1.6 of the Loan). Any such refund of the prepaid Interest Amount will be included in the Holder’s assessable income pro-rata to the extent that the Holder was previously entitled to a deduction for the Interest Amount as outlined in paragraphs 3.1 and 3.2 above on a pre-paid basis. That is, the Holder should be assessable on the portion of the refunded Interest Amount previously claimed as a deduction.

4. ACQUISITION OF INSTALMENT WARRANTS

4.1 Acquisition of Instalment Warrants

The Holder will acquire an Instalment Warrant on the ASX. In these circumstances, the Holder will acquire the Beneficial Interest in the Underlying Security on the contract date for transfer of the Instalment Warrant. The Holder's cost base in that asset will be equal to the sum of the price paid to acquire the Instalment Warrants and the Loan Amount, less the Holder's Interest Amount (plus certain incidental costs of acquisition).

4.2 Notional put option

To the extent that any part of the Interest Amount incurred by the Holder is treated as a cost of capital protection, the Holder will also be treated as having acquired a notional put option (see discussion at paragraph 3.1 above). The notional put option will be a CGT asset acquired on the date of acquisition of the Instalment Warrant. The cost base of this asset will be equal to any part of the Interest Amount incurred by the Holder that is reasonably attributable to the cost of capital protection as set out in section 3.1. The cost base will be relevant in the circumstances set out in paragraphs 6, 7 and 9.

4.3 Modifications to cost base of Underlying Securities

Where the Underlying Security is a unit in a unit trust (other than a public trading trust or a corporate unit trust) and the Holder receives a tax deferred distribution (see below at 5.4), the amount of the distribution may reduce the Holder's cost base in the Beneficial Interest in the Underlying Security.

Where the Underlying Security is partly paid, the Holder's cost base in the Beneficial Interest in the Underlying Security will also include the amount of any call made in respect of its issue price which is satisfied by increasing the Loan Amount and applying the funds for this purpose.

If the Holder sells an Instalment Warrant on the ASX or gives a Completion Notice, repays the Loan and obtains legal title to the Underlying Security, any stamp duty and other incidental costs of transfer will also be included in the cost base of the Underlying Security (see below at paragraphs 6 and 7).

If the limited recourse provisions of the Loan are relied upon, any notional put option will be treated as having been exercised. In these circumstances, the cost base of the notional put option will be included in the Holder's cost base in the Beneficial Interest in the Underlying Security disposed of (see below paragraph 8.1).

5. HOLDING INSTALMENT WARRANTS

5.1 Dividends and franking credits

Dividends and Special Dividends paid in respect of the Underlying Securities during the term of the Instalment Warrants will be included in the Holder's assessable income, regardless of whether the Dividends or Special Dividends are received in cash or applied against the Holder's Loan Amount.

Provided the Holder is a "qualified person" (see paragraph 5.2 below) in respect of the Dividend or Special Dividend and none of the imputation anti avoidance provisions apply (see paragraphs 5.3 and 10), the Holder's assessable income will also include any franking credits attaching to the Dividend or Special Dividend, and the Holder will be entitled to a tax offset equal to the amount of franking credits attaching to the Dividend or Special Dividend. This tax offset may be applied against the Holder's tax liability for the relevant income year.

Note that if the Holder has a delta of less than 0.3, the Holder may not be entitled to any franking credits. The delta of the Holder's investment will change over time. A delta of less than 0.3 may occur if the Holder has a high leverage level, grants a call option over the Underlying Securities or if there is a significant change in the value of the Underlying Securities.

If the Holder is a resident individual or complying superannuation fund that receives franking tax offsets in excess of its tax liability, the Holder should be entitled to a refund of those excess tax offsets. If the Holder is a company, it will not be entitled to a refund of any excess franking tax offsets, but may convert any excess tax offsets into tax losses. If the Holder is a company, it will also credit its franking account with the amount of any franking credits received.

If the Holder is not a "qualified person", or the imputation anti-avoidance provisions apply, the Holder will not be entitled to a tax offset as outlined above and will not be subject to tax on the amount of franking credits attaching to the Dividends or Special Dividends.

5.2 Qualified persons

The Holder will be a “qualified person” in respect of a Dividend or Special Dividend paid on an Underlying Security if the Holder has held its interest in the Underlying Security “at risk” for a continuous period of at least 45 days (excluding the days of acquisition and disposal of that interest) during the period commencing on the day after the day the Holder acquired its interest in the relevant Underlying Security, and ending on the 45th day after the ex-date for that Dividend or Special Dividend.

If the Holder is under a related payment obligation in relation to a particular Dividend or Special Dividend (broadly, an obligation to pay away the benefit of the distribution received), the 45-day rule is modified so that the relevant holding period instead commences on the 45th day before the ex-date for that Dividend or Special Dividend.

For the purposes of determining whether an interest in an Underlying Security has been held for 45 days or more, any days on which the Holder has materially diminished risks of loss or opportunities for gain in relation to the Underlying Security will be excluded (but will not break the continuity of the ownership period). For these purposes, the Holder’s risk of loss or opportunity for gain will be taken to have been materially diminished on any day that the Holder’s net position in relation to the Underlying Security has a “delta” of less than 0.3.

The net delta of an Instalment Warrant will vary throughout its term as a result of change in a number of variables, including the price of the Underlying Security, Dividends and/or Special Dividends, and volatility. Provided that neither the Holder nor the Trustee acquire any further positions in relation to the Underlying Securities, the net delta of the Holder’s position will be calculated only on the date of acquisition of the Instalment Warrants and, if the Holder is under a related payment obligation, on the 45th day prior to the ex-date for the relevant Dividend or Special Dividend.

Regardless of the Holder’s actual economic exposure to the Underlying Securities, the Holder may be a “qualified person” if the Holder is an individual, is not under a related payment obligation and the Holder’s franking tax offset entitlements in any given income year do not exceed \$5,000.

The discussion above assumes that the changes to the Tax Act set out in paragraph 2 above are enacted in the terms announced. If they are not, the Holder should note that it is likely that the ATO will form the view that the Holder is not absolutely entitled to the Underlying Securities as against the Trustee or does not otherwise have a vested and indefeasible interest in the Underlying Securities.

The consequence would be that the Holder would not be entitled to the franking credits unless the Holder’s franking tax offset entitlements in any given income year are less than \$5,000 (refer to discussion above). The Holder is solely responsible for obtaining advice in relation to the proposed changes, and should not rely on the Commonwealth Bank or its advisors to remain informed regarding any changes to the Tax Act.

5.3 Imputation anti-avoidance provisions

Specific anti-avoidance provisions apply to prevent inappropriate streaming and trading of franking credits. The rules may apply to an arrangement, including an Instalment Warrant, if a party to the arrangement has a more than incidental purpose of enabling a taxpayer to obtain franking tax offsets in connection with a distribution.

If applicable, the rules allow the Commissioner of Taxation (**Commissioner**) to deny a franking tax offset to which a Holder is otherwise entitled.

Whether the Holder or the Commonwealth Bank has a more than incidental purpose of ensuring the Holder obtains such benefits will depend upon the Holder’s individual facts and circumstances including, without limitation:

- (a) exposure to changes in the market value of the Underlying Securities after acquisition of the Instalment Warrants and how this exposure compares with the expected imputation benefits on the Underlying Securities (bearing in mind that these expected imputation benefits need to be able to be regarded as merely “incidental” in comparison to exposure to changes in the market price of the Underlying Securities);
- (b) the term of the Instalment Warrants and how long they are held; and
- (c) whether or not the Underlying Securities are expected to pay franked dividends.

As the potential application of the provisions will depend upon the particular circumstances of each Holder, the Holder should obtain independent tax advice applicable to their personal circumstances.

5.4 Trust Income

Where the Underlying Securities are units in a trust that is not a public trading trust or corporate unit trust, the Holder will include in its assessable income a proportion of the net income of the trust. Many Australian listed trusts are not public trading trusts nor corporate unit trusts. However the trust status may change from time to time.

Where the income of a trust exceeds the net taxable income of that trust (eg where the trust claims tax deductions for amounts that do not represent cash outlays, such as depreciation), and that excess is distributed to the beneficiaries of the trust, the excess distribution constitutes what is typically referred to as a “tax deferred distribution”. Any such tax deferred distribution received in respect of the Underlying Securities will not be included in the Holder’s assessable income, but will reduce the Holder’s cost base in the Beneficial Interest in the Underlying Securities and will therefore be taken into account in determining any capital gain or loss on their disposal. Where the amount of the tax deferred distribution exceeds the Holder’s cost base, the excess will be treated as a capital gain. Holders should keep records of their tax deferred distributions.

Where the net income of the trust includes dividend income, and a franked distribution flows indirectly to the Holder in the form of a trust distribution, the Holder will also be entitled to their share of any franking credits attaching to the dividend, provided that both the Holder and the trustee of the trust are “qualified persons” and no other imputation anti avoidance provisions apply. Where the requirements of these provisions are met, the Holder will be entitled to a tax offset equal to the Holder’s share of the franking credits. The Holder should obtain independent tax advice in respect of any entitlement to franking credits flowing indirectly through a trust.

Where the net income of a trust includes an amount attributable to a capital gain made by the trust, the Holder’s share of that amount will also be treated as a capital gain in the Holder’s hands and will be available to offset any capital losses. Where the trust’s capital gain is a discount capital gain, this amount will be required to be grossed up before applying any capital losses. If the Holder is an individual, trust or complying superannuation entity and the capital gain is a discount capital gain of the trust, the Holder will be entitled to reduce the capital gain remaining following the application of capital losses by the relevant discount percentage (see also paragraph 9).

Where the net income of a trust includes foreign income, the Holder must also include in its assessable income an amount representing its share of any foreign tax paid in respect of that income. The Holder should be entitled to a foreign income tax offset equal to the foreign tax paid up to the greater of \$1,000 and the Australian tax payable on the double-taxed amounts and other non-Australian sourced assessable income. Any excess offset will not be refundable or carried forward.

5.5 Distributions from a Public Trading Trust or Corporate Unit Trust

Where the Underlying Securities are units in a trust that is a public trading trust or corporate unit trust for the purposes of the Tax Act, distributions in respect of the Underlying Securities will be treated as dividends for tax purposes and the discussion in paragraphs 5.1 to 5.3 will apply to determine whether the Holder is entitled to any franking credits attached to the distributions on the units.

6. DISPOSAL OF INSTALMENT WARRANTS ON THE ASX

6.1 Disposal of Underlying Securities

Disposal of an Instalment Warrant on the ASX will result in the disposal of the Beneficial Interest in the Underlying Security. This will give rise to a CGT event based upon assumption 1(c).

A capital gain may be made where the capital proceeds exceed the Holder’s cost base in the Beneficial Interest (as discussed at paragraph 4), and a capital loss where the capital proceeds are less than the Holder’s reduced cost base.

The capital proceeds received in respect of the disposal will equal the sale price of the Instalment Warrant plus the amount of the transferee’s Loan Amount less the Interest Amount prepaid by the transferee.

6.2 Expiry of the notional put option

If an Instalment Warrant is disposed of on the secondary market, any notional put option (see paragraph 4.2 above) will be treated as having expired unexercised. A CGT event will occur at that time. The Holder should make a capital gain or loss equal to any Transfer Costs received, less any Transfer Costs paid, less the cost base of the notional put option to the extent it has not been refunded (as part of the refunded Interest Amount).

7. COMPLETION OF INSTALMENT WARRANTS – REPAYMENT OF THE LOAN

7.1 Transfer of Underlying Securities to a Holder

Repayment of the Loan and transfer of the legal title to the Underlying Securities from the Trustee should not give rise to any CGT consequences. In addition to the amounts outlined in paragraph 4 above, the Holder's cost base and reduced cost base in the Underlying Securities will also include any incidental transfer costs incurred in respect of the Trustee's transfer of legal title to the Underlying Securities.

7.2 Expiry of the notional put option

If the Holder gives a Completion Notice and repays the Loan such that the limited recourse feature is not relied upon, any notional put option will be treated as having expired unexercised. A CGT event will occur at that time. As there will be no capital proceeds received in respect of this expiry, a capital loss will be made equal to the Holder's reduced cost base in the notional put option at that time.

8. NO COMPLETION NOTICE – EXPIRY OF INSTALMENT WARRANTS

8.1 Exercise of security interest and disposal of Underlying Securities

If the Holder does not give a valid Completion Notice as and when required (which is accepted by the Commonwealth Bank), the Commonwealth Bank may exercise its power of sale under the Mortgage and dispose of the Underlying Securities.

This will give rise to a CGT event in respect of each of the Beneficial Interest in the Underlying Securities and any notional put option and a capital gain or loss on the date of disposal.

If the proceeds of sale of an Underlying Security exceeds the Holder's Loan Amount (such that the limited recourse feature is not relied upon), the Holder will make a capital gain or loss equal to the difference between the proceeds of sale of the Underlying Securities and the Holder's cost base or reduced cost base in the Underlying Securities (which will include any selling costs deducted by the Commonwealth Bank prior to remitting the proceeds to the Holder). In these circumstances any notional put option will expire unexercised and the Holder will also make a capital loss equal to the Holder's reduced cost base in that asset.

If the proceeds of sale are less than the Loan Amount and the limited recourse feature of the Loan is relied upon the Holder will make a capital gain or loss equivalent to the difference between the Loan Amount and the Holder's total cost base or reduced cost base in the Beneficial Interest in the Underlying Security, which in these circumstances will include the cost base of the notional put option (if any). Any notional put option will be treated as having been exercised. However, any resulting capital gain or loss will be ignored.

9. DISCOUNT CGT

Any capital gain realised on disposal of an Underlying Security, on transfer of an Instalment Warrant or on completion or expiry of an Instalment Warrant, will be treated as a discount capital gain if the Holder is an individual, a complying superannuation entity, or a trust and has held the Instalment Warrant for at least 12 months prior to the relevant CGT event (not including the dates of acquisition and disposal). If available, the CGT discount reduces the nominal capital gain by 50% for individuals and trusts, and by 33 $\frac{1}{3}$ % for complying superannuation funds.

10. PART IVA

Part IVA is the general anti-avoidance provision of the Tax Act. It applies where the dominant purpose of the taxpayer (or any other person) in entering into a "scheme" is to obtain a "tax benefit". A "tax benefit" is relevantly defined as:

- (a) an amount not being included in assessable income where, but for the scheme, that amount would reasonably be expected to have been included; or
- (b) an amount being allowable as a deduction where, but for the scheme, that amount would not reasonably be expected to have been allowable.

The application of Part IVA to a particular taxpayer can only be conclusively determined on an examination of that taxpayer's individual circumstances. Nevertheless, the following comments are able to be made for a typical Holder.

For the purposes of Part IVA, the dominant purpose of such a Holder acquiring Instalment Warrants, being the only relevant “scheme”, should be seen to include:

- (a) obtaining the potential to profit from the sale of the Instalment Warrants or the Underlying Securities; and
- (b) the receipt of dividends or distributions and other benefits attaching to ownership of the Underlying Securities.

We do not believe that it could be reasonably concluded that the dominant purpose of a typical Holder investing in an Instalment Warrant would be to obtain tax deductions for the Interest Amount.

11. TAXATION OF FINANCIAL ARRANGEMENTS (TOFA)

The TOFA regime in Division 230 of the Tax Act sets out the methods under which gains and losses from financial arrangements will be brought to account for tax purposes. The broad objective of the TOFA provisions is to treat gains and losses from financial arrangements on a revenue basis and in some cases on an accruals basis over the term.

An Instalment Warrant may be a financial arrangement that is subject to TOFA. However, the TOFA rules should not apply to the Holder if the Holder meets the assumptions set out in paragraph 1(b) above and has not elected for the TOFA rules to apply. Holders should seek their own tax advice in relation to the potential application of the TOFA regime in light of their own individual facts and circumstances.

12. OTHER TAX ISSUES

12.1 TFN/ABN Withholding

The Trustee may be required to withhold an amount from any income paid to the Holder if the Holder does not provide the Trustee with its TFN or ABN (where applicable) or proof of exemption.

12.2 Equalisation Amount

A Equalisation Amount may be payable by the Holder in the circumstances described in section 2.5 of the PDS. In those circumstances, the Commonwealth Bank will terminate some or all of the Holder’s Instalment Warrants. This will result in the same consequences as are outlined in paragraph 8 above. The payment of the Equalisation Amount should not give rise to any additional taxation consequences.

12.3 Distributions through chains of trusts

Trustees of closely held trusts are required to make a correct statement (being a “trustee beneficiary statement”) in the approved form to the Commissioner which discloses the identity and TFN of any trustee beneficiaries who are presently entitled to a share of the net income of the trust. There are certain exceptions to this rule. Assuming that the changes referred to in paragraph 2 above are enacted in the terms announced, it is expected that these rules should not apply to the Separate Trust.

12.4 Other events

During the term of the Instalment Warrants, there may be events or circumstances such as corporate actions relating to the particular Underlying Securities that give rise to tax implications which are not discussed here. The Holder should obtain its own advice in relation to those events or circumstances.

13. CONSEQUENCES IF REFORMS ARE NOT ENACTED

13.1 If the proposed amendments discussed in paragraph 2 above are not enacted in the form proposed, the taxation implications for a Holder may differ from those set out above. In particular:

- (a) the Holder may not be entitled to a deduction for pre-paid interest at the time of prepayment, but may be required to spread the deduction over the remaining Loan term, as in these circumstances the Loan Amount will not be treated as having been applied to acquire a share or unit described in paragraph 3.2;
- (b) the Holder may not be entitled to a franking credit tax offset unless the Holder’s total franking tax offset entitlements in any given income year are less than \$5,000;

- (c) a CGT event will occur at the time of completion of the Instalment Warrant, giving rise to a capital gain or loss for the Holder equal to the difference between the market value of the Underlying Security at that time and the Trustee's cost base or reduced cost base in the Underlying Security (generally this would be the amount paid by the Trustee to purchase the Underlying Security). This will occur notwithstanding the Holder has received and has not yet disposed of the Underlying Security; and
- (d) the closely held trust rules referred to in paragraph 12.3 may apply where the Holder is a trustee. In these circumstances the Trustee will require the Holder to provide sufficient information (including its TFN or ABN) for the Trustee to make the trustee beneficiary statement referred to in paragraph 12.3. If the Holder does not provide this information the Trustee will be liable to pay tax at 46.5% (47% from 1 July 2014) on any Dividend or other income to which the Holder is entitled. The Trustee will withhold this tax from payments to the Holder.

13.2 This is a high level summary of the potential taxation consequences for Holders in these circumstances. In the event that the proposed amendments are not enacted in the form announced, the Holder should consult with its own taxation advisor and obtain comprehensive advice on the taxation implications of the Holder's investment in an Instalment Warrant.

13.3 The Holder is solely responsible for obtaining advice in relation to the proposed changes, and should not rely on the Commonwealth Bank or its advisors to remain informed regarding any changes to the Tax Act.

14. GOODS AND SERVICES TAX

The issue of the Instalment Warrants, provision and repayment of the Loan, acquisition of an Underlying Security by the Trustee, transfer of an Instalment Warrant and transfer of an Underlying Security to the Holder will not be subject to GST. In addition, we do not expect GST to be payable in respect of any Transfer Costs paid under the Loan.

However, if GST becomes payable by the Commonwealth Bank or the Trustee in connection with any supply made to the Holder under or in connection with this PDS then the Commonwealth Bank or the Trustee where appropriate can require the Holder to pay an additional amount on account of GST.

GST may apply on fees and commissions charged by your broker or financial adviser. You should obtain your own advice as to whether an input tax credit is available for any such GST.

15. STAMP DUTY

The purchase or sale of an Instalment Warrant will not be liable to duty in any Australian jurisdiction under current legislation where that transfer is conducted on-market through a broker or off-market as a Prescribed Transfer. Similarly, the expiry, buy-back or cancellation of an Instalment Warrant should not be subject to duty in any Australian jurisdiction.

No stamp duty should be payable in respect of the transfer of the Underlying Securities to a Holder following the giving of a Completion Notice and repayment of the Loan or subsequent disposal of the Underlying Securities.

If no Completion Notice is given the Commonwealth Bank or Commonwealth Bank Entities will sell the Underlying Securities pursuant to the Mortgage and repay the Loan. The Holder may receive an Assessed Value Payment. No stamp duty will be payable.

On the basis that the Trust Property is not in existence at the time the Mortgage is granted or when the arrangement is entered into (other than the Underlying Securities), New South Wales mortgage duty will not be payable on the Mortgage.



Yours sincerely

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6.0 Description of the Underlying Securities

The Underlying Securities for the Instalment Warrants have been issued by the Listed Entities.

Each Listed Entity is obliged by law to disclose all information that a reasonable person would expect to have a material effect on the price or value of the Underlying Security (subject to certain carve-outs for particular kinds of confidential information). Such information is released to the ASX and may also be available directly from each Listed Entity. Information about the Listed Entities can also be obtained from other sources, including investment advisers and stockbrokers.

Commonwealth Bank makes no recommendation, statement or assurance about the performance of the Listed Entities or the Underlying Securities. Potential investors should make their own assessment of the Listed Entities and seek advice from their professional advisers.

7.0 Description of Commonwealth Bank

7.1 Profile

The Commonwealth Bank is Australia's leading provider of integrated financial services including retail banking, premium banking, business banking, institutional banking, funds management, superannuation, insurance, investment and share broking products and services. The Group is one of the largest listed companies on the Australian Securities Exchange and is included in the Morgan Stanley Capital Global Index.

7.2 Directors

The Directors of Commonwealth Bank are listed at the shareholder centre on the Commonwealth Bank website at www.commbank.com.au.

7.3 Recent disclosures to the ASX

Commonwealth Bank is a disclosing entity under the Corporations Act and has a continuous disclosure obligation under that Act and the ASX Listing Rules. This means that, subject to certain exceptions, 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 Commonwealth Bank's securities. Copies of the information disclosed to the ASX can be viewed on the ASX website, www.asx.com.au.

Information about Commonwealth Bank, including some of the documents listed below, can also be found at the Commonwealth Bank website, www.commbank.com.au.

7.4 Other information

Since the end of the year ended 31 December 2012, no circumstance has arisen where information has become available except as disclosed in this PDS or to the ASX that would materially affect an investor's decision for the purpose of making an informed assessment of the capacity of Commonwealth Bank to fulfil its obligations under the Terms.

8.0 Loan Agreement

Set out below is the Loan Agreement which you enter into if you are a successful Transferee. By entering into the Loan Agreement, you represent that you will use the Loan proceeds for business or investment purposes only (and not for investment in residential property).

Loan Agreement

Commonwealth Bank is pleased to accept your application for a Loan in respect of each Instalment Warrant, the number of which is identified in your Application or Transfer (as the case may be) or such lesser number as may be determined by Commonwealth Bank.

For valuable consideration, on your entry into this Loan Agreement, Commonwealth Bank will issue to you, or procure the Registrar to register the transfer to you of, the number and type of Instalment Warrants identified in your Application or Transfer (or such lesser number as may be determined by Commonwealth Bank). The terms and conditions of the Instalment Warrants are set out in the Trust Deed, a summary of which is included in the PDS issued by Commonwealth Bank in respect of the Instalment Warrants.

Unless the context requires otherwise, definitions in the PDS and the relevant Trust Deed apply. In case of a joint Application, "you" means each applicant or Transferee (as the case may be) on a joint and several basis.

1. Loan

1.1 Effective Date

Commonwealth Bank will make a Loan available to you on the date you become a Holder.

1.2 Holder agreements

In consideration of the making of the Loan, the Holder:

- (a) hereby agrees that it will not, and will not direct the Trustee to, dispose of any Mortgaged Property during the continuation of the Mortgage provided that the Trustee may lend Underlying Securities to Commonwealth Bank or Commonwealth Bank Entities subject to and in accordance with the Trust Deed and the Stock Loan;
- (b) hereby agrees that it will not exercise its rights as an absolutely entitled beneficiary under the Separate Trust by requesting or requiring the transfer of the Underlying Security to it or its nominee (other than the Trustee) prior to payment of the Completion Payment in respect of that Underlying Security; and

- (c) gives Commonwealth Bank irrevocable authority during the continuation of the Mortgage to give to the Trustee or its nominee, in the name of a Holder, such direction as to the disposal or redemption of Underlying Security as that Holder is entitled to give under the Trust Deed.

1.3 Drawings

You are deemed to give notice on the Effective Date that you wish to drawdown under the Loan an amount equal to the Loan Amount.

1.4 Repayment

- (a) You must repay the Loan Amount by the time specified in clause 5.1(d)(iii) (Completion Notices) of the Trust Deed.
- (b) You may also repay the Loan Amount at any time during the term by requesting a Completion Notice and providing cleared funds to Commonwealth Bank in the manner described in the Completion Notice.
- (c) The Loan will also be automatically repaid upon a Transfer, pursuant to paragraph 1.7(b) below.
- (d) Any amount you pay to Commonwealth Bank together with any Special Dividend will be held and used by Commonwealth Bank for the purpose of repaying the Loan (or part thereof as the case may be) as set out in the Trust Deed and the PDS.
- (e) you do not repay the Loan Amount in accordance with the requirements of paragraph 1.4(a) in respect of an Instalment Warrant, subject to clause 1.8 Commonwealth Bank's only remedy is to enforce the Mortgage in relation to the relevant Instalment Warrant.
- (f) You acknowledge that the Maturity Date may alter in the manner referred to in the Trust Deed and the PDS.

1.5 Interest Amounts

- (a) You must pay the Interest Amount on the Effective Date in accordance with paragraph 1.5(b).
- (b) The formula for calculating the amount of the Interest Amount (IA) payable is:

$$IA = IR \times LA \times IP/365$$

Where:

IR = the Interest Rate;

LA = the Loan Amount; and

IP = the number of days in the Interest Period.

(c) The Interest Amount is not refundable except in accordance with paragraph 1.7(c).

1.6 Transfer Costs

- (a) On Transfer of an Instalment Warrant, the Transfer Costs will be equal to the Interest Amount paid by the Transferee minus the Interest Amount refunded to the Transferor in accordance with clause 1.7(c).
- (b) If the Transfer Costs are positive, the Transfer Costs will be paid by Commonwealth Bank to the Transferor.
- (c) If the Transfer Costs are negative, the Transfer Costs will be paid by the Transferor to Commonwealth Bank.
- (d) The Transfer Costs are payable in accordance with clause 1.7(c). For the avoidance of doubt, no Transfer Costs will be payable by or to you in cash.

1.7 Directions

- (a) Applicants
You irrevocably authorise and direct Commonwealth Bank to apply the Loan Amount as follows for each Instalment Warrant:
 - (i) to acquire the Underlying Security; and
 - (ii) to pay the Interest Amount due on the Effective Date.
- (b) Transferee
If you acquire an Instalment Warrant as a Transferee you irrevocably authorise and direct Commonwealth Bank on the Effective Date to apply the Loan Amount as follows for each Instalment Warrant transferred to you:
 - (i) first, to satisfy your obligation under paragraph 1.5(a); and
 - (ii) the remainder toward repayment of the net amount due by the Transferor to Commonwealth Bank on transfer of the Instalment Warrant.
- (c) Transferor
If you sell an Instalment Warrant before its Maturity Date, you irrevocably authorise and direct Commonwealth Bank to apply:
 - (i) any refunds of the Interest Amount owed by Commonwealth Bank to you as the Transferor; and

- (ii) any Transfer Costs payable by Commonwealth Bank to you as the Transferor, first in payment of any Transfer Costs payable by you to Commonwealth Bank and second in partial satisfaction of the your Loan in respect of the Instalment Warrants transferred.

For the purpose of this clause 1.7(c), the Interest Amount that Commonwealth Bank will refund to you will be calculated on a pro rata basis based on the number of days remaining in the Interest Period and the Interest Rate applying to your Loan at the time at which the Interest Amount was prepaid. For the avoidance of doubt, no refund of any Interest Amount or any Transfer Costs will be paid to you in cash.

- (d) Notwithstanding clause 1.7(b)(ii), if the Transferor is Commonwealth Bank or a Commonwealth Bank Entity, the Transferee irrevocably authorises and directs Commonwealth Bank on the Effective Date to pay the remainder of the Loan Amount referred to in clause 1.7(b)(ii) to Commonwealth Bank or the relevant Commonwealth Bank Entity in consideration for the transfer of the Instalment Warrant.

1.8 Limited Recourse

Your liability to Commonwealth Bank for repayment of the Loan is limited to the total amount received by Commonwealth Bank in relation to the Underlying Securities relating to the Instalment Warrants held by you (whether by exercising its power of sale or otherwise). Commonwealth Bank will not take any action against you in relation to the Loan to recover any amount beyond enforcing the Mortgage. For the avoidance of doubt, this paragraph 1.8 does not apply to your liability for the Equalisation Amount (if any) under the Trust Deed.

1.9 Tax

- (a) If you are required to deduct any tax from any payment (except a tax on Commonwealth Bank's overall net income), then:
 - (i) you must pay that amount to the appropriate authority and promptly give Commonwealth Bank evidence of payment;
 - (ii) the amount payable is increased so that (after deducting that tax and paying any taxes on the increased amount) Commonwealth Bank receives the same amount it would have received had no deduction been made; and
 - (iii) you indemnify Commonwealth Bank against the tax and any amounts recoverable from Commonwealth Bank in respect of the tax.

- (b) If GST is payable on any supply made by or through Commonwealth Bank under or in connection with this Agreement, you agree to pay an additional amount to Commonwealth Bank equal to the GST payable (and any GST payable on such increased amount) and otherwise indemnify Commonwealth Bank for any GST payable.
- (c) You will be liable to pay any amount of stamp duty payable on this agreement or the Mortgage and clause 7.18(a) (Notification and payment of Tax) of the Trust Deed applies to this agreement.

2. General

2.1 Acknowledgement

You acknowledge that the Trustee has granted the Mortgage to Commonwealth Bank. The Mortgage secures the due and punctual repayment of the Secured Monies and is granted in consideration of Commonwealth Bank agreeing to make the Loan available to you.

The terms of the Mortgage and the rights of the Trustee as mortgagor are set out in the Trust Deed.

2.2 Exercise of powers

If the Holder does not repay the Loan in relation to an Instalment Warrant on or before the Maturity Date or pay any other amount on its due date for payment, or becomes bankrupt or insolvent, Commonwealth Bank may appoint a Receiver, enforce its Mortgage and sell the Mortgaged Property, exercise the Trustee's rights comprised in the Mortgaged Property and exercise any other power granted by law to mortgagees in accordance with the Terms and apply the proceeds in repayment of the Secured Monies. To the extent permitted by law the Trustee has dispensed with any notice or lapse of time required by any law for the enforcement of the Mortgage or the exercise of any power by Commonwealth Bank under this agreement or the Trust Deed.

2.3 Further Assurances

You agree to take all steps, execute all documents and do everything reasonably required by Commonwealth Bank to give effect to the transactions contemplated by this agreement.

2.4 Notices

Clause 8.1 of the Trust Deed is deemed to be incorporated into this Agreement, except that any reference in that clause to the words "Trust Deed" must be deemed to be a reference to "this agreement" for the purposes of this agreement.

2.5 Assignment

Commonwealth Bank may novate, assign or sub-participate this agreement and any or all of its rights under this agreement at any time. You may not do any of the above (other than in accordance with the Trust Deed) at any time.

2.6 No Waiver

No failure to exercise a power, and no delay in exercising a power operates as a waiver.

2.7 Severability

Any provision of this agreement which is prohibited or unenforceable in any jurisdiction is ineffective in that jurisdiction to the extent of the prohibition or unenforceability.

2.8 Governing Law

This agreement is governed by the law of New South Wales. The parties submit to the exclusive jurisdiction of the Courts of New South Wales.

2.9 Amendment

This agreement may be amended by Commonwealth Bank for a Series of Instalment Warrants where the change:

- (a) is necessary in the opinion of Commonwealth Bank to comply with any statutory or other requirements of law or any requirement of the ASX;
- (b) is to rectify any defect, manifest error or ambiguity provided such change does not materially prejudice the interests of Holders;
- (c) in the reasonable opinion of Commonwealth Bank, does not materially prejudice the interests of Holders;
- (d) is to provide for the consequences of any adjustment (including any corporate action) or Extraordinary Event; or
- (e) is authorised by a resolution of Holders (the procedure for which is set out in the Trust Deed).

9.0 Additional information

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9.1 Issue of SPDSs

Specific details about individual Series and their Underlying Securities are detailed in the relevant SPDS. These will be available with the PDS.

9.2 Summary of Trust Deed

(a) What is Trust Deed?

Commonwealth Bank and Share Direct Nominees Pty Ltd are parties to the Trust Deed. The Trust Deed, the Nominee Deed and the Loan Agreement set out the terms of issue, including transfer and completion mechanics, of the Instalment Warrants offered under this PDS.

The Trust Deed (which includes as a schedule the form of the Nominee Deed) is available for inspection at the Registry.

(b) Powers of the Trustee

The Trustee has a limited range of powers, rights and discretions beyond those required by the ASX Operating Rules, the ASX Listing Rules and the ASX Settlement Operating Rules as set out in the Trust Deed. Under Clause 2.11 of the Trust Deed, the trustee has the power to enter into stocklending arrangements in respect of the Underlying Securities in the case of Instalment Warrants in respect of which a Commonwealth Bank Entity is the Holder.

(c) Obligations and duties of the Trustee

The Trust Deed sets out the obligations and duties of the Trustee and includes a range of provisions limiting the responsibilities and liabilities of the Trustee. In particular the Trustee:

- ▶ will hold each Underlying Security and Accretion transferred to it as bare trustee for you on a Separate Trust until the Maturity Date or, if earlier, the repayment of the Loan;
- ▶ must not pool the interests or property of, or in, each Separate Trust, however, it may administer the Separate Trusts such that it may aggregate holdings in certain circumstances and deposit monies in respect of the Separate Trusts into the same bank account;

- ▶ is not required to monitor Listed Entities, Commonwealth Bank, the Registrar or any other person; has no responsibility for any acts or omissions of a nominee appointed pursuant to the Nominee Deed, nor for any breach of the Nominee Deed or the Trust Deed caused by the nominee;
- ▶ is not required to prepare accounts or tax returns for the Separate Trusts; and
- ▶ is not liable for the neglect, dishonesty or default of Commonwealth Bank, you, the Registrar or any other person.

(d) Liability of the Trustee

The Trustee's liability is limited to the extent to which the liability can be satisfied under the Trust Deed out of the property of the Separate Trusts, except for a liability arising in certain circumstances (for example as a result of the Trustee's dishonesty, a wilful act known by the Trustee or its officers to be a breach of trust or gross negligence).

(e) Payments to the Trustee

The Trustee has no recourse to the Separate Trusts for any remuneration or reimbursement of expenses except in limited circumstances. The Trustee is entitled to reimbursement by Commonwealth Bank in respect of all liabilities incurred by it in connection with the administration of the Separate Trusts and execution of its duties and functions under the Trust Deed.

(f) Provision of tax information

The Trustee must, at Commonwealth Bank's direction, take all Reasonable Action to disclose to you information necessary to determine your entitlement to any franking credit, or tax offset and shall, if required by law, provide you with a statement disclosing that information at least once a year.

(g) Replacement of the Trustee

If the Trustee resigns or breaches the Trust Deed, Commonwealth Bank may appoint a replacement approved by the ASX in accordance with the Terms.

(h) How can the Trust Deed be amended?

(i) How can the Terms be varied?

The Terms can be varied in a number of circumstances including:

- ▶ the Loan Amount, the number and/or type of Instalment Warrants and/or the Underlying Security in respect of a Series may be varied in the event of corporate actions (see section 2.7 for more information). Special Dividends or other distributions may also be applied to reduce the Loan Amount (see sections 2.4(a) and 2.5(b) for more information);
- ▶ where the change has been approved by the ASX and:
 - in the reasonable opinion of Commonwealth Bank is necessary or desirable to: (A) comply with any requirement of law; or (B) provide for the consequences of any corporate action taken or to be taken by a Listed Entity in respect of the Underlying Securities and which, in the reasonable opinion of Commonwealth Bank, is not materially prejudicial to the rights of Holders;
 - in the reasonable opinion of Commonwealth Bank does not materially prejudice the rights of Holders;
 - relates to an Extraordinary Event; or
 - is otherwise permitted under the Terms.

You should also be aware that the Trust Deed is to be interpreted so as to conform with the ASX Operating Rules and the ASX Settlement Operating Rules. As a result, any change to the ASX Operating Rules and/or the ASX Settlement Operating Rules may affect the way the Trust Deed is interpreted.

The Maturity Date may not be amended in this way, although in certain circumstances Commonwealth Bank may nominate an Early Maturity Date.

(ii) Can Holders seek approval to a change of the Terms?

No. Holders of a Series are not permitted to propose and seek the approval of other Holders to any proposed change to the Terms.

(iii) Votes by Commonwealth Bank Group as Holder

Commonwealth Bank or its associates must not vote on a proposal to change the Terms unless they are voting as trustee or nominee for a person who is not an associate.

9.3 Information for superannuation funds

Superannuation entities, such as self-managed superannuation funds, approved deposit funds or pooled superannuation trusts, are subject to restrictions on borrowings and the types of investment undertaken pursuant to the SIS Act and the SIS Regulations.

Given the serious ramifications that a breach of the SIS Act and the SIS Regulations could have for a superannuation entity (including the loss of the entity's concessional tax status), it is strongly recommended that before undertaking any investment in Instalment Warrants, or dealing with your investment in Instalment Warrants or other instalment warrants, superannuation entities obtain their own independent professional advice as to whether Instalment Warrants are an appropriate investment.

The application of the SIS Act and the SIS Regulations will be dependent upon the circumstances of each superannuation entity.

As a general overview, subject to the satisfaction of certain conditions, the SIS Act now permits superannuation entities to borrow money to invest in certain instalment warrants as well as 'refinance' an existing borrowing, provided that the investment satisfies each of the following conditions:

- ▶ the borrowed money is or has been applied to acquire an 'acquirable asset' that the superannuation entity would not otherwise be prohibited from acquiring (as in, investment restrictions, including those pertaining to in-house assets and the acquisition of certain assets from a related party of the superannuation entity, continue to apply);
- ▶ the asset acquired is held on trust so that the superannuation entity receives a beneficial interest in the asset;
- ▶ the superannuation entity has the right to acquire legal ownership of the asset; and
- ▶ the lender's right of recourse under the arrangement in the event of default must be limited to rights referable to the asset acquired under the arrangement (as in, the lender must not have a right of recourse to the superannuation entity's existing assets).

Superannuation entities investing in Instalment Warrants are still required to comply with other rules pertaining to investments, including the prohibition preventing the trustee of a superannuation entity giving a charge over, or in relation to, an existing asset of the superannuation entity. Further, the trustee of a superannuation entity is still required to demonstrate the appropriateness of including instalment warrants in the entity's overall investment strategy.

Only superannuation entities who are able to provide a TFN or ABN should consider investing in Instalment Warrants. Importantly, the payment of an Equalisation Amount is likely to result in a superannuation entity being deemed to be borrowing in contravention of the SIS Act.

9.4 Information for Holders regarding the Foreign Acquisitions and Takeovers Act

The acquisition of Instalment Warrants may have implications for Holders under the Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA). The following paragraphs are a very general summary of the requirements of FATA that may be relevant to an acquisition of Instalment Warrants. The summary does not purport to be exhaustive nor to give legal advice and should not be relied on by potential investors, who should seek their own legal advice in relation to all aspects of the proposed investment including but not limited to those referred to below.

FATA empowers the Treasurer of Australia to prohibit a proposed acquisition of shares in an Australian corporation if the result of the acquisition will be that a foreign person, together with its associates, would have an interest of not less than 15% of the issued shares in the corporation, or two or more foreign persons (together with its associates) would in aggregate have an interest of not less than 40% of the issued shares in the corporation and the result would be contrary to the national interest (similar provisions exist in relation to acquisitions resulting in voting power at or above the 15% and 40% thresholds). If such an acquisition has already occurred, the Treasurer has the power to order a person who acquired the shares to dispose of them. The concepts of acquisition, interest, associate and foreign person are very widely defined in FATA. In addition, FATA requires certain persons who propose to make such acquisitions first to notify the Treasurer of their intention to do so. The acquisition of Instalment Warrants on market will be equivalent to an acquisition by the Holder of the shares for the purposes of FATA.

Foreign ownership of shares in Australian corporations may also be restricted under other Commonwealth legislation or under Commonwealth Government policy for example, in relation to Australian banks.

9.5 Substantial shareholders, takeovers and associations

The acquisition of an Instalment Warrant may have implications for you (particularly substantial shareholders) under Chapters 6, 6A and 6C of the Corporations Act. The precise implications depend on your particular circumstances.

The following summary of the law as at the date of this PDS is intended to assist you in identifying some possible practical obligations that may arise as a result of holding an Instalment Warrant. Your obligations will, however, be affected by your individual circumstances and you should obtain your own advice.

As soon as you acquire an Instalment Warrant, you will have a relevant interest in each Underlying Security in which you have a Beneficial Interest. Disclosure obligations (including obligations on substantial shareholders) and limitations on acquisitions, under Chapters 6, 6A and 6C of the Corporations Act, may affect you in respect of acquiring, holding and disposing of an Instalment Warrant.

ASIC has granted a modification of Chapter 6 and Chapter 6C of the Corporations Act 2001 (Cth) (by Class Order CO 02/927) such that neither Commonwealth Bank nor the Trustee will be deemed to have a relevant interest in the Underlying Securities through their involvement in the Instalment Warrants structure.

9.6 Shareholding limits or restrictions

Some Listed Entities may be subject to legislation which prescribes maximum shareholding limits for shareholders or other restrictions which may prohibit or limit the interests in that Listed Entity that you may acquire. You should inform yourself of the restrictions that may apply to your investment in Instalment Warrants.

9.7 Potential conflicts of interest

Potential conflicts of interest arise because some of the entities involved in this offer are related parties. The Trustee is a wholly-owned subsidiary of Commonwealth Bank and has one or more directors who are also senior executives of Commonwealth Bank.

One of these potential conflicts of interest are set out in section 3.2(a)(iii). Some further potential conflicts of interest are set out below.

Members of the Commonwealth Bank Group may conduct transactions as principal in various securities, including in the Underlying Securities and Instalment Warrants, and may hold Underlying Securities, Instalment Warrants and other financial products related or linked to Underlying Securities and Instalment Warrants (such as exchange traded options in respect of Underlying Securities and Instalment Warrants). The directors and employees of Commonwealth Bank and other members of the Commonwealth Bank Group may receive remuneration based on the issue or performance of the Underlying Securities and Instalment Warrants, in whole or in part.

Members of the Commonwealth Bank Group may from time to time advise, lend to or conduct trading activities with the Listed Entities or companies associated with them. Those activities are unrelated to the Instalment Warrants.

In the event the Trustee were to sell Underlying Securities it may cause the Underlying Securities to be sold through a broker who will be a wholly owned subsidiary of Commonwealth Bank in which case the broker would charge commercial brokerage rates.

Members of the Commonwealth Bank Group may have business relationships or alliances (including joint ventures) with any of the Listed Entities and/or be a substantial shareholder of any of the Listed Entities. In addition, members of the Commonwealth Bank Group may from time to time advise any of the Listed Entities in relation to activities unconnected with the Instalment Warrants which may or may not affect the value of the Listed Entities or its Underlying Securities. Such relationships and advisory roles may include:

- ▶ acting as manager or joint lead manager in relation to the offering or placement of rights, options or other securities including Underlying Securities;
- ▶ underwriting the offering or placement of rights, options or other securities including Underlying Securities;
- ▶ advising in relation to mergers, acquisitions or takeover offers; and
- ▶ acting as general financial adviser in respect of, without limitation, corporate advice, financing, funds management and property and other services.

Commonwealth Bank may also have a commercial relationship with various senior executives of a Listed Entity and may sell financial products to, or advise, such senior executives in relation to Shares and Instalment Warrants or matters unconnected with Underlying Securities or Instalment Warrants.

These activities may have an effect on the value of Underlying Securities and/or the Instalment Warrants.

Members of the Commonwealth Bank Group may apply for Instalment Warrants to facilitate market making activities that may be undertaken in relation to the Instalment Warrants. In accordance with the ASX Operating Rules, Commonwealth Bank will, on an ongoing basis, ensure a reasonable bid and volume is maintained in the market for a Series.

Members of the Commonwealth Bank Group reserve the right to buy back Instalment Warrants that have been issued in or to facilitate those Instalment Warrants being either cancelled or resold by Commonwealth Bank. Instalment Warrants may also be issued after the commencement of trading on the ASX if the issue is not fully subscribed. Commonwealth Bank reserves the right to issue more Instalment Warrants in each Series without your consent, subject to the consent of the ASX.

The Trustee may deal with the Underlying Securities in any manner permitted under the Trust Deed, including the transfer of Underlying Securities to members of the Commonwealth Bank Group. These dealings, and any subsequent dealings undertaken in relation to such Shares or Instalment Warrants, may affect the value of the Underlying Securities and consequently the Instalment Warrants.

9.8 Other Disclosures

(a) Electronic PDS

From the date of this PDS until the Maturity Date, a copy of this PDS will be available at www.commbank.com.au/warrants.

(b) Dealing in Instalment Warrants

Commonwealth Bank reserves the right to purchase Instalment Warrants that have been issued and to re-sell them after the initial issue. Commonwealth Bank may also buy back Instalment Warrants after the initial issue and re-issue them.

Commonwealth Bank may also cancel Instalment Warrants of which it, or a subsidiary of it, is the Holder. The proceeds of the sale of the relevant Underlying Securities will be applied in the Priority Order. The Interest Amount payable on an Instalment Warrant held by Commonwealth Bank that is cancelled may be reduced if the cancellation occurs before the relevant Maturity Date.

(c) Trading of Instalment Warrants

Each transfer of an Instalment Warrant will represent a transfer of the Beneficial Interest of the Holder in the Underlying Security to the Transferee, subject to the Mortgage.

(d) Timing of dividend distributions

As Ordinary Dividends and other similar benefits in respect of the Underlying Security flow through to Holders, Commonwealth Bank will set a record date to determine which Holders will be entitled to those dividends or other distributions. Commonwealth Bank, the Trustee and the Registrar will try to ensure that all record dates for Instalment Warrants will coincide as closely as possible with the respective record date for the Underlying Security.

Holders must therefore take care as to the timing of sale or other disposition of their Instalment Warrants having regard to the time at which the Instalment Warrants commence to trade ex-dividend, not just the timing of the record date in respect of the Underlying Security.

(e) Dividends or distributions other than ordinary dividends

If a Special Dividend is declared in relation to an Underlying Security, the Holder irrevocably offers such dividend to Commonwealth Bank to be used to reduce the Loan Amount (and thereby the Completion Payment).

Dividends that are not paid as cash and are not Special Dividends applied in the manner described above will form part of the Underlying Security.

(f) Withholding from payments

Commonwealth Bank may be required to withhold an amount from any payment to you to meet our obligations under foreign or domestic law, including those imposed pursuant to sections 1471 to 1474 of the United States Internal Revenue Code 1986.

(g) Stamp duty

Under current law, stamp duty is not expected to be applicable (other than \$500 nominal stamping duty in respect of the Trust Deed if executed in New South Wales). However, it may apply sometime in the future if there is a change of law. In that case, the Holder will be liable to reimburse the Trustee, Commonwealth Bank and any Commonwealth Bank Entity for any payment of any amount of stamp duty assessed by any revenue authority in Australia on the transfer of Underlying Securities to the Trustee, the transfer of Underlying Securities from the Trustee to a Holder or Commonwealth Bank, the creation of the Loan or the Mortgage, the constitution of each Separate Trust and the execution of this Deed and the Nominee Deed in respect of that Holder's Instalment Warrant.

(h) Market making

Commonwealth Bank or a Commonwealth Bank Entity intends to apply for a sufficient number of Instalment Warrants to facilitate any market making activities they may undertake in relation to Instalment Warrants. Special arrangements apply in relation to such applications.

Commonwealth Bank may cancel Instalment Warrants of which it or any Commonwealth Bank Entity is the Holder.

These provisions above override any other provision of this PDS and apply despite any inconsistency with other provisions of this PDS.

Commonwealth Bank intends that it or a Commonwealth Bank Entity will make bids and offers to deal in Instalment Warrants each ASX Trading Day, as far as practicable and to the extent permissible by law.

(i) Securities lending

Under the Terms, the Trustee or its nominee may lend the Underlying Securities if the Holder is Commonwealth Bank or a Commonwealth Bank Entity. Underlying Securities held by all other Holders will not be lent.

(j) Role of the Registrar**(i) The Register**

Commonwealth Bank will arrange (at its own cost) for a register of Holders of each Series of Instalment Warrants to be established and maintained at the offices of the Registrar, Link Market Services Limited (see Directory on the back cover).

The Register will be open at all reasonable times during business hours for inspection by any Holder. The Register will comprise the Issuer Sponsored Sub-register and, as the Instalment Warrants will be CHESS Approved Securities, the CHESS Sub-register established in respect of each Series of Instalment Warrants.

In order to hold Instalment Warrants on the CHESS Sub-register, you will need to be either a participant in CHESS or be sponsored by a participant in CHESS. If you are not a CHESS participant or not sponsored by a CHESS participant, any Instalment Warrants held by you will be entered on to the Issuer Sponsored Sub-register.

(ii) Holders to notify Registrar if a trustee

Unless you otherwise notify the Registrar, if you hold Instalment Warrants you warrant to the Trustee that your Instalment Warrants are not held by you in your capacity as a trustee of a trust estate. If you hold Instalment Warrants as trustee of a trust, you must immediately notify the Registrar and, if required, provide to the Trustee all information required for the Trustee to comply with its obligations under Division 6D of the Tax Act.

(iii) Record Times

Commonwealth Bank must ensure that the Registrar fixes Record Times for Instalment Warrants at the same time (or as near as possible) as the time fixed by the relevant Listed Entity for a distribution, entitlement or delivery in respect of an Underlying Security.

(iv) Deceased Holders

If there are joint Holders of an Instalment Warrant, and one of those joint Holders dies, the surviving Holder will be the only person recognised by Commonwealth Bank as having any interest in that Instalment Warrant

(v) Property in Instalment Warrants

Property in Instalment Warrants is situated at the place where the Register is situated.

(k) Code of Banking Practice

The relevant provisions of the Code of Banking Practice apply to Instalment Warrants. You should read Commonwealth Bank's information booklet "The Better Banking Book" copies of which may be obtained by telephoning Commonwealth Bank on 13 22 21 (between 8am and 8pm, Monday to Friday), contacting your relationship manager, visiting our website at www.commbank.com.au or from any branch of the 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.

(l) Labour standards, environmental, social and ethical standards

Commonwealth Bank will not take into account labour standards or social, environmental or ethical considerations in selecting, retaining or realising investments under this PDS. Investors who want to take into account labour standards or social, environmental or ethical considerations in selecting, retaining or realising their investment in Instalment Warrants should make their own enquiries as to whether the issuer of the Underlying Securities of their Instalment Warrants takes into account labour standards or social, environmental or ethical considerations. Such information may be found on the relevant issuer's website or information disclosed by the issuer in accordance with its continuous disclosure obligations.

Commonwealth Bank does not take labour standards or social, environmental or ethical considerations into account when selecting, retaining or realising the Instalment Warrants.

(m) Dispute resolution

Should you wish to make a complaint relating to Instalment Warrants then please telephone Client Relations between 8.00am to 7.00pm Sydney time, Monday to Friday on 13 15 19 (outside Australia +61 2 8223 7014);

or, write to:

CBA Group Customer Relations,
Reply Paid 41,
Sydney, NSW 2001.

If after giving us the opportunity to resolve your complaint, you feel that we have not resolved it satisfactorily, you may also lodge a written complaint with the Financial Ombudsman Service.

Financial Ombudsman Service
GPO Box 3
Melbourne Victoria 3001
Tel: 1300 780 808
Web: www.fos.org.au

(n) Responsibility for PDS

Each of the Trustee, the Registrar and Commonwealth Bank on behalf of the Commonwealth Bank Entities have given, and have not, before the date of lodgement of this Product Disclosure Statement with the ASX, withdrawn their consent to be named in this Product Disclosure Statement.

The Trustee has not had any involvement in the preparation of any part of this PDS, other than being named as Trustee. The Trustee has not authorised or caused the issue of this PDS, does not make, or purport to make, any statement in this PDS (or any statement on which a statement in this PDS is based), and expressly disclaims and takes no responsibility for, any part of this PDS.

The Registrar has not had any involvement in the preparation of any part of this PDS, other than being named as Registrar. The Registrar has not authorised or caused the issue of, does not make, or purport to make, any statement in this PDS (or any statement on which a statement in this PDS is based), and expressly disclaims and takes no responsibility for, any part of this PDS.

The Commonwealth Bank Entities have not had any involvement in the preparation of any part of this PDS, other than being named. They have not authorised or caused the issue of this PDS, do not make, or purport to make, any statement in this PDS (or any statement on which a statement in this PDS is based), and expressly disclaim and takes no responsibility for, any part of this PDS.

Clayton Utz has given and not withdrawn its consent to be named in this PDS in the form and context in which it is named. Clayton Utz has not authorised or caused the issue of this PDS, does not make, or purport to make, any statement in this PDS (or any statement on which a statement in this PDS is based), and takes no responsibility for any part of this PDS other than section 5.

(o) What are Holding Statements?

Commonwealth Bank will not issue you with a certificate evidencing your title to an Instalment Warrant but will comply with the ASX Settlement Operating Rules and the ASX Operating Rules about the issue of notices relating to Instalment Warrants.

CHESS will generate a Holding Statement for each Instalment Warrant transferred to you (as required by the Corporations Act, the ASX Operating Rules and the ASX Settlement Operating Rules). The Holding Statement will state your Holder Identification Number (HIN) in the case of a CHESS holding or your Shareholder Reference Number (SRN) in the case of an Issuer Sponsored Holding. A Holding Statement will also be issued to you after the end of any month during which there has been a change in the balance of your holding.

A Holding Statement is not an item of separate property and is not conclusive evidence of a holding of Instalment Warrants.

(p) Compulsory disposal of Underlying Security

If the Trustee is legally required to sell an Underlying Security in respect of which you have a Beneficial Interest, the proceeds of sale will be applied by the Trustee in accordance with the Priority Order (see section 2.3(k) for more information) and on the completion of the sale the relevant Instalment Warrant will cease to exist. In these circumstances, the Trustee may determine which of the Underlying Securities will be retained and remain subject to the Mortgage.

(q) No third party interests

No person may control the transfer or disposal of an Underlying Security (other than in accordance with the Trust Deed and Nominee Deed).

(r) Provision of information

You are required to provide information reasonably requested by Commonwealth Bank or the Trustee, and you must provide the Registrar, on request, with details of your holdings of Instalment Warrants.

(s) Consent to recording

You agree to Commonwealth Bank recording all telephone conversations about Instalment Warrants, and the retention and use of such tape recordings as evidence of the content of the conversation in any proceedings.

10.0 Glossary

Many of these definitions are from the Trust Deed.

Instalment Warrants will be admitted to trading status by the ASX as warrants under the Warrant Rules in Schedule 10 of the ASX Operating Rules. The terminology used in this PDS varies from that used in ASX Operating Rules as follows:

- ▶ Instalment Warrant(s) corresponds to “Warrant” and “Warrants”;
- ▶ Completion Payment corresponds to “Exercise Price”;
- ▶ Maturity Date corresponds to “Exercise Date”;
- ▶ Completion Notice corresponds to “Exercise Notice”; and
- ▶ Terms corresponds to “Terms of Issue”.

Accepted Applicant means any applicant whose Application is accepted by Commonwealth Bank.

Accountant means any member of the Australian Society of Certified Practising Accountants or member of The Institute of Chartered Accountants in Australia.

Accretion means any benefit or right of any kind which is issued, declared, paid, made, arises or accrues directly to or in respect of an Underlying Security including, without limitation, any accretion, Dividend, security benefit, distribution, entitlement or right to participate in or to own any property of any kind, Bonus Issue, Entitlements Offer or Replacement Underlying Security, but does not include:

- (a) any reduction of capital; or
- (b) any Dividend wholly in cash, or the cash component of a Dividend not wholly in cash, which may be declared in respect of the Underlying Security.

Application means an offer by one or more persons to Commonwealth Bank to subscribe for Instalment Warrants, being an offer on terms in accordance with the Trust Deed.

ASIC means the Australian Securities and Investments Commission.

Assessed Value Payment means, in respect of an Instalment Warrant, the greater of:

- (a) the payment to be made to a Relevant Holder under paragraph (d) of the definition of Priority Order in respect of that Instalment Warrant; and
- (b) nil.

ASX means ASX Limited ABN 98 008 624 691 or the market operated by ASX Limited, as the context requires.

ASX Clear means ASX Clear Pty Limited ABN 48 001 314 503

ASX Listing Rules means the “Listing Rules” of ASX.

ASX Operating Rules means the “Operating Rules” of ASX.

ASX Settlement means ASX Settlement Pty Limited ABN 98 008 504 532.

ASX Settlement Operating Rules means the “Settlement Operating Rules” of ASX Settlement.

ATO means Australian Taxation Office.

Beneficial Interest means the beneficial interest which a Holder has in a specified Underlying Security.

Beneficiary means an Accepted Applicant, a Holder, or both, as the context requires.

Bonus Issue means any issue, grant or other distribution, without contribution by or liability of the recipient, of any shares, securities or any other property of any kind other than any cash Dividend or Special Dividend component of any such issue, grant or distribution.

Business Day means a Trading Day on which commercial banks are open for business in Sydney.

Buy-Back Offer means an offer by a Listed Entity to buy-back some or all of the Underlying Securities pursuant to the Corporations Act.

CHESS means the Clearing House Electronic Sub register System operated in accordance with the ASX Settlement Operating Rules.

Commencement Date means in relation to a Trust, the date on which the Accepted Applicant becomes a Holder.

Commonwealth Bank means Commonwealth Bank of Australia (ABN 48 123 123 124).

Commonwealth Bank Entities means the related bodies corporate of Commonwealth Bank.

Commonwealth Bank Group means Commonwealth Bank and the Commonwealth Bank Entities.

Completion Notice means a notice in the form prescribed by Commonwealth Bank and approved by the Trustee from time to time, which indicates it is to take effect as a Completion Notice (by the means required in the form).

Completion Payment means the amount payable to discharge the Loan specified for this purpose in the PDS, as adjusted in accordance with the Trust Deed and the Loan Agreement.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Corporations Regulations means the regulations made under the Corporations Act.

Deferred Settlement means a settlement in which the obligation to settle on a trade date plus 3 business days (T + 3) basis is deferred until the time following the despatch date that the ASX fixes.

Disenfranchisement means, in relation to an Underlying Security, the cancellation, suspension, restriction or disregard of any rights (including a Beneficial Interest or those rights connected with voting or Dividends) attaching to or in respect of that Underlying Security, if as a result of:

- (a) a Disposal Event;
- (b) an action taken by a Listed Entity which is permitted by the ASX Listing Rules; or
- (c) the operation of any law, decree, order or judgment.

Disposal Event means, an event by which, as a result of the application of:

- (a) any law of the Commonwealth of Australia or of any State or Territory of it, whether or not such law exists at the date of the Trust Deed; or
- (b) any ordinance, rule, regulation or by-law made pursuant to them; or
- (c) any decree, order or judgment of any competent court,

the Trustee is obliged to dispose of any Underlying Securities but excluding compulsory acquisitions following a Takeover Bid, disposals under a Scheme and disposals under a reduction of capital.

Dividend in respect of an Instalment Warrant over Underlying Securities that are shares, means a dividend of the relevant company and, in respect of an Instalment Warrant over Underlying Securities that are units, means a distribution of income or gains of the relevant trust, but does not include a Special Dividend.

Early Maturity Date means for a Series of Instalment Warrants a date not earlier than 10 Business Days after Commonwealth Bank has sent a notice under clause 8.1 of the Trust Deed to Holders who are on the Register at 5:00pm on the 5th Business Day prior to and inclusive of the date on which the notice is sent.

Effective Date means the date the Accepted Applicant or Transferee (as applicable) becomes a Holder.

Eligible Holder means the Holder on the Register at the relevant Record Time.

Encumbrance means any mortgage, pledge, lien, charge, security interest, title retention, preferential right, trust arrangement, contractual right of set off or any other security agreement or arrangement in favour of any person or any act, arrangement or omission by which a right or an asset may be or is liable to be vested in any person but does not include the Mortgage.

Entitlements Offer means any offer made to all Security Holders (or to all Security Holders other than those to which ASX Listing Rule 7.7.1 applies) in their capacity as registered holders of Securities (whether the offer is made by a Listed Entity or by any other person) to subscribe for or otherwise acquire issued or unissued Securities, whether of a Listed Entity or of any other body, and includes but is not limited to offers which the ASX determines should be treated for the purposes of the ASX Listing Rules as though they were governed by Appendix 7A, paragraph 3 of the ASX Listing Rules.

Equalisation Amount means, in relation to an Instalment Warrant, an amount equal to the amount withheld or deducted pursuant to clause 7.18(c)(i) of the Trust Deed from any amount that is applied toward payment of the Completion Payment.

Extraordinary Event means:

- (a) any of the following occurs in relation to an Underlying Security or a Series of Instalment Warrants:
 - (i) actual or proposed delisting of the relevant Listed Entity;
 - (ii) withdrawal of admission to trading status or grant of quotation;
 - (iii) suspension of trading or quotation;
 - (iv) a Tax Event; and
 - (v) announcement of a commitment (conditional or not) to propose a Scheme or to make a Takeover Bid or a Buy-Back Offer,

except, in the case of a Series of Instalment Warrants, if that delisting, withdrawal or suspension is caused by Commonwealth Bank; and

- (b) any other event designated by Commonwealth Bank to be an Extraordinary Event.

Government means a government of any state, territory or country, and includes any administrative or regulatory entity, body, agency or authority.

GST Legislation means A New Tax System (Goods and Services Tax) Act 1999 and related legislation and "GST" means the goods and services tax imposed and payable pursuant to the GST Legislation.

HIN has the same meaning as given in the ASX Settlement Operating Rules.

Holder means, at any time, a person whose name is then entered in the Register as the holder of an Instalment Warrant and, if there are more than one, Holder means each of them individually and every two or more of them jointly.

Instalment Warrant means an Instalment Warrant issued by Commonwealth Bank on the terms of the Trust Deed.

Interest Amount means, in respect of an Instalment Warrant and an Interest Period, the amount of interest payable in respect of the Loan in accordance with paragraph 1.4 of the Loan Agreement.

Interest Period means the period from and including the Effective Date to (and excluding) the Maturity Date.

Interest Rate means, in respect of an Interest Period, the interest rate applying on the Effective Date, as determined by Commonwealth Bank.

Liquidated Damages Amount has the meaning given by clause 5.3 of the Trust Deed.

Listed Entity means, for each Series of Instalment Warrants, each of the corresponding Listed Entities referred to in the Summary Table of Instalment Warrants.

Loan means, in respect of an Instalment Warrant, any and all advances made under the Loan Agreement provided by Commonwealth Bank to the Holder from time to time, including any new Loan made at the time of a Transfer.

Loan Agreement means, in respect of an Instalment Warrant, the agreement between Commonwealth Bank and each Holder from time to time in relation to the Loan as set out in the PDS.

Loan Amount means, in respect of an Instalment Warrant, the amount outstanding from time to time under the Loan, being the initial amount of the Loan for that Instalment Warrant as specified in the PDS, as adjusted by the Trust Deed and the Loan Agreement from time to time.

Maturity Date means, for each Series of Instalment Warrants, the Maturity Date shown in the Summary Table of Instalment Warrants or any other date as substituted in accordance with the Trust Deed or the PDS.

Mortgage means the equitable mortgage held by Commonwealth Bank in respect of the Mortgaged Property to secure repayment of the Secured Monies pursuant to clause 2.4(a) of the Trust Deed.

Mortgaged Property means any property mortgaged by the Trustee in favour of Commonwealth Bank pursuant to clause 2.4(a) of the Trust Deed.

National Guarantee Fund is a compensation fund available to meet certain claims which arise from dealings with participants of the ASX and, in limited circumstances, participants of ASX Clear.

Nominee Deed means a declaration of trust executed by the Trustee substantially in the form set out in Schedule 1 to the Trust Deed.

Offer means the invitation to be made in the PDS by Commonwealth Bank to persons to apply for Instalment Warrants.

Officer has the meaning given to that term in relation to a body corporate in section 9 of the Corporations Act.

PDS means the product disclosure statement dated 11 March 2014 pursuant to which Commonwealth Bank makes the Offer and includes any supplementary or replacement product disclosure statement.

Prescribed Transfer means a transfer of Instalment Warrants by means of a duly completed Transfer Form.

Priority Order means the payment of a Relevant Amount by the Trustee (or as otherwise directed under the Trust Deed) in the following order:

- (a) first, in payment or reimbursement of all costs, charges, liabilities, expenses and Taxes (other than in respect of its taxable income) incurred by or of the Trustee which have been incurred in or are incidental to the exercise or performance of a power or duty, or an attempt to exercise or perform, in respect of the Relevant Underlying Securities or any other amount payable to the Trustee in accordance with the Trust Deed;
- (b) second, in payment or reimbursement of all fees, costs, charges, liabilities, expenses and Taxes incurred in relation to the Relevant Event;
- (c) third, in payment to Commonwealth Bank of:
 - (i) the Completion Payment in respect of the Relevant Underlying Security (including, if the proceeds are insufficient to pay the Completion Payment in respect of all Relevant Underlying Securities, the apportionment of the proceeds available equally among the Relevant Underlying Securities); and
 - (ii) any other amounts payable to Commonwealth Bank under the Trust Deed;

(d) fourth, in payment of the balance (if any) to the Relevant Holder,

and for the purposes of this definition alone: “Relevant Amount” means the proceeds or surplus or other amount of or in relation to a Relevant Event; “Relevant Event” means a sale, disposition or other transfer (including by way of cancellation or extinguishment), or other event giving rise to a surplus or other amount, of one or more Underlying Securities; “Relevant Underlying Securities” means the Underlying Securities to which the Relevant Event relates; “Relevant Instalment Warrants” means the Instalment Warrants in respect of the Relevant Underlying Securities; and “Relevant Holder” means the person who was the Holder of the Relevant Instalment Warrants immediately before the Relevant Event.

Proper Transfer means a transfer (as defined in section 1073B of the Corporations Act) which is effected pursuant to, or substantially complies with, the ASX Settlement Operating Rules.

Qualified Sale Agent means in relation to:

- (a) any security, a market participant of ASX (including any associate of Commonwealth Bank charging normal commercial rates); and
- (b) any other asset or right, such person experienced in the sale of that type of asset or right as the Trustee in its discretion and acting on the advice of a market participant of ASX, or of an Accountant, may select.

Reasonable Action means action taken or omitted by Commonwealth Bank or the Trustee (after consultation with Commonwealth Bank) which is lawful, practicable, does not create a risk of liability for Commonwealth Bank or the Trustee unacceptable to it and is otherwise reasonable.

Receiver means a receiver or receiver and manager.

Record Time means the date and time as at which any right is conferred or obligation is imposed by the holding of Instalment Warrants or the holding of Underlying Securities, as the case may be, including, without limitation, of the right to receive distributions or other security benefits, as determined and for the purposes of the ASX Settlement Operating Rules has the same meaning as “Record Date”.

Register means the register maintained under clause 6.1(a) of the Trust Deed.

Registered Address means, in relation to a Holder and whether or not there is one or more than one Holder registered in respect of an Instalment Warrant, the single address recorded in the Register in respect of that Instalment Warrant.

Registrar means the registrar of the Register.

Replacement Underlying Security means, where an Underlying Security is consolidated, re-constructed, sub-divided or replaced with some other form of security issued by the Listed Entity, each sub-divided, reconstructed or consolidated Underlying Security or replacement security which is issued by the Listed Entity.

Scheme means any arrangement, compromise, merger or reconstruction of a Listed Entity which falls within Part 5.1 of the Corporations Act and which, if implemented in those terms, would result in an Accretion or in the reconstruction, cancellation, replacement or modification (not being a modification within the meaning of clauses 3.2(e)(i) to 3.2(e)(iii) inclusive of the Trust Deed) of the Underlying Securities.

Scheme Outcome means any Accretion, Security or other property or right conferred in addition to, or in replacement of, an Underlying Security pursuant to a Scheme.

Secured Monies means, in respect of an Instalment Warrant:

- (a) any and all advances and interest under the Loan Agreement in respect of that Instalment Warrant from time to time; and
- (b) any other amounts required to be paid to Commonwealth Bank in connection with the Trust Deed or the Loan Agreement.

Security means

- (a) one ASX-listed share issued by a Listed Entity; or
- (b) one ASX-listed unit issued by a Listed Entity.

Security Holder means a person for the time being registered in the Listed Entity’s register as the holder of a Security.

Separate Trust means each of the trusts relating to Underlying Securities, with one such trust for each Underlying Security, established under a Nominee Deed.

Series of Instalment Warrants means the Instalment Warrants which all relate to an Underlying Security of the same Listed Entity and which otherwise have identical rights.

Settlement Date means, in respect of a validly given Completion Notice:

- (a) in respect of a Completion Notice given 20 or fewer Business Days in advance of the Maturity Date, the 20th Business Day after the Maturity Date; and
- (b) in respect of all other Completion Notices, the 20th Business Day after the day on which the notice was given.

Special Dividend means a dividend or distribution:

- (a) which is described as a special dividend or distribution; or
- (b) in relation to which ASX makes an adjustment to a price payable in respect of options relating to the relevant Underlying Security as traded on ASX; or
- (c) which is a non-cash dividend or distribution which Commonwealth Bank determines to be a special dividend.

Stock Loan has the meaning given in clause 2.11 of the Trust Deed.

Stock Loan Rights means, in respect of an Underlying Security, all present and future rights of the Trustee under a Stock Loan of the property comprised in the Underlying Security and any proceeds of enforcement of such rights.

Summary Table of Instalment Warrants means the table appearing under that name in each SPDS.

Takeover Bid means:

- (a) in the case of an off-market bid, the lodging with ASIC of a copy of a bidder's statement and offer document;
- (b) in the case of an on-market bid, the announcement of the bid to the relevant securities exchange; and
- (c) the commitment (conditional or not) to make offers of the type to which section 414 of the Corporations Act applies,

whether or not any of those bids or offers are subsequently not made, are varied or are withdrawn.

Tax includes any tax, levy, impost, deduction, charge, rate, duty, compulsory loan or withholding which is levied or imposed by a foreign or domestic Government or Government agency, and any related interest, penalty, charge, fee or other amount.

Tax Act means the Income Tax Assessment Acts of 1936 and 1997 (Commonwealth).

Tax Event means any change to the Tax Act with the effect that trustees are or will be taxed in a manner similar to corporations or trust distributions are taxed in a manner similar to corporate distributions or any other change to the Tax Act or its interpretation or administration by the Australian Taxation Office which has a material financial effect on the issue, holding, reconstruction, cancellation, expiry or completion of Instalment Warrants or dealing in Underlying Securities contemplated by the Trust Deed.

Terms means Terms of the Trust Deed.

Trading Day has the meaning given in or pursuant to the ASX Operating Rules.

Transfer means a transfer of an Instalment Warrant.

Transfer Cost means costs payable by Commonwealth Bank or the Transferor on a Transfer in accordance with clause 1.6 of the Loan Agreement.

Transfer Form means a form in the form prescribed by Commonwealth Bank from time to time or any other form or transfer approved by Commonwealth Bank and ASX and provided that any such instrument has been duly executed by the Transferor and the Transferee.

Transferee means a person who becomes entitled to be registered as a Holder in respect of a particular Instalment Warrant.

Transferor means a Holder who transfers an Instalment Warrant in accordance with the Trust Deed.

Trust Property includes:

- (a) in relation to a Beneficiary, the property transferred to or directed to be held by the Trustee in respect of that Beneficiary;
- (b) in relation to a Beneficiary, all income or other property arising from the property referred to in paragraph (a) of this definition;
- (c) in relation to a Holder, any Underlying Security issued or transferred to the Trustee which corresponds to the Instalment Warrant in a Series issued pursuant to the PDS in relation to which the Holder is recorded as the Holder;
- (d) any Security or Accretion delivered to the Trustee under a Stock Loan; and
- (e) any rights in relation to Stock Loans.

Trustee means the trustee of the Separate Trusts and includes any subsequent Trustee or nominee, custodian, delegate or agent of the Trustee as the context requires.

Trust Deed means the document titled 'Commonwealth Bank of Australia – Instalment Warrants Trust Deed' dated 29 July 2013 between Share Direct Nominees Pty Ltd as trustee and Commonwealth Bank.

Underlying Security means a Security, and all Accretions in respect of that Security, that is referred to in the Summary Table of Instalment Warrants or any replacement or substituted asset as adjusted in accordance with the Trust Deed.

Directory

For further information about Commonwealth Bank or for a copy of any information Commonwealth Bank agrees to provide under this Product Disclosure Statement, contact Commonwealth Securities Limited on Ph: 13 15 20 or at the address below.

Issuer:

Commonwealth Bank of Australia

201 Sussex Street
Sydney NSW 2000

Administrator:

Commonwealth Securities Limited

1 Harbour Street
Sydney NSW 2000

Trustee:

Share Direct Nominees Pty Limited

201 Sussex Street
Sydney NSW 2000

Registrar:

Link Market Services Limited

Level 12
680 George Street
Sydney NSW 2000

Legal and Tax Counsel to the Issuer

Clayton Utz

Level 15
1 Bligh Street
Sydney NSW 2000

To request a Completion Notice

1300 733 794

* Share Direct Nominees Pty Limited has been appointed as an Authorised Representative to provide custodial services on behalf of the Administrator (the Administrator provides administrative support services to Commonwealth Bank).

