

INSTALMENT WARRANTS.



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Important information

Produced by Commonwealth Bank of Australia ABN 48 123 123 124. Instalment Warrants are a product issued by Commonwealth Bank which is administered by its wholly owned but non-guaranteed subsidiary Commonwealth Securities Limited ABN 60 067 254 399 (CommSec), a Participant of the ASX Group and Chi-X Australia.

A Product Disclosure Statement is available and should be considered before making any investment decision about this product. Instalment Warrants are sophisticated financial products and involve dealing in derivatives. Unless you are familiar with derivative dealings and such products, these products may not be suitable for you. Bank and Government charges apply. A copy of the Product Disclosure Statement can be obtained from Commonwealth Bank by calling 1300 786 039 or emailing warrants@cba.com.au. Instalment Warrants are not bank deposits.

This document has been prepared without taking account of the objectives, financial situation or needs of any particular individual. Because of that, before acting on the information in this document, a potential investor should consider its appropriateness to their own circumstances, having regard to their own objectives, financial situation and needs. Neither Commonwealth Bank nor CommSec specifically recommend the stocks used in the above hypothetical scenario. Potential investors should consult their professional tax adviser about the tax implications of any products to their own particular circumstances.

The case studies are used for illustrative purposes only – neither Commonwealth Bank nor CommSec are specifically recommending the securities used. The case studies are based on the market prices as at the date of preparation of this document and may change as market conditions change. The franking and dividend assumptions are based on public statements by the listed entity and/or an average of market analysts' forecasts. Their accuracy cannot be guaranteed and future outcomes may vary markedly. The case study assumes that franking credits and dividend rebates are fully available to investors.

A photograph of a middle-aged man and woman smiling and looking towards the right. The man is wearing a blue striped shirt, and the woman is wearing a white top. They appear to be in a bright, indoor setting.

ARE YOU LOOKING TO...

Borrow

to invest in Australian shares without margin calls?

Increase

your exposure to dividends and franking credits?

Build

a medium to long term share portfolio?

Implement

a gearing strategy within your SMSF?

INTRODUCING INSTALMENT WARRANTS.

Buy shares in two payments

Instalment Warrants provide individual investors and eligible Self-Managed Superannuation Funds (SMSFs) with the major benefits of share ownership for a portion of the cost of purchasing the underlying securities outright.

Instalment Warrants are issued by the Commonwealth Bank of Australia. They are listed and traded on the Australian Securities Exchange (ASX) providing a flexible, easy access geared investment.

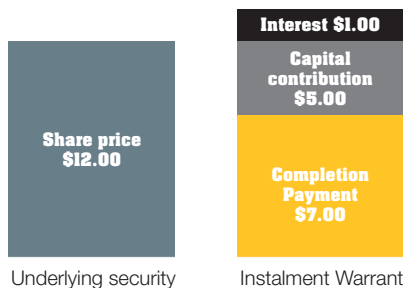
With Instalment Warrants, you can invest in some of Australia's leading companies and Exchange-Traded Funds in two easy payments or 'Instalments'.

After paying the **first Instalment**, you are the beneficial owner of the underlying securities and can enjoy the major benefits of share ownership, including dividends, franking credits (subject to eligibility and any withholding for tax) and any potential capital gains. The first Instalment is made when you purchase Instalment Warrants on the ASX and pay the prevailing market price.

Throughout the investment you can sell your Instalment Warrants on the ASX during normal market hours and receive the prevailing market price.

You can also opt to make the **second Instalment**, known as the Completion Payment, and take full ownership of the securities at any time up to 12:00pm (Sydney time) on the Maturity Date.

The **second Instalment** is a limited recourse loan offered by Commonwealth Bank. As such there are no margin calls, no credit checks, no loan documents, and investors are unable to lose more than the **first Instalment**.



First Instalment \$6.00
(market price on the ASX)

Completion Payment \$7.00
(limited recourse loan)

WHY CONSIDER INSTALMENT WARRANTS.

Two simple payments	Instalment Warrants allow you to buy some of Australia's leading companies and Exchange-Traded Funds in two easy payments. Pay the first Instalment and receive the major benefits of owning the securities.
Increase your securities exposure	For the same upfront investment, you can increase your potential for capital gains, ordinary dividends and franking credits (subject to eligibility and any withholding for tax).
Leverage without margin calls	Enjoy the benefits of a geared share investment without the risk of margin calls.
Enhance your yield	Receive any dividends and franking credits (subject to eligibility and any withholding for tax) as if you own the underlying securities outright.
Gearing in your SMSF	Instalments Warrants may be an eligible investment for SMSFs.
Realise your investment	You can sell your Instalments on the ASX at any time up to the close of normal trading on the Maturity Date.
Take full ownership of the shares	<p>You have the ability to give a Completion Notice to Commonwealth Bank and pay the Completion Payment at any time up to 12:00pm (Sydney time) on the Maturity Date to take full ownership of the securities.</p> <p>The Completion Payment is made by contacting Commonwealth Bank who will send you a Completion Notice.</p>

A summary of the benefits and risks of Instalment Warrants can be found on page 7.

KEY BENEFITS.

Leveraged exposure to capital growth

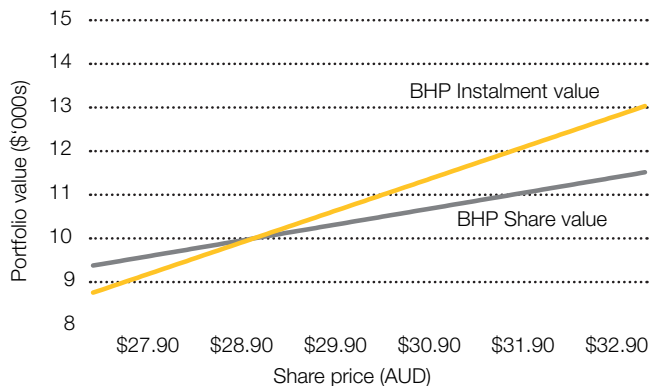
Instalment Warrants provide you with a level of leveraged exposure to selected Australian shares and exchange-traded funds. The leverage associated with Instalment Warrants can increase your exposure to potential capital gains.

Case Study

Charlotte has \$10,000 to invest in the share market. She is considering BHP and is deciding whether to invest in the shares directly or introduce some leverage using Instalment Warrants.

BHP shares are trading at \$29.00 while a series of BHP Instalment Warrants are trading at \$15.20 with a Completion Payment (loan) of \$15.00.

For a \$10,000 investment, Charlotte can purchase 345 BHP Shares. Alternatively she could increase her exposure to BHP using Instalment Warrants purchasing 657 units. The BHP Instalment Warrants provide her with exposure to \$19,053.00 of BHP.



Assumes a linear increase in the share price over time. The information should not be taken to represent actual performance and should not be interpreted as an indication or guarantee of future performance. The chart is for illustrative purposes only.

The chart above illustrates the potential returns in BHP Shares versus BHP Instalment Warrants. While any return in the BHP Instalment Warrants may be magnified if BHP enjoys any positive capital movements, any losses will equally be magnified. Charlotte can sell the Instalment Warrants at anytime during normal ASX market hours to realise any capital gains.

Charlotte will also receive any dividends and franking credits associated with BHP during her investment in the BHP Instalment Warrants.

Exposure to increased dividends

Instalment Warrants allow you to gain exposure and receive the full dividends and franking credits associated with the underlying shares during the investment.

Case Study

Jonathan has \$20,000 to invest in his Self-Managed Superannuation Fund (SMSF) and is interested in investing in high-yielding shares. He is considering Instalment Warrants as they can provide him with an eligible gearing strategy in his SMSF.

He compares an investment in Telstra Shares with the same dollar investment in Telstra Instalment Warrants.

Telstra shares are trading at \$4.50 while a series of TLS Instalment Warrants are trading at \$2.19 with a Completion Payment (loan) of \$2.50.

The following table compares the potential dividend income and yield generated through an investment in the shares compared with the Instalment Warrants.

	Telstra Shares	Telstra Instalments
Amount invested	\$20,000	\$20,000
Purchase price	\$4.50	\$2.19
Completion Payment (loan)	n/a	\$2.50
Quantity purchased	4,444	9,132
Share exposure	\$20,000	\$41,094
Annual dividend per share	\$0.28	\$0.28
Franking	\$0.12	\$0.12
Total dividends	\$0.40	\$0.40
Gross dividend yield	8.90%	18.26%

This table is intended for illustration purposes only. The purchase price does not include brokerage that may be charged by your broker for purchasing Instalment Warrants on the ASX. Dividends and franking are not guaranteed. The cash dividend yield for Telstra is assumed to be \$0.28 per annum and dividends are assumed to be 100% franked. The analysis assumes franking credits and dividend rebates are available to investors (availability will depend on the individual circumstances of each investor and no material changes with regard to the tax treatment relating to shares or the investment).

By purchasing the Instalment Warrants, Jonathan is exposed to a greater dividend yield compared with a same dollar investment in the shares, in this case a gross dividend yield of 18.26%.

The Instalment Warrants can be sold at any time up until maturity. Jonathan can also elect to make the Completion Payment and take full legal ownership of the shares.

INVESTMENT CYCLE AT A GLANCE.

Your choices

Today	<ul style="list-style-type: none"> ◆ Select an Instalment Warrant that reflects your investment strategy. Simply purchase your Instalment Warrants on the ASX during normal market hours. ◆ Pay around 30% to 50% of the value of the underlying security (depending on the leverage provided).
During the term	<ul style="list-style-type: none"> ◆ Receive dividends and franking credits related to the underlying securities. ◆ Exposure to any capital movements in the share price. ◆ Your Instalment Warrants can be sold on the ASX at any time during normal ASX market hours. ◆ Take legal ownership of the underlying shares by giving a valid Completion Notice to Commonwealth Bank and making the Completion Payment.
Maturity Date	<ul style="list-style-type: none"> ◆ Take legal ownership of the underlying shares by giving a valid Completion Notice to Commonwealth Bank and making the Completion Payment. ◆ Sell your Instalment Warrants on the ASX during normal market hours. ◆ Do nothing. Commonwealth Bank will sell the underlying securities, repay the loan and deliver any proceeds remaining.

QUICK GUIDE TO INSTALMENT WARRANTS.

Minimum investment amount	No minimum as Instalment Warrants are traded on the ASX.
Investment term	Up to two years from the date of issue.
Initial gearing level	Generally 50% to 70% of the underlying securities' price.
Dividends	Ordinary dividends are paid to you in cash during the term of your investment. Any Special Dividends are used to reduce the Completion Payment.
Interest	Paid by the investor when purchasing the Instalment Warrant on the ASX and is reflected in the prevailing market price. The Interest Rate will reflect the fact that the borrowing is made on a limited recourse basis.
Brokerage	Your stockbroker or financial adviser may charge a brokerage fee to transact in Instalment Warrants on your behalf. This is not charged by the Commonwealth Bank as issuer of Instalment Warrants.
Taxation benefits	Potential interest deduction and entitlements to franking credits (subject to eligibility and withholding tax).

CONSIDERATIONS.

Benefits

- ◆ Purchase ASX listed securities in two payments. The second Instalment, known as the Completion Payment, is optional
- ◆ Exposure to enhanced dividend yield and franking credits
- ◆ You gain leveraged exposure to movements in the share price
- ◆ You have the ability to give a Completion Notice to Commonwealth Bank and pay the Completion Payment at any time up to 12:00pm (Sydney time) on the Maturity Date to take full ownership of the shares
- ◆ The Completion Payment (loan) is limited recourse and is optional
- ◆ No margin calls due to the limited recourse nature of the loan
- ◆ No credit checks or loan documents to complete
- ◆ Listed and traded on the ASX, offering flexibility and transparency
- ◆ Potentially accelerate the number of excess franking credits that can be used to offset the tax liability on earnings and contributions tax for eligible SMSFs
- ◆ Issued over a range of Australia's leading companies and Exchange-Traded Funds.

Potential risks

Instalment Warrants are a leveraged share market investment and as such there is a potential for loss. Investors should consider the potential risks of investing in Instalment Warrants and these are detailed in full in the Commonwealth Bank Instalment Warrants Product Disclosure Statement (PDS) at Section 3.2. The PDS can be found on our website at commbank.com.au/warrants or **1300 786 039**.

Key risks include:

- ◆ The leverage (gearing) incorporated in the Instalments will magnify any losses that occur, and investors risk losing some or all of their initial capital outlay
- ◆ Impact of changes in volatility, interest rates and dividends some of which may adversely affect the price of the Instalment Warrant
- ◆ On the Maturity Date the value of the underlying security may be less than the Completion Payment. In this case the investor will lose their initial capital outlay but will be not obliged to repay the loan
- ◆ Any changes in Australian tax law and legislation.
- ◆ The value of the underlying securities may fall, which would result in the value of the Instalment Warrants falling

HOW TO INVEST IN INSTALMENT WARRANTS.

Instalment Warrants are listed on the ASX. Like shares, they can be bought and sold at anytime during normal ASX market hours.

Next steps

1	Select the underlying share
2	Select the Instalment Warrant that reflects your investment goal. A list of Instalment Warrants issued by Commonwealth Bank are available at commbank.com.au/warrants You should also review the Supplementary Product Disclosure Statement (SPDS) for the selected Instalment Warrants Series.
3	Contact your broker or financial adviser to place a trade. You should ensure that you have signed a Warrant Client Agreement form with your broker to trade warrants.

How do I identify an Instalment Warrant?

All Instalment Warrants are listed on the Australian Stock Exchange and have a six letter ASX Code.

Buying Instalments is as simple as purchasing regular shares. But first you must identify an Instalment Warrant.



NAB The first three letters indicate the ASX Code of the underlying security

I The fourth letter indicates the warrant type. An Instalment Warrant is (I)

Y The fifth letter indicates the issuer of the Instalment Warrant. The issuer code for Commonwealth Bank is (Y)

A The sixth letter indicates the individual series

CONTACT US.

Visit us online at commbank.com.au/warrants

Register for our trading and investment ideas and pricing updates.

See further product information including the Product Disclosure Statement.

Call the Equity Products Group on **1300 786 039**.

