

# Capital Series *Aussie Blue Chips*




**Determined** to be different

# Introducing Capital Series *Aussie Blue Chips*

Capital Series *Aussie Blue Chips* is the latest investment opportunity from Commonwealth Bank, giving you exposure to 20 of the largest listed Australian blue chip shares with 100% capital protection<sup>1</sup> if held to maturity.

One Strategy is available under Capital Series *Aussie Blue Chips*:

<b>Capital protection<sup>1</sup></b>	100% if held to maturity																																										
<b>Risk profile of capital invested</b> (if held to maturity)	Low  High																																										
<b>Underlying Portfolio</b> (equally weighted)	<table border="1"> <thead> <tr> <th>ASX Code</th> <th>Company</th> </tr> </thead> <tbody> <tr><td>AMP</td><td>AMP Limited</td></tr> <tr><td>ANZ</td><td>ANZ Banking Group Limited</td></tr> <tr><td>BHP</td><td>BHP Billiton Limited</td></tr> <tr><td>BXB</td><td>Brambles Limited</td></tr> <tr><td>CBA</td><td>Commonwealth Bank of Australia</td></tr> <tr><td>CSL</td><td>CSL Limited</td></tr> <tr><td>FGL</td><td>Foster's Group Limited</td></tr> <tr><td>MQG</td><td>Macquarie Group Limited</td></tr> <tr><td>NAB</td><td>National Australia Bank Limited</td></tr> <tr><td>NCM</td><td>Newcrest Mining Limited</td></tr> <tr><td>ORG</td><td>Origin Energy Limited</td></tr> <tr><td>QBE</td><td>QBE Insurance Group Limited</td></tr> <tr><td>RIO</td><td>Rio Tinto Limited</td></tr> <tr><td>SUN</td><td>Suncorp-Metway Limited</td></tr> <tr><td>TLS</td><td>Telstra Corporation Limited</td></tr> <tr><td>WBC</td><td>Westpac Banking Corporation</td></tr> <tr><td>WDC</td><td>Westfield Group</td></tr> <tr><td>WES</td><td>Wesfarmers Limited</td></tr> <tr><td>WOW</td><td>Woolworths Limited</td></tr> <tr><td>WPL</td><td>Woodside Petroleum Limited</td></tr> </tbody> </table>	ASX Code	Company	AMP	AMP Limited	ANZ	ANZ Banking Group Limited	BHP	BHP Billiton Limited	BXB	Brambles Limited	CBA	Commonwealth Bank of Australia	CSL	CSL Limited	FGL	Foster's Group Limited	MQG	Macquarie Group Limited	NAB	National Australia Bank Limited	NCM	Newcrest Mining Limited	ORG	Origin Energy Limited	QBE	QBE Insurance Group Limited	RIO	Rio Tinto Limited	SUN	Suncorp-Metway Limited	TLS	Telstra Corporation Limited	WBC	Westpac Banking Corporation	WDC	Westfield Group	WES	Wesfarmers Limited	WOW	Woolworths Limited	WPL	Woodside Petroleum Limited
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<b>Capital growth potential</b>	Up to 60%. In calculating the performance of the Underlying Portfolio, the exposure to each Reference Asset is limited to 80% above the Initial Reference Level at maturity. The performance of the Underlying Portfolio is then reduced by 20% to determine the level of capital growth for your Investment. Therefore the maximum capital growth you can achieve is 60%.																																										
<b>Coupon payments</b>	5 fixed annual payments of 4.00% starting from Year 1.5																																										
<b>Borrow to invest</b>	You can borrow up to 100% of your Capital Series <i>Aussie Blue Chips</i> investment using a Capital Investment Loan and/or Interest in Advance Loan (with the exception of superannuation funds).  Both loans are subject to credit approval.																																										
<b>Investment term</b>	5.5 years																																										
<b>Maturity date</b>	18 April 2016																																										
<b>Minimum investment</b>	\$10,000																																										

# How does it work?

In simple terms, Capital Series *Aussie Blue Chips* works as follows:

- you invest a minimum of \$10,000 before the closing date
- your return is linked to the performance of the Underlying Portfolio comprising 20 of the largest listed companies in Australia
- you receive income totalling 20% over the investment term
- you have the potential to receive up to 60% capital growth at maturity if the performance of the Underlying Portfolio increases by more than 20%
- in 5.5 years time, you have the choice of receiving the final value of your investment as either units in the SPDR S&P/ASX 200 Fund<sup>2</sup> or as a cash payment<sup>3</sup> following the sale of those units (brokerage will apply).

**NB:** If you choose to redeem your investment before the maturity date, capital protection will not apply. In addition, break fees and an early termination fee will be charged and you may receive less than your initial investment amount.

## Key dates and information

<b>Opening date</b>	23 August 2010
<b>Closing date</b>	1 October 2010
<b>Start date</b>	11 October 2010
<b>Maturity date</b>	18 April 2016
<b>Availability</b>	Available to SMSFs, individuals, companies and trusts
<b>Minimum investment</b>	\$10,000

## Find out more

This communication is for introduction purposes only. Before making a decision to invest in Capital Series *Aussie Blue Chips* you should read the two-part Product Disclosure Statement (PDS) which you can obtain from your Financial Adviser or by calling Commonwealth Bank on 1300 786 039.

## How to invest

The fastest and easiest way to apply for an investment in Capital Series *Aussie Blue Chips* is to:

1. Complete all relevant sections of the application form which is found in Part 2 of the PDS
2. Send your completed application form to:

Capital Series *Aussie Blue Chips*  
Commonwealth Securities  
Locked Bag 34  
Australia Square NSW 1214

Applications will be accepted up until Friday, 1 October 2010.

# Frequently asked questions

Question	Answer
<p><b>What is Capital Series?</b></p>	<p>A 'set and forget' investment that aims to generate capital growth and income over a set period. Capital Series can give you easy access to a number of asset classes and markets around the world with the benefit of capital protection at maturity.</p>
<p><b>How is Capital Series structured?</b></p>	<p>Commonwealth Bank's Capital Series is structured as a Deferred Purchase Agreement (DPA). Under a DPA, investors agree to accept the physical delivery of the Delivery Assets on the maturity date. They can also elect to sell the Delivery Assets and receive their maturity value in cash (brokerage costs apply).</p> <div data-bbox="571 562 1246 913" data-label="Diagram"> <pre> graph TD     Title[Deferred Purchase Agreement]     Investor[Investor] -- Investment Amount --&gt; Bank[Commonwealth Bank]     Bank --&gt; Equity[Geared equity component]     Bank --&gt; Interest[Fixed interest component]     </pre> </div> <p>The geared equity component provides the equity exposure and the fixed interest component provides the capital protection.</p>
<p><b>What is capital protection?</b></p>	<p>Capital protection generally means that an investor's initial investment amount is protected up to a certain level (e.g. 70%, 100%) if the investment is held to maturity. In a volatile environment, a capital protection feature may be valuable for investors who are seeking an alternative to a direct investment with a reduced level of risk.</p>
<p><b>Why is the product called Capital Series?</b></p>	<p>The product aims to generate <u>capital</u> growth as well as provide <u>capital</u> protection, hence the name "Capital Series".</p>
<p><b>Can I borrow to invest?</b></p>	<p>Investors (excluding superannuation funds) can borrow to invest via two loans:</p> <ul style="list-style-type: none"> <li>● <b>Capital Investment Loan</b> – allows you to borrow up to 100% of your investment amount</li> <li>● <b>Interest in Advance Loan</b> – allows you to borrow the first year's interest amount on your Capital Investment Loan</li> </ul> <p>Loans are subject to Commonwealth Bank's credit approval.</p>
<p><b>What are the benefits?</b></p>	<ul style="list-style-type: none"> <li>● You can 'set and forget' for 5.5 years</li> <li>● At maturity you have the choice of taking your gains as units in the SPDR S&amp;P/ASX 200 Fund, or you can receive a cash payment by electing to sell your units (brokerage costs will apply)<sup>2</sup>.</li> <li>● If the Underlying Portfolio performs badly your initial investment in Capital Series <i>Aussie Blue Chips</i> is capital protected at 100% at maturity</li> <li>● You have the opportunity to get exposure to 20 listed Australian blue chip shares</li> <li>● You have the potential to receive capital growth and income</li> <li>● Ability to dispose of your investment prior to the maturity date, subject to early termination fees and break costs</li> </ul>
<p><b>What are the risks?</b></p>	<ul style="list-style-type: none"> <li>● If you choose to accept physical delivery of units in the SPDR S&amp;P/ASX 200 Fund at maturity, you will have exposure to the performance of this Fund which may not be advantageous to you</li> <li>● Your investment amount is not capital protected if you terminate early.</li> <li>● <b>Performance and general investment risk</b> – There is a risk that the Reference Assets may perform poorly. Capital Series is not a listed investment</li> <li>● <b>Market risk</b> – Capital Series may be affected by market variables, such as</li> </ul>

	<p>uncertain economic conditions</p> <ul style="list-style-type: none"> <li>● <b>Taxation risk</b> – changes to the tax law or interpretation could affect the value of your Investment</li> <li>● <b>Credit risk</b> - the risk that Commonwealth Bank does not meet its obligations under the terms of the transaction, which are unsecured. Investments in Capital Series are not bank deposits</li> <li>● <b>Operational risk</b> – the risk of Commonwealth Bank delaying or failing to execute and settle your investment in a timely and accurate manner</li> <li>● <b>Legal risk</b> – the risk that Commonwealth Bank suspends, cancels, terminates or refuses you service due to changes in your financial circumstances or security</li> <li>● <b>Adjustment Events</b> – due to certain events occurring the Delivery Assets or Reference Assets may change.</li> </ul>
<b>What are coupon payments?</b>	<p>Coupons are an amount paid to you as income under your Capital Series investment. Coupons can be either:</p> <p>➔ <b>Fixed</b> - you will receive a coupon payment regardless of the performance of your investment; or</p> <p>➔ <b>Contingent</b> – you will only receive a coupon payment if the performance of your investment reaches a hurdle, e.g. +10% from the start date.</p> <p>Capital Series <i>Aussie Blue Chips</i> pays fixed coupons.</p>
<b>What happens at maturity?</b>	<p>You can choose to receive the final value of your investment as either:</p> <ul style="list-style-type: none"> <li>● units in the SPDR S&amp;P/ASX 200 Fund, or</li> <li>● a cash payment – by electing to sell the units (brokerage costs will apply)</li> </ul> <p>You will receive a letter from Commonwealth Bank one month before maturity asking you to elect one of the above maturity options. If you do not advise of your preference, you will automatically receive units in the SPDR S&amp;P/ASX 200 Fund.</p>
<b>What is a Delivery Asset?</b>	<p>The asset which you agree to purchase at maturity. For Capital Series <i>Aussie Blue Chips</i>, the Delivery Asset is a unit in the SPDR S&amp;P/ASX 200 Fund. The number of units you will receive depends on the Maturity Value of your investment.</p>
<b>Why is capital growth capped?</b>	<p>A capped level of capital growth essentially means that you receive any growth up to that particular level. The reason a cap is put in place is simply for pricing reasons. For example, by foregoing some capital growth, a 100% capital protection feature at maturity can be factored in.</p> <p>Alternatively, a strategy which does not have a cap on the capital growth usually does not offer coupons, or in some cases it may offer a reduced level of capital protection instead.</p> <p>Commonwealth Bank does not receive any benefit if a Strategy's capital growth exceeds the cap level.</p>
<b>What happens if I need to get my money back early?</b>	<p>You can request to terminate your Capital Series investment prior to the maturity date. Generally requests will be processed on the 15<sup>th</sup> day of each month (or next business day). You can obtain an indicative termination quote by calling your financial adviser. If you wish to proceed with your early termination, please submit your signed termination quote to the Commonwealth Bank three business days prior to the 15<sup>th</sup> of the month. Please note that the final termination amount can vary from the indicative amount. Break costs and an early termination fee will apply.</p>
<b>What are the costs?</b>	<p><b>Brokerage Fee</b> – If you elect a cash payment at maturity, you will be charged a Brokerage Fee of up to 0.55% (incl. GST) to sell your Delivery Assets.</p> <p><b>Early Termination Fee</b> – you may be charged an amount up to \$500 at the time of early termination.</p>
<b>How are previous issues of Capital Series performing?</b>	<p>Check out the quarterly Capital Series Update which is accessible on <a href="http://www.commbank.com.au">www.commbank.com.au</a></p>

1 Capital protection will only apply if the investment is held to the maturity date and is subject to risks, limitations and conditions. Please refer to the PDS for more information.

2 At the commencement of Capital Series *Aussie Blue Chips*, the Delivery Asset is one unit in the SPDR S&P/ASX 200 Fund. At maturity, you will receive Delivery Assets to the value of the Maturity Value of your investment. Refer to the PDS for information about the Delivery Asset, Maturity Value and the circumstances where the Delivery Asset may be substituted for another security.

3 By using the Delivery Asset Sale Service as outlined in the PDS. Brokerage costs apply.

### **Important Information**

Capital Series *Aussie Blue Chips* is issued by Commonwealth Bank of Australia ABN 48 123 123 124 (Commonwealth Bank) administered by its wholly owned but non-guaranteed subsidiary Commonwealth Securities Limited ABN 60 067 254 399 (CommSec). A PDS for Capital Series *Aussie Blue Chips* is available by calling 1300 786 039 and should be considered before making any decision about this product. Investments in Capital Series are not deposits with Commonwealth Bank. They are contracts entered into between Investors and Commonwealth Bank on the terms set out in the Terms of Sale as contained in the PDS. Capitalised terms in this document have equal meaning to the capitalised terms in the PDS. Potential investors should refer to the PDS for risks and costs involved with an investment in Capital Series *Aussie Blue Chips*. Commonwealth Bank and its subsidiaries, including CommSec, do not guarantee the performance of Capital Series *Aussie Blue Chips*.

The information in this document should not be taken as a recommendation to invest in Capital Series *Aussie Blue Chips*. As the information has been prepared without considering your objectives, financial situation or needs, you should, before acting on the information in this document, consider its appropriateness to your circumstances. Past performance is not a reliable indicator of future performance. The Capital Investment Loan and the Interest in Advance Loan are provided by Commonwealth Bank and are subject to the Bank's normal credit approval.

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