

Commonwealth Bank of Australia

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR AA-
Short-Term IDR F1+

Viability Rating aa-

Support Rating 1
Support Rating Floor A

Sovereign Risk

Long-Term Foreign-Currency IDRAAA
Long-Term Local-Currency IDR AAA

Outlooks

Long-Term Foreign-Currency IDR Stable
Sovereign Long-Term Foreign-Currency IDR Stable
Sovereign Long-Term Local-Currency IDR Stable

Financial Data

Commonwealth Bank of Australia

	31 Dec 16	30 Jun 16
Total assets (USDbn)	703.1	692.9
Total assets (AUDbn)	971.7	933.1
Total equity (AUDbn)	61.8	60.8
Operating profit (AUDbn)	6.4	12.9
Published net income (AUDbn)	4.9	9.3
Comprehensive income (AUDbn)	4.5	9.5
Operating ROAA (%)	1.3	1.4
Operating ROAE (%)	20.9	22.3
Internal capital generation (%)	5.4	3.3
Fitch Core Capital/weighted risks (%)	10.7	11.7
Common equity Tier 1 ratio (%)	9.9	10.6

Related Research

[Commonwealth Bank of Australia – Ratings Navigator \(March 2017\)](#)

[Peer Review: Australian Major Banks \(March 2017\)](#)

[Fitch Affirms Australia's Four Major Banks \(March 2017\)](#)

[2017 Outlook: Australian Banks \(January 2017\)](#)

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Key Rating Drivers

Dominant Franchise: Commonwealth Bank of Australia's (CBA)'s Issuer Default Ratings (IDRs) and Viability Rating reflect its leading Australian retail banking franchise, which provides price-setting powers and allows the bank to operate with a simple business model and conservative risk appetite. The latter has also been influenced by the banking regulator tightening underwriting to address higher macroeconomic risks.

Looming Macroeconomic Risks: Further increases in historically high household-debt levels and unsustainably strong house-price growth, combined with modest wage growth, could threaten households and bank asset quality if labour-market conditions sharply weaken or lending rates rise significantly. However, Fitch Ratings expects the regulator to impose additional macro-prudential rules if these risks continue to rise.

Conservative Risk Appetite: We expect CBA to maintain its tight underwriting standards, especially in light of strict regulatory controls. Pricing is also used to manage asset growth and credit risk, particularly for higher-risk products. Updated underwriting processes and appropriate risk pricing should protect the bank's asset quality and profitability.

Continued Capitalisation Strengthening: CBA is likely to continue improving its capital position in preparation of new regulatory guidelines and to maintain its top-quartile ranking within its international peer group. We expect this to be achieved through retained earnings as well as controlled risk-weighted asset growth.

Funding Remains A Weakness: Fitch expects CBA to remain reliant on wholesale funding markets, reflecting a general lack of deposits in Australia, as a large proportion of Australian's savings are in superannuation funds. However, CBA is supported by its leading retail-banking franchise and should benefit from a flight-to-quality in a stressed environment. CBA's wholesale position should continue to improve due to the incoming net stable funding ratio regulation, with a focus on longer-term funding and lower reliance on short-term offshore markets.

Support Reflects Systemic Importance: We expect a high probability of support from the authorities if required, given CBA's strong market share across a range of products, particularly in the retail market.

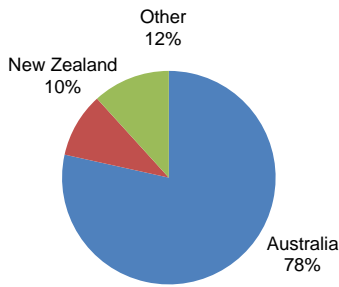
Rating Sensitivities

Macroeconomic Pressure: Increasing macroeconomic risks make households susceptible to a sharp economic slowdown that leads to significantly higher unemployment. This could pressure CBA's asset quality, profitability and capitalisation and ultimately result in a rating downgrade.

Worsening Funding and Liquidity: A significant weakening of CBA's funding and liquidity profile could pressure ratings, as the bank would be more susceptible to a large disruption of global funding markets.

Limited Rating Upside: CBA's already-high ratings combined with its weaker funding profile relative to international peers and increasing macroeconomic risks mean a rating upgrade is not probable.

Geographic Split
EAD at End-1H17



Source: CBA Pillar III

Operating Environment

Details of the operating environment can be found in our report, *Peer Review: Australian Major Banks*, published 29 March 2017 (see *Related Research* on page 1).

Company Profile

Dominant Franchise

CBA benefits from a strong franchise in its two main geographies, Australia and New Zealand, which accounted for 79% and 10% of exposure at default (EAD), respectively, at end-December 2016. Its large franchise in both markets provides CBA with a level of pricing power that allows the bank to operate with a fairly simple business model. CBA’s franchise also benefits from its technology investment, which in many ways has been sector leading.

Simple Business Model, Limited Complexity

CBA has a simple, transparent, stable and diverse business model, with a focus on traditional commercial banking, which helps offset the geographic concentration in Australia and New Zealand. The bank’s Australian retail banking operations contributed the largest proportion of operating profit (51%) in the half year ended-December 2016 (1H17). The business and private banking division was the next largest contributor at 16% followed by institutional banking and markets at 13%. CBA’s New Zealand division contributed a further 9%. CBA has limited exposure to volatile investment banking businesses, such as proprietary trading.

Management and Strategy

Fitch does not anticipate a significant change in CBA’s strategy in the next two to three years. CBA seeks to outperform peers on a total shareholder return basis. CBA’s business model and customer target group are supported by large technology investments over the last decade, which provide CBA with a strategic benefit relative to domestic peers. The investments also help CBA further improve productivity and efficiency. Being a technological leader in banking is likely to protect the bank’s franchise as the next generation of customers focus more on digital channels for banking services.

Risk Appetite

We consider CBA’s risk appetite as fairly prudent, reflecting its business model. CBA is predominantly exposed to credit risk, which accounted for 86% of total risk-weighted assets at end-1H17. Exposure to market risk is small and mainly reflects the structural interest-rate risk imbalance of long-term assets and short-term liabilities, which is managed through derivatives and a variable asset-pricing structure. Risk controls continue to be updated and tightened. Large and higher-risk exposures are closely monitored. The bank conducts regular portfolio assessments of industries and products it considers higher risk or that may be affected by the changing environment and regulations.

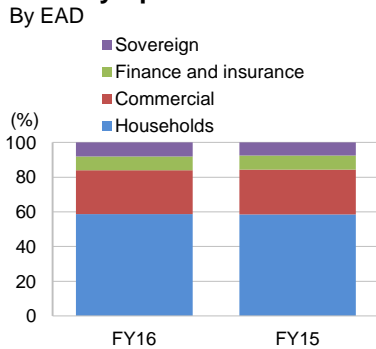
Conduct risk is increasing and is managed carefully by CBA. To date, the implication of weak culture and potential conduct issues have not hurt financial performance, although reputational risk could be a larger issue. Local regulators are strengthening their oversight and penalties may increase above those that have been delivered to date.

CBA is mainly exposed to households, which accounted for 59% of total EAD at FYE16. Almost all of these exposures are residential mortgages. CBA continues to tighten its underwriting standards for residential mortgages, including strengthening income and expenditure assessments and applying more granular pricing of different sub-portfolios within the mortgage book. CBA has the smallest investor mortgage exposure among Australia’s major banks, although it has the second-highest proportion of interest-only mortgages. Risks associated with the latter are mitigated by the increasing portion of offset accounts, while all loans are assessed on an amortising basis.

Related Criteria

[Global Bank Rating Criteria \(November 2016\)](#)

Industry Split



Source: CBA Pillar III

Nearly half of CBA's mortgages are sourced through brokers, which is similar to the broader market. Brokers have no credit authority – that remains with CBA – but the compensation structure could create incentives for application fraud. To avoid this, CBA follows strict criteria before allowing a broker to sell CBA-branded products and conducts regular hindsight reviews.

CBA's commercial exposure – excluding sovereign and financial institutions – accounted for 25% of EAD at FYE16. The quality of these exposures is adequate, with 43% of the corporate exposures rated investment grade on CBA's internal models. CBA's largest industry segment remained commercial real estate (CRE), at 7% of total EAD, which we consider moderate relative to international peers. CRE exposures, particularly development CRE, have been a source of losses for CBA in the past. However, its exposure to higher-risk segments, such as inner-city apartment developments, is low and potential losses from these exposures should be manageable.

CBA's exposure to the resource sector is also small. Mining and agriculture accounted for a combined 3.4% of total EAD at FYE16, of which agriculture was the majority. Fitch does not expect these exposures to increase significantly due to the bank's conservative commodity price expectations and assessments. CBA's exposure to sovereigns and financial institutions predominantly reflects securities, guarantees, interbank and derivative exposures for liquidity management and hedging purposes. The quality of these counterparties is strong, with 89% of the book having a rating of 'A-' or better at FYE16.

Financial Profile

Asset Quality

Asset quality may deteriorate modestly in FY17, reflecting weakness in some parts Australia's economy, although the low interest-rate environment and tighter underwriting standards should help mitigate any weakening.

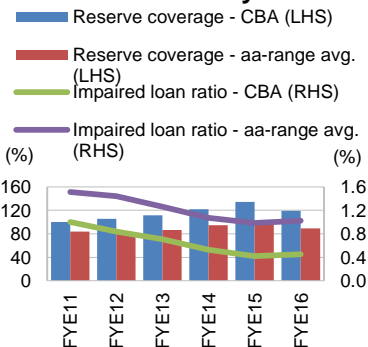
The most likely trigger for a substantial deterioration in CBA's strong asset quality is a sharp economic slowdown in China, which would likely result in a sharp increase in Australian unemployment, as China is Australia's largest export market. However, this is not our base case and we expect any slowdown to affect the bank's corporate exposures before household exposures. A significant increase in interest rates may also affect asset quality, particularly if combined with continuing low wage inflation.

The credit cycle has turned, resulting in a 16% increase in impaired loans in FY16 and another 8% increase in 1H17. This was driven by exposures in mining-related regions and manufacturing. A sustained improvement in commodity prices could be positive for some exposures. We expect the quality of household exposures to remain stable, benefiting from continuing steady labour market conditions, with low interest rates supporting serviceability.

Earnings and Profitability

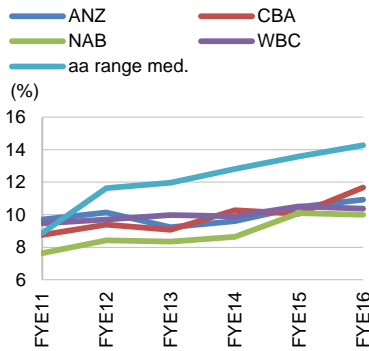
Fitch expects CBA's earnings and profitability to remain strong relative to peers in FY17. CBA's 1H17 results were satisfactory for its rating level, although profit growth slowed. Cost management remained sound, although technology investment increased and there were changes in the amortisation of software assets. CBA has a solid net interest margin, cost-income ratio and operating return on risk-weighted assets relative to most 'aa-' rated peers, despite varied risk-weightings on assets across different countries. Operating profit growth is likely to continue slowing, reflecting higher loan-impairment charges, revenue generation pressure and cost increases due to ongoing risk and compliance costs and further technology investments.

Sound Asset Quality



Source: Banks, Fitch

Fitch Core Capital Ratio



Source: Banks, Fitch

Capitalisation and Leverage

Fitch expects CBA's capitalisation to remain strong, with improvements likely to reflect increased regulatory requirements. CBA's Fitch Core Capital ratio and common equity Tier 1 ratio declined to 10.72% and 9.90%, respectively, at end-1H17. This followed the introduction of a minimum average risk-weighting of 25% for Australian internal-ratings-based residential mortgages from July 2016. CBA raised fresh equity in anticipation of the incoming regulation in 2015. The bank reported a Basel III leverage ratio of 4.9% at end-1H17.

We expect further increased regulatory capital requirements to be met through retained earnings. Internal capital generation is reasonably modest due to CBA's high dividend payout ratio, although around 15%-20% of dividends are reinvested through the bank's dividend reinvestment plan. This ratio has increased to 40% in the past when the bank applied a discount on the share price.

CBA's loss absorption capacity is strong when its capital position, loan impairment reserves and pre-impairment operating profit are considered, allowing CBA to withstand a significant shock to the balance sheet.

Funding and Liquidity

CBA's funding and liquidity is likely to remain a weakness relative to international peers. We do not expect a significant change in the bank's funding profile in the medium-term, reflecting the general lack of deposits in Australia. CBA's customer deposits make up two-thirds of the bank's total non-equity funding, with the remainder sourced from wholesale markets. CBA's strong domestic deposit franchise partly offsets its wholesale funding reliance, as the bank should benefit from a flight-to-quality in deposits if funding conditions weaken.

CBA is likely to focus on deposit growth and lengthen its wholesale funding maturity profile in FY17 in anticipation of the implementation of the net stable funding ratio from 1 January 2018. CBA has stated it is already above 105% on this measure, but we expect further improvements as the bank builds a larger buffer above the regulatory minimum.

CBA's liquidity position is sound, with a liquidity coverage ratio of 135% at end-1H17; well in excess of the Australian Prudential Regulation Authority's minimum requirement of 100%.

Peer Analysis

Domestic Peer Data

(%)	ANZ ^{a, c}	CBA ^b	NAB ^{a, c}	WBC ^{a, c}
Earnings and profitability				
Core metric				
Operating profit/risk-weighted assets	2.05	2.93	2.30	2.60
Complimentary metrics				
Net interest income/average earning assets	2.00	2.11	1.88	2.10
Non-interest expense/gross revenue	50.33	45.21	45.21	43.99
Loans and securities impairment charges/ pre-impairment operating profit	20.75	8.52	8.34	9.55
Operating profit/average total assets	0.93	1.34	1.04	1.26
Net income/average total equity	9.99	15.92	0.73	13.21
Capitalisation and leverage				
Core metric				
Fitch Core Capital/Fitch Core Capital-adjusted risk-weighted assets	10.93	10.72	9.99	10.38
Complimentary metrics				
Basel leverage ratio	5.30	4.90	5.72	5.20
Tangible common equity/tangible assets	5.47	5.31	5.29	5.46
Common equity Tier 1 regulatory capital ratio	9.60	9.90	9.77	9.50
Internal capital generation ^d	1.95	5.41	-10.13	3.54
Impaired loans less reserves for impaired loans/Fitch Core Capital	-3.44	-0.89	-1.30	-2.75
Asset-quality				
Core metric				
Impaired loans/gross loans	0.46	0.47	0.48	0.32
Complimentary metrics				
Growth of gross loans ^d	2.45	2.51	-6.52	6.21
Reserves for impaired loans/impaired loans	158.09	112.27	119.31	154.24
Loan-impairment charges/average gross loans	0.34	0.18	0.16	0.18
Funding and liquidity				
Core metric				
Loans/customer deposits	129.43	132.67	139.62	142.57
Complimentary metrics				
Liquidity coverage ratio	126.00	135.00	121.00	129.00
Customer deposits/total funding (excluding derivatives)	62.39	64.11	57.93	64.65

^a FY16 numbers at 30 September 2016

^b 1H17 numbers at 31 December 2017

^c ANZ - Australia and New Zealand Banking Group Limited (AA-/Stable); NAB - National Australia Bank Limited (AA-/Stable); WBC - Westpac Banking Corporation (AA-/Stable)

^d NAB's FY16 figures are affected by the loss on the demerger of UK banking assets and sale of 80% of the life insurance business

Source: Bank financials, Fitch

Commonwealth Bank of Australia
Income Statement

	31 Dec 2016			30 Jun 2016			30 Jun 2015			30 Jun 2014		
	6 Months - Interim USDm Reviewed - Unqualified	6 Months - Interim AUDm Reviewed - Unqualified	As % of Earning Assets	Year End AUDm Audited - Unqualified	As % of Earning Assets	Year End AUDm Audited - Unqualified	As % of Earning Assets	Year End AUDm Audited - Unqualified	As % of Earning Assets	Year End AUDm Audited - Unqualified	As % of Earning Assets	
1. Interest Income on Loans	11,176.6	15,448.0	3.39	30,966.0	3.44	31,476.0	3.76	31,200.0	4.11			
2. Other Interest Income	888.6	1,228.0	0.27	2,851.0	0.32	2,669.0	0.32	2,491.0	0.33			
3. Dividend Income	3.6	5.0	0.00	12.0	0.00	16.0	0.00	12.0	0.00			
4. Gross Interest and Dividend Income	12,068.7	16,679.0	3.66	33,829.0	3.76	34,161.0	4.08	33,703.0	4.44			
5. Interest Expense on Customer Deposits	3,816.2	5,274.0	1.16	11,685.0	1.30	12,936.0	1.54	13,320.0	1.75			
6. Other Interest Expense	1,924.0	2,659.0	0.58	5,197.0	0.58	5,386.0	0.64	5,230.0	0.69			
7. Total Interest Expense	5,740.2	7,933.0	1.74	16,882.0	1.88	18,322.0	2.19	18,550.0	2.44			
8. Net Interest Income	6,328.5	8,746.0	1.92	16,947.0	1.88	15,839.0	1.89	15,153.0	1.99			
9. Net Gains (Losses) on Trading and Derivatives	445.7	616.0	0.14	988.0	0.11	1,195.0	0.14	876.0	0.12			
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00			
11. Net Gains (Losses) on Assets at FV through Income Statement	5.1	7.0	0.00	n.a.	-	n.a.	-	0.0	0.00			
12. Net Insurance Income	273.5	378.0	0.08	1,006.0	0.11	1,014.0	0.12	1,033.0	0.14			
13. Net Fees and Commissions	1,293.1	1,787.0	0.39	3,225.0	0.36	3,214.0	0.38	3,149.0	0.41			
14. Other Operating Income	740.2	1,023.0	0.22	2,144.0	0.24	2,129.0	0.25	2,139.0	0.28			
15. Total Non-Interest Operating Income	2,757.6	3,811.0	0.84	7,363.0	0.82	7,552.0	0.90	7,197.0	0.95			
16. Personnel Expenses	2,248.9	3,108.0	0.68	6,164.0	0.69	5,816.0	0.69	5,542.0	0.73			
17. Other Operating Expenses	1,858.9	2,569.0	0.56	4,265.0	0.47	4,177.0	0.50	3,957.0	0.52			
18. Total Non-Interest Expenses	4,107.8	5,677.0	1.25	10,429.0	1.16	9,993.0	1.19	9,499.0	1.25			
19. Equity-accounted Profit/ Loss - Operating	111.4	154.0	0.03	289.0	0.03	285.0	0.03	150.0	0.02			
20. Pre-Impairment Operating Profit	5,089.7	7,034.0	1.54	14,170.0	1.58	13,683.0	1.63	13,001.0	1.71			
21. Loan Impairment Charge	433.4	599.0	0.13	1,256.0	0.14	988.0	0.12	918.0	0.12			
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
23. Operating Profit	4,656.3	6,435.0	1.41	12,914.0	1.44	12,695.0	1.52	12,083.0	1.59			
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
25. Non-recurring Income	287.3	397.0	0.09	n.a.	-	n.a.	-	n.a.	-			
26. Non-recurring Expense	1.4	2.0	0.00	60.0	0.01	83.0	0.01	86.0	0.01			
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
29. Pre-tax Profit	4,942.1	6,830.0	1.50	12,854.0	1.43	12,612.0	1.51	11,997.0	1.58			
30. Tax expense	1,393.6	1,926.0	0.42	3,607.0	0.40	3,528.0	0.42	3,347.0	0.44			
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
32. Net Income	3,548.5	4,904.0	1.08	9,247.0	1.03	9,084.0	1.08	8,650.0	1.14			
33. Change in Value of AFS Investments	(103.5)	(143.0)	(0.03)	(316.0)	(0.04)	(45.0)	(0.01)	338.0	0.04			
34. Revaluation of Fixed Assets	n.a.	n.a.	-	1.0	0.00	15.0	0.00	26.0	0.00			
35. Currency Translation Differences	60.1	83.0	0.02	383.0	0.04	398.0	0.05	385.0	0.05			
36. Remaining OCI Gains/(losses)	(275.0)	(380.0)	(0.08)	219.0	0.02	347.0	0.04	(96.0)	(0.01)			
37. Fitch Comprehensive Income	3,230.1	4,464.0	0.98	9,534.0	1.06	9,799.0	1.17	9,303.0	1.22			
38. Memo: Profit Allocation to Non-controlling Interests	6.5	9.0	0.00	20.0	0.00	21.0	0.00	19.0	0.00			
39. Memo: Net Income after Allocation to Non-controlling Interests	3,542.0	4,895.0	1.07	9,227.0	1.03	9,778.0	1.17	9,284.0	1.22			
40. Memo: Common Dividends Relating to the Period	2,331.4	3,222.0	0.71	7,189.0	0.80	6,173.0	0.74	5,777.0	0.76			
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	56.0	0.01	36.0	0.00	45.0	0.01			

Exchange rate

USD1 = AUD1.382

USD1 = AUD1.3466

USD1 = AUD1.3021

USD1 = AUD1.0616

Commonwealth Bank of Australia Balance Sheet

	31 Dec 2016		30 Jun 2016		30 Jun 2015		30 Jun 2014		As % of Assets
	6 Months - Interim USDm	6 Months - Interim AUDm	As % of Assets	Year End AUDm	As % of Assets	Year End AUDm	As % of Assets	Year End AUDm	
Assets									
A. Loans									
1. Residential Mortgage Loans	341,919.0	472,532.0	48.63	456,074.0	48.88	422,851.0	48.41	399,685.0	50.50
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	9,607.1	13,277.0	1.37	13,034.0	1.40	12,703.0	1.45	12,539.0	1.58
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	167,065.8	230,885.0	23.76	230,008.0	24.65	207,326.0	23.74	189,423.0	23.93
6. Less: Reserves for Impaired Loans	2,741.7	3,789.0	0.39	3,718.0	0.40	3,618.0	0.41	3,866.0	0.49
7. Net Loans	515,850.2	712,905.0	73.37	695,398.0	74.53	639,262.0	73.19	597,781.0	75.53
8. Gross Loans	518,591.9	716,694.0	73.76	699,116.0	74.93	642,880.0	73.60	601,647.0	76.02
9. Memo: Impaired Loans included above	2,442.1	3,375.0	0.35	3,116.0	0.33	2,692.0	0.31	3,170.0	0.40
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	7,678.7	10,612.0	1.09	13,792.0	1.48	16,541.0	1.89	14,547.0	1.84
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	8,925.0	0.96	13,846.0	1.59	7,281.0	0.92
3. Trading Securities and at FV through Income	25,327.1	35,002.0	3.60	35,547.0	3.81	27,702.0	3.17	22,219.0	2.81
4. Derivatives	33,167.1	45,837.0	4.72	46,567.0	4.99	46,154.0	5.28	29,247.0	3.70
5. Available for Sale Securities	59,099.1	81,675.0	8.41	80,898.0	8.67	74,684.0	8.55	66,137.0	8.36
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Equity Investments in Associates	2,056.4	2,842.0	0.29	2,776.0	0.30	2,637.0	0.30	1,844.0	0.23
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	119,649.8	165,356.0	17.02	174,713.0	18.72	165,023.0	18.89	126,728.0	16.01
10. Memo: Government Securities included Above	n.a.	n.a.	-	64,886.0	6.95	47,586.0	5.45	43,180.0	5.46
11. Memo: Total Securities Pledged	n.a.	n.a.	-	17,228.0	1.85	13,113.0	1.50	10,308.0	1.30
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	9,981.9	13,795.0	1.42	14,084.0	1.51	14,585.0	1.67	15,597.0	1.97
14. Other Earning Assets	1,042.0	1,440.0	0.15	1,431.0	0.15	1,944.0	0.22	5,027.0	0.64
15. Total Earning Assets	654,202.6	904,108.0	93.04	899,418.0	96.39	837,355.0	95.87	759,680.0	95.99
C. Non-Earning Assets									
1. Cash and Due From Banks	32,350.9	44,709.0	4.60	12,246.0	1.31	15,792.0	1.81	12,646.0	1.60
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	207.0	0.02	212.0	0.02	180.0	0.02
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	2,962.4	4,094.0	0.42	3,940.0	0.42	2,833.0	0.32	2,816.0	0.36
5. Goodwill	5,701.9	7,880.0	0.81	7,925.0	0.85	7,599.0	0.87	7,566.0	0.96
6. Other Intangibles	1,534.0	2,120.0	0.22	2,459.0	0.26	2,371.0	0.27	2,226.0	0.28
7. Current Tax Assets	n.a.	n.a.	-	17.0	0.00	15.0	0.00	7.0	0.00
8. Deferred Tax Assets	565.8	782.0	0.08	345.0	0.04	455.0	0.05	586.0	0.07
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	5,807.5	8,026.0	0.83	6,728.0	0.72	7,026.0	0.80	5,924.0	0.75
11. Total Assets	703,125.2	971,719.0	100.00	933,078.0	100.00	873,446.0	100.00	791,451.0	100.00
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	255,916.8	353,677.0	36.40	347,549.0	37.25	14,007.0	1.60	12,475.0	1.58
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	289,008.0	33.09	246,609.0	31.16
3. Customer Deposits - Term	134,961.6	186,517.0	19.19	170,512.0	18.27	174,097.0	19.93	179,109.0	22.63
4. Total Customer Deposits	390,878.4	540,194.0	55.59	518,061.0	55.52	477,112.0	54.62	438,193.0	55.37
5. Deposits from Banks	24,624.5	34,031.0	3.50	28,771.0	3.08	36,416.0	4.17	24,978.0	3.16
6. Repos and Cash Collateral	9,417.5	13,015.0	1.34	17,124.0	1.84	12,976.0	1.49	9,961.0	1.26
7. Commercial Paper and Short-term Borrowings	39,306.8	54,322.0	5.59	83,324.0	8.93	92,119.0	10.55	89,463.0	11.30
8. Total Money Market and Short-term Funding	464,227.2	641,562.0	66.02	647,280.0	69.37	618,623.0	70.83	562,995.0	71.08
9. Senior Unsecured Debt (original maturity > 1 year)	127,049.9	175,583.0	18.07	88,343.0	9.47	76,039.0	8.71	74,171.0	9.37
10. Subordinated Borrowing	n.a.	n.a.	-	8,380.0	0.90	6,226.0	0.71	n.a.	-
11. Covered Bonds	n.a.	n.a.	-	31,802.0	3.41	28,755.0	3.29	25,280.0	3.19
12. Other Long-term Funding	n.a.	n.a.	-	19,649.0	2.11	16,658.0	1.91	11,426.0	1.44
13. Total LT Funding (original maturity > 1 year)	127,049.9	175,583.0	18.07	148,174.0	15.88	127,678.0	14.62	110,877.0	14.01
14. Derivatives	27,526.8	38,042.0	3.91	39,921.0	4.28	35,213.0	4.03	27,259.0	3.44
15. Trading Liabilities	6,081.0	8,404.0	0.86	2,749.0	0.29	4,438.0	0.51	4,612.0	0.58
16. Total Funding	624,884.9	863,591.0	88.87	838,124.0	89.82	785,952.0	89.98	705,343.0	89.12
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	624.0	0.07	357.0	0.04	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	1,175.8	1,625.0	0.17	823.0	0.09	750.0	0.09	1,363.0	0.17
4. Current Tax Liabilities	732.3	1,012.0	0.10	1,022.0	0.11	661.0	0.08	688.0	0.09
5. Deferred Tax Liabilities	240.2	332.0	0.03	340.0	0.04	351.0	0.04	366.0	0.05
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	8,963.8	12,388.0	1.27	12,850.0	1.38	13,147.0	1.51	13,481.0	1.70
9. Other Liabilities	10,102.7	13,962.0	1.44	11,999.0	1.29	12,994.0	1.49	11,268.0	1.42
10. Total Liabilities	646,099.9	892,910.0	91.89	865,782.0	92.79	814,212.0	93.22	732,509.0	92.55
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	12,298.8	16,997.0	1.75	6,540.0	0.70	6,241.0	0.71	9,594.0	1.21
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	0.0	0.00	939.0	0.11	939.0	0.12
G. Equity									
1. Common Equity	43,471.1	60,077.0	6.18	58,411.0	6.26	49,966.0	5.72	45,863.0	5.79
2. Non-controlling Interest	398.7	551.0	0.06	550.0	0.06	562.0	0.06	537.0	0.07
3. Securities Revaluation Reserves	97.7	135.0	0.01	278.0	0.03	594.0	0.07	639.0	0.08
4. Foreign Exchange Revaluation Reserves	594.8	822.0	0.08	739.0	0.08	356.0	0.04	(42.0)	(0.01)
5. Fixed Asset Revaluations and Other Accumulated OCI	164.3	227.0	0.02	778.0	0.08	576.0	0.07	1,412.0	0.18
6. Total Equity	44,726.5	61,812.0	6.36	60,756.0	6.51	52,054.0	5.96	48,409.0	6.12
7. Total Liabilities and Equity	703,125.2	971,719.0	100.00	933,078.0	100.00	873,446.0	100.00	791,451.0	100.00
8. Memo: Fitch Core Capital	33,844.4	46,773.0	4.81	46,073.0	4.94	37,102.0	4.25	34,680.0	4.38

Exchange rate

USD1 = AUD1.382

USD1 = AUD1.3466

USD1 = AUD1.3021

USD1 = AUD1.0616

**Commonwealth Bank of Australia
Summary Analytics**

	31 Dec 2016	30 Jun 2016	30 Jun 2015	30 Jun 2014
	6 Months - Interim	Year End	Year End	Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	4.56	4.61	5.04	5.33
2. Interest Expense on Customer Deposits/ Average Customer Deposits	1.98	2.16	2.54	2.81
3. Interest Income/ Average Earning Assets	4.03	4.14	4.53	4.78
4. Interest Expense/ Average Interest-bearing Liabilities	2.11	2.22	2.57	2.80
5. Net Interest Income/ Average Earning Assets	2.11	2.07	2.10	2.15
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.97	1.92	1.97	2.02
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	2.11	2.07	2.09	2.14
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	30.35	30.29	32.29	32.20
2. Non-Interest Expense/ Gross Revenues	45.21	42.90	42.72	42.50
3. Non-Interest Expense/ Average Assets	1.19	1.14	1.18	1.22
4. Pre-impairment Op. Profit/ Average Equity	22.83	24.49	26.74	27.48
5. Pre-impairment Op. Profit/ Average Total Assets	1.47	1.55	1.62	1.67
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	8.52	8.86	7.22	7.06
7. Operating Profit/ Average Equity	20.89	22.32	24.81	25.54
8. Operating Profit/ Average Total Assets	1.34	1.41	1.51	1.55
9. Operating Profit / Risk Weighted Assets	2.93	3.27	3.44	3.58
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	15.92	15.98	17.75	18.28
2. Net Income/ Average Total Assets	1.02	1.01	1.08	1.11
3. Fitch Comprehensive Income/ Average Total Equity	14.49	16.48	19.15	19.67
4. Fitch Comprehensive Income/ Average Total Assets	0.93	1.04	1.16	1.19
5. Taxes/ Pre-tax Profit	28.20	28.06	27.97	27.90
6. Net Income/ Risk Weighted Assets	2.23	2.34	2.46	2.56
D. Capitalization				
1. FCC/FCC-Adjusted Risk Weighted Assets	10.72	11.67	10.06	10.27
2. Tangible Common Equity/ Tangible Assets	5.31	5.42	4.82	4.91
3. Tier 1 Regulatory Capital Ratio	11.50	12.30	11.20	11.10
4. Total Regulatory Capital Ratio	13.70	14.30	12.70	12.00
5. Common Equity Tier 1 Capital Ratio	9.90	10.60	9.10	9.30
6. Equity/ Total Assets	6.36	6.51	5.96	6.12
7. Cash Dividends Paid & Declared/ Net Income	65.70	78.35	68.35	67.31
8. Internal Capital Generation	5.41	3.30	5.52	5.84
E. Loan Quality				
1. Growth of Total Assets	4.14	6.83	10.36	4.99
2. Growth of Gross Loans	2.51	8.75	6.85	7.23
3. Impaired Loans/ Gross Loans	0.47	0.45	0.42	0.53
4. Reserves for Impaired Loans/ Gross Loans	0.53	0.53	0.56	0.64
5. Reserves for Impaired Loans/ Impaired Loans	112.27	119.32	134.40	121.96
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	(0.89)	(1.31)	(2.50)	(2.01)
7. Impaired Loans less Reserves for Impaired Loans/ Equity	(0.67)	(0.99)	(1.78)	(1.44)
8. Loan Impairment Charges/ Average Gross Loans	0.18	0.19	0.16	0.16
9. Net Charge-offs/ Average Gross Loans	0.16	0.18	0.21	0.28
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	0.47	0.45	0.42	0.53
F. Funding and Liquidity				
1. Loans/ Customer Deposits	132.67	134.95	134.74	137.30
2. Interbank Assets/ Interbank Liabilities	31.18	47.94	45.42	58.24
3. Customer Deposits/ Total Funding (excluding derivatives)	64.11	64.38	62.95	63.63
4. Liquidity Coverage Ratio	135.00	120.00	120.00	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.

Commonwealth Bank of Australia Reference Data

	31 Dec 2016		30 Jun 2016		30 Jun 2015		30 Jun 2014		
	6 Months - Interim USDm	6 Months - Interim AUDm	As % of Assets	Year End AUDm	As % of Assets	Year End AUDm	As % of Assets	Year End AUDm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitised Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	4,809.7	6,647.0	0.68	6,216.0	0.67	6,181.0	0.71	6,137.0	0.78
4. Acceptances and documentary credits reported off-balance sheet	1,003.6	1,387.0	0.14	1,308.0	0.14	1,764.0	0.20	4,900.0	0.62
5. Committed Credit Lines	127,397.3	176,063.0	18.12	170,742.0	18.30	165,511.0	18.95	152,720.0	19.30
7. Other Off-Balance Sheet items	2,486.3	3,436.0	0.35	4,204.0	0.45	4,120.0	0.47	2,175.0	0.27
8. Total Assets under Management	248,945.7	344,043.0	35.41	333,983.0	35.79	334,071.0	38.25	957,383.0	120.97
B. Average Balance Sheet									
Average Loans	487,979.0	674,387.0	69.40	671,608.0	71.98	624,324.0	71.48	585,908.0	74.03
Average Earning Assets	595,555.7	823,058.0	84.70	817,457.0	87.61	754,872.0	86.42	705,371.0	89.12
Average Assets	689,145.1	952,398.5	98.01	916,370.0	98.21	843,380.0	96.56	780,644.0	98.63
Average Managed Securitised Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	540,691.8	747,236.0	76.90	760,615.0	81.52	714,159.0	81.76	661,733.0	83.61
Average Common equity	42,968.3	59,244.0	6.10	54,725.7	5.87	47,563.7	5.45	44,124.3	5.58
Average Equity	44,344.4	61,284.0	6.31	57,865.0	6.20	51,171.0	5.86	47,307.0	5.98
Average Customer Deposits	382,870.8	529,127.5	54.45	540,813.0	57.96	510,104.0	58.40	473,186.0	59.79
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	n.a.	n.a.	-	8,380.0	0.90	6,226.0	0.71	n.a.	-
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Risk Weighted Assets									
1. Risk Weighted Assets	315,832.9	436,481.0	44.92	394,667.0	42.30	368,721.0	42.21	337,715.0	42.67
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Fitch Core Capital Adjusted Risk Weighted Assets	315,832.9	436,481.0	44.92	394,667.0	42.30	368,721.0	42.21	337,715.0	42.67
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fitch Adjusted Risk Weighted Assets	315,832.9	436,481.0	44.92	394,667.0	42.30	368,721.0	42.21	337,715.0	42.67
E. Equity Reconciliation									
1. Equity	44,726.5	61,812.0	6.36	60,756.0	6.51	52,054.0	5.96	48,409.0	6.12
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	0.0	0.00	939.0	0.11	939.0	0.12
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	44,726.5	61,812.0	6.36	60,756.0	6.51	52,993.0	6.07	49,348.0	6.24
F. Fitch Core Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	44,726.5	61,812.0	6.36	60,756.0	6.51	52,054.0	5.96	48,409.0	6.12
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	624.0	0.07	357.0	0.04	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	5,701.9	7,880.0	0.81	7,925.0	0.85	7,599.0	0.87	7,566.0	0.96
5. Other intangibles	1,534.0	2,120.0	0.22	2,459.0	0.26	2,371.0	0.27	2,226.0	0.28
6. Deferred tax assets deduction	565.8	782.0	0.08	345.0	0.04	455.0	0.05	220.0	0.03
7. Net asset value of insurance subsidiaries	3,080.3	4,257.0	0.44	4,578.0	0.49	4,884.0	0.56	3,717.0	0.47
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	33,844.4	46,773.0	4.81	46,073.0	4.94	37,102.0	4.25	34,680.0	4.38

Exchange Rate

USD1 = AUD1.382

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