Debt Market Update

Outlook for 2018

15th Edition

Market Momentum, Global Opportunities.

Syndicated Loan Market. Debt Capital Markets.
Securitisation Market.

CommonwealthBank of Australia

Debt Market Update

Market Momentum, Global Opportunities.

"Welcome to the 15th edition of our annual Debt Market Update. It is a concise review of developments in the bond, syndicated loan and securitisation markets this year, as well as our thoughts on what lies ahead."

Simon Ling
Managing Director Debt Markets
Commonwealth Bank of Australia

At the end of 2017, debt capital markets had been resilient to macroeconomic uncertainty and periods of heightened geopolitical risk. Indeed, the prediction we made in our 14th edition of this publication for periods of market instability during 2017 proved entirely wrong with the volatility index barely moving off its lows throughout the whole year.

The markets took elections in France, Germany, the UK, Austria and New Zealand in their stride. Nor were they overly fazed by tensions between the US and North Korea, questions over President Trump's ability to achieve his tax reform agenda, Catalonia's quest for independence or concerns over the level of debt in some sectors of China's economy. There was no repeat of the 2013 'taper tantrum' as the US Federal Reserve and European Central Bank outlined how they will unwind their substantial quantitative easing programs. As global economic growth moved to a firmer footing over the course of the year, markets looked more to the positive implications for borrowers' credit ratings than to the prospect of central banks gradually restoring interest rates to more 'normal' settings.

"The markets remained highly liquid with investor demand outstripping supply."

Consequently, transactions were heavily over-subscribed, enabling them to be upsized and priced tighter than initial price guidance. The search for yield enabled issuers to achieve longer tenors. Increased investor appetite for lower-rated credits and new asset classes was also evident in some markets.

The Year Ahead

High quality borrowers could remain strongly supported by the syndicated loan market and continued oversubscription for facilities is also possible. With the market awash in liquidity and offshore banks increasingly becoming involved in the local market, loan pricing at shorter maturities may stay at this level with potential to move tighter.

Medium- to longer-term syndicated loan pricing may be largely driven by regulation and other external factors, with greater risks seen to the upside. However, should bank debt appetite become constrained, the A$ medium-term note (MTN) market could provide a competitive funding alternative for Australian corporates as institutional investors show increased appetite for longer tenor bonds.

The domestic securitisation market is another case in point. It is attracting a growing number of domestic and offshore investors through the strong collateral performance, rating stability, a finalised securitisation regulatory standard and attractive value relative to other debt classes.

On the supply side, following a sector-wide credit rating downgrade, non-major Authorised Deposit-taking Institutions (ADIs) have gravitated towards the pricing benefits of residential mortgage-backed securities (RMBS) as a source of funding. Additionally, as capital costs increase, ADIs, including the major banks, may increasingly use RMBS as a capital management tool by structuring transactions to achieve capital relief through transferring credit risk.

Superannuation funds and other institutional lenders could continue to increase their presence in the loan and capital markets. We will likely see them more frequently alongside the banks in traditional loan structures. More bespoke and structured debt raisings driven by large institutions may also be seen.

Strong conditions will likely continue in the US Private Placement market as investors reset their portfolio requirements and budget allocations for the coming year.

> "That new cash allocation, in addition to the unmet demand from 2017, could likely drive continued momentum into 2018."

Syndicated Loan Market.

“We expect bank and capital markets to remain favourable for issuers in the coming months.”

Loretta Venten
General Manager Head of Loan Markets and Syndications
Commonwealth Bank of Australia

Australian Loan Market Outlook

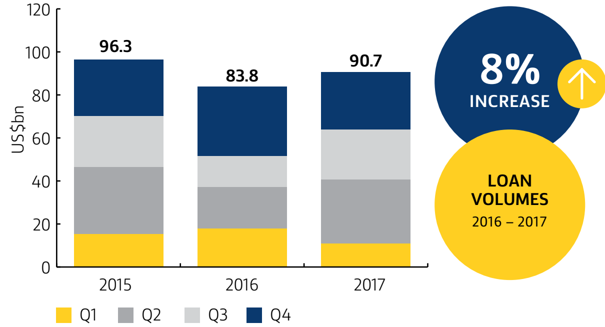
Reliable and buoyant, with strong liquidity for all sectors and volumes

- High quality borrowers may remain strongly supported by the loan market.
- Lead Arranger and Syndicate bank group composition is an increasingly important consideration for issuers and arrangers. We are seeing growing secondary loan market activity on large acquisition facilities, as lead international banks reduce large initial holds.
- Loan pricing remains competitive, with potential to tighten in the short term. The market is awash with liquidity amid interest from domestic and international banks, as well as increased focus from institutional funds. Pricing in the medium to longer term may be driven largely by regulation and other external factors. Potentially there is greater risk for spreads to widen.
- Superannuation funds and other institutional lenders are becoming increasingly active in lending spaces traditionally occupied by banks, especially in the infrastructure sector. They could participate when returns are attractive and offer diversified/alternative assets for their investors.
- The infrastructure pipeline will shift towards a growing proportion of greenfield projects as governments put the proceeds from their asset recycling programs to work.

Australia and New Zealand Loan Markets

Market conditions prime for borrowers to bring forward their 2019 – 2020 refinancing tasks

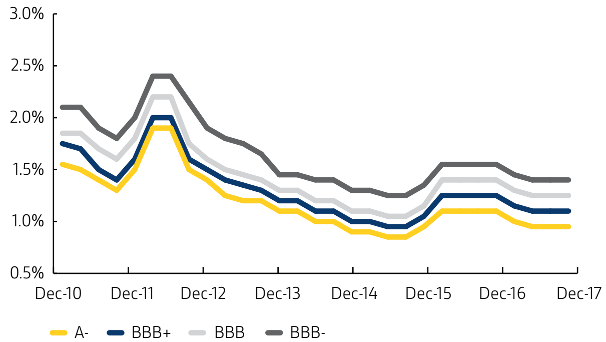
Australian & New Zealand Loan Market Volumes, (2015 – 2017)



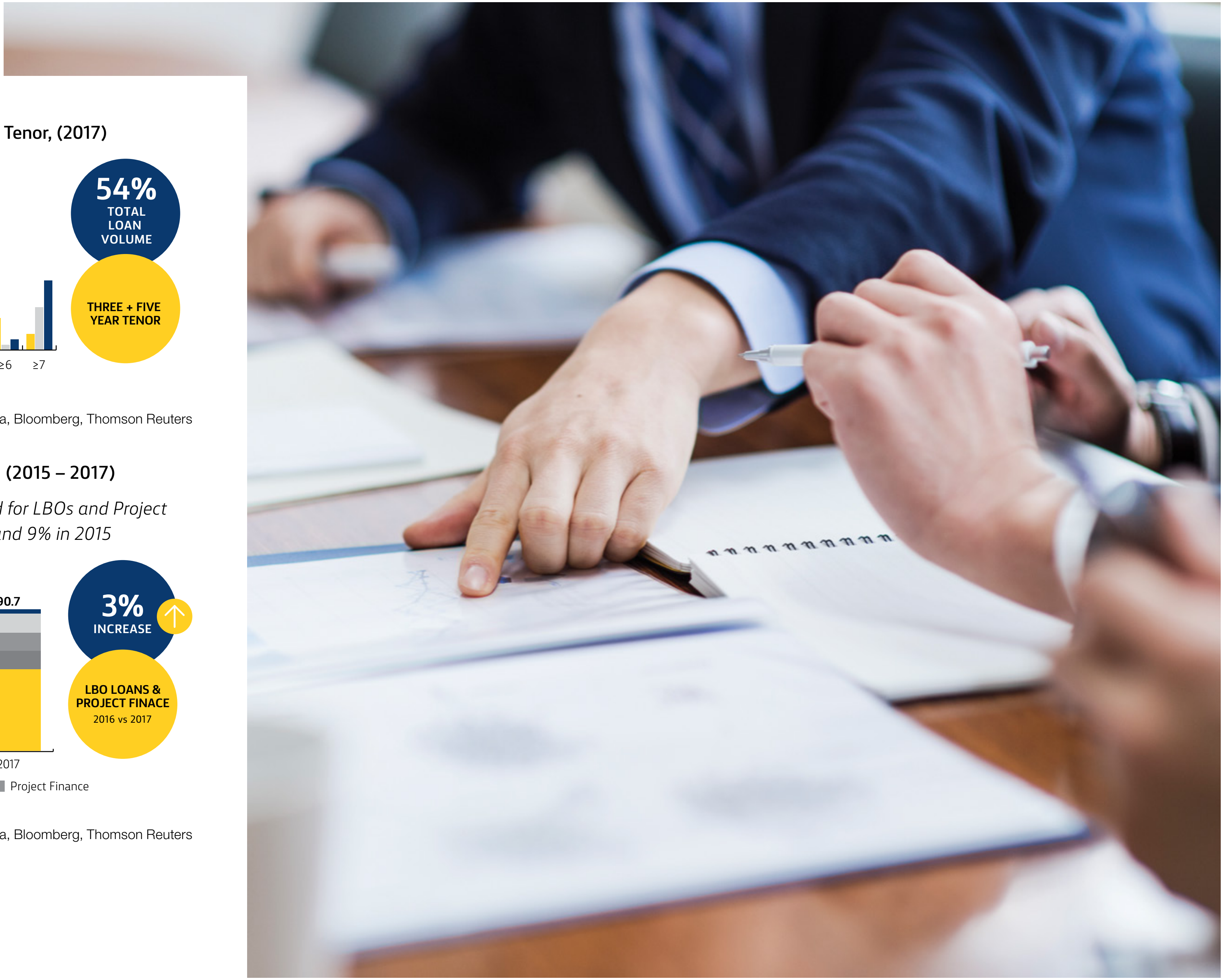
Source: Commonwealth Bank of Australia, Bloomberg, Thomson Reuters LPC as at 31 December 2017

Indicative Generic Three-year Corporate Loan Pricing, (2015 – 2017)

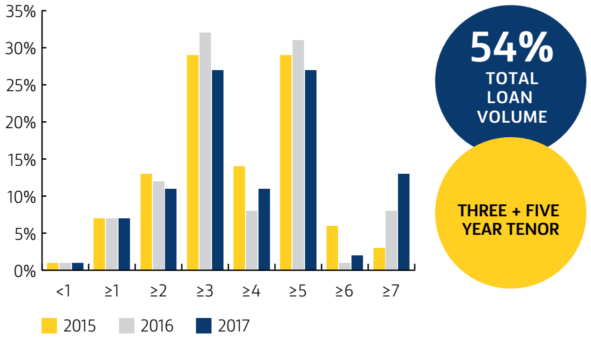
Competitive pricing tension has driven margins back towards 2015 levels



Source: Commonwealth Bank of Australia, Bloomberg, Thomson Reuters LPC as at 31 December 2017



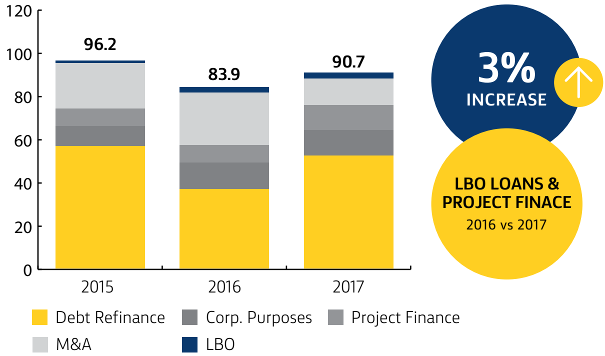
Australia & New Zealand Loan Tenor, (2017)



Source: Commonwealth Bank of Australia, Bloomberg, Thomson Reuters LPC as at 31 December 2017

Loan Purpose / Use of Funds, (2015 – 2017)

16% of loans in 2017 used for LBOs and Project Finance vs. 13% in 2016 and 9% in 2015



Source: Commonwealth Bank of Australia, Bloomberg, Thomson Reuters LPC as at 31 December 2017

Case Study – CIMIC Group (September 2017)

Strong lender appetite for high quality borrowers

Key Objectives

- CIMIC Group is a world-leading infrastructure, mining, services and public private partnerships group.
- CIMIC was looking to refinance an existing A$1bn syndicated facility as well as a portion of its bilateral cash facilities and some maturing US dollar debt.
- Maintaining financial flexibility was also a key consideration to support CIMIC's strategy, especially in pursuing business opportunities in line with the company's approach to capital allocation.

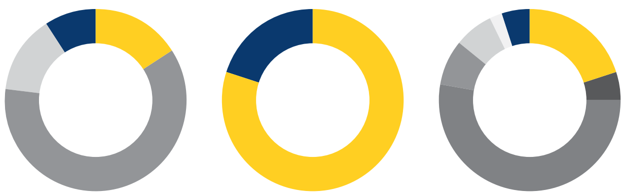
Execution Strategy and Process

- Commonwealth Bank of Australia helped CIMIC to deliver its objectives as a Joint Coordinating Bank and MLAB.
- A transaction was launched targeting a A$1.6bn facility size, seeking commitments from both existing and new lenders.
- Post a strong 1H17 results release, CIMIC and the leads went on a roadshow stopping in Sydney, Singapore, Hong Kong and Taipei, which assisted in enhancing the liquidity from the region.
- The transaction was very well received by the market and ultimately generated in excess of A$2.7bn of demand.
- To support the business' ongoing requirements, CIMIC increased the facility size to A$2.6bn.

Issue Terms

Borrower	CIMIC Finance Limited
Commonwealth Bank of Australia Role	Joint Mandated Lead Arranger and Bookrunner (MLAB) and Co-ordinating bank
Purpose	Liquidity, debt repayment, general corporate purposes
Facility Type	Revolving Cash Advance Facility
Tenor	3 and 5 years
Execution	Refinanced Syndicated Facility
Launch Volume	A$1.6bn
Final Facility Size	A$2.6bn
Financial Close	Sep-17

Investor Allocation



Commitment by Geography

Australian	16%
Asian	61%
European	14%
Nth American	9%

Commitment by Onshore & Offshore Banks

Australian	80%
Asian	20%

Commitment by S&P Rating

AA-	20%
A+	5%
A	53%
A-	8%
BBB	7%
A+	2%
A	5%

Source: Commonwealth Bank of Australia

Debt Capital Markets.

> "Investors responded by extending duration and going down the credit curve to bolster returns."
>
> **Rob Kenna**
> Executive Director DCM Origination
> Commonwealth Bank of Australia

Debt Capital Markets Overview

Commonwealth Bank's data suggests conditions for issuance were exceptionally strong across bond markets with almost uninterrupted improvement during the year.

With the full array of market alternatives open, issuers were able to focus on their strategic funding objectives, be they tenor, diversification or price. Often they secured all three, as shown in our transaction with AusNet Services on Page 11.

Strong liquidity and relatively constrained supply saw many deals oversubscribed, supporting reduced new issue concessions. Scarce availability of fixed income product in the secondary market saw trading margins grind progressively tighter. Commonwealth Bank's Credit Quality of Corporate Issuance data on Page 10 suggests investors responded by extending duration and going down the credit curve to bolster returns.

Investors' search for higher yields has enhanced and expanded the relevance of bond markets to issuers. There was strong interest in Total Loss-Absorbing Capital (TLAC), as well as the more traditional capital instruments from financial institutions, while a broader range of corporate issuers were offered term and diversification options.

All markets were strong and functioning well. In a relative sense, only the EUR market held slightly less appeal this year as it was challenged at the margin on pricing and reliability of execution.

Commonwealth Bank's data in the following pages also showcases notable trends in 2017 including:

- The confirmation of the A$ MTN market as a competitive source of longer term funding for corporates.
- Growing relevance of the A$ MTN market to larger global corporate issuers.
- The establishment of the US$ Reg S market as a reliable and efficient source of funding in its own right.
- Acceptance of new issuance structures across markets in response to bank regulation.
- Capacity of the USPP market to provide even greater depth.
- Increased relevance of new lending participants seeking differentiated exposures from those typically available in traditional fixed income markets.
- The validation of the bond markets' role in socially responsible investment. Green and social impact financing that started way out on the edge is now closer towards the centre.

Investors remain wary of ever tightening valuations for credit on a fundamental basis. However, at least for now, they are largely resigned or comforted depending on perspective that the supply/demand imbalance will contain any real downside in the near term.

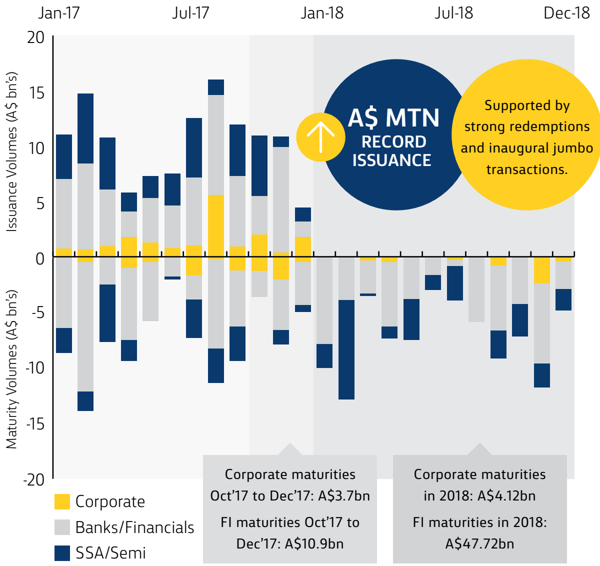
We end the year with a constructive tone that looks set to extend into favourable conditions for funding in early 2018 - subject to the unexpected!

A$ MTN Non-Financial Corporate Market Update.

A$ MTN Non-Financial Corporate Market Outlook

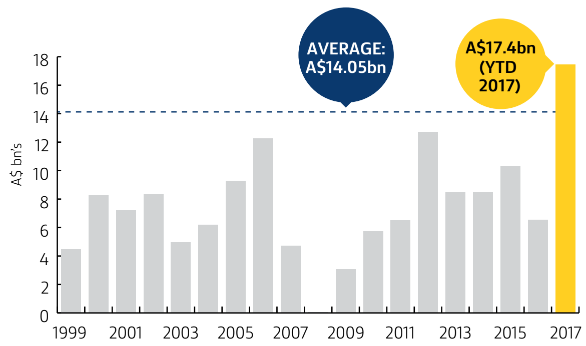
- The A$ MTN market is expected to remain supportive of new corporate issuance in the short term, supported by ample liquidity and a thin corporate pipeline. This presents opportunities for issuers who are nimble and ready to access the market when opportunities arise.
- The A$ MTN and broader global debt capital markets have largely shaken off negative headlines over the year. However the market remains wary of macroeconomic and geopolitical risks over the medium term, including tensions between US and North Korea and adjusting to the Federal Reserve and European Central Bank announcing an end to quantitative easing programs.
- While the data on Page 10 shows credit spreads remain low, all-in cost of funding could rise as global central banks look to increase rates over 2018. However if bank debt appetite becomes constrained in an environment of increasingly demanding capital requirements, the A$ MTN market may provide a competitive funding alternative for Australian corporates.

A$ MTN Issuance and Maturity Profile, (2017 – 2018)



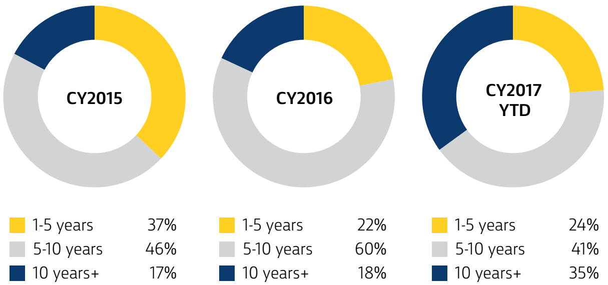
Source: Commonwealth Bank of Australia

A$ MTN Corporate Issuance Volumes, (2000 – 2017)



Source: Commonwealth Bank of Australia

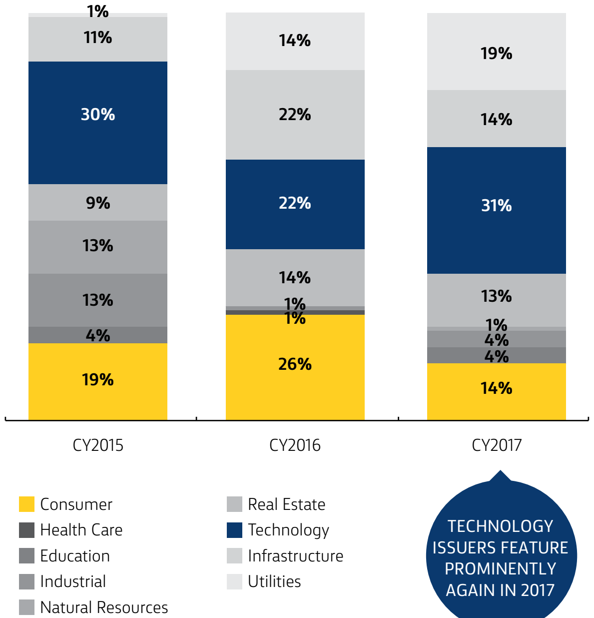
Tenor of Corporate Issuances, (2015 – 2017)



Source: Commonwealth Bank of Australia

Corporate Issuers by Type, (2015 – 2017)

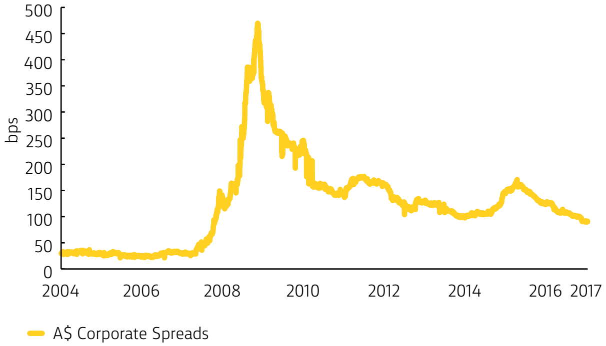
32% of supply in 2017 came from the infrastructure and utility sectors



TECHNOLOGY ISSUERS FEATURE PROMINENTLY AGAIN IN 2017

Source: Commonwealth Bank of Australia

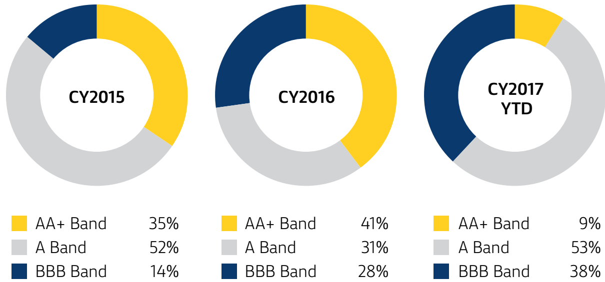
A$ MTN Corporate Issuance Spreads, (2004 - 2017)



Source: Commonwealth Bank of Australia

Credit Quality of Corporate Issuances, (2015 – 2017)

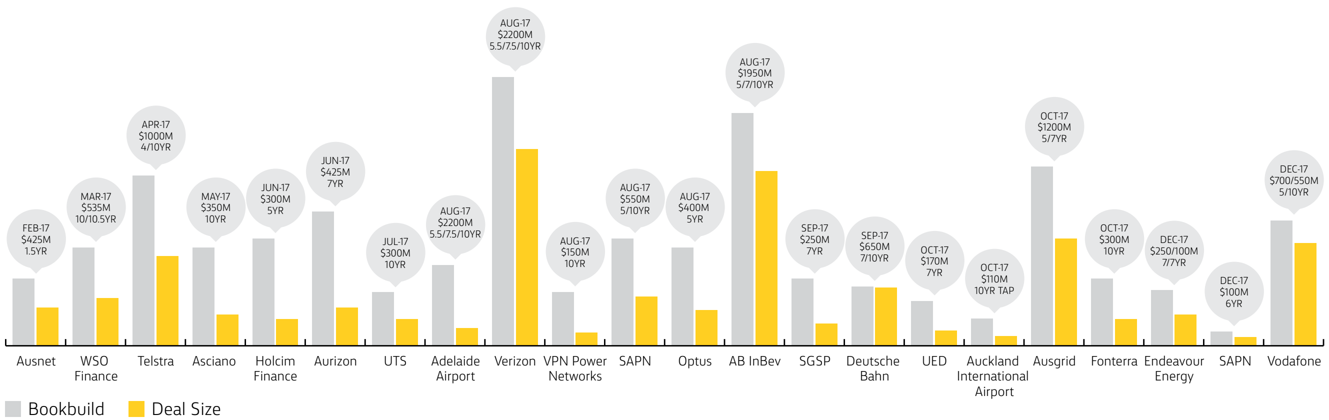
38% of new A$ MTNs in 2017 came from issuers in the BBB rating band, up from 28% in 2016 and 11% in 2015



Source: Commonwealth Bank of Australia

2017 A$ MTN Corporate Transactions, (2017)

Issuers have benefited from strong investor demand with the oversubscription of bookbuilds allowing prices to tighten 5-10bps from the initial price guidance and transactions to be upsized



Source: Commonwealth Bank of Australia, Kanga News 2017

Case Study – AusNet Services (10.5-year A$425m MTN)

Transaction Highlights

- AusNet Services Holdings Pty Ltd, a subsidiary of AusNet Services Limited, successfully priced an A$425m 10.5-year fixed-rate transaction due 16 August 2027, at s/q ASW +165bps. This issue brings AusNet Services' outstandings in the A$ MTN market to A$2.6bn across eight lines.

Execution Strategy and Process

- AusNet marketed in Asia across Tokyo and Hong Kong in mid January, after which it met with Sydney and Melbourne investors in late January. Following the roadshow, the JLMs sounded accounts and positive feedback allowed the transaction to progress to launch.
- The transaction was launched in the morning of 6 February, for a minimum A$150m volume and with an initial price guidance of s/q ASW +170bps area. The transaction garnered strong investor participation with the bookbuild growing in excess of A$500m by the early afternoon, allowing price guidance to be refined to s/q ASW +165-170bps.
- The final bookbuild was more than five times oversubscribed and in excess of A$750m.
- The strong investor demand allowed the transaction to be priced at the tight end of the revised price guidance at s/q ASW +165bps and volume to be upsized to A$425m – the maximum transaction size.

Key Observations

- AusNet Services remains a highly regarded credit across the A$ market.
- AusNet was able to stretch the curve beyond the traditional 10-year tenor, pricing a 10.5-year transaction. Long dated appetite for well rated infrastructure issuers remains very strong, particularly by the Asian investor base.
- Strong investor protections including a coupon step up grid on ratings downgrade and no three month early redemption call option assisted investor appetite.
- The transaction was the year's first non-financial corporate primary issuance and it attracted significant demand. This was supported by early engagement with investors through the roadshow, particularly in Asia.

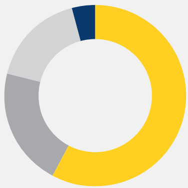
Investor Mix

- The order book gathered strong support predominately from asset managers and insurance companies. Combined they account for 79% of the final allocations.
- Of note, 38% of the issuance volume was placed into Asia (including 17% from Japan), and 58% was placed to domestic investors.

Issue Terms

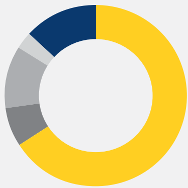
Issuer	AusNet Services Holdings Pty Ltd
Rating	A- (Stable) / A3 (Stable) (S&P / Moody's)
Lead Managers	ANZ, Commonwealth Bank of Australia, NAB
Status and Ranking	The notes will constitute direct, secured, unconditional and unsubordinated obligations of the issuer
Launch Date	6-Feb-17
Pricing Date	7-Feb-17
Settlement Date	16-Feb-17
Maturity Date	16-Aug-27
Format	Fixed-rate MTN
Issue Amount	A$425m
Coupon	4.40% s.a.
Spread	s/q ASW +165bps
Re-Offer Price	99.129

Investor Allocation



Commitment by Geography

Australia	58%
Asia	21%
Japan	17%
Other	4%



Commitment by Lender type

Asset manager	66%
Private Bank	7%
Bank	11%
Middle Markets	3%
Insurance	13%

Source: Commonwealth Bank of Australia

A$ MTN Financial Corporate Market Update.

A$ MTN Financials Outlook

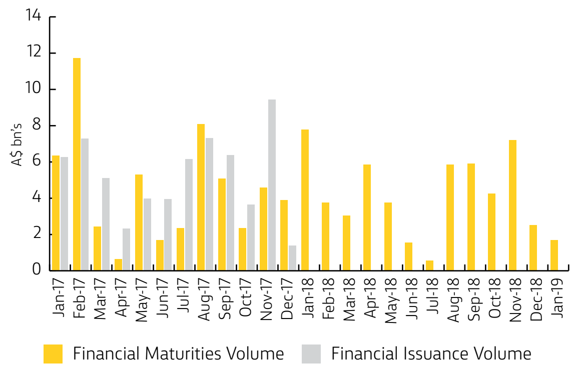
- **Conditions to remain buoyant and constructive**: Commonwealth Bank's data suggests conditions are likely to remain strong into 2018, particularly given the modest supply leading into year end and the high level of redemptions scheduled for January.
- **Return and debut of offshore financial issuers**: With issuers having established new funding curves in US$ and Euro during 2017, issuers may look to peripheral currencies such as A$ for funding diversity. Consequently there could be an increase in foreign bank issuance in structures which will be new to the A$ market as shown in the Financial Issuers by Type data on the RHS.
- **Spreads to be rangebound**: With spreads having tightened considerably during 2017, data on Page 13 from Bloomberg and Commonwealth Bank suggests spreads remain rangebound with a tightening bias from now until early 2018, absent of any large rallies in offshore funding markets.

2017 A$ MTN Financial Issuance

Financial Issuance and Maturities

In 2017 there has been A$63.22bn of financial issuance which is greater than the A$54.57bn of financial maturities for the same period. Financial issuance in 2017 was strongly supported by investors with order books generally more than 1.5x over-subscribed and prices tightening ~5-10bps during the execution process with minimal demand attrition observed.

A$MTN FI Issuance and Maturity Profile, (2016 – 2017)

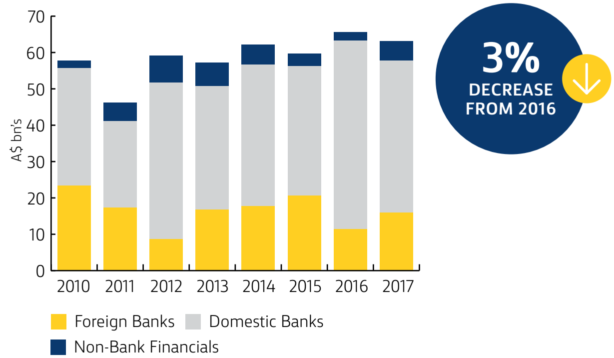


Source: Bloomberg and Commonwealth Bank of Australia Fixed Income Strategy Research as at December 2017

Financial Issuers by Type

Financial supply in 2017 reached A$63.22bn which is slightly down by 3.7% relative to 2016. This is due to the price competitiveness of offshore markets and the influence of regulatory framework developments on offshore issuers' market choice and funding requirements.

Financial Issuers by Type, (2014 – 2017)

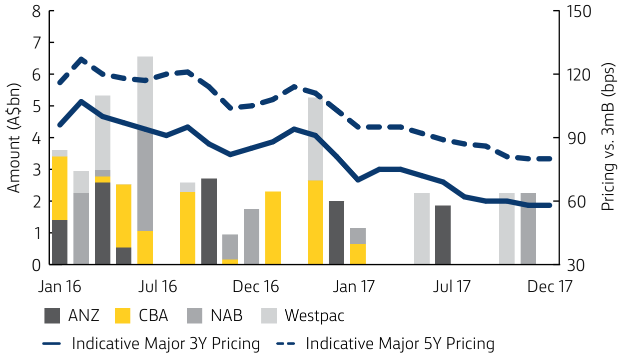


Source: Bloomberg and Commonwealth Bank of Australia Fixed Income Strategy Research as at December 2017

Major Bank Issuance Volumes and Indicative Pricing[1]

Major Bank pricing continued to grind tighter over the course of 2017. This trend is reflective of the resilience of primary market sentiment despite various potential market-moving geopolitical and headline risk events as investors have been making decisions based on a strong technical backdrop.

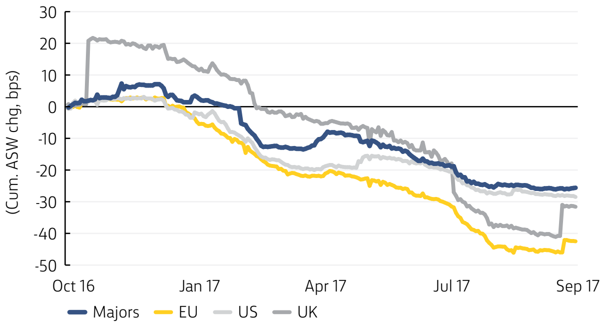
Major Bank Issuance Volumes and Indicative Pricing[1], (2017)



Source: Bloomberg and Commonwealth Bank of Australia Fixed Income Strategy Research as at December 2017

A$ Majors vs US, UK, and EU Banks (fixed), (2017)

Spreads have markedly tightened in the last 12 months with outstandings by offshore financials outperforming the domestic financials, driven by paucity of supply from northern hemisphere issuers in the domestic market.



Source: Bloomberg and Commonwealth Bank of Australia Fixed Income Strategy Research as at December 2017

[1] Reflects Major Bank primary transactions of volumes greater than A$250m and indicative pricing for primary mid-curve (5 year) transactions

HSBC Holdings plc (A$1bn 6.25NC5.25 Senior Unsecured EMTN)

Transaction Highlights

- HSBC Holdings plc ("HSBC") has successfully priced its inaugural A$ transaction, raising a total of A$1bn for a 6.25-year non-call 5.25-year tenor. The transaction comprised of a A$350m fixed-rate tranche and A$650m floating-rate tranche both pricing at SQ swap / 3mBBSW +110bps.
- HSBC has traditionally issued in the A$ domestic market out of their Sydney Branch and will continue to do so to support the operating Bank needs with HSBC Holdings issuance proceeds used at the Group level to meet Total Loss-Absorbing Capital ('TLAC') / Minimum Requirement for own funds and Eligible Liabilities ('MREL') regulatory requirements.
- Issuance objectives: Achieve large volume with a preference for floating-rate.

Execution Strategy and Process

- Launching Sydney morning on 8 November, the new transaction follows a non-deal roadshow that was completed in August. IPTs were issued at SQ swap / BBSW +110bps area, which saw books close the London day approaching A$900m.
- 8:30am (Syd) 9 November – book update released ~A$900m, pricing unchanged.
- 11:45am (Syd) – book update released ~A$1.2bn, pricing set at +110bps. Taking into account the issuer's objectives, pricing was set at +110bps that delivered an order book of ~A$1.3bn when subject at 1pm (Syd) ensuring a print size of A$1bn was achievable.

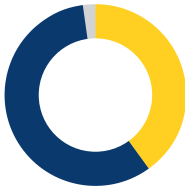
Key Observations

- First A$-denominated TLAC eligible bank transaction with an optional call one-year from maturity demonstrating investor comfort with the callable structure.
- The notes were issued under HSBC Holdings EMTN programme further evidencing A$ investor flexibility to support varying documentation formats.
- Global relative value – pricing attractively versus offshore curves, the Issuer has a established a new benchmark market that was very well received by investors and has allowed for strong secondary market performance.

Issue Terms

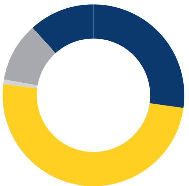
Issuer	HSBC Holdings plc	
Rating	A2 / A / AA- (Moody's / S&P / Fitch)	
Joint Lead Managers	Commonwealth Bank of Australia, HSBC, Westpac	
Status and Ranking	Senior Unsecured	
Documentation	EMTN Programme	
Governing Law	English Law	
Launch Date	8-Nov-17	
Pricing Date	9-Nov-17	
Settlement Date	16-Nov-17	
Optional Call Date	16-Feb-23	
Maturity Date	16-Feb-24	
Format	Fixed-rate	Floating-rate
Issue Amount	A$350m	A$650m
Issue Spread	SQ +110bps	3m BBSW +110bps
Coupon	3.35% (to call)	3m BBSW +110bps
Re-Offer	99.781	100.00

Allocation by Investor Type



Investor by Geography

Asia (ex-Japan)	40%
Australia	58%
EMEA	2%



Investor by Type

Bank	31%
Asset Managers	56%
Official Inst	1%
PB	12%

Source: Commonwealth Bank of Australia

Retail and Hybrids.

ASX-listed Debt and Hybrid Market Outlook

A steady improvement in sentiment for ASX-listed debt and hybrid securities has led to successful primary issuance activity in 2017

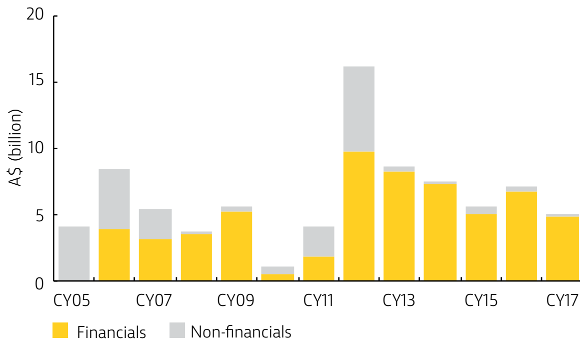
- The ASX-listed market has been extremely supportive for new issuance in 2017, assisted by subdued issuance levels, positive sentiment from cashed-up investors who have had their hybrids redeemed with no accompanying new issuance and the continued performance of the asset class. Hybrid redemptions totalled $8.7bn in 2017 compared to new issuance volume of $5.4bn for net redemption of $3.3bn.
- Refinancing Activity and Upcoming Maturities data on page 17 shows supply was again dominated by financial issuers raising hybrid capital – each of NAB, Commonwealth Bank of Australia, Challenger, Suncorp, ANZ, Bendigo & Adelaide Bank successfully executed their capital offerings with their respective order books significantly oversubscribed.
- The trading margins of Additional Tier 1 bank hybrid securities compressed ~75bps since the start of 2017 (when Commonwealth Bank of Australia's PERLS IX priced at a margin of 390bps). The major bank AT1 securities with an average of ~five-years left to the call date are trading around ~315bp.
- There was limited corporate hybrid refinancing in 2017 in the absence of major M&A activity and given the availability of competitive funding alternatives. Additionally, favourable operating conditions and deleveraging exercises conducted since the financial crisis have contributed to a steady improvement in credit over the past few years.
  - Tabcorp, Goodman, Caltex and Santos each have elected to redeem their respective hybrids and Crown Resorts has been undertaking a buyback of its A$530m Subordinated Notes issued in 2012 (with $127m bought back since March 2017).
  - Activity was limited to small Simple Corporate Bond issuances from Villa World (A$50m at 3M BBSW +475bps) and Peet Limited (A$50m at 3M BBSW +465bps).
- Looking ahead, primary issuance activity in 2018 could be limited, with transactions likely focused on refinancing upcoming maturities. Continued scarcity of new supply may drive momentum in transaction and provide medium support to secondary spread.

ASX-listed Debt and Hybrid Market

Market conditions prime for borrowers to bring forward their 2019 – 2020 refinancing tasks

ASX-listed Debt And Hybrid Securities Primary Issuance Volume, (2005 – 2017)

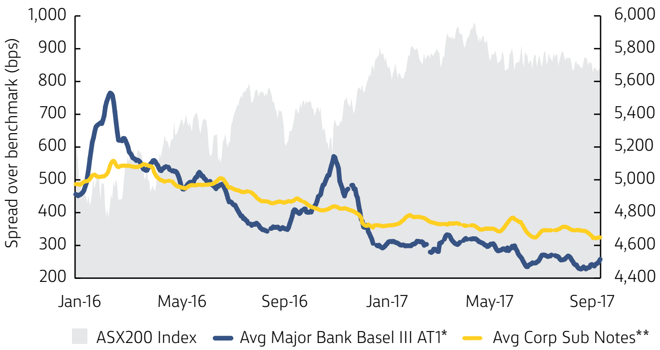
Primary issuance Volume was lower in CY17 than previous years



Source: Commonwealth Bank of Australia, IRESS

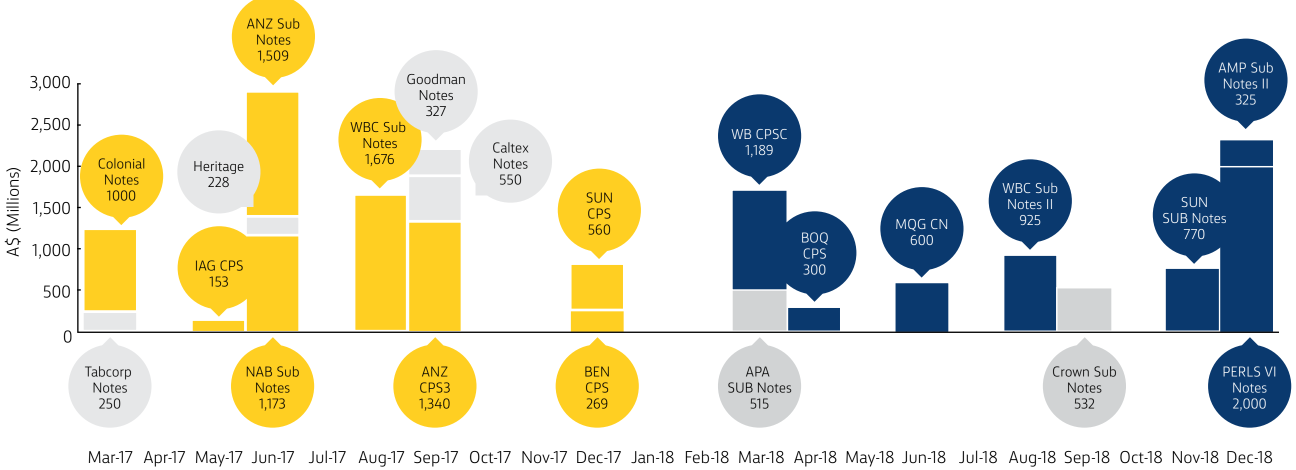
Secondary Trading Margins vs ASX200, (2016 – 2017)

There was a tightening bias in secondary spreads, creating a favourable issuance environment



Source: Commonwealth Bank of Australia, IRESS

Refinancing Activity and Upcoming Maturities, (2017 – 2018)



Source: Commonwealth Bank of Australia, IRESS

* Avg Major Bank Basel VIII AT1 currently consists of ANZ Capital Notes, ANZ Capital Notes 2, ANZ Capital Notes 3, ANZ Capital Notes 4, ANZ Capital Notes 5, CBA PERLS VI, CBA PERLS VII, CBA PERLS VIII, CBA PERLS IX, NAB CPS, NAB CPS2, NAB Capital Notes, NAB Capital Notes 2, Westpac Capital Notes, Westpac Capital Notes 2, Westpac Capital Notes 3 and Westpac Capital Notes 4;

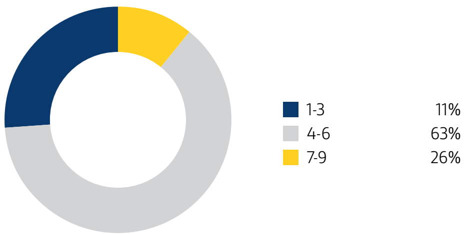
** Avg. Corporate Sub Notes currently consist of AGL Sub Notes, APA Sub Notes, Crown Sub Notes, Crown Sub Notes II and Qube Subordinated Notes.

NZ$ DCM.

NZ Corporate Bond Market Outlook

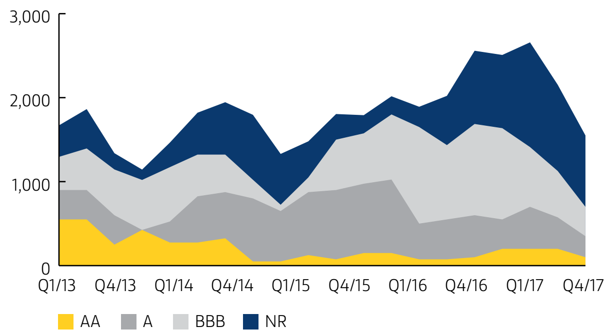
- Wholesale investors have expressed a desire to avoid the long end of the curve and several of the larger traditional buyers have not been adding credit exposure. As a result we've seen the composition of order books change to be more broad based and granular than in the past.
- At the start of 2017 the market saw a large volume of unrated or sub-investment grade supply which has since abated.
- The call of the Rabobank capital instrument, NZ$900m, has seen retail investors show renewed interest in high grade (A band) credit with yields of circa 4%.
- Term deposit-rates, up to +130bps over swap, have offered a compelling alternative to many investors.

Corporate Issuance by Tenor, (2014 – 2017)



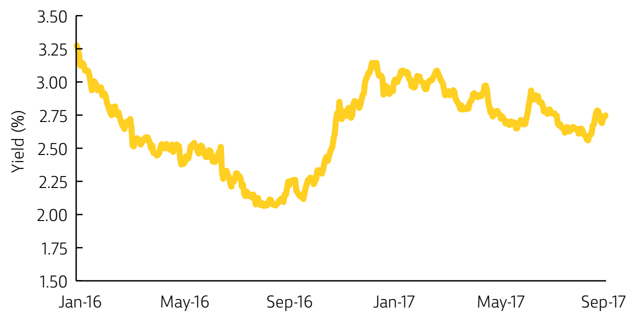
Source: Commonwealth Bank of Australia

12-Month Moving Average of Issuance by Rating, (2013 – 2017)



Source: Commonwealth Bank of Australia

Five-year Swap Yield, (2016 – 2017)



Source: Commonwealth Bank of Australia

Case Study – Auckland International Airport

(NZ$100m 5.5-year Fixed-rate Notes)

Transaction Highlights

- On 11 October 2017, Auckland International Airport Limited ("Auckland Airport") priced a new NZ$100m 5.5-year fixed-rate retail bond issuance at 3.64% p.a and a margin of 82bps.
- The transaction increased Auckland Airport's outstandings to NZ$1bn across both fixed- and floating-rate formats.

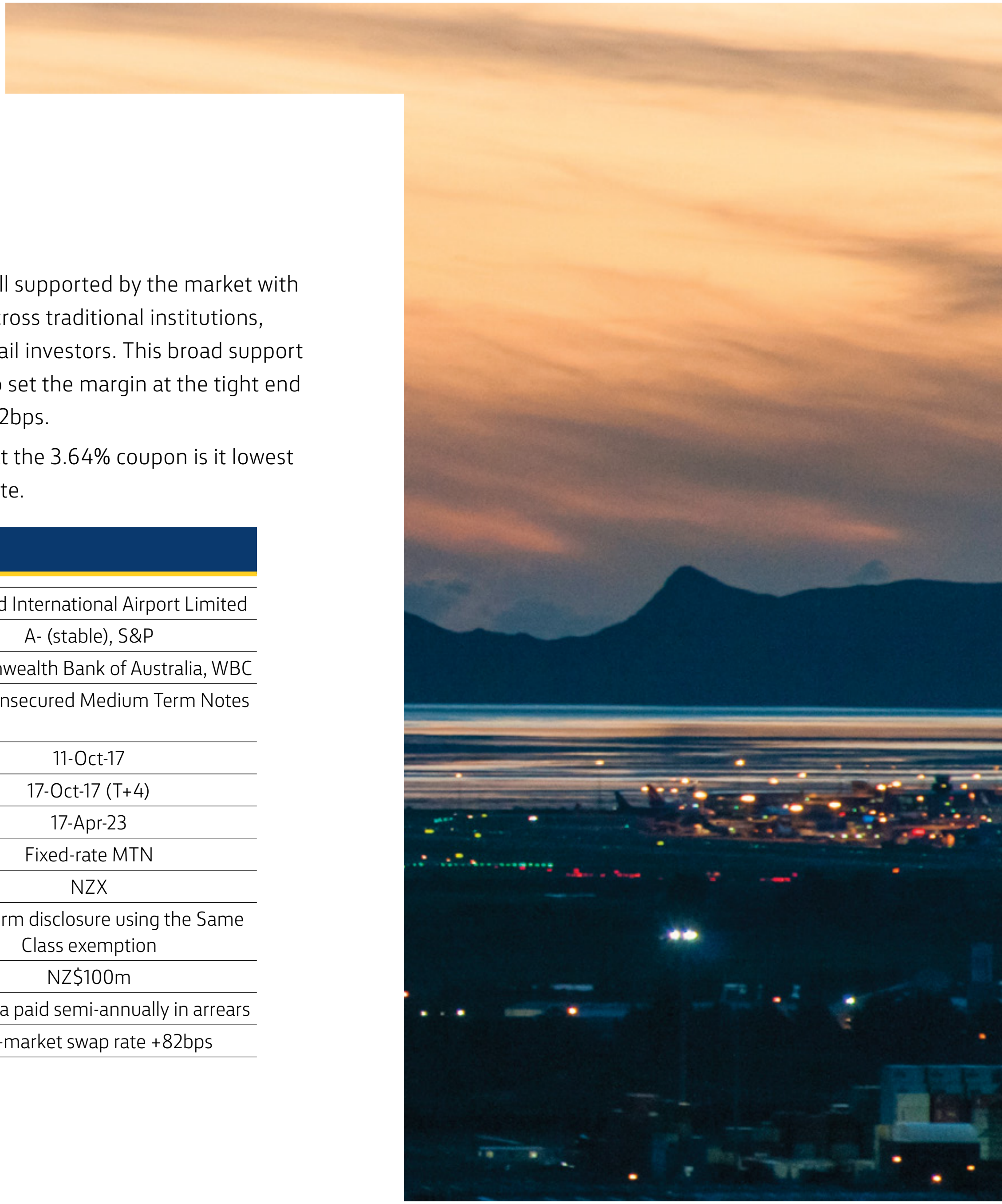
The Issuer

- Auckland Airport is the major connection between New Zealand and the world, with 70% of visitors entering or leaving via the airport. Auckland Airport is the third busiest international airport in Australasia, behind Sydney and Melbourne, servicing 30 international airlines and 18.5 million passengers annually.

Execution Strategy and Process

- With a maturing NZ$ line and a growing capital expenditure pipeline, Auckland Airport sought to target the NZ$ and A$ markets to meet its funding requirements, executing transactions in each market, one day apart.
- The intention to launch a new 5.5-year NZX-listed line was communicated to the market via a pre-offer announcement on 2 October.
- Following positive market feedback during the Pre-offer period, Auckland Airport formally launched the transaction on 9 October with a margin range of 82-87bps and closing date of 11 October.
- The transaction was well supported by the market with broad-based support across traditional institutions, middle markets and retail investors. This broad support allowed for the issuer to set the margin at the tight end of the range at ASW +82bps.
- The issuers believes that the 3.64% coupon is it lowest fixed-rate offering to date.

Issue Terms	
Issuer	Auckland International Airport Limited
Rating	A- (stable), S&P
Lead Managers	Commonwealth Bank of Australia, WBC
Status and Ranking	Senior Unsecured Medium Term Notes
Pricing Date	11-Oct-17
Settlement Date	17-Oct-17 (T+4)
Maturity Date	17-Apr-23
Format	Fixed-rate MTN
Listing	NZX
Documentation	Short form disclosure using the Same Class exemption
Issue Amount	NZ$100m
Coupon	3.64% p.a paid semi-annually in arrears
Spread	Mid-market swap rate +82bps



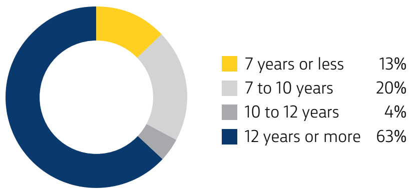
US Private Placement Market Update.

USPP Market Outlook

- While global market uncertainties remain, the USPP market continues to exhibit stability and strength for both US and international issuers as shown by the Commonwealth Bank and Private Placement Monitor volume data on the RHS.
- Strong conditions could continue as investors reset portfolio compositions and receive new budgets in the New Year. This in addition to new cash allocations and unmet demands from 2017, may continue to drive strong investor demand into 2018.

Average Issuance Tenor, (2017)

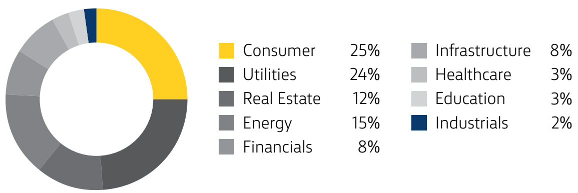
Long-dated funding continues to be a dominant feature of the USPP market with 63% transactions with tenors longer than 12 years



Source: Commonwealth Bank of Australia and Private Placement Monitor as at December 2017

Industry, (2017)

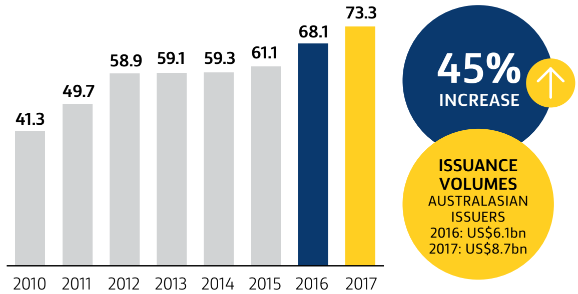
32% of issuance came from companies in the utilities and infrastructure industries



Source: Commonwealth Bank of Australia and Private Placement Monitor as at 31 December 2017

Total USPP Volume (US$bn), (2010 – 2017)

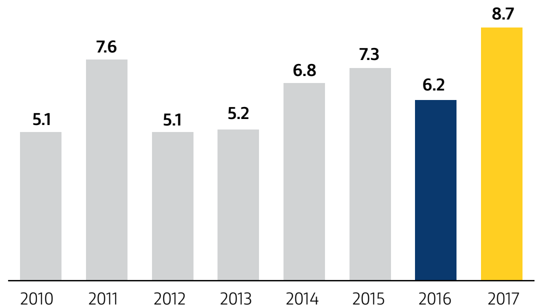
13% increase in issuance volumes in 2017 versus the prior year



Source: Commonwealth Bank of Australia and Private Placement Monitor as at 31 December 2017

Australasian USPP Volume (US$bn), (2010 – 2017)

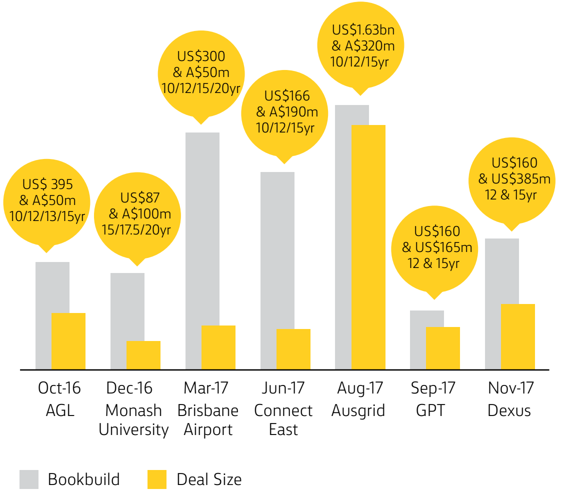
Australasian issuers continue to access the USPP market to achieve funding diversity and greater transaction scale



Source: Commonwealth Bank of Australia and Private Placement Monitor as at 31 December 2017

Recent USPP Total Book and Issue Volumes, (2016 – 2017)

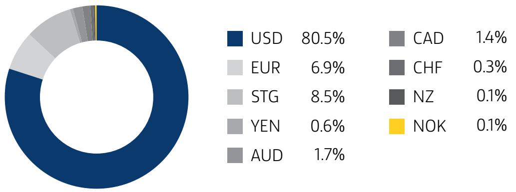
The considerable demand/supply imbalance is evidenced through the strong transaction outcomes and has supported the tightening of credit spreads over the year



Source: Commonwealth Bank of Australia and Private Placement Monitor as at 31 December 2017

Currencies Issued in the USPP Market, (2017)

The number of new investors getting approval to provide foreign currency funding continues to increase every year



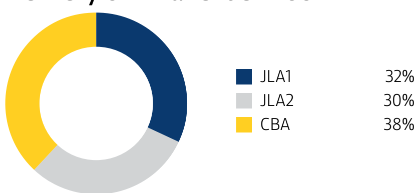
Source: Commonwealth Bank of Australia and Private Placement Monitor as at 31 December 2017

Case Study – Ausgrid Finance (US$1.86bn (eqv.) USPP August 2017)

Transaction Highlights

- Ausgrid is the largest electricity distribution network in the National Electricity Market. The Company was partially privatised in December 2016 with a 50.4% sale to AustralianSuper and IFM.
- Ausgrid, in its inaugural USPP transaction and first capital markets transaction post privatisation, priced US$1.86bn equivalent across 10, 12 and 15 year tenors, breaking the previous record (~US$850m) as the largest USPP by an Australian corporate and third largest overall in the market.
- The transaction was extremely well received by the market with bids in excess of US$2bn equivalent from over 30 investors, allowing pricing to be tightened by 5bps. Five of those accounts provided triple-digit bids across 10-15 years. This demonstrates the capacity of these high-quality investors to support Ausgrid, and the broader utilities sector, in future transactions.
- The premium charged by USPP investors to provide direct A$ funding was only 5bps across 10-15 year tenors. This broke the 7bps record set by the ConnectEast transaction a month earlier and compares with the market standard of 10bps.

Delivery of Final Order Book



Source: Commonwealth Bank of Australia

Commonwealth Bank's Value Add

- While other banks were pushing Ausgrid to access the public market, Commonwealth Bank of Australia was confident the USPP market would deliver volume at competitive pricing. It took a unique view that the USPP market should be the first stop on Ausgrid's journey to term out its $12bn debt book. The strong demand enabled Ausgrid to fully refinance the first A$2bn bridge and start on the second A$1.5bn bridge.
- Commonwealth Bank of Australia identified and brought in two new sizable participants to the USPP market that represented US$120m of demand at the tightest spreads. One of these accounts provided the entire A$100m 15-year floating-rate tranche at competitive levels.
- Commonwealth Bank of Australia delivered 38% of the final investor book and 16 of the 33 investors.

Issue Terms

Issuer	Ausgrid Finance Pty Ltd			
Ranking	Senior Secured Notes			
Credit Rating	NAIC-2 (Baa1)			
Deal Size	US$1.63bn & A$320m			
Commonwealth Bank of Australia Role	Joint Lead Placement Agent			
Currency	USD Tranches			
Tenor	10-year (2027)	12-year (2029)	15-year (2037)	
Spread over B'mark	UST +125bps	UST +135bps	UST +150bps	
Amount	US$770m	US$430m	US$430m	
Currency	AUD Tranches			
Tenor	10-year	12-year	15-year	15-year (FLT)
Spread over B'mark	UST +130bps	UST +140bps	UST +155bps	3mBBSW +180bps
Amount	A$29m	A$103m	A$88m	A$100m

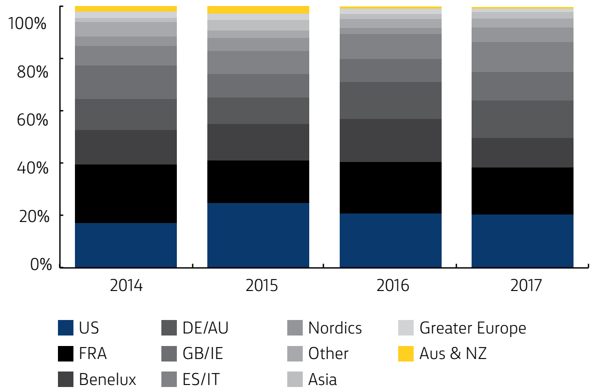
European Markets.

European Debt Capital Markets Outlook

- European markets remain conducive to new supply with issuers achieving strong execution.
- Australian credits remain attractive to European investors seeking to diversify their portfolios, particularly given the scarcity of supply over the course of 2017 as shown in the data from Commonwealth Bank and Bloomberg below.
- It is anticipated that the market will respond constructively as the UK and EU progress their terms on Brexit as the veil of uncertainty begins to lift.
- The unwinding of quantitative easing by the ECB will see some of the excess liquidity withdrawn from the financial markets. This could see the return of some investors that were previously crowded out from the corporate investment-grade sector.
- Supply has continued to be buoyed by the ongoing BoE stimulus which is keeping credit spreads low.

Australian borrowers in EUR, (2014 – 2017)

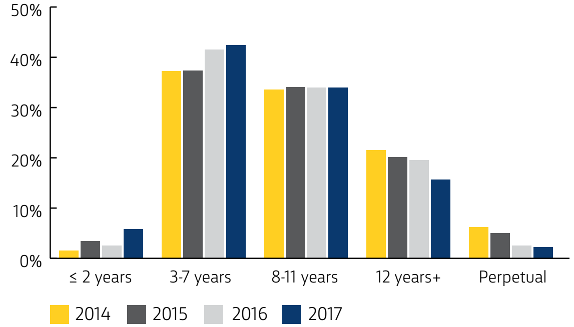
Demand for quality transactions continues to exceed supply. Australian issuance remained well below 2014/2015 levels



Source: Commonwealth Bank of Australia and Bloomberg

EUR Tenor, Percentage of Total Issuance, (2014 – 2017)

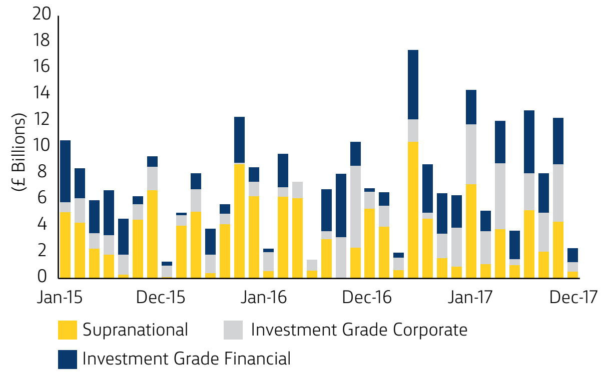
Investor appetite for yield has maintained the market's supply across the longer tenors. However the outlook is pointing to shorter tenors as the ECB reduces its asset purchasing program



Source: Commonwealth Bank of Australia and Bloomberg

Euro Investment Grade Corporates, (2014 – 2017)

Issuance has continued to be strongly supported with a pick-up in supply experienced over the year. Corporates continue to be key players in the market



Source: Commonwealth Bank of Australia and Bloomberg

Case Study – Gatwick Airport (£350m September 2039 EMTN)

- On 21 September 2017 Gatwick Airport successfully executed a new 22-year fixed-rate Sterling EMTN, the first investment-grade airport offering in the Sterling market for 2017.

Execution Strategy and Process

- The transaction was launched as a Sterling benchmark issue with an initial price guidance of UKT+130/135bps. By late morning the strong order book supported a pricing revision with guidance being set at UKT +125bps (+/-2). By midday, the new issue was sized at £350m on orders in excess of £800m resulting in the pricing at the lower end of the guidance range.

Pricing Relative Value

- The new line fell in between the 2037 and 2041 maturities which were both marked at Gilts +115bps before launch, implying ~8bps NIC. Although a notch lower than Heathrow, in the secondary market the two airports trade fairly flat to each other.

Gatwick

- Gatwick is the ninth largest airport in Europe, based on passenger numbers, and handles approximately 26% of Great London's air passenger traffic. The issue takes its total outstandings in the Sterling market to £2.2bn across seven lines.

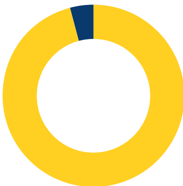
Bank of England

- On 27 April 2017, the Bank of England announced that it had completed the operations necessary to achieve the current target for its corporate bond purchase scheme (CBPS) totalling £10bn. In August the BOE announced its intention to periodically reinvest the cash flows associated with a reduction in the stock of CBPS assets back into eligible corporate bonds through the secondary market. As at April 2017, only selected Birmingham and Manchester Airports bonds were on the eligible assets list.

Issue Terms

Issuer	Gatwick Funding Limited
Expected Issue Rating	BBB+ / BBB+ (S&P and Fitch)
Programme	£5bn Multi-currency programme
Instrument	Senior, secured
Lead Managers	Commonwealth Bank of Australia (passive), CA-CIB, JPM, NatWest, Santander
Currency	GBP
Launch Date	21-Sep-17
Price Date	21-Sep-17
Maturity Date	28-Sep-39
Format	Fixed-rate
Amount	£350m
Coupon	3.125% s.a.
Benchmark	UKT 4.25% Sep-2039
Spread to benchmark	+123bps

Investor Allocation



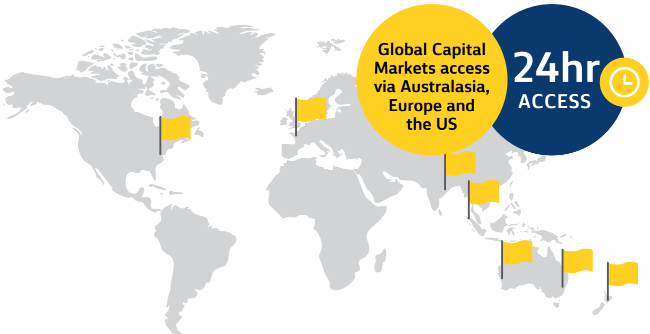
Source: Commonwealth Bank of Australia

US$ Public.

Commonwealth Bank's Fixed Income Capabilities

- **Debt Markets**: Commonwealth Bank of Australia has expanded its debt execution capabilities to now include US public and 144A debt securities in response to our institutional clients' need to access debt funding across global capital markets.
  - These new capabilities complement Commonwealth Bank's existing USD Reg-S distribution platform into the Asian investor base.
  - Since achieving our Financial Holding Company ("FHC") status in November 2016, Commonwealth Bank of Australia has been involved in 44 transactions across both the corporate and financial space.
- **Fixed Income Sales**: The DM platform is complemented by a strong team of Fixed Income Sales specialists located in New York, London, Singapore, Hong Kong, Shanghai, Sydney, Melbourne and Auckland covering Institutional and Private Banking investors.

Global Fixed Income Platform



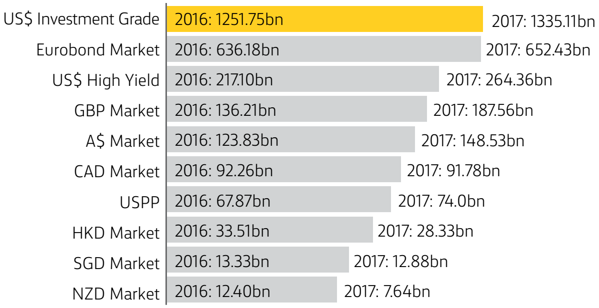
2017 Market Overview

- Credit markets were able to largely ignore headline risks, with supply surpassing the record breaking 2016 year. Over the year, order books have averaged 3.3x oversubscription with issuers paying an average of -1.08 new issuance concessions.
- Further contributing to the broader dynamic, US bond funds have seen a net inflow of US$121.9bn due to overseas money managers fleeing negative or near-zero rates.
- The steady inflows, combined with low volatility, low base rates and low credit spreads, have created a very strong backdrop for borrowers accessing US capital markets.
  - **US$ Investment Grade**: Primary supply totalled US$1.335tn supported by issuers taking advantage of the issuer friendly conditions.
  - **High Yield**: Borrowers have taken full advantage of strong appetite for lower-rated credits, issuing ~US$198.9bn versus US$169.6bn over the same period last year.

2018 Market Outlook

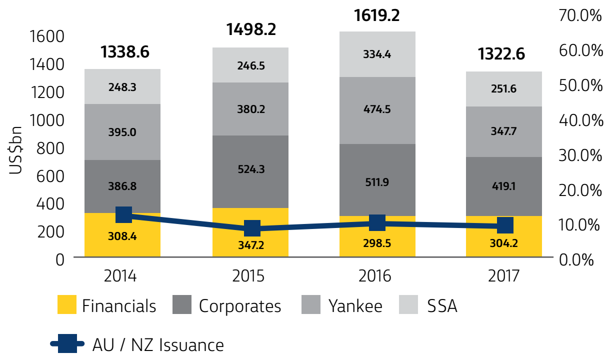
- Based on recent trends and data on page 26, the public bond market is expected to remain buoyant and supportive of corporate supply. Unmet demand could likely drive the success of new issuance as investors seek to diversify portfolios in terms of credit quality, industry, and duration into the new year.

Global Markets Issuance, (2017)

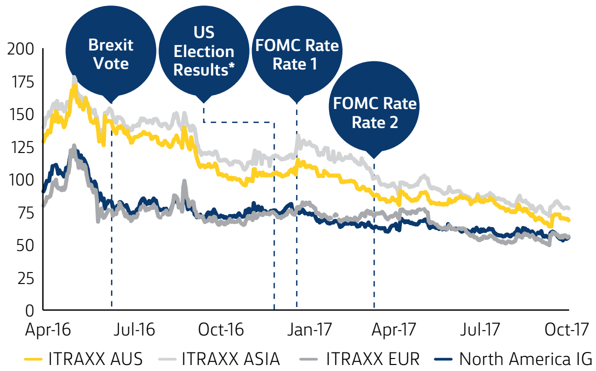


All figures converted to US$ equivalent as at 30 September 2017

U.S. Issuance Overview, (2014 – 2017)



Credit Sentiment , (April 2016 – 2017)



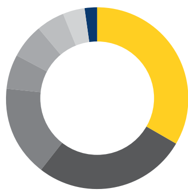
Recent 144A / Reg S Australasian Corporate Transactions

US$ investors welcome the opportunity to diversify outside of financials and invest in Australasian corporates

Date	Company	Amount (US$)
Nov-17	Newcastle Coal Infrastructure Group (BBB)	500m
Nov-17	Telstra (A2/A)	500m
Nov-17	Adani Abbot Point (BBB-)	500m
Oct-17	Boral (Baa2/BBB)	950m
Sep-17	Woodside (Baa1/BBB+)	800m
Sep-17	Mirvac (A3/BBB+)	400m
Sep-17	Santos (BBB-)	500m
Jul-17	Incitec Pivot (BBB/Baa2)	400m
Jun-17	SGSP AA (A3/A-)	500m
May-17	FMG Resources (Ba2/BB+)	750m
Mar-17	APT PIPELINES (Baa2/BBB)	850m
Mar-17	APA Group (BBB/Baa2)	850m
Sep-16	GAIF Bond Issuer (Baa1/BBB+)	600m
Sep-16	Transurban Finance (Baa1/BBB+)	550m
Aug-16	Woodside (Baa1/BBB+)	800m
Apr-16	Sydney Airport (Baa2/BBB)	900m

USD Investment Grade Market Overview

Issuance by Industry and Tenor, (2017)



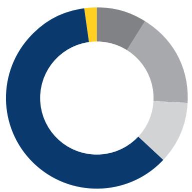
Issuance by Industry (%)

Consumer	33%
Banks	27%
Financial Services	16%
Utilities	6%
Financial Services	6%
Natural Resources	5%
Healthcare	4%
Industrials	2%

Issuance by Tenor (%)

<3 years	19%
> 3-7 years	36%
> 7-12 years	29%
>12 years	16%

Issuance by Size and Rating, (2017)



Issuance by issue size (%)

US$100 to <US$300m	2%
US$300 to <US$500m	10%
US$500 to <US$750m	20%
US$750 to <US$1bn	13%
US$1bn+	56%

Issuance by rating (%)

AA- Band	18%
A Band	34%
BBB Band	48%

Source: Commonwealth Bank of Australia, Bloomberg, Informa, Board of Governors of the Federal Reserve System (US), Thomson Reuters LPC as at 30 September 2017

US$ Fundamentals

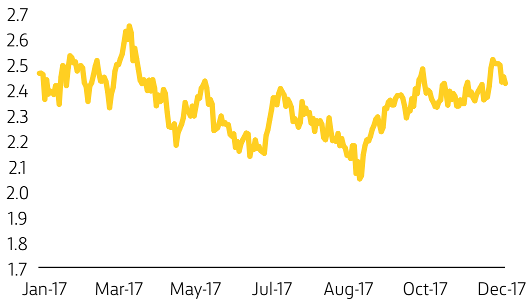
Central banks are becoming synchronised in their gradual normalisation of policies

U.S. Interest Rates and Balance Sheet

- The US Fed is on a path towards 'normal' interest rates having hiked rates by 25bps three times in 2017 with the exception of in 2018. The Feds interest rates increase to 1.5% matched Australian's cash rate, for the first time since December 2000.
- In October, the Fed began reducing its US$4.5trn balance sheet, initially by US$10bn a month lifting to US$50bn next year (totalling US$750bn over the next two years). The reaction in longer-dated treasuries has been relatively modest but is gradually moving higher, closing the year at 2.41% for the 10-year treasury.
- The potential of rising interest rates and excess liquidity in the market has seen many issuers bring forward their funding requirements to take advantage of the current backdrop.

US 10-year Treasury Yields, (2017)

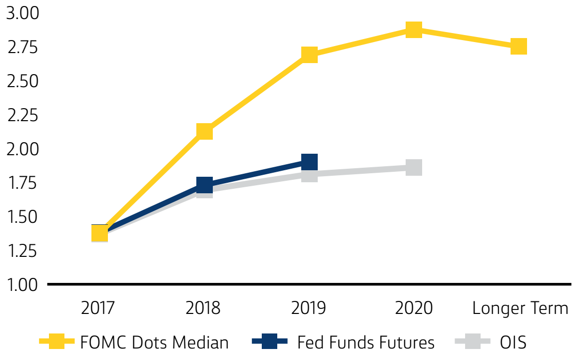
Issuers have benefited from strong investor demand allowing prices to tighten 5-10bps



Source: Bloomberg, Federal Reserve Bank of St. Louis

Path of Interest Rates

Bloomberg's consensus of economists estimate is for three additional rate hikes in 2018



Source: Bloomberg, Federal Reserve Bank of St. Louis

Case Study – SGSP Australia (US$500 million 10-year Fixed-rate MTN)

- On 29 June 2017, SGSP Australia Assets (SGSP AA) priced US$500m of 10 year senior unsecured Regulation S notes at T +132bps (equiv. ~3m US$ LIBOR +132 bps and ~3m BBSW +163 bps).
- About the issuer: SGSP AA is an Australian electricity and gas distribution and transmission company jointly owned by State Grid Corp of China (60%) and Singapore Power (40%).

Execution Strategy and Process

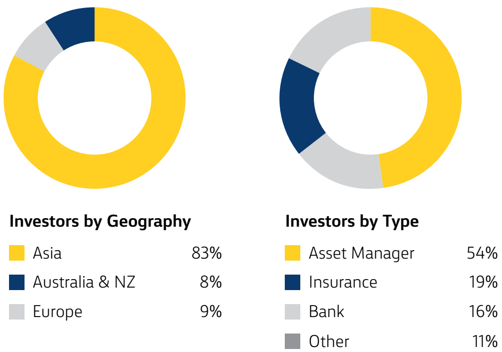
- SGSP AA undertook a comprehensive roadshow covering A$, US$ and Euro investors throughout Australia, Asia and Europe in May 2017.
- Positive investor feedback following the roadshow and strong market conditions in the US$ market prompted SGSP AA to progress with a Regulation S, US$ denominated transaction.
- The market was notified of a pending transaction on Wednesday 28 June 2017, with the Issuer also holding a call with investors. Early IOIs and market feedback supported moving forward to transaction launch.
- The transaction launched at Asia open on Thursday 29th of June with initial price guidance at T+155bps area.
- Books built to ~US$1.8bn throughout the day.
- The market was updated at the Asia close, with final pricing guidance of UST +135bps area (+/- 3bps – will price in range) and a capped volume of US$500m. Asian books were made subject at this time with European investors given until 10:30am London time to submit their bids.
- Strong support from investors resulted in books closing at a total volume of US$1.3bn and supported pricing at the tight end of the range at UST +132bps.

Investor Mix

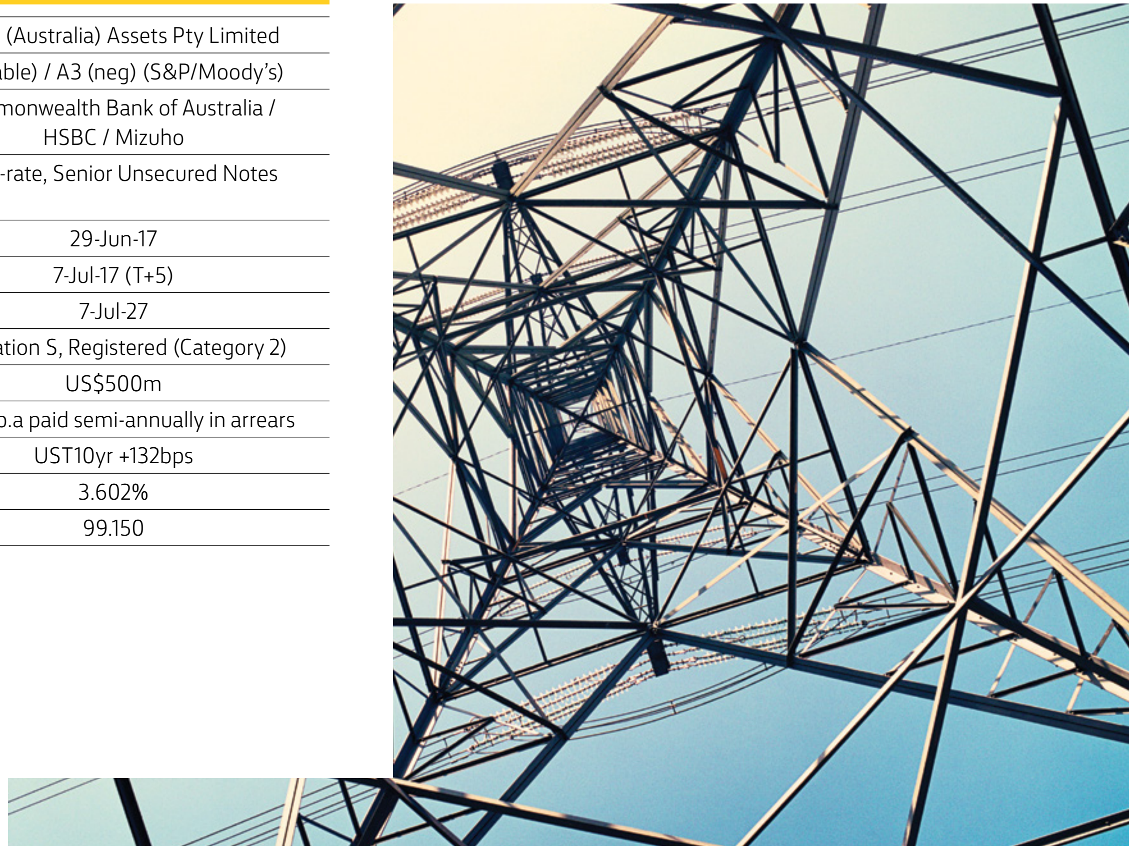
- The transaction was supported by a number of large tickets from Asian investors (83%) followed by Europe (9%) and Australia and New Zealand accounting for the final 8%. Fund managers accounted for 54% of the allocations, followed by insurance at 19%, banks at 16% and remaining 11% comprising of hedge funds, private banks and middle market accounts.

Issue Terms	
Issuer	SGSP (Australia) Assets Pty Limited
Rating	A- (stable) / A3 (neg) (S&P/Moody's)
Bookrunnners	Commonwealth Bank of Australia / HSBC / Mizuho
Status and Ranking	Fixed-rate, Senior Unsecured Notes
Pricing Date	29-Jun-17
Settlement Date	7-Jul-17 (T+5)
Maturity Date	7-Jul-27
Format	Regulation S, Registered (Category 2)
Issue Amount	US$500m
Coupon	3.50% p.a paid semi-annually in arrears
Spread	UST10yr +132bps
Re-offer Yield	3.602%
Re-offer Price	99.150

Investor Allocation



Source: Commonwealth Bank of Australia



Case Study – China Development Bank (5-year USD Benchmark Inaugural Green Bond)

Transaction Highlights

- China Development Bank ("CDB"), being the largest policy bank in China, wished to lead the Chinese government's initiative to push green development through the issuance of its inaugural offshore green bond.
- There are many green projects along the One-Belt-One-Road that CDB is supporting. Through a dual-tranche issuance of USD and EUR tranches, CDB wishes to demonstrate its strong support of the Chinese government's international strategy.

Execution Strategy and Process

- A constructive credit market, coupled with stable macroeconomic measures from both US and Europe provided a strong market backdrop with positive sentiment and risk-on investment environment.
- Following a comprehensive roadshow, investor conferences as well as targeted 1-on-1 investor meetings, the USD transaction was launched into Asia on the open on 9 November, as part of the USD & EUR dual-tranche transaction, with an initial price guidance of five-year UST +100, providing approx. 20bps of premiums over secondary comparable levels.
- Many investors expected the transaction to price very tightly, however the transaction still met with strong investor support shortly after launch with book reaching around US$2.8bn before price revision.
- The issuer's key objective was to achieve for the tightest spread for a benchmark size print, the issue size was quickly set to US$ 500m. The transaction was successfully priced at five-year UST +78bps, a few basis points through its own secondary curve.

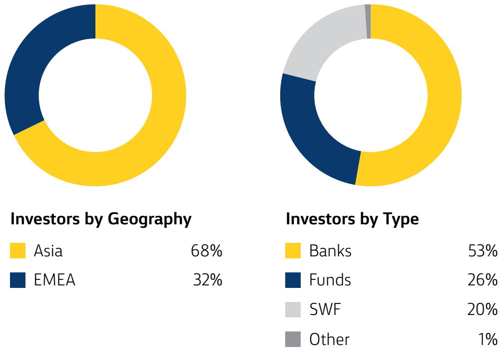
Key Observations

- The transaction benefited from the broad support of the Asian investor base as investors welcomed a high-grade but less frequent name to market. The "Green" nature also encouraged investors to remain in the book despite negative NIC.
- The final order book at re-offer was in excess of US$ 1.3bn, and consisted of more than 54 unique investor accounts.
- The outcome achieved all of CDB's key objectives and demonstrated pricing benefits for issuance of green bond which has not been commonly seen in other green transactions.

Issue Terms

Issuer	China Development Bank
Issuer Rating	A1 stable (Moody's) / A+ stable (S&P)
Lead Managers	Commonwealth Bank of Australia / ABC HK / BOCHK / BNP / CA / CCB (Asia) / DB / SCB
Instrument	Senior Unsecured Notes
Programme	Issuer's US$ 30bn Debt Issuance Programme
Launch Date	9-Nov-2017
Pricing Date	9-Nov-2017
Settlement Date	16-Nov-2017
Maturity Date	16-Nov-2022
Format	Fixed-rate
Amount	US$500m
Re-Offer Spread	5yr UST +78bps
Re-Offer Price/Yield	99.777% / 2.798%
Use of Proceeds	To finance or refinance Green Projects including energy, transport and water sectors along the Belt and Road route, in accordance with the CDB Green Bond Framework

Investor Allocation



Source: Commonwealth Bank of Australia

Securitisation.

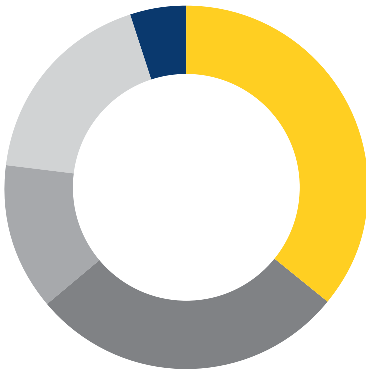
"A growing domestic and offshore investor base has seen transactions upsized, margins tighten and investor diversity increase."

Rob Verlander
Executive Director Debt Markets Securitisation
Commonwealth Bank of Australia

Australian Securitisation Market Overview

- A growing domestic and offshore investor base, attracted by strong collateral performance, rating stability, a finalised securitisation regulatory standard (APS120) and positive value metrics has seen transactions upsized, margins tighten and investor diversity increase.
- The current climate has resulted in price tension across the capital spectrum from 'AAA' to unrated securities, while still allowing issuers to clear sizeable volumes.
- RMBS and ABS continue to represent relative value for investors. Securitisation spreads narrowed across the board in 2017 amid general demand for yield.
- New asset classes have been warmly received. The successful launch of Latitude's credit card-backed master trust program shows the strength of appetite for A$ assets.
- Offshore investor activity has been prevalent throughout the year and accounted for approximately 44% of deals.
- Primary flow of ABS product out of NZ has exceeded recent years with deals from Motor Trade Finance New Zealand, Eclipx Group and Flexi Cards totalling just over NZ$560m.
- Following a sector-wide rating downgrade, non-major ADIs have steered towards the pricing benefits of RMBS as a funding tool and this became apparent with record deal sizes in this sector.
- As capital costs increase, RMBS as a capital management tool is likely to be a continued theme, ADIs (including majors) are structuring for capital relief via significant credit risk transfer.

Australian Credit Bond Issuance, (2017)



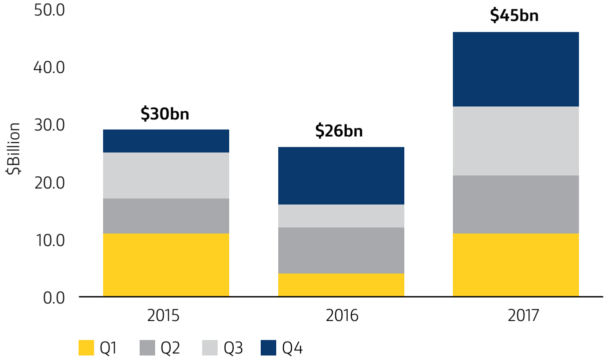
Securitisation	36%
Domestic Banks	28%
Corporate	13%
Foreign Bank/Branches	18%
Non Bank Financial	5%

Source: Commonwealth Bank of Australia

Australia and New Zealand Securitisation

Australia & New Zealand Securitisation Volumes, (2015 – 2017)

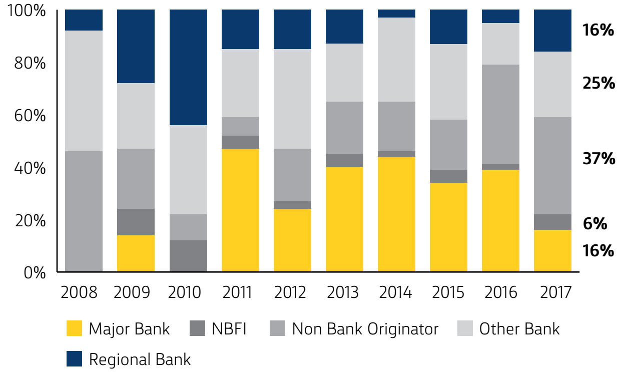
Securitisation issuance has reached decade high in 2017



Source: Commonwealth Bank of Australia

RMBS Issuance by Issuer Type, (2008 – 2017)

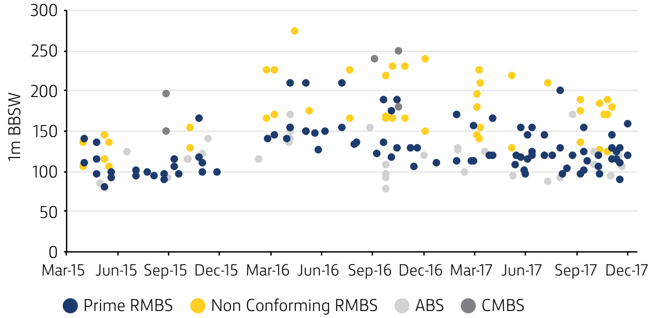
2017 has seen renewed interest from regional bank issuers



Source: Commonwealth Bank of Australia

AAA Pricing, (2015 – 2017)

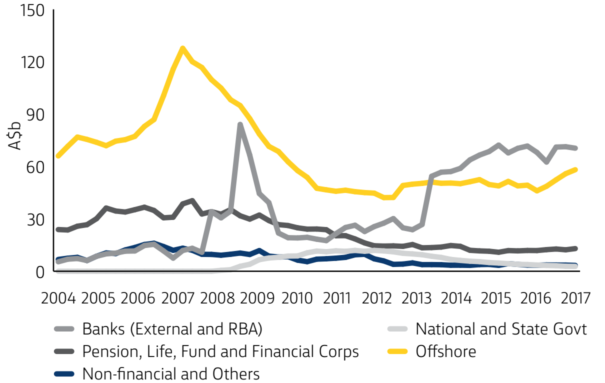
Margins have tightened, with Senior Class A Medallion 2016-2, 2017-1 and 2017-2 priced at BBSW1M +140bps, 98bps and 90bps respectively



Source: Commonwealth Bank of Australia

Investor Type, (2004 – 2017)

Banks are the primary investors in senior notes of ADI Prime RMBS while real money accounts are the largest participants in Non-ADI RMBS, ABS and subordinated tranches



Source: Commonwealth Bank of Australia

Case Study – Liberty Series 2017-3 (July 2017)

The largest post-crisis deal consisting of a mixed pool of prime and non-conforming residential mortgages by an issuer in Australia

Transaction Highlights

- Liberty is a leading diversified specialty finance company. Its businesses include residential and commercial mortgages, motor vehicle finance, personal loans and investments in Australia and New Zealand. Liberty has raised more than $18bn in domestic and international capital markets.
- Liberty is an experienced issuer and servicer and this issue represents its 39th public term securitisation in Australia.
- This is the largest post crisis deal consisting of a mixed pool of prime and non-conforming residential mortgages by an issuer in Australia.
- Following reverse enquiry interest, the transaction featured a €165 million Euro tranche to cater for European investor demand. This is the first Australian RMBS to include a euro-denominated tranche since 2007.
- The transaction sold rated notes from AAA(sf)/Aaa(sf) to B2(sf) demonstrating ongoing demand for specialist residential mortgage product.
- There was strong investor demand with 29 investors participating in the transaction across the capital structure. The deal was upsized from a launch volume of A$700m to A$1.2bn.
- Participation was predominately from real money accounts (74%) with banks accounting for the remainder (26%). Offshore investor demand represented 44% of the transaction, with more than 60% of this demand coming from European investors.

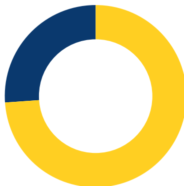
Issue Terms

Borrower	Liberty Series 2017-3
Commonwealth Bank of Australia Role	Joint Lead Manager, Interest Rate Swap Provider and Liquidity Facility Provider.
Underlying Asset	Prime and Non-conforming residential mortgages
Senior AAA Pricing	BBSW1M +75bps (WAL: 0.1yr) BBSW1M +135bps (WAL: 2.0yr) 3m Eurobor +50bps (WAL: 2.0yr)
Launch Pool Size	A$700m
Final Pool Size	A$1.2bn
Settlement	Jul-17

Investor Allocation

Onshore & Offshore Investors

Domestic	56%
Offshore	44%



Investor Type

Real Money	74%
Bank	26%

Source: Commonwealth Bank of Australia

Case Study – Medallion Trust Series 2017-2 (November 2017)

A$2.65bn Floating-rate Prime RMBS: largest Australian capital relief RMBS deal post the Global Financial Crisis

Transaction Highlights

- Commonwealth Bank of Australia as Arranger and Lead Manager priced a A$2.65bn Prime RMBS under its Medallion program, Medallion Trust Series 2017-2.
- The transaction was Commonwealth Bank's second capital relief transaction in 2017 with all tranches of notes sold to investors.
- The transaction was the largest Australian capital relief RMBS deal post the Global Financial Crisis.
- The transaction was upsized from a launch volume of A$750m based on strong interest across all tranches, with the final book being ~$3.7bn across all tranches.
- Significant demand saw the Class A1 Notes upsize and price at BBSW1M +90bps, within guidance of 89-91bps.
- Class A2 Notes to Class F Notes priced at the tight end of guidance.
- 34 investors participated in this benchmark transaction, the largest Australian RMBS issue since 2014.
- Offshore investor participation was 58% across the entire transaction. Banks contributed 75% of final allocations.

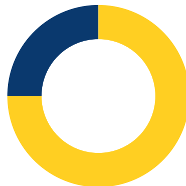
Issue Terms

Borrower	Medallion Trust Series 2017-2
Commonwealth Bank of Australia Role	Arranger and Lead Manager
Purpose	Capital Relief
Underlying Asset	Floating-rate Prime RMBS
Senior AAA Pricing	BBSW1M +90bps
Launch Pool Size	A$750m
Final Pool Size	A$2.65bn
Settlement	Nov-17

Investor Allocation

Onshore & Offshore Investors

Domestic	42%
Offshore	58%



Investor Type

Banks	75%
Asset Manager	25%

Source: Commonwealth Bank of Australia

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