

Fixed Income: Australian Debt Securities Update

11 April 2011 – 15 April 2011



A\$ MTN Primary Issuance Update

- Issuance in the primary domestic MTN market totalled A\$2.2 billion this week, between foreign bank domestic branches and corporate issuers.
- Westfield Retail Trust priced its inaugural MTN issue, a A\$900 million October 2016 dual tranche line, priced at BBSW / Swap + 120. The A\$800 million fixed rate tranche represents the largest non-financial fixed rate issue in Australia to date. The launch followed an Australian institutional investor update in the week commencing the 28th of March. The transaction was initially launched as a minimum A\$500 million, but was subsequently upsized to cater for investor demand. CBA acted as a lead manager on the deal.
- Domestic branches of foreign bank issuers returned to the market this week with HSBC Australia pricing a new A\$500 million April 2014 floating rate note at BBSW + 84. Further to this, Rabobank Nederland Australia issued a new A\$600 million April 2018 line at a margin of Swap + 139.
- Closing out the week was a new A\$200 million July 2014 issue from QIC shopping centre fund, which priced at Swap + 125.

Issuer (Format)	Rating		Maturity	Amount	Coupon	Spread to Benchmark
	Issuer	Issue				
Westfield Retail Trust Senior Unsecured	A+	A+	Oct-16	A\$800m A\$100m	7.00% BBSW + 120	Swap + 120 BBSW + 120
QIC Shopping Centre Fund Senior Unsecured	A-	A-	Jul-14	A\$200m	6.75%	Swap + 125
Rabobank Nederland Australia Senior Unsecured	AAA / Aaa	AAA / Aaa	Apr-18	A\$600m	7.25%	Swap + 139
HSBC Australia Senior Unsecured	AA / Aa3	AA / Aa3	Apr-14	A\$500m	BBSW + 84	BBSW + 84
AOFM CGS Tender	AAA / Aaa	AAA / Aaa	Oct-14	A\$700m Total outstanding A\$7.7bn	4.50%	Weighted average yield 5.2375%
			Jul-22	A\$500m Total outstanding A\$6.8bn	5.75%	Weighted average yield 5.6588%

Sources: CBA & Bloomberg

Note: Yellow border indicates CBA acted as a Lead Manager on the transaction

2011 Primary Issuance Table

Sector	Week ending 15 April 2011		2011 Year to Date		2010 Year to Date		Comparison Volume
	No. of Transactions	Volume	No. of Transactions	Volume	No. of Transactions	Volume	
SSA	-	-	27	A\$12.0bn	34	A\$16.4bn	-A\$4.4bn
Domestic Banks	-	-	8	A\$7.4bn	12	A\$9.5bn	-A\$2.1bn
Foreign Bank/Branches	2	A\$1.1bn	14	A\$11.0bn	13	A\$9.9bn	+A\$1.1bn
Non Bank Financial	-	-	7	A\$2.3bn	4	A\$400m	+A\$1.9bn
Corporate	2	A\$1.1bn	9	A\$2.7bn	8	A\$1.4bn	+A\$1.3bn
Semi Government	-	-	3	A\$8.7bn	7	A\$9.8bn	-A\$1.1bn
Total	4	A\$2.2bn	68	A\$43.9bn	78	A\$47.4bn	-A\$3.3bn

Sources: CBA & Bloomberg

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CommonwealthBank

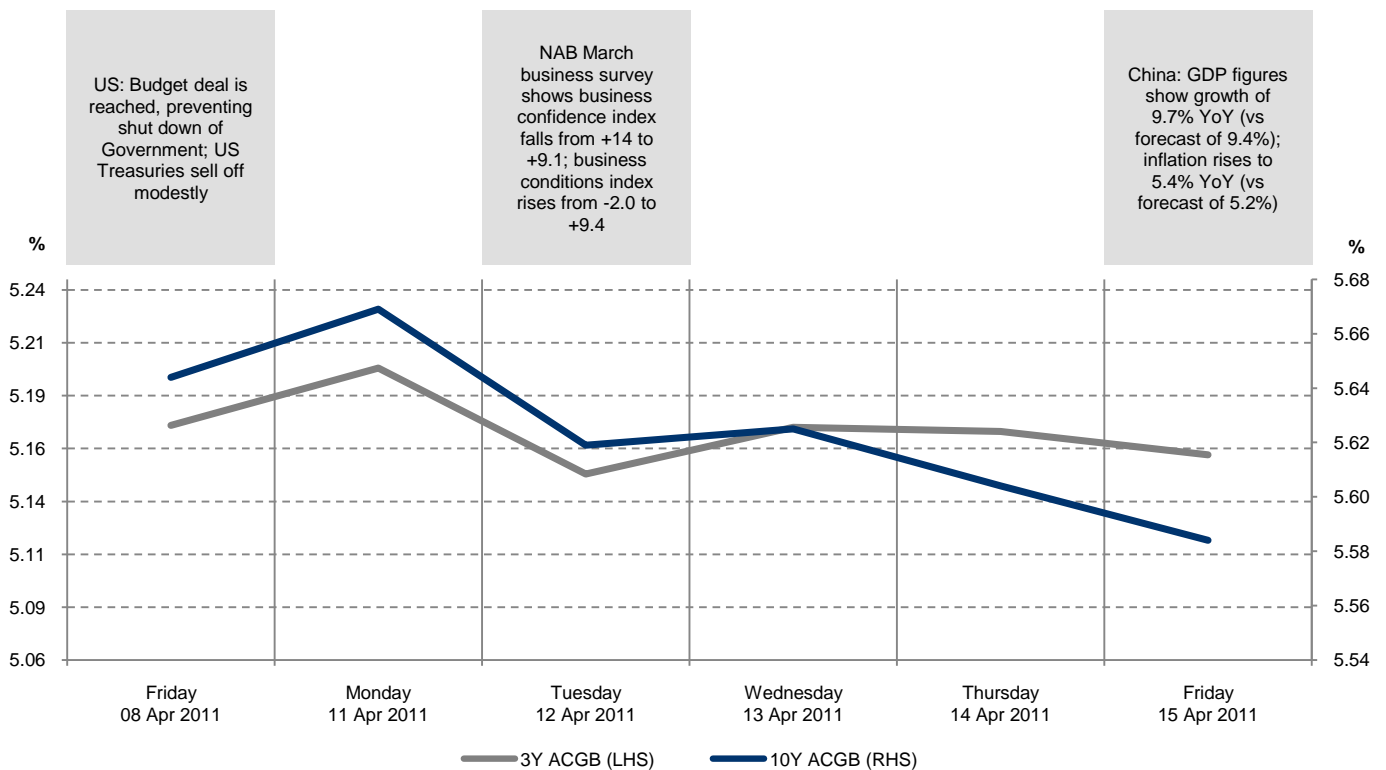
Offshore Issues by Australian Borrowers **sizeable issuance only*

Issuer	Market	Rating (Issuer)	Maturity	Amount	Coupon	Issue Margin
Brambles Finance plc	EMTN	BBB+ / Baa1	Apr-18	EUR500m	4.625%	Bunds + 162
Australia & New Zealand Banking Corporation	EMTN	AA / Aa1	Oct-17	CHF150m	2.625%	MS + 60

Sources: CBA & Bloomberg

Australian Rates Market Update

Figure 1: 3Y and 10Y Australian Bond Curve



Sources: CBA & Bloomberg

- Australian Government Bond yields were mixed across the curve last week, as the front end of the curve was broadly unchanged, and the long end of the curve rallied around 6 bps. The 3/10 spread flattened to 43 bps.
- There was little market moving data released this week, both domestically and in offshore markets. NAB's March business survey, released on Tuesday, indicated a decline in business confidence from +14 to +9.1. However, business conditions rebounded, reporting an increase from -2.0 to +9.4 – the highest levels in a year. Offshore, China reported its GDP and inflation figures on Friday. GDP for the March quarter grew at 9.7% YoY (vs forecast of 9.4%), while inflation rose to 5.4% YoY (vs forecast of 5.2%), causing a 1 and 2 bps sell off in the 3 and 10 year curves respectively.



A\$ Retail Bond Market Update

- Australian Unity Limited announced, on 14 April 2011, the completion of its offer of unsecured notes (“Notes”).
- The Notes Offer raised A\$120 million which represented an additional A\$20 million above the original A\$100 million indicated in the Notes Prospectus. The Notes pay interest at a rate equal to the sum of a margin of 3.55% plus the 3 month bank bill rate. These Notes are expected to commence trading on a normal settlement basis on the ASX on 19 April 2011 under the ASX ticker “AYUHA”.

Asset Backed Securities Update

- CBA’s Corporate Finance Securitisation team recently acted as Arranger and Sole Lead Manager for a A\$3 billion RMBS transaction, Medallion Trust Series 2011-1. Initially launched as a A\$1 billion issue, very strong demand across all tranches resulted in the deal being significantly upsized to A\$3 billion.

Issuer	Note Type	Rating (Issue)	Amount (A\$m)	Coupon Type	Weighted Average Life (Years)	Issue Margin
Medallion Trust Series 2011-1	Class A1	AAA	2253	Floating	2.2	BBSW + 95
	Class A2	AAA	525	Fixed	-	BBSW + 110
	Class AB	AAA	108	Floating	4.71	BBSW + 170
	Class AC	AAA	54	Floating	4.71	BBSW + 205
	Class B	Unrated	60	Floating	8.72	Undisclosed

- The transaction represents a major step forward for the Australian RMBS market with a number of outstanding outcomes achieved. The deal was:
 - The largest ever AUD denominated RMBS issued;
 - The largest single AUD RMBS tranche (Class A1 A\$2.25 billion);
 - The largest Australian RMBS issued since 2007.
- The issue also set a new post-GFC price point with the Class A1 tranche issued at 1m BBSW + 95 – the first deal to price inside 100 bps since the GFC.
- Furthermore, the transaction did not rely on any support from the Australian Office of Financial Management (AOFM), and signals the re-emergence of the Australian RMBS market post-GFC.
- Medallion Trust Series 2011-1 Class A2 Notes was the second CBA structured fixed RMBS tranche, following the success of SWAN 2010-2.

Ratings News

New Rating / Withdrawal

- Nothing to report.

Upgrades or Downgrades

- Moody’s downgraded its rating on **Ireland** from Baa1 (Negative) to Baa3 (Negative).

Credit Watch / Outlook

- Moody’s placed its Baa1 rating assigned to **Leighton Holdings** on review for a possible downgrade.
- S&P placed its BBB rating assigned to **Leighton Holdings** on review for a possible downgrade.
- Fitch removed its credit watch Negative outlook on **Ireland**.



Swap Rates

Figure 2a: Australian Swap Rates

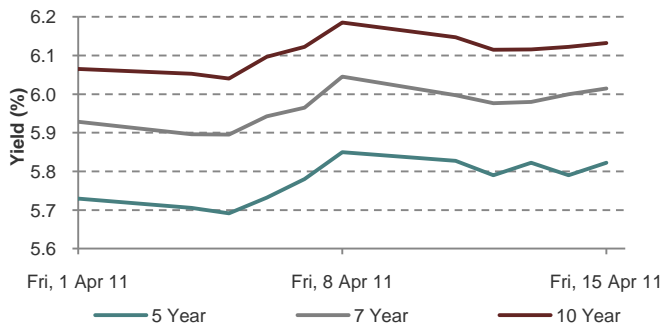
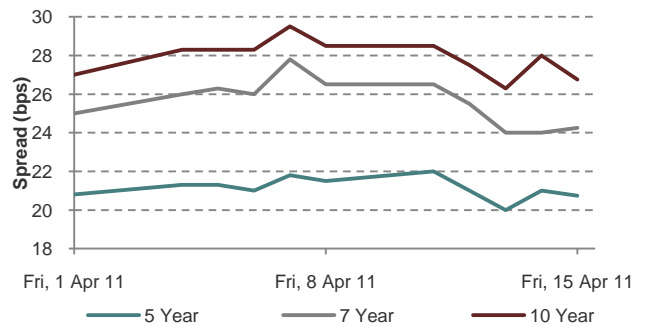


Figure 2b: Australian Basis Swap Rates



Rates

Figure 3a: Australian Rates

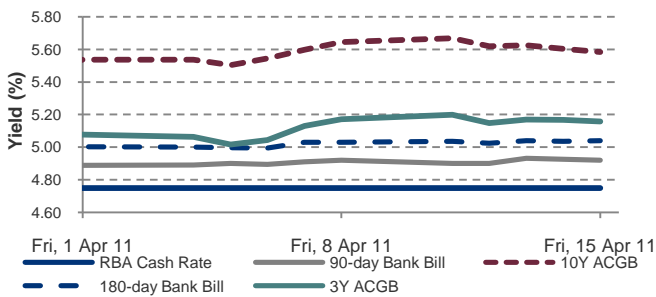


Figure 3b: CBA Rates Forecasts

	End period			
	Jun-11	Sep-11	Dec-11	Mar-12
RBA Cash Rate (%)	4.75	5.00	5.25	5.50
90-Day Bank Bill (%)	5.30	5.60	5.80	6.00
180-Day Bank Bill (%)	5.60	5.70	5.90	6.00
3 Year Bond (%)	5.60	5.80	5.90	5.90
10 Year Bond (%)	5.80	5.90	6.00	6.00

Credit Markets

Figure 4a: Global CDS Indices

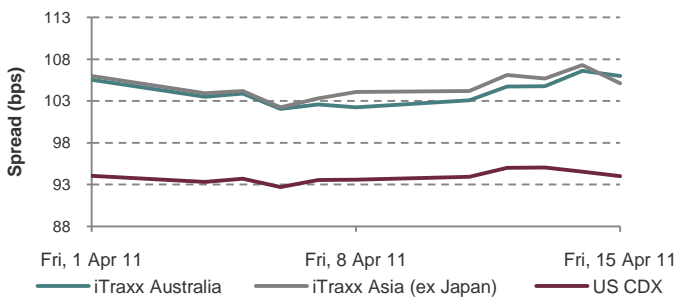
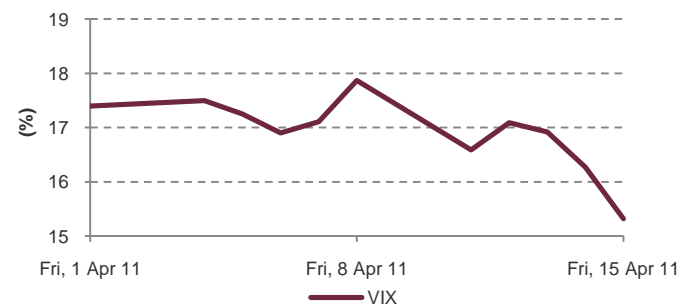


Figure 4b: VIX

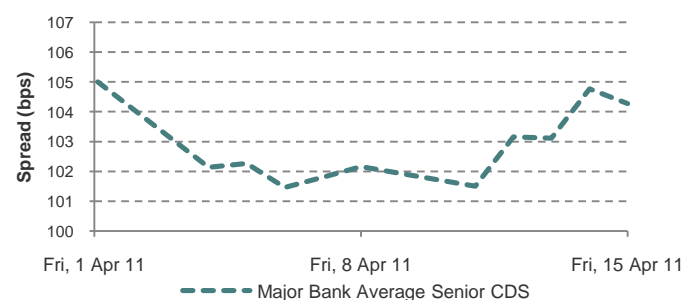


Australian Banks:

Figure 5a: Current Major Bank Spreads

Issuer	Issuer Rating	Maturity	Coupon	Spread to Swap
ANZ	AA	Feb-14	6.25%	+73
CBA	AA	Jul-14	6.50%	+74
CBA	AA	Feb-20	7.25%	+147
NAB	AA	Sep-14	6.75%	+79
WBC	AA	Aug-14	7.00%	+77
WBC	AA	Feb-20	7.25%	+141

Figure 5b: Australian Bank CDS



Sources: CBA, Bloomberg & Yieldbroker



Appendix: Secondary Levels of Recent Transactions

Supra/Sov/Agency Issuers

Issuer	Issuer Rating	Maturity	Amount	Coupon	Issue Margin	Secondary Trading Margin
KfW Bankengruppe	AAA / Aaa	Aug-20	A\$250m Total outstanding A\$2.2bn	6.00%	ACGB + 107.25	ACGB + 106.30

Bank/Holding Co. Issuers

Issuer	Issuer Rating	Maturity	Amount	Coupon	Issue Margin	Secondary Trading Margin
Royal Bank of Scotland plc Australia Branch	A+ / Aa3	Mar-14	A\$700m	7.25%	Swap + 195	Swap + 182
JPMorgan Chase & Co	A+ / Aa3	Mar-16	A\$400m	7.00%	Swap + 135	Swap + 133
Canadian Imperial Bank of Commerce Covered Bond	A+ / Aa2 (AAA / Aaa)	Mar-16	A\$700m	6.25%	Swap + 74	Swap + 69
Lloyds TSB Australia Branch	A+ / Aa3	Oct-14	A\$750m	7.00%	Swap + 220	Swap + 190
Société Générale	A+ / Aa2	Oct-14	A\$400m Total outstanding A\$650m	BBSW + 150	BBSW + 165	BBSW + 154

Corporate Issuers

Issuer	Issuer Rating	Maturity	Amount	Coupon	Issue Margin	Secondary Trading Margin
Commonwealth Property Office Fund	A- / A3	Mar-16	A\$200m	7.25%	Swap + 165	Swap + 148
Woolworths Limited	A- / A3	Mar-16	A\$500m	6.75%	Swap + 105	Swap + 86
Brisbane Airport Corporation	BBB / Baa2	Sep-19	A\$250m	8.00%	Swap + 220	Swap + 205
ETSA Utilities Finance	A-	Sep-16	A\$250m	6.75%	Swap + 135	Swap + 125
SP AusNet	A- / A1	Apr-21	A\$250m	7.50%	Swap + 167	Swap + 165

Sources: CBA & Yieldbroker



Contact Us

Fixed Income Origination			
Sydney		Telephone	Email Address
Peter Christie	Head of Fixed Income Origination & Distribution	+612 9118 4328	christp@cba.com.au
Simon Ling	Head of Retail and Wholesale Origination	+612 9118 6463	simon.ling@cba.com.au
Patrick Bryant	Executive Manager, FIG Origination	+612 9118 1217	patrick.bryant@cba.com.au
Rob Kenna	Executive Manager, Corporate Origination	+612 9118 1219	rob.kenna@cba.com.au
Truong Le	Executive Manager, Retail Fixed Income Origination	+612 9118 1205	truong.le@cba.com.au
Danielle Lavars	Senior Manager, Fixed Income Origination	+612 9118 1221	danielle.lavars@cba.com.au
Clare Lewis	Manager, Fixed Income Origination	+612 9118 1225	clare.lewis@cba.com.au
Simon Rutz	Manager, Fixed Income Origination	+612 9118 2858	simon.rutz@cba.com.au
Andrew Murray	Manager, Commercial Paper	+612 9117 0047	andrew.murray@cba.com.au
Casey de Souza	Associate, Fixed Income Origination	+612 9118 1173	casey.desouza@cba.com.au
Alex Lucy	Analyst, Fixed Income Origination	+612 9118 1218	alexander.lucy@cba.com.au
Katherine Chan	Analyst, Retail Fixed Income Origination	+612 9118 1220	chank@cba.com.au

New York / Sydney		Telephone	Email Address
Bill Stevenson	Executive Manager, USPP Fixed Income Origination	+612 9118 2859	stevenw@cba.com.au
Mark Wang	Executive Manager, USPP Fixed Income Origination	+1 212 848 9308	mark.wang@cba.com.au
Hilary Ward	Executive Manager, USPP Fixed Income Origination	+1 212 848 9373	wardhi@cba.com.au
Amy Lung	Senior Manager, USPP Fixed Income Origination	+1 212 848 9341	amy.lung@cba.com.au

London		Telephone	Email Address
James Hammermaster	Senior Manager, Corporate Origination	+44 20 77103626	james.hammermaster@cba.com.au
Sean Rosas	Senior Manager, Fixed Income Origination	+44 20 77103959	sean.rosas@cba.com.au

Singapore		Telephone	Email Address
Giles Chapman	Senior Manager, Fixed Income Origination	+65 6349 7087	giles.chapman@cba.com.au

New Zealand		Telephone	Email Address
Brian McTaggart	Head of Capital Markets NZ	+649 301 5955	brian.mctaggart@asb.co.nz
Richard Howse	Director	+649 301 5956	richard.howse@asb.co.nz
Gary Baker	Associate Director	+649 301 5957	gary.baker@asb.co.nz
Charlotte Hover	Executive Assistant	+649 301 5958	charlotte.hover@asb.co.nz

Fixed Income Syndication			
Sydney		Telephone	Email Address
Paul O'Brien	Head of Fixed Income Syndication	+612 9117 0046	paul.edward.obrien@cba.com.au
Patrick Moore	Senior Manager, Fixed Income Syndication	+612 9117 0047	patrick.moore@cba.com.au

Sales

Institutional		Telephone	Equities		Telephone
Syd	FX	+612 9117 0190	Syd		+612 9118 1446
		+612 9117 0341	Asia		+613 9675 6967
	Credit	+612 9117 0020	Lon/Eu		+44 20 7710 3573
		Japan Desk	+612 9117 0025		NY
Melb		+613 9675 6815			
		+613 9675 7495			
		+613 9675 6618			
		+613 9675 7757			
Lon	FX	+44 20 7329 6266			
	Debt & Derivatives	+44 20 7329 6444			
	Corporate	+44 20 7710 3905			
HK		+852 2844 7538			
Sing		+65 6349 7077			
NY		+1212 336 7739			

Corporate		Telephone
NSW		+612 9117 0377
VIC		+612 9675 7737
SA		+618 8206 4155
WA		+618 9482 6044
QLD		+617 3015 4525
NZ		+64 9375 5738
Metals Desk		+612 9117 0069
Agri Desk (Corp)		+612 9117 0157
Agri Desk		+612 9117 0145