

IS ASIA THE FUTURE FOR AUSTRALIAN ASSET BACKED ISSUERS?

21 NOVEMBER 2011

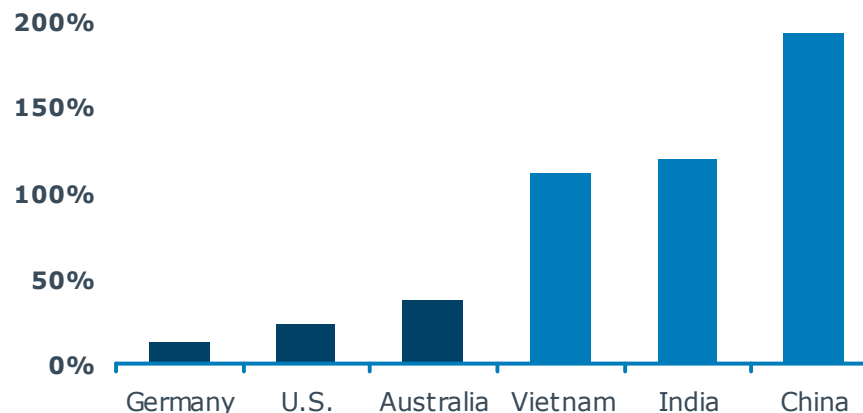


ASIA – THE ENGINE ROOM OF GLOBAL GROWTH

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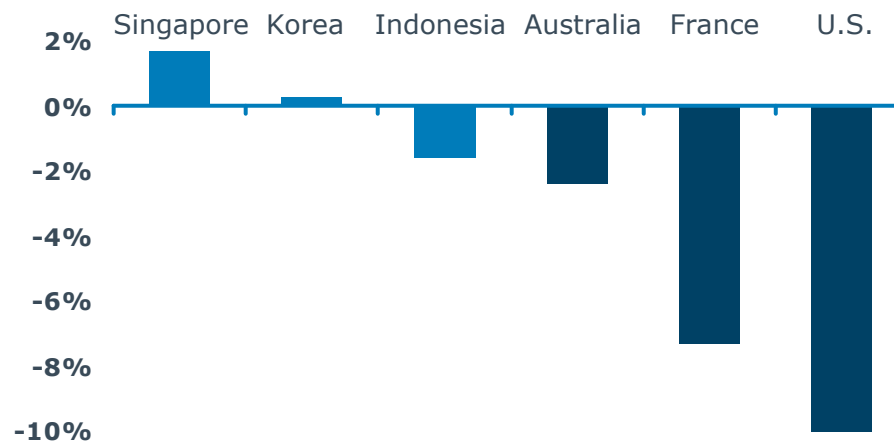
- > Increasing significance of the Asian liquidity pool driven by;
 - Strong growth throughout developing Asia, particularly China
 - Improved sovereign profile of Asian nations globally
 - Rapidly expanding middle class
 - Globally high savings rate and net worth wealth creation
- > Whilst many western nations are dealing with;
 - Large budget deficits
 - High Debt to GDP ratios and
 - Relatively benign GDP growth

1. ASIAN GDP GROWTH OUTPACES THE WEST BETWEEN 2000 AND 2010



Source: The World Bank
Note: Growth was indexed from 100 as at the start of 2000

2. BUDGET DEFICITS PROMINENT IN THE WEST



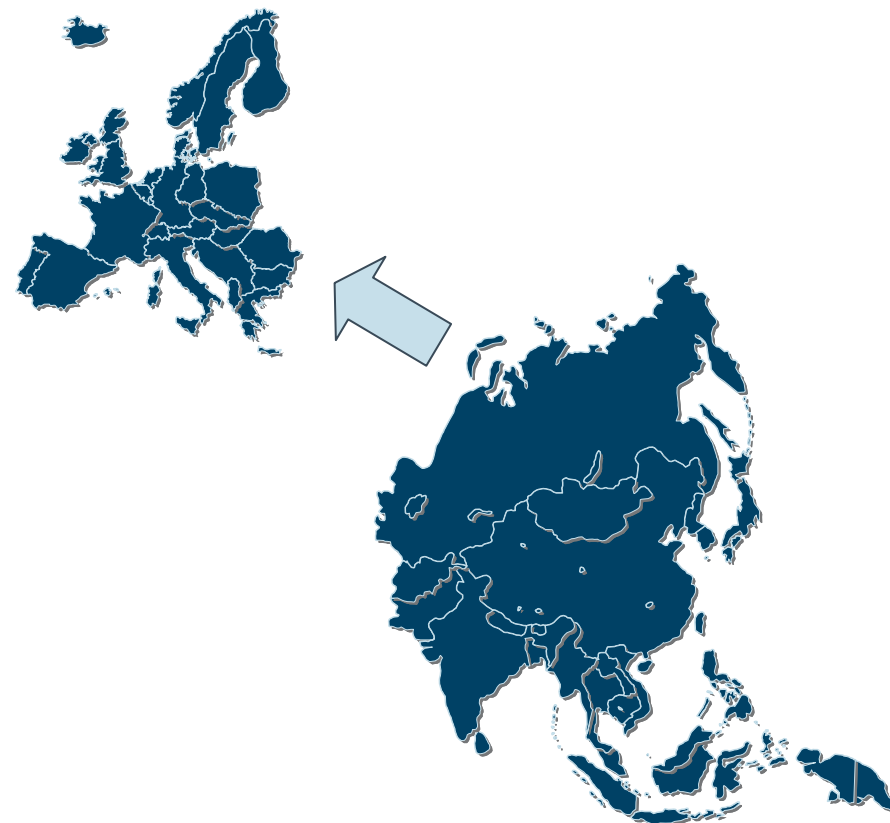
Source: The World Bank
Note: Data from 2009



EUROPEAN BANKS WITHDRAWING

- > Asian investors in Australian securitisation were predominantly representatives of European Banks;
 - The GFC and its ongoing effects have adversely affected their appetite for Australian securitisation
 - Some European Banks who were buyers are now sellers
- > New regulatory environment hamstringing European investment (e.g. CRD 2)
- > ANZ expects European banks to return in the longer term
- > So who should Australian issuers look to as the Asian investor base?

1. THE FOCUS OF EUROPEAN BANKS SHIFTS FROM ASIA



THE DEVELOPING ASIAN INVESTOR BASE – WHO IS IT?

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> ANZ perceives that there are four categories of investors worth pursuing in a securitisation context for Australian issuers;

1. NON JAPAN ASIA BANKS AND INSURANCE COMPANIES

2. JAPANESE BANKS AND INSURANCE COMPANIES

3. SOVEREIGN WEALTH FUNDS

4. RETAIL AND PRIVATE BANK CLIENTS

1. EXAMPLES FROM THE POTENTIAL INVESTOR BASE

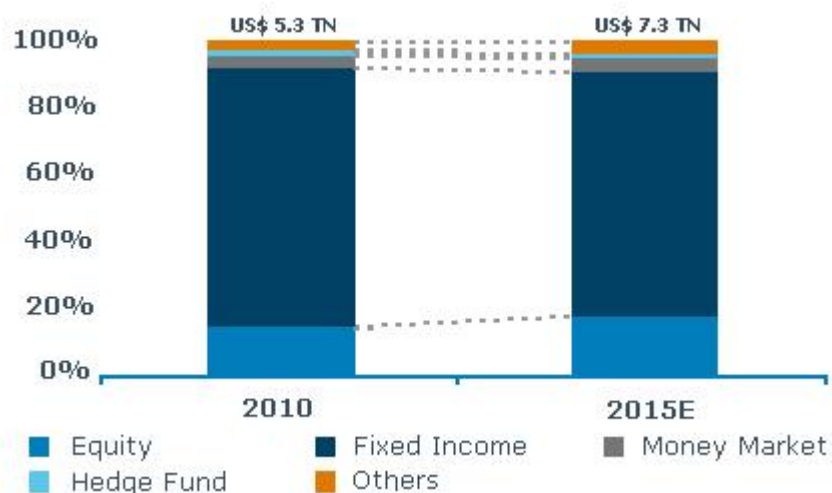


WHAT IS THE DEVELOPING ASIAN INVESTOR BASE LOOKING FOR?

- > Asian institutional allocations have and remain conservative with;
 - Low allocations to equity investments
 - Higher cash and government bond investment allocations, however
 - Government bond yields remain low and don't offer sufficient yield

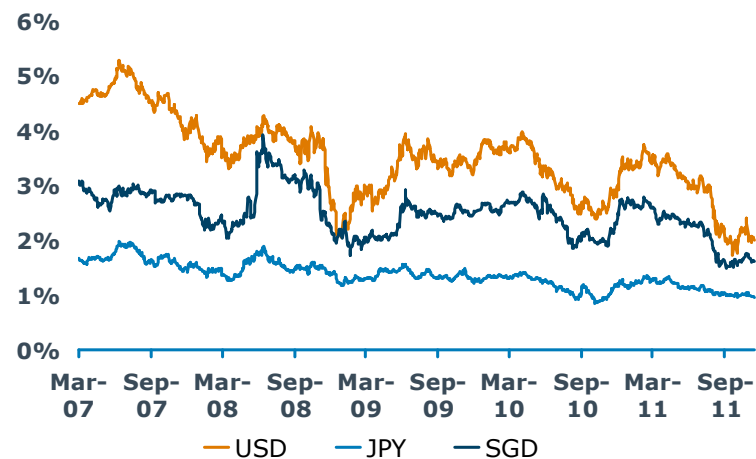
> Institutional investors looking for diversity, specifically in higher yielding "safe" assets

1. ASIAN INSURANCE ASSET ALLOCATION



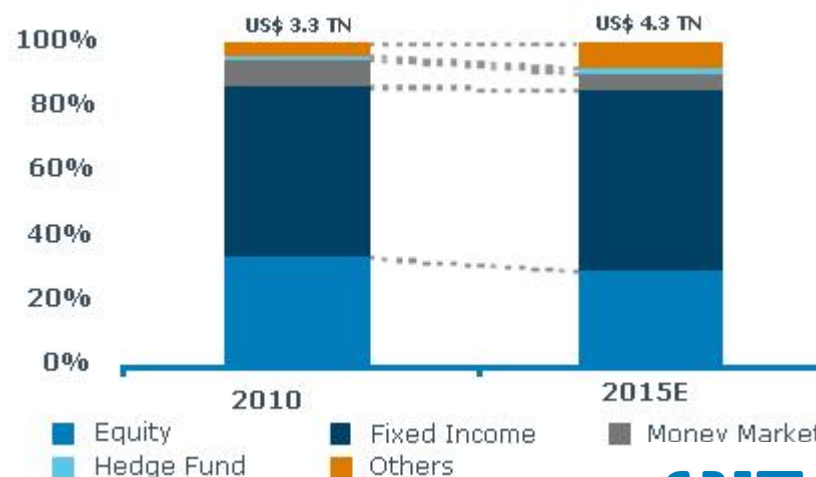
Source: Oliver Wyman proprietary data and analysis

2. 10 YEAR GOVERNMENT BOND YIELDS



Source: Bloomberg and ANZ

3. ASIAN PENSION FUNDS ASSET ALLOCATION



Source: Oliver Wyman proprietary data and analysis



DEVELOPING ASIAN INVESTORS – WHY DO THEY MATTER?

ASIAN BANKS

- Amongst the world's best capitalised, supported by domestic deposits driven by high savings rates
- Banks in 8 jurisdictions are already Basel III compliant

ASIAN SOVEREIGN WEALTH FUNDS

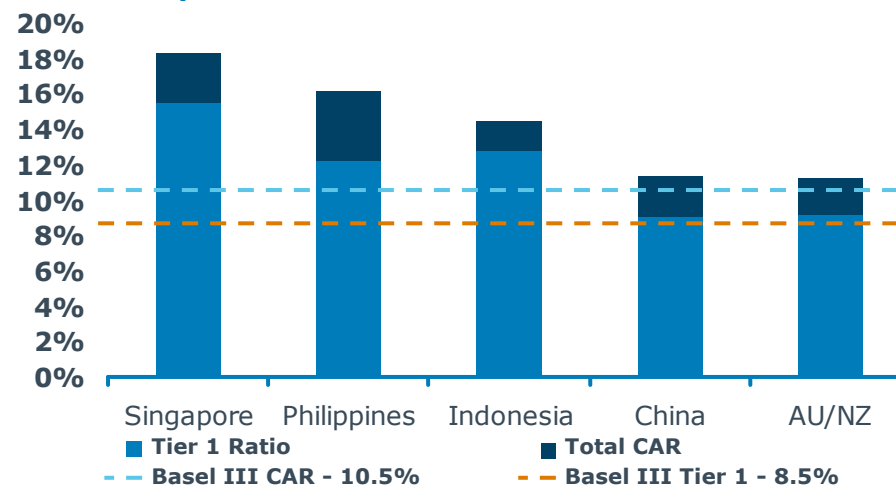
- 11 of the world's 53 largest SWF's are located in Asia with assets of US\$1.9tn¹

PRIVATE BANK CLIENTS

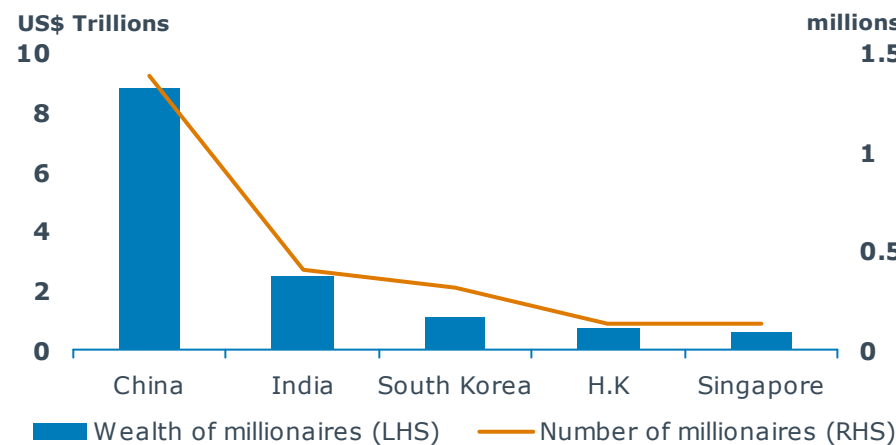
- Increasingly important distribution channel
- By 2015, Asia is predicted to have 2.8m millionaires accounting for US\$15.81tn²

1: Asian Venture Capital Journal
2: Julius Baer 2011

1. TIER 1/CAR CAPITAL RATIOS IN ASIA



2. TOP 5 MILLIONAIRE NATIONS IN ASIA IN 2015

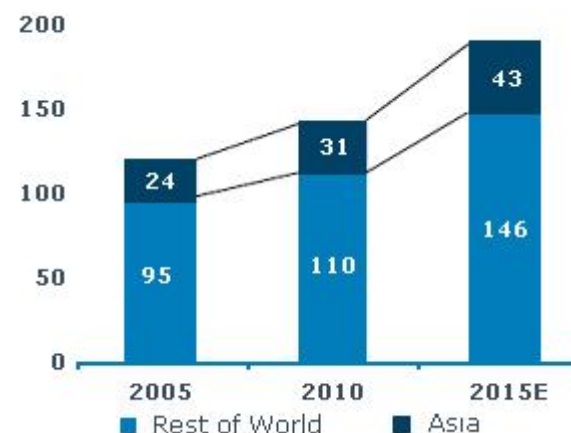


ASIA'S LIQUIDITY...HOW FAST IS IT GROWING?

> Key statistics on the Asian liquidity pool;

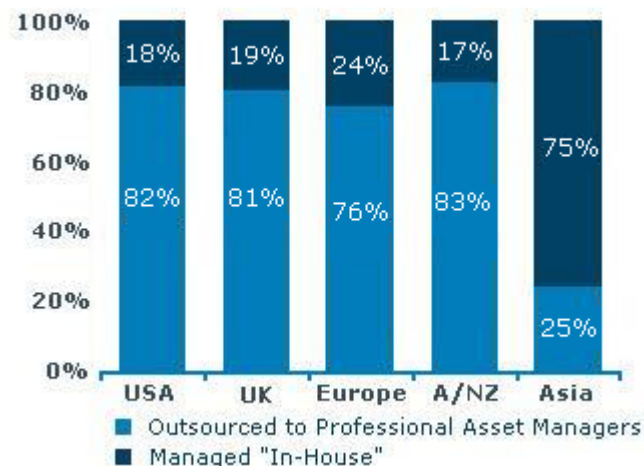
- In 2010, Global Asset Pool was US\$140 trillion
 - US\$30 trillion was located in Asia
- In 2010 only 25% of asset management is outsourced to professional managers in Asia, compared to 75% within Western nations
- Insurance and pension portfolios will represent around 50% of Asian fixed income assets by 2015
- Asian investors are expected to hold double their pre GFC holding of foreign corporate bonds by 2015
- Asia Pacific is home to six of the world's ten fastest growing high net worth populations

1. GLOBAL ASSET POOL (US\$ TN)¹



Source: Oliver Wyman proprietary data and analysis
 1 - Including both managed and non-managed assets

2. MANAGEMENT OF PENSION FUND AND INSURANCE PORTFOLIO ASSETS IN 2010²



Source: Oliver Wyman proprietary data and analysis
 2 - Across all asset classes; Retail "in-house" refers to unmanaged portions of retail assets



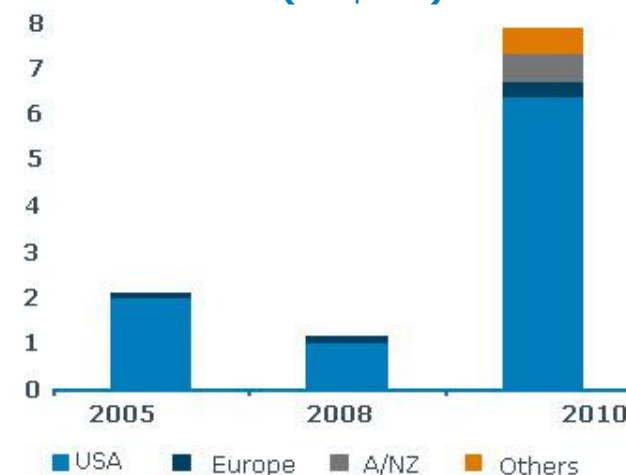
THE TRENDS THAT MATTER FOR AUSTRALIAN ISSUERS

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GLOBAL ISSUERS LOOKING TO ASIA

- > Forward thinking issuers are already accessing Asian capital markets;
 - non-Asian corporate issuance in the region grew 275% between 2005 and 2010
 - Australian Banks targeting senior unsecured funding in the region

1. OFFSHORE CORPORATE ISSUANCE IN ASIA BY ISSUER NATIONALITY (US\$ TN)



Source: Dealogic and Oliver Wyman proprietary data and analysis

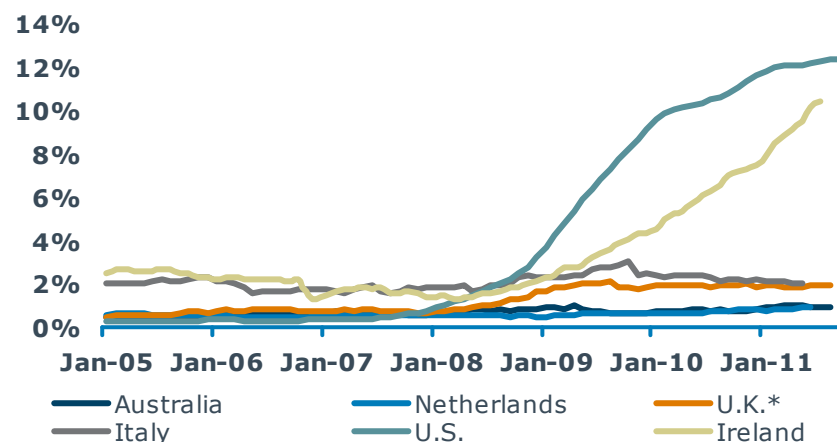
LONG TERM TRENDS WHICH ISSUERS SHOULD LOOK FOR INCLUDE;

- ✓ Asian based institutional investors replacing European Bank involvement in loan markets
- ✓ Growth in cross border investment as technology and systems develop
- ✓ Potential consolidation of major trading exchanges in Asia
- ✓ Global alignment of documentation standards
- ✓ Government support of local capital markets

GOING FORWARD - DIFFERENTIATING AUSTRALIAN SECURITISATION

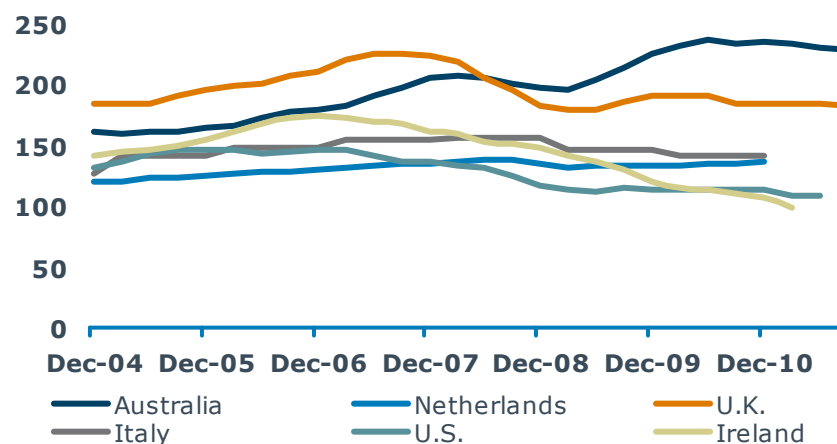
- > ANZ believes continued investor education to develop understanding of the product and collateral is essential
- > Fundamentals of Australian RMBS and ABS;
 - ✓ Low risk asset classes
 - ✓ Assessed using higher stress rates
 - ✓ Australian mortgage lending is full recourse
 - ✓ Strong performance of Australian housing market
 - ✓ High yielding nature of Australian RMBS and ABS
 - ✓ Continued government support of the Australian RMBS market
 - ✓ No "structured credit" trades

1. GLOBAL PRIME RMBS 60+ DAY ARREARS



Source: Fitch Ratings and Moody's
 * U.K. RMBS arrears data is for 90+ days delinquencies

2. GLOBAL HOME PRICE INDEXES



Source: Moody's
 Note that Home prices have normalised (Q1 2001=100) to allow comparison across countries



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