



ASF Evening Series April 2013

Guest Speaker: Meghan Quinn, General Manager,
Financial System Division, The Treasury

Panel Discussion: ABS – ‘A Quiet Achiever’

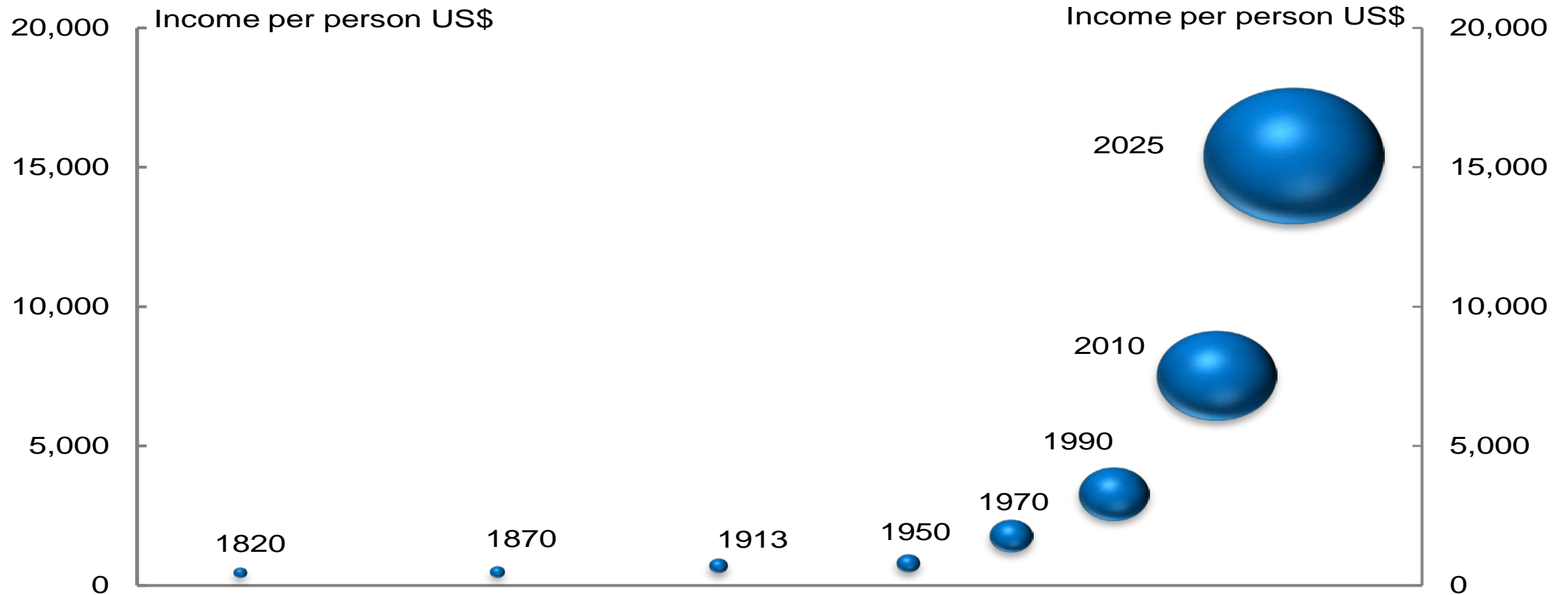


Australian Government
The Treasury

Australian Securitisation Forum April Evening Series

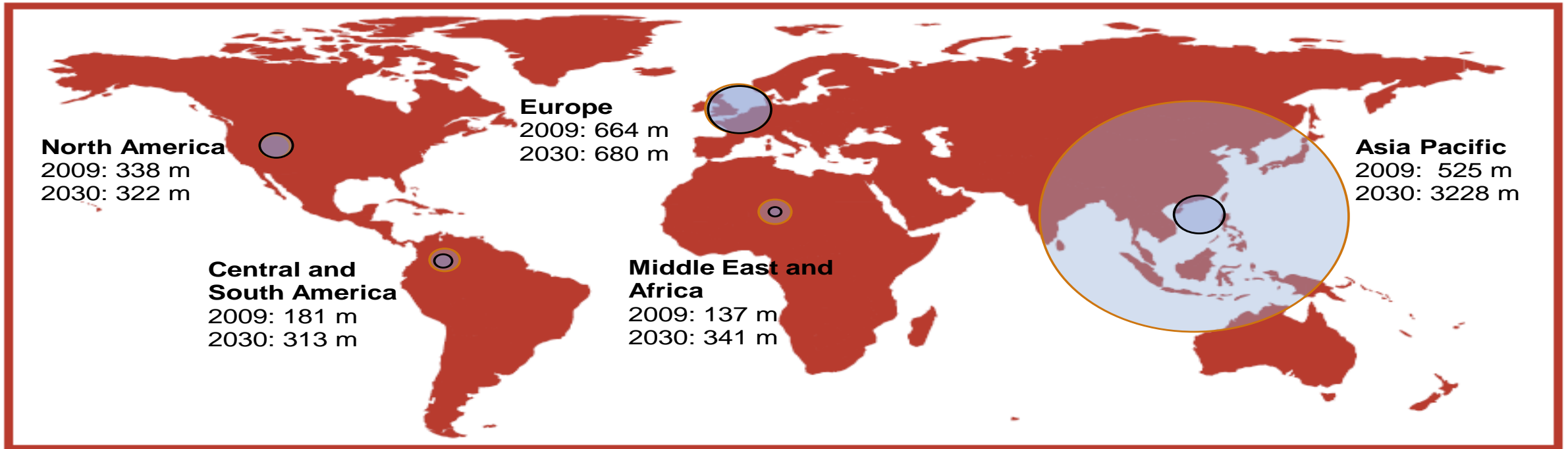
Meghan Quinn
General Manager, Financial System Division

Asia's economic rise



Note: The bubble area in Chart 1 reflects the size of GDP for Asia's economies, adjusted for purchasing power parity in 2011 prices (Maddison 2010, IMF 2012c, The Conference Board 2012 and Treasury projections).

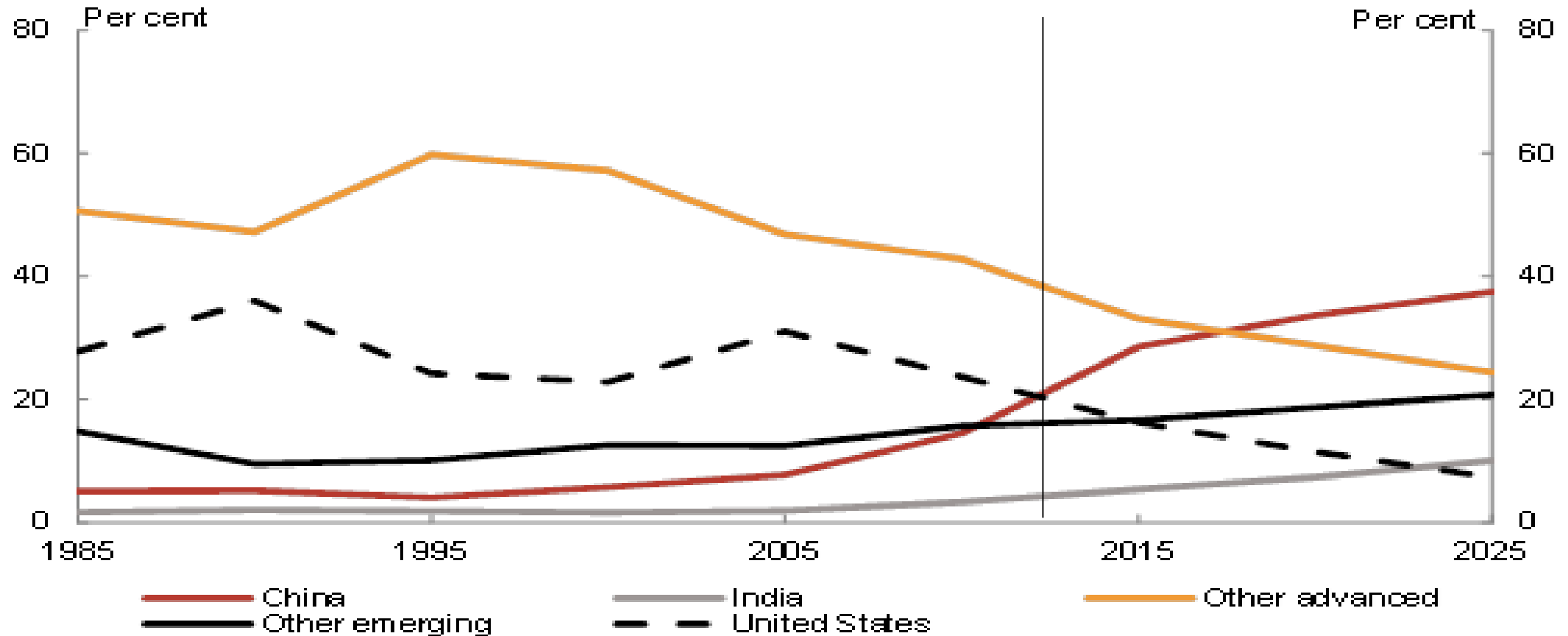
Growing consumer markets of Asia



Note: 'Middle class' is defined as those households with daily expenditures of between US\$10 and US\$100 per person. The black border circles and orange border circles depict the size of the middle-class population in 2009 and 2030 respectively.

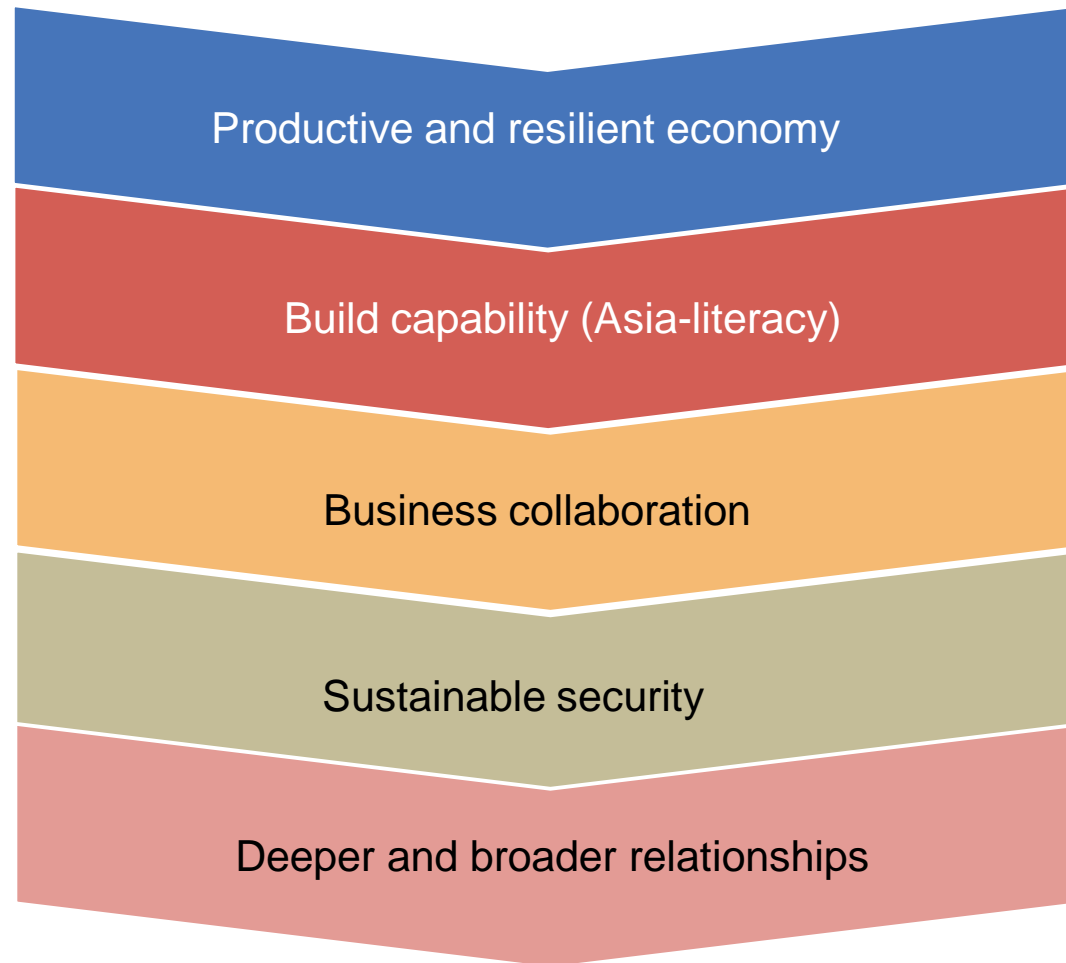
Source: Kharas & Gertz (2010).

Share of total saving in the G20



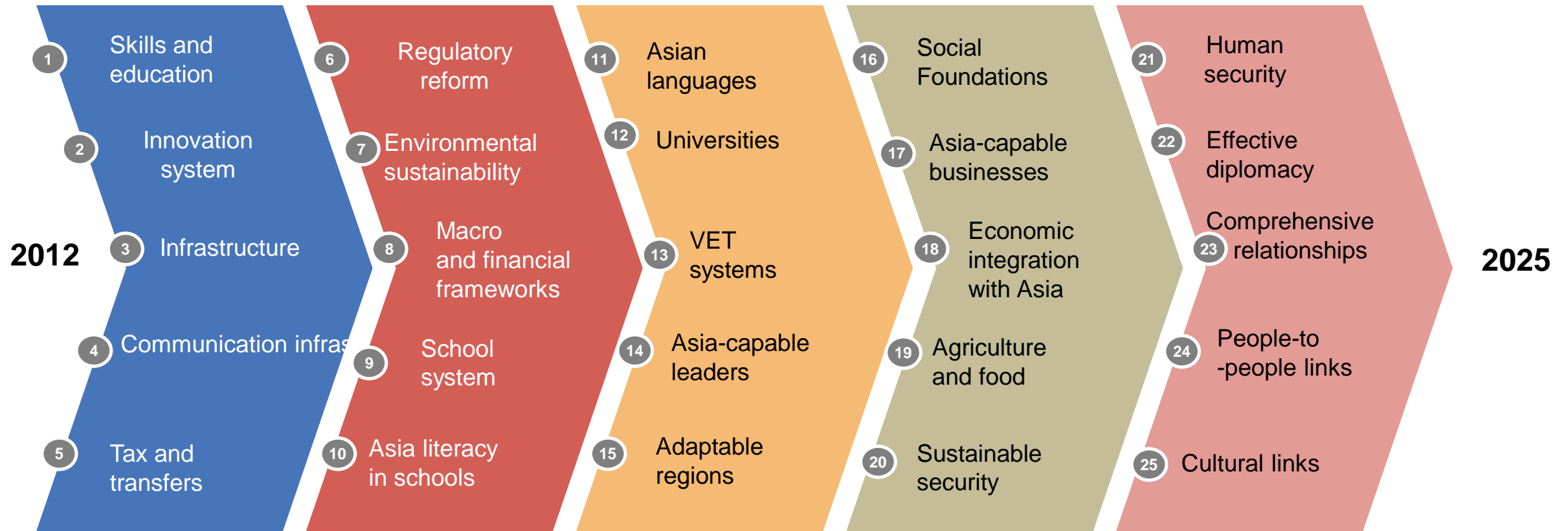
Source: Speller, Thwaites & Wright (2011).

Five national directions in White Paper



25 national objectives for 2025

Supported by 28 metrics and 133 policy pathways



Policy considerations for Australia's financial system

International
financial system





Panel Discussion: ABS – ‘A Quiet Achiever’

- Sarah Hofman, The Royal Bank of Scotland (Chair)
- Karolina Popic, Allen & Overy
- Gary Sly, ANZ
- Steven Mixter, Lloyds International
- Adrian Bentley, Macquarie Bank

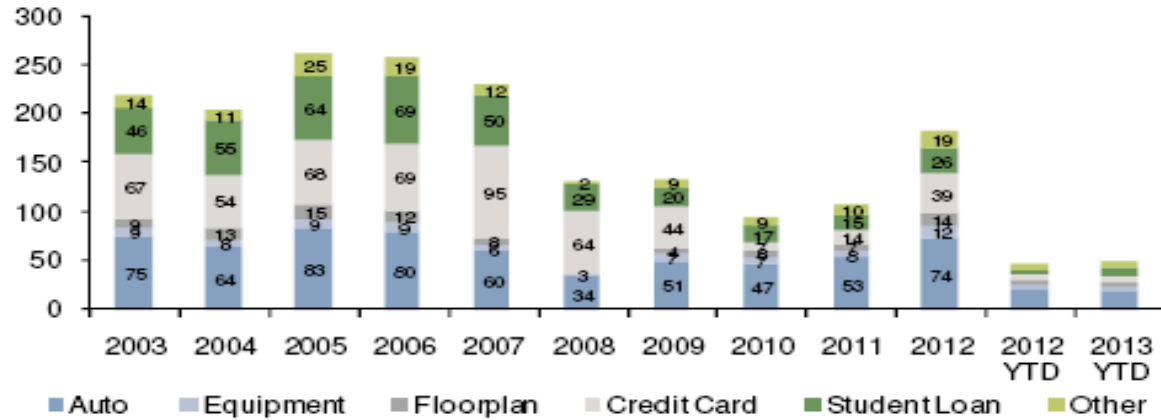
ABS – a Quiet Achiever



ASF Evening Series - 9 April 2013

US ABS Issuance

US ABS Issuance (US\$ bn)



Source: RBS, MCM/Informa Global Markets

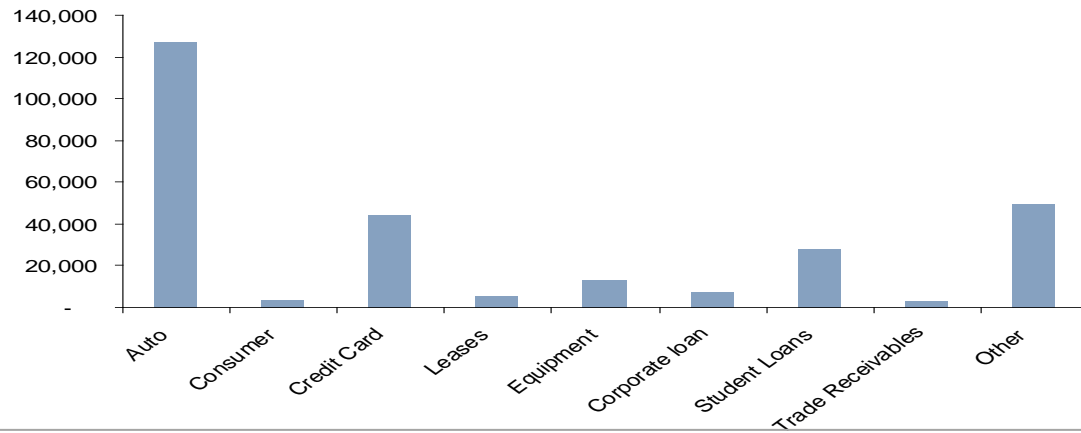
Summary By Asset Class (US\$ bn)

	2012	%	2013 YTD	%	% Change from 2012 YTD
Auto	74.25	40%	19.81	40%	-10%
Equipment	11.56	6%	3.91	8%	3%
Floorplan	13.96	8%	4.48	9%	-2%
Credit Card	39.50	21%	6.91	14%	26%
Student Loan	26.49	14%	7.63	16%	156%
Other	18.73	10%	6.23	13%	No Change
Total	184.49		48.97		

Source: RBS/ MCM/Informa Global Markets

Global ABS Issuance

2012 Global ABS Issuance (US\$ m)



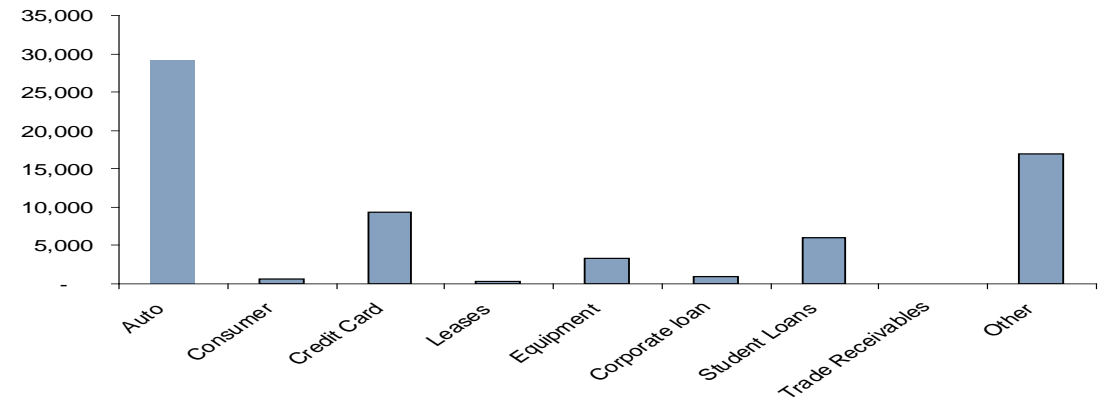
Source: Dealogic

Summary By Asset Class (US\$ m)

Class	2012	%	2013	%
Auto	127,364	45%	29,000	10%
Consumer	3,592	1%	875	0%
Credit Card	44,631	16%	416	0%
Leases	5,788	2%	719	0%
Equipment	13,064	5%	1,635	1%
Corporate loan	7,301	3%	9,326	3%
Student Loans	27,879	10%	328	0%
Trade Receivables	3,335	1%		0%
Other	49,714	18%	98,424	35%
Total	282,668		140,721	

Source: Dealogic

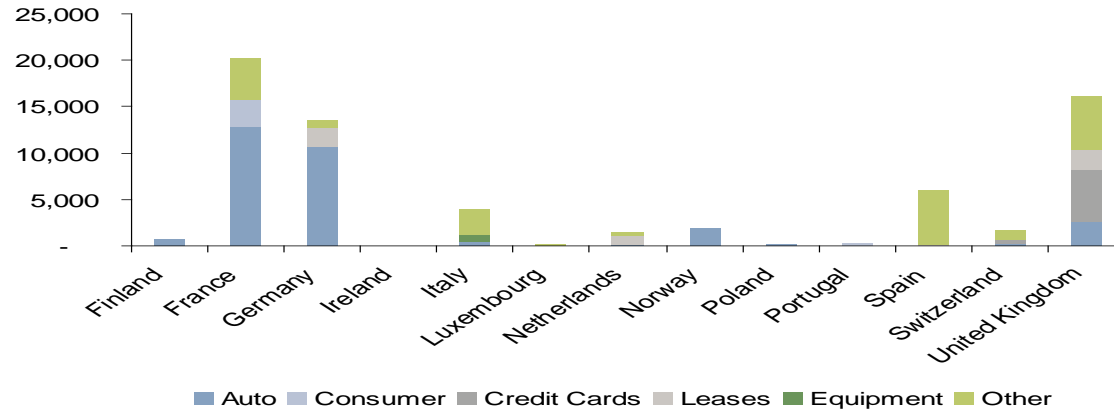
2013 Global ABS Issuance (US\$ m)



Source: Dealogic

EMEA ABS Issuance

2012 EMEA ABS Issuance (US\$ m)



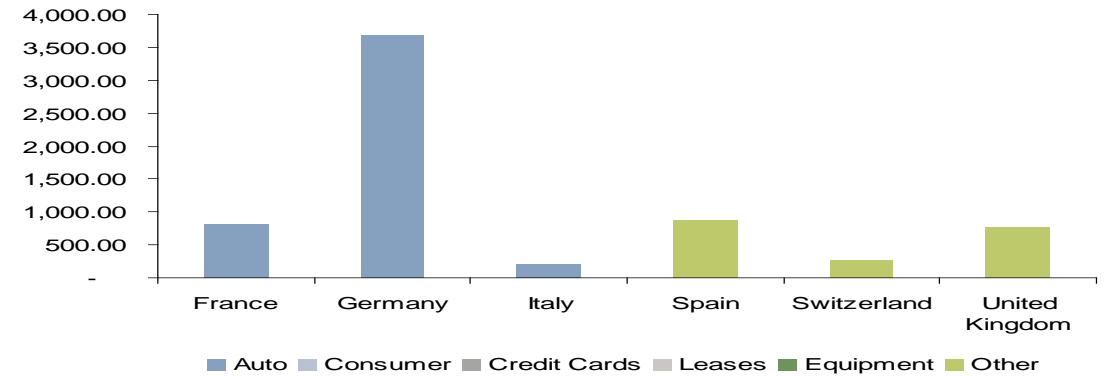
Source: Dealogic

Summary By Asset Class (US\$ m)

Country	2012	%	2013 YTD	%
Auto	29,576.30	45%	4,688.55	71%
Consumer	3,204.63	5%	-	0%
Credit Card	6,066.98	9%	-	0%
Leases	4,990.47	8%	-	0%
Equipment	752.15	1%	-	0%
Other	21,268.64	32%	1,917.77	29%
Total	65,859.18		6,606.32	

Source: Dealogic

2013 EMEA ABS Issuance (US\$ m)



Source: Dealogic

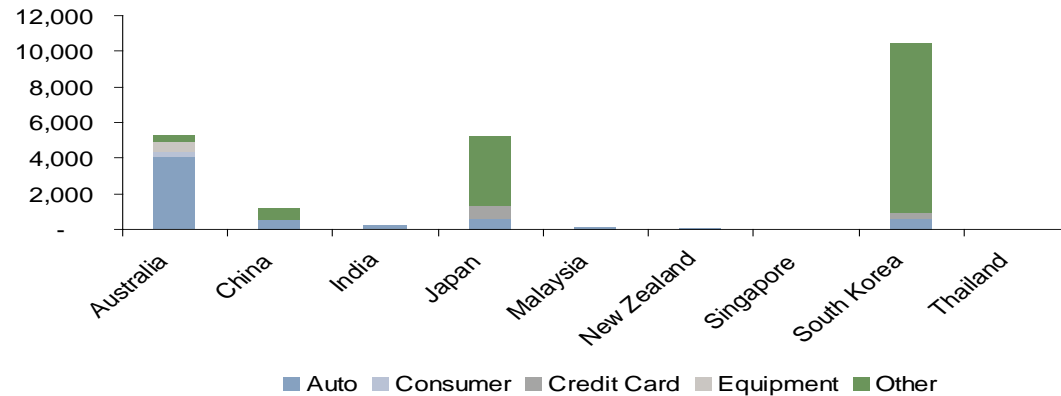
Summary By Country (US\$ m)

Country	2012	%	2013 YTD	%
Finland	635	1%	-	0%
France	20,106	31%	813	12%
Germany	13,504	21%	3,679	56%
Ireland	-	0%	-	0%
Italy	3,924	6%	197	3%
Luxembourg	149	0%	-	0%
Netherlands	1,426	2%	-	0%
Norway	1,881	3%	-	0%
Poland	167	0%	-	0%
Portugal	278	0%	-	0%
Spain	6,070	9%	875	13%
Switzerland	1,683	3%	270	4%
United Kingdom	16,036	24%	773	12%
Total	65,859		6,606	

Source: Dealogic

Asia Pacific ABS Issuance

2012 Asia Pacific ABS Issuance (US\$ m)



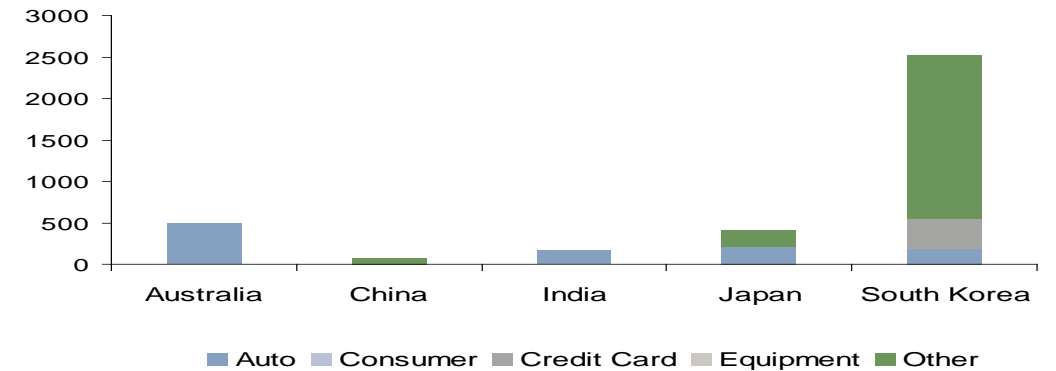
Source: Dealogic

Summary By Asset Class (US\$ m)

Class	2012	%	2013 YTD	%
Auto	6,155.38	27%	1,061.10	29%
Consumer	267.13	1%	-	0%
Credit Card	1,128.34	5%	369.81	10%
Equipment	518.81	2%	-	0%
Other	14,483.45	64%	2,249.73	61%
Total	22,553.11		3,680.64	

Source: Dealogic

2013 Asia Pacific ABS Issuance (US\$ m)



Source: Dealogic

Summary By Country (US\$ m)

Country	2012	%	2013 YTD	%
Australia	5,300	24%	500	13%
China	1,156	5%	80	2%
India	233	1%	169	4%
Japan	5,165	23%	408	11%
Malaysia	160	1%	-	0%
New Zealand	78	0%	-	0%
Singapore	-	0%	-	0%
South Korea	10,439	46%	2,685	70%
Thailand	22	0%	-	0%
Total	22,553		3,841	

Source: Dealogic



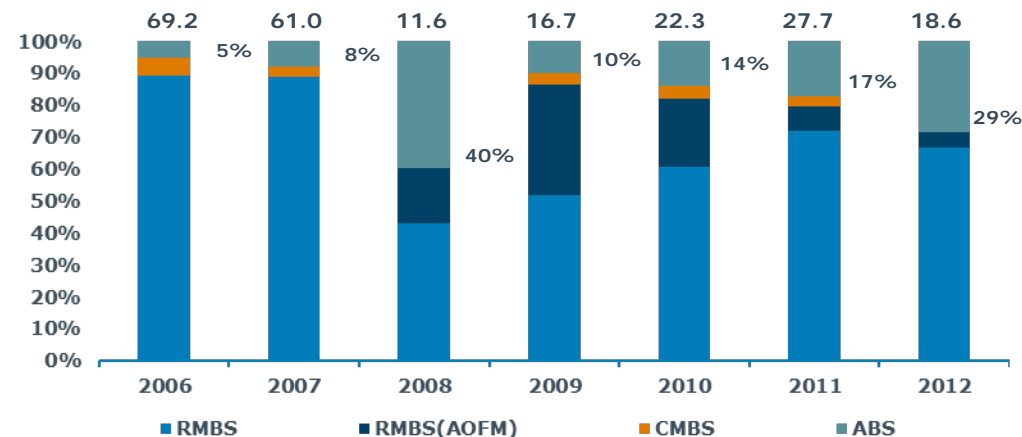
ASF Evening Series April 2013



ISSUANCE TRENDS – ABS & RMBS DIVERGE

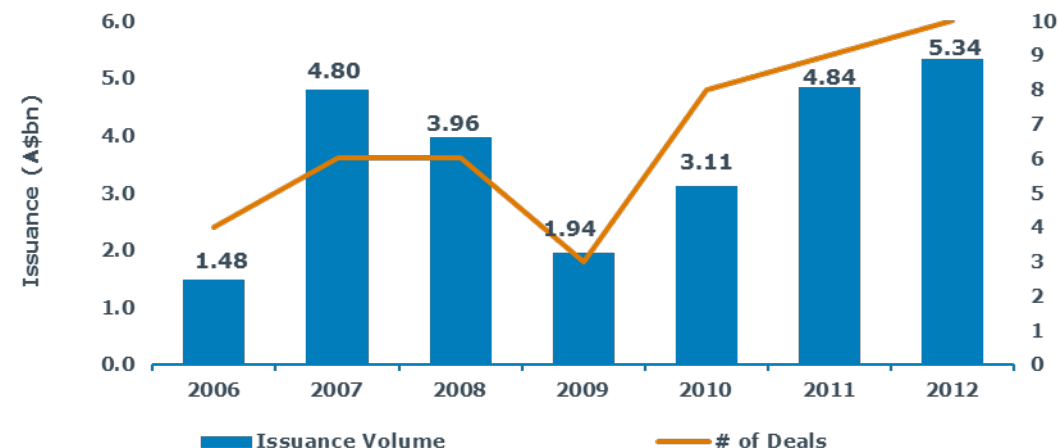
- > Volume peaked in 2006. \$27.7b best since
- > Key driver - reduced liquidity
- > ABS a bright spot (2012 29%, < 10% pre GFC)
- > A smaller sub set but consistent growth
- > Primarily real money demand (no AOFM)
- > In light of these factors – ‘true’ price discovery
- > RMBS CPRs have slowed, ABS remains consistent
- > Legal maturities, 30-years vs. 5-years
- > 2012 the second consecutive record year:
 - A\$5.3b vs. A\$4.8b in 2007 & 2011
 - 10 issues (previous high 9, 2011)

1. PUBLIC SECURITISATION ISSUANCE



Source: ANZ Global Markets, KangaNews and Bloomberg

2. STRONG AUSTRALIAN ABS ISSUANCE POST GFC

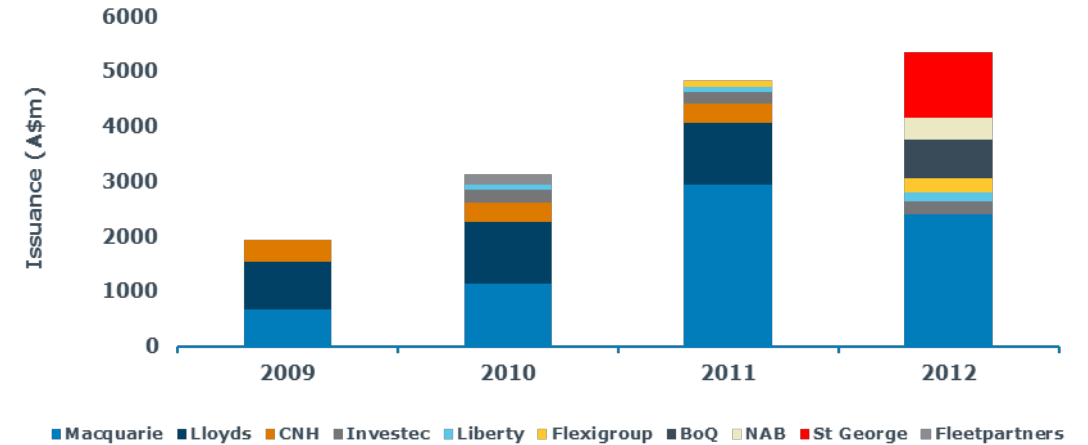


Source: Moodys & ANZ Global Markets, KangaNews and Bloomberg

WHO ISSUES TO WHO AND HOW?

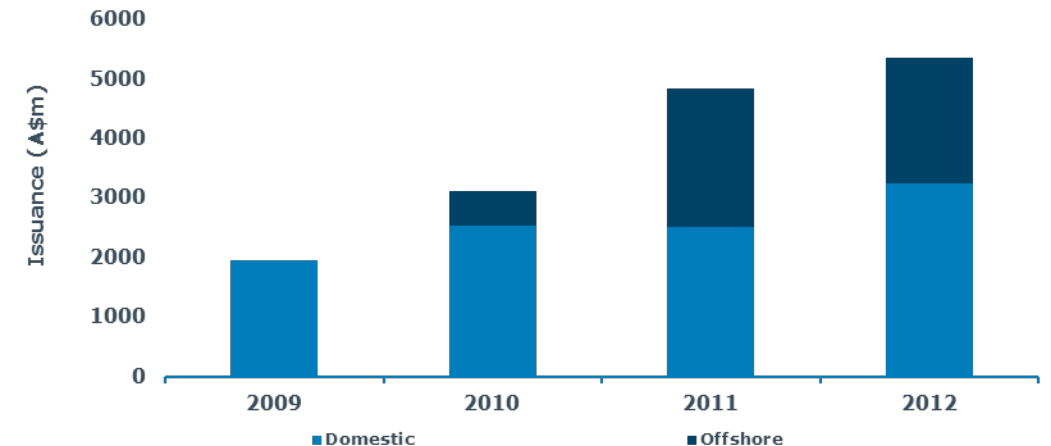
- > Issuers ADIs, specialised finance companies
- > Through GFC ABS, repeat and debut issues
- > Investor appeal – diversification and yield
- > Smaller investor “universe”
- > ‘Senior/sub’ tranching, bands based on loss multiples
- > Deals fully tranching but typically only AAA offered
- > Peculiarities of the Australian ABS market include:
 - few auto captive finance issuers
 - distinct P & I waterfalls (opposed to discounting)
 - priced wider than RMBS
- > Recently, increased offshore issuance:
 - USD deals, 144A & Reg AB formats (Mac Leasing)
 - GBP tranches, (BoQ, Capital Finance, Mac Leasing)
- > Ccy swaps costs more manageable

1. AUSTRALIAN ABS ISSUANCE BY ISSUER



Source: ANZ Global Markets, Bloomberg and KangaNews

2. OFFSHORE ABS - A RECENT MARKET FEATURE









Source: ANZ Global Markets, Bloomberg and KangaNews




OVERVIEW OF PRIME AUSTRALIAN ABS ISSUERS

18

1. ADI ISSUERS

SPONSOR						
Programme Name	SMART	REDS EHP	BELLA	Crusade ABS	Impala	National ABS
Sponsor	Macquarie Leasing	BoQ	Capital Finance	St George	Investec Professional Finance	NAB
Collateral	Auto and Equipment	Auto and Equipment	Auto	Auto & Professional Equipment	Auto & Professional Equipment	Auto & Professional Equipment
# of Public Issues	18	7	5	4	3	1
Total Public Issuance	A\$12.6bn	A\$3.9bn	A\$3.1bn	A\$3.3bn	A\$0.7b	A\$0.4b

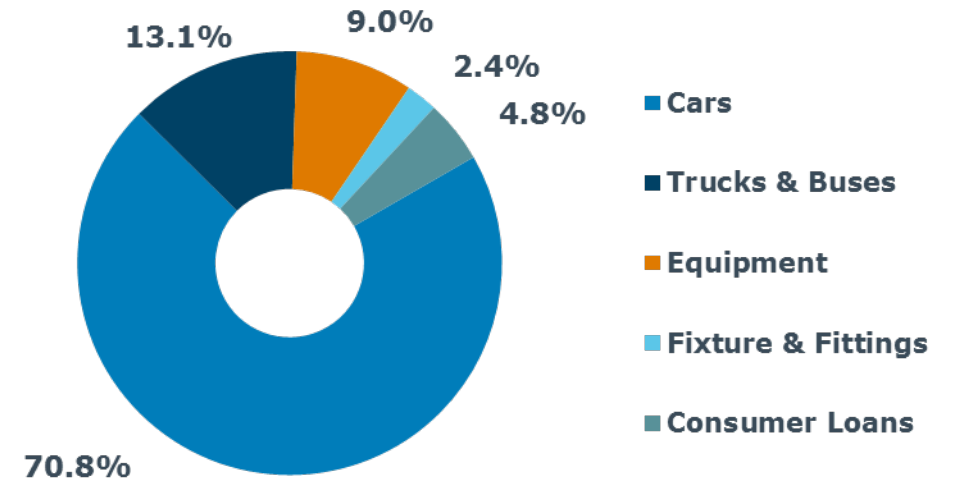
2. NON BANK ISSUERS

SPONSOR			
Programme Name	CNH	Flexi ABS	FP Turbo
Sponsor	CNH Capital Australia	Certegy Ezi-Pay	FleetPartners
Collateral	Agricultural Equipment	Consumer Loans	Auto
# of Public Issues	7	2	1
Total Public Issuance	A\$3.0bn	A\$0.4b	A\$0.2b

MORE DIVERSIFIED SINCE GFC

- > Like US and European, dominated by autos
- > Mix has changed since 2007
- > Other asset classes include:
 - Agricultural & Construction Equipment
 - Specialised Professional Equipment
 - Office Equipment
 - Fixture and Fittings
 - Consumer Loans

1. ASSET CLASS BREAKDOWN IN 2012 PUBLIC ABS



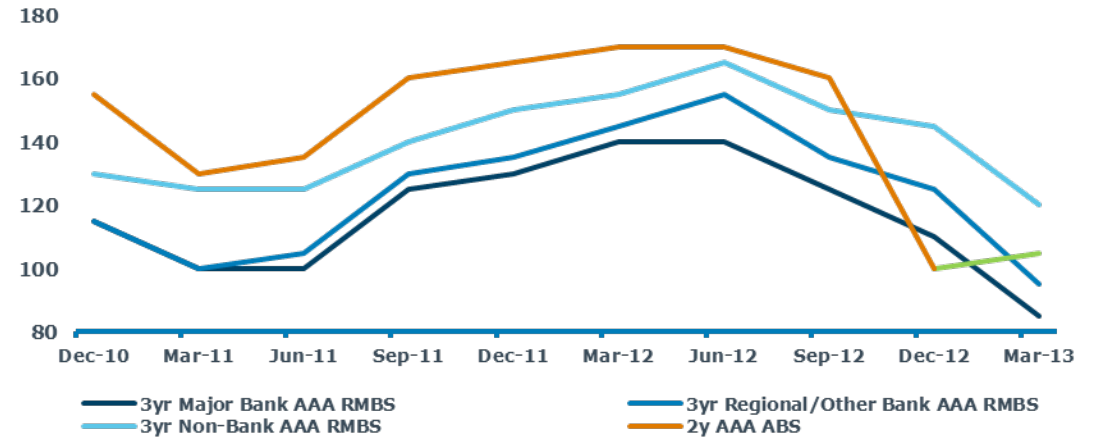
Source: ANZ Global Markets, S&P, Fitch, Moodys and ABS Perpetual



RELATIVE TO RMBS?

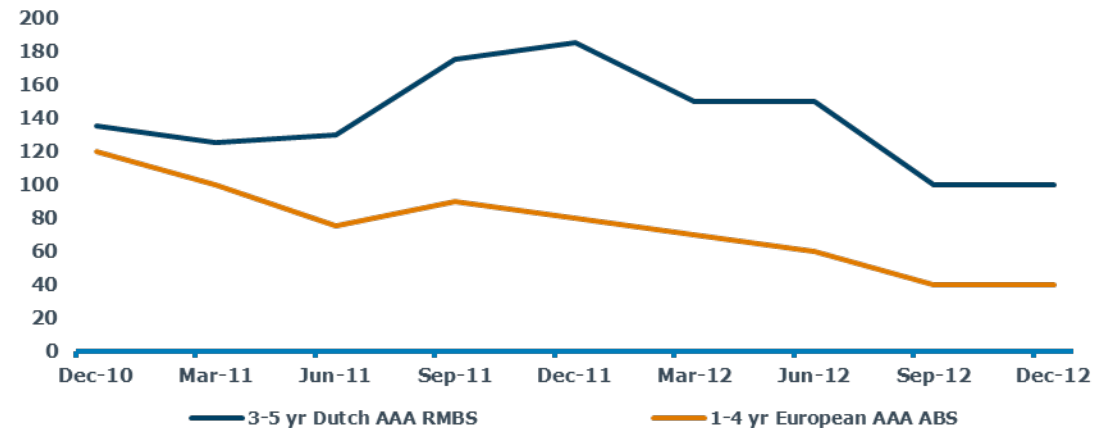
- > Despite ABS growth, RMBS remains dominant
- > Investor bias - very familiar with RMBS
- > RMBS the resultant benchmark for pricing ABS
- > Historically, wider than RMBS (contrast Europe)
- > Despite:
 - little extension risk
 - short legal maturities
 - less criteria (ratings) uncertainty
- > Benchmarks dislocated in Dec 2012 by Crusade
- > 2013 dynamics yet to crystallise, factors:
 - No domestic issuance to date
 - Spread compression for RMBS benchmark
 - Consistent offshore demand

1. AUSTRALIAN SECURITISATION PRICING



Source: ANZ Global Markets and Bloomberg N.B. Implied pricing where primary pricing point unavailable

2. EUROPEAN ABS PRICES INSIDE RMBS



Source: AFME Securitisation Report Q4 2012



ASF Evening Series April 2013

