



AUSTRALIAN SECURITISATION FORUM

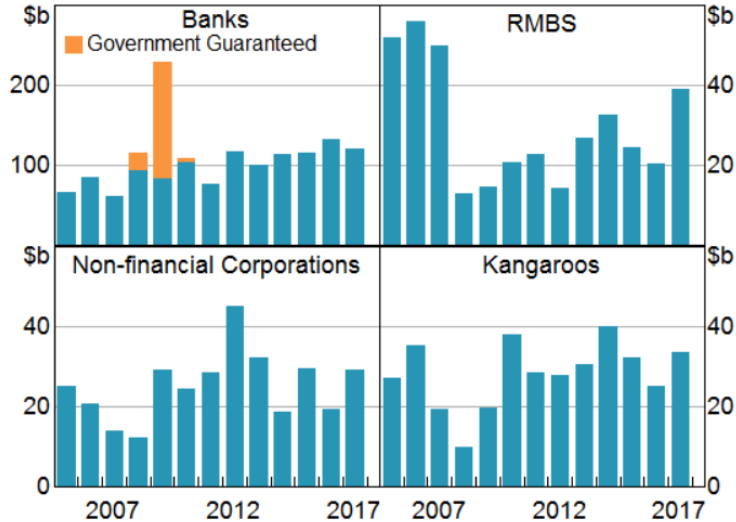
Australian Market Review and Outlook

Ken Hanton May 2018

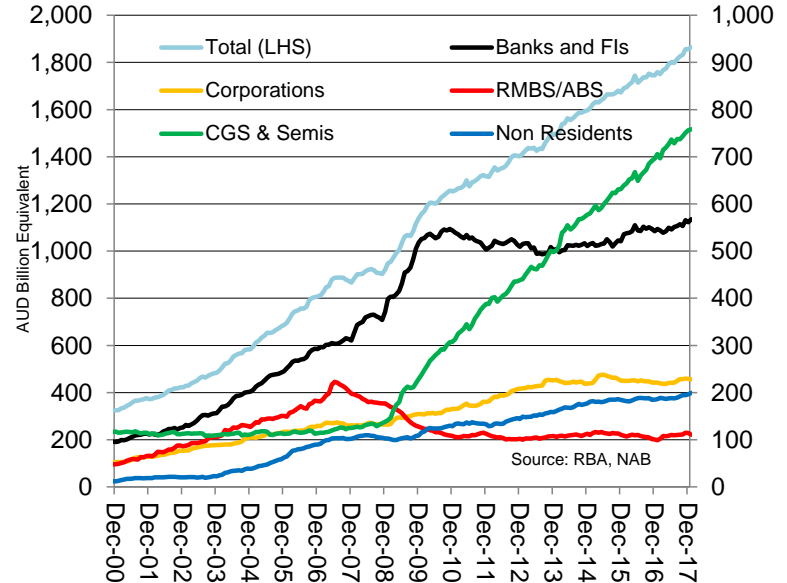
Australian Bond Market

Australian Bond Issuance

By issuer type

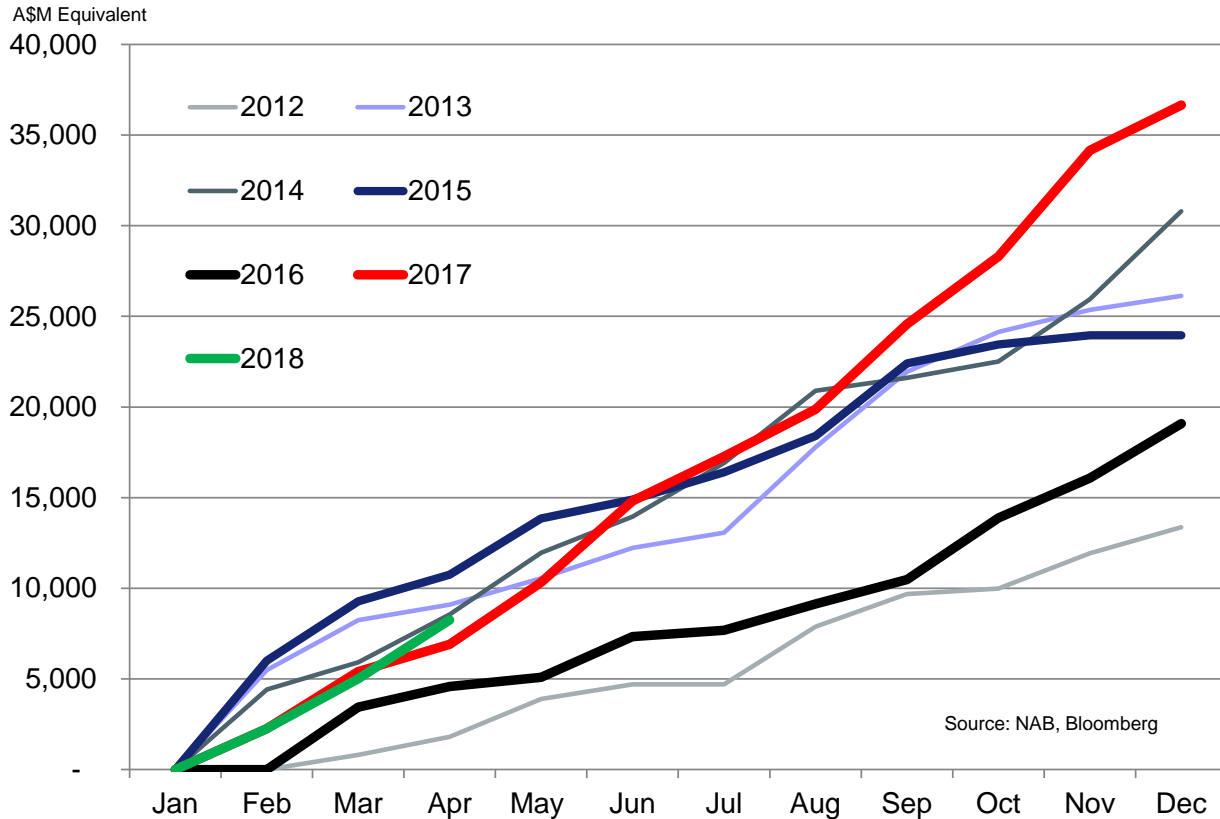


Bonds on Issue Domestically and Offshore

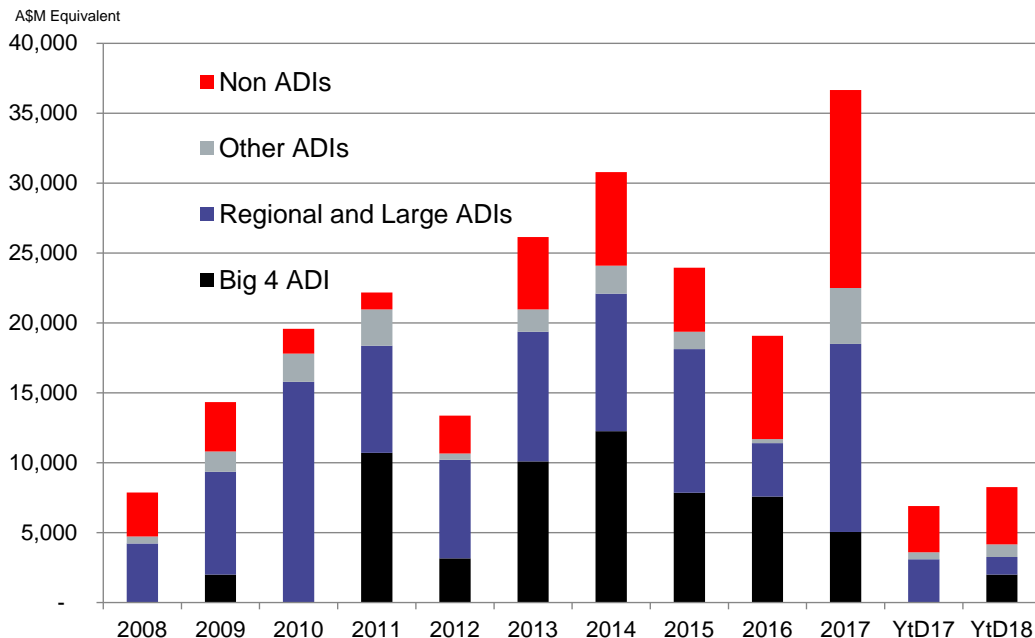


Source: Australian Fixed Income Securities in a Low Rate World.
 Christopher Kent, RBA, Assistant Governor (Financial Markets)
 14 March 2018

Australian Collateral-Backed RMBS Issuance



Australian Collateral-Backed RMBS Issuance

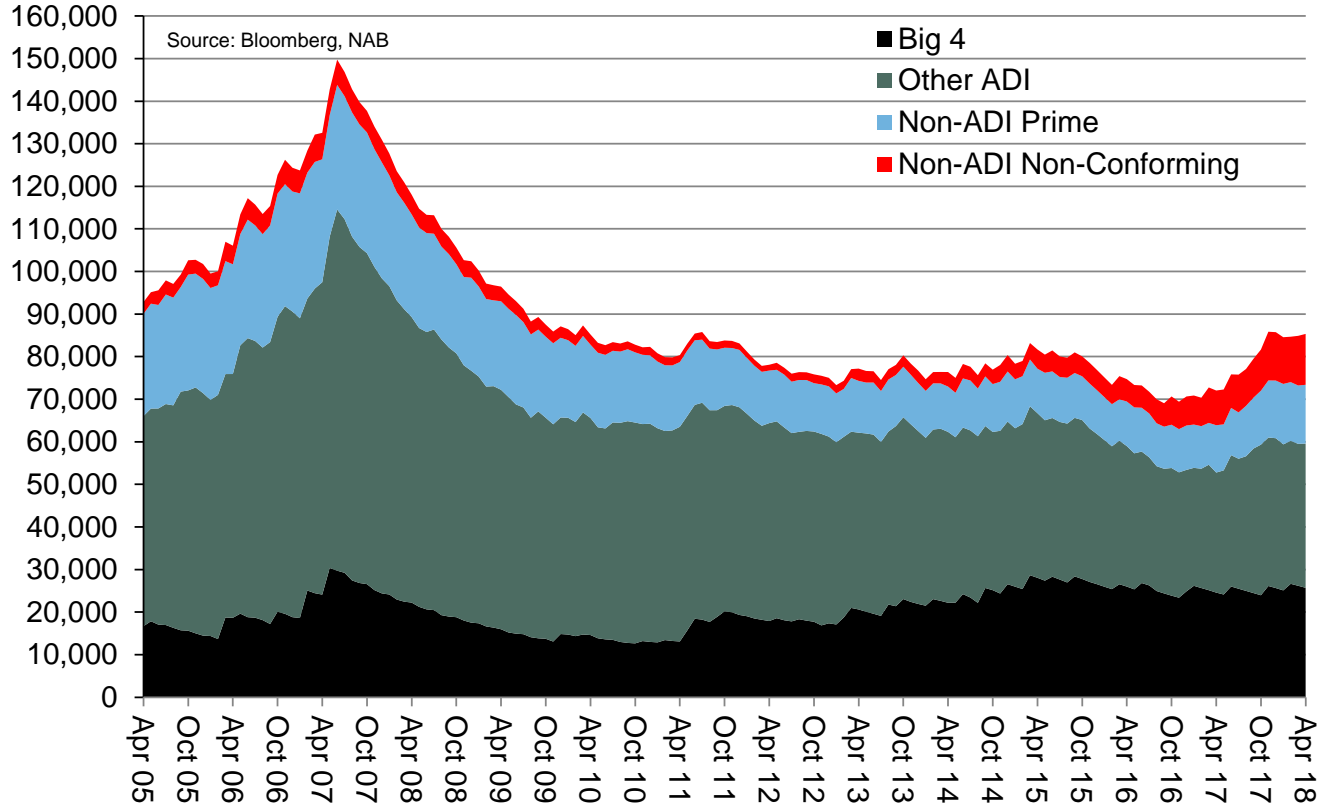


Source: NAB, Bloomberg

RMBS	2014	2015	2016	2017	Ytd 18
Big 4	12,261	7,850	7,575	5,050	2,000
Regional and Large	9,830	10,274	3,820	13,451	1,250
Other	1,999	1,250	300	4,000	900
<i>ADI RMBS</i>	<i>24,090</i>	<i>19,374</i>	<i>11,695</i>	<i>22,501</i>	<i>4,150</i>
Non ADI	6,702	4,575	7,387	14,154	4,100
Total	30,792	23,949	19,082	36,655	8,250

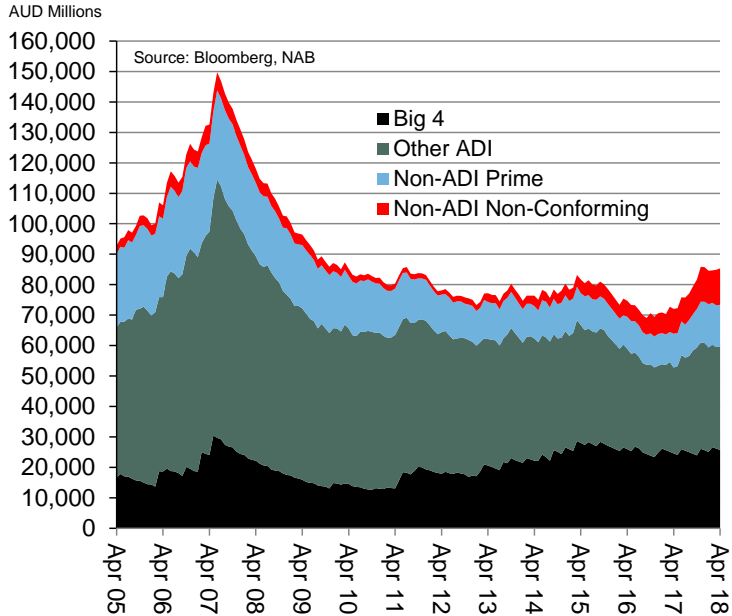
Australian Collateral-Backed RMBS Market Outstandings (Excludes Internal Securitisations)

AUD Millions

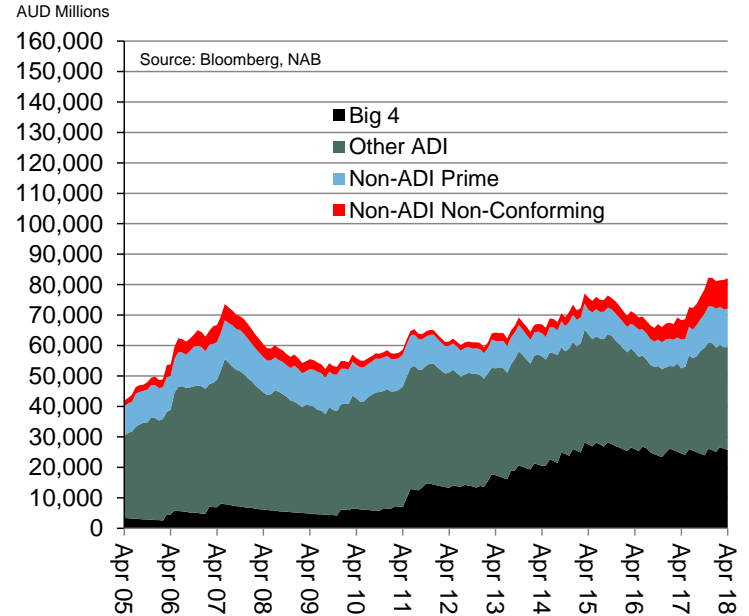


Australian Collateral-Backed RMBS Market Outstandings (Excludes Internal Securitisations)

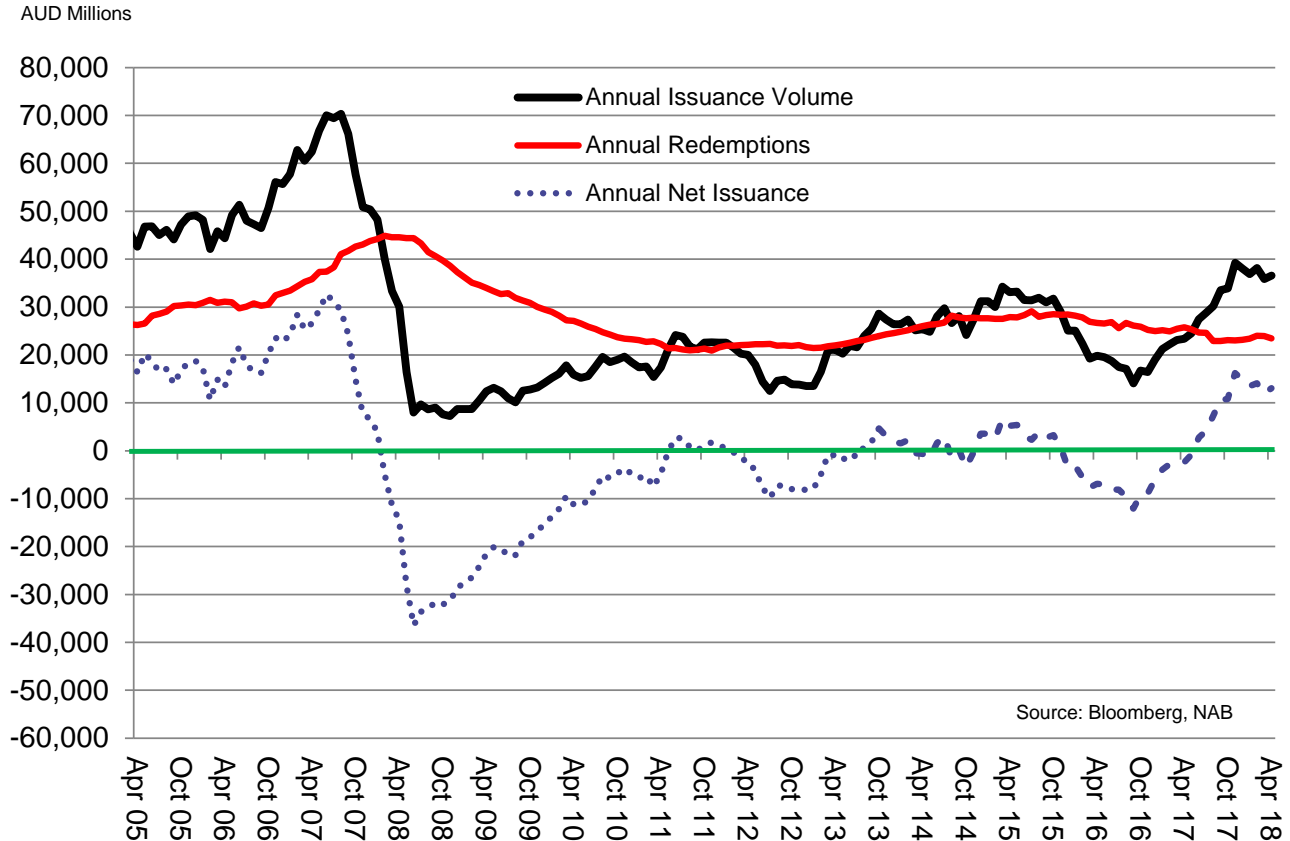
Total Market Outstandings



AUD Only Outstandings

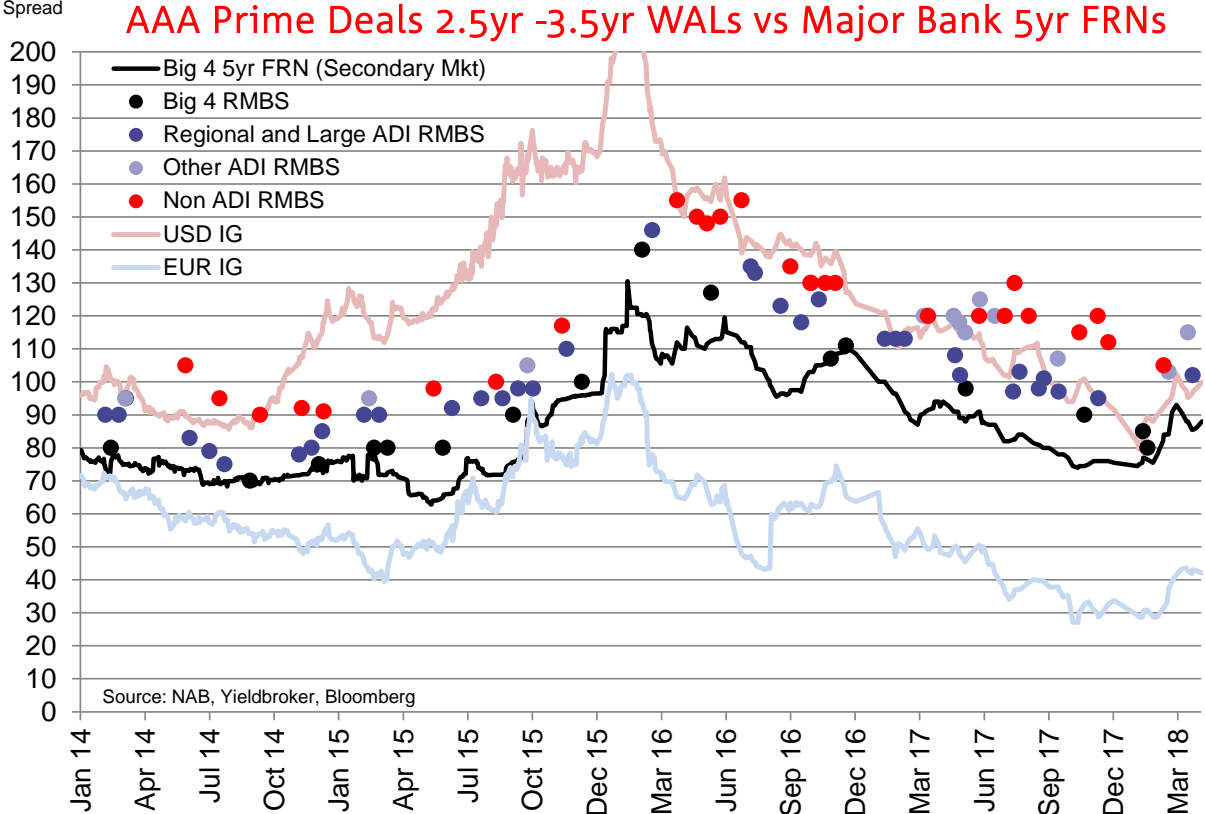


Australian Collateral-Backed RMBS – Net Market Issuance (Excludes Internal Securitisations)



Australian Collateral-Backed RMBS – Pricing

Australian Collateral Backed RMBS Primary Market Pricing
 AAA Prime Deals 2.5yr -3.5yr WALs vs Major Bank 5yr FRNs

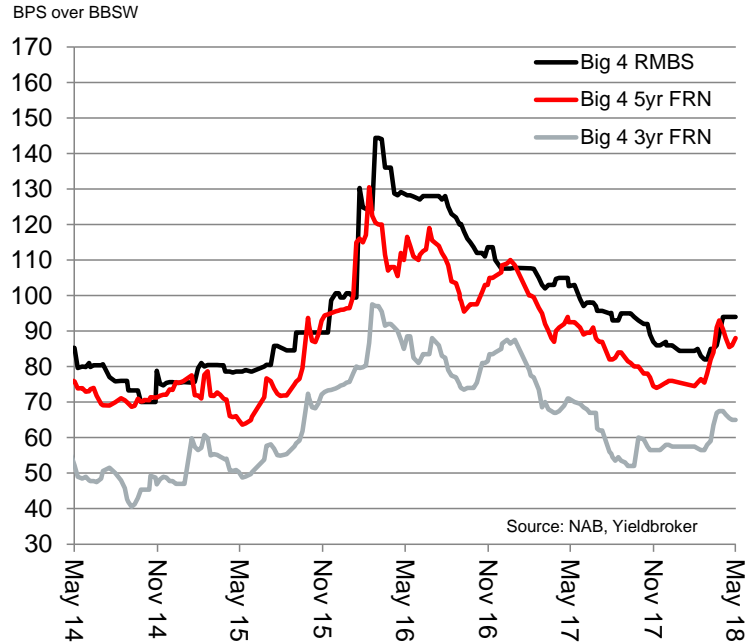
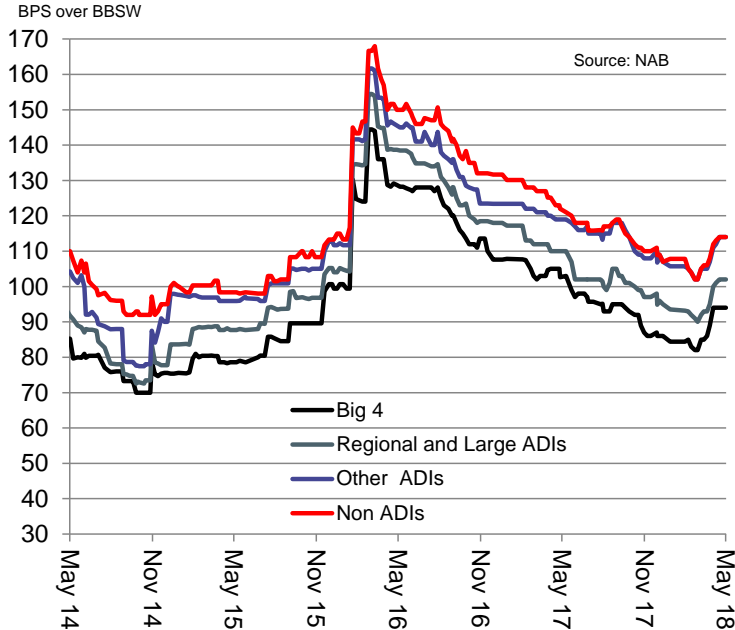


Source: NAB, Yieldbroker, Bloomberg



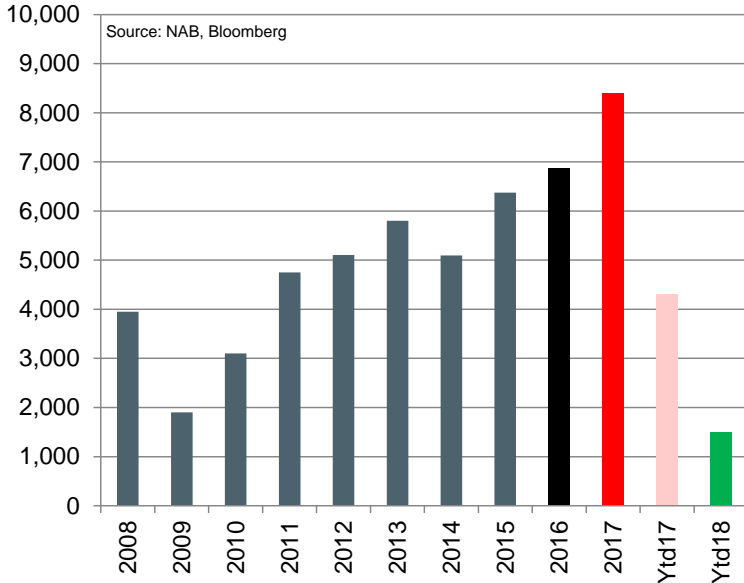
Australian Collateral-Backed RMBS – Secondary Market Pricing

(Prime AAA rated notes 2.5yr -3.5yr WALs)

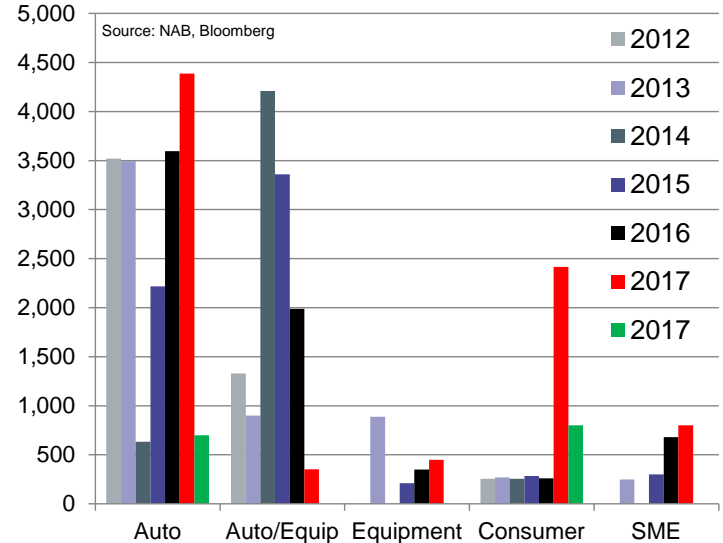


Australian Collateral-Backed ABS Issuance

A\$M Equiv

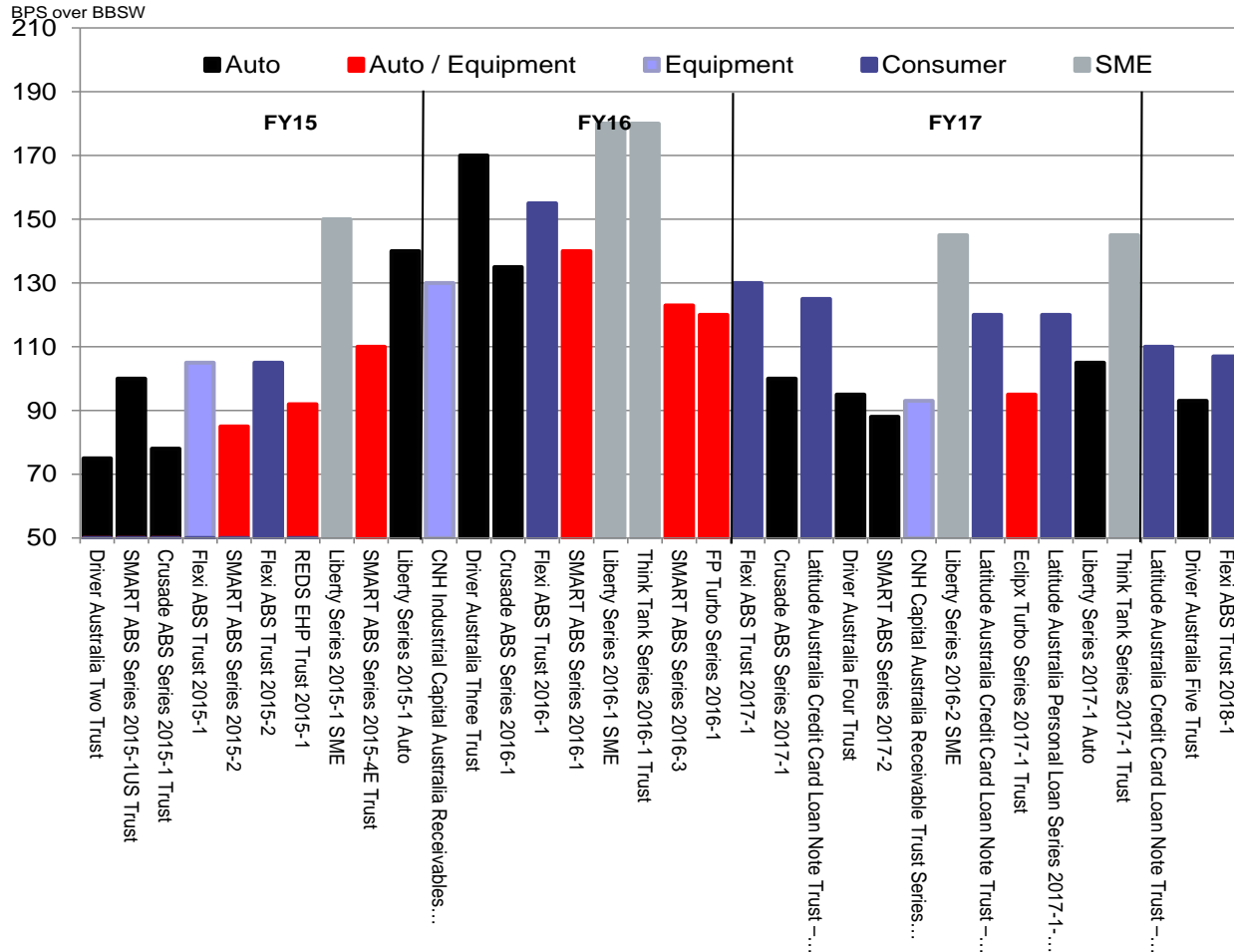


A\$M Equiv



	2012	2013	2014	2015	2016	2017	2018 Ytd
Auto	3,521	3,495	633	2,218	3,596	4,387	699
Auto/Equip	1,330	900	4,209	3,359	1,987	352	-
Equipment	-	888	-	210	350	450	-
Consumer	255	270	255	285	260	2,416	800
SME	-	250	-	300	680	800	-
Total	5,106	5,803	5,097	6,372	6,873	8,404	1,499

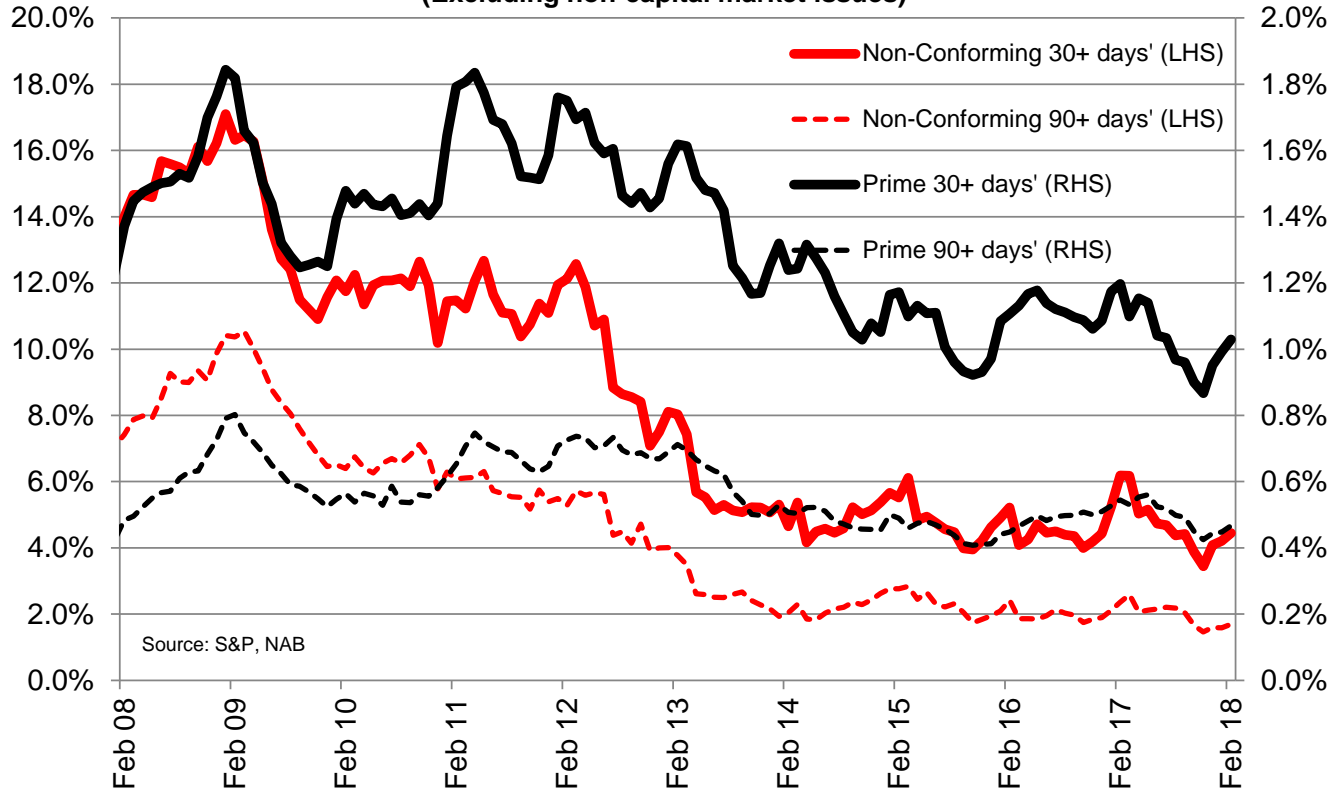
ABS Pricing – Senior AAA Rated Tranches – Primary Market



Australian Collateral-Backed RMBS – Arrears

S&P Australian RMBS Arrears

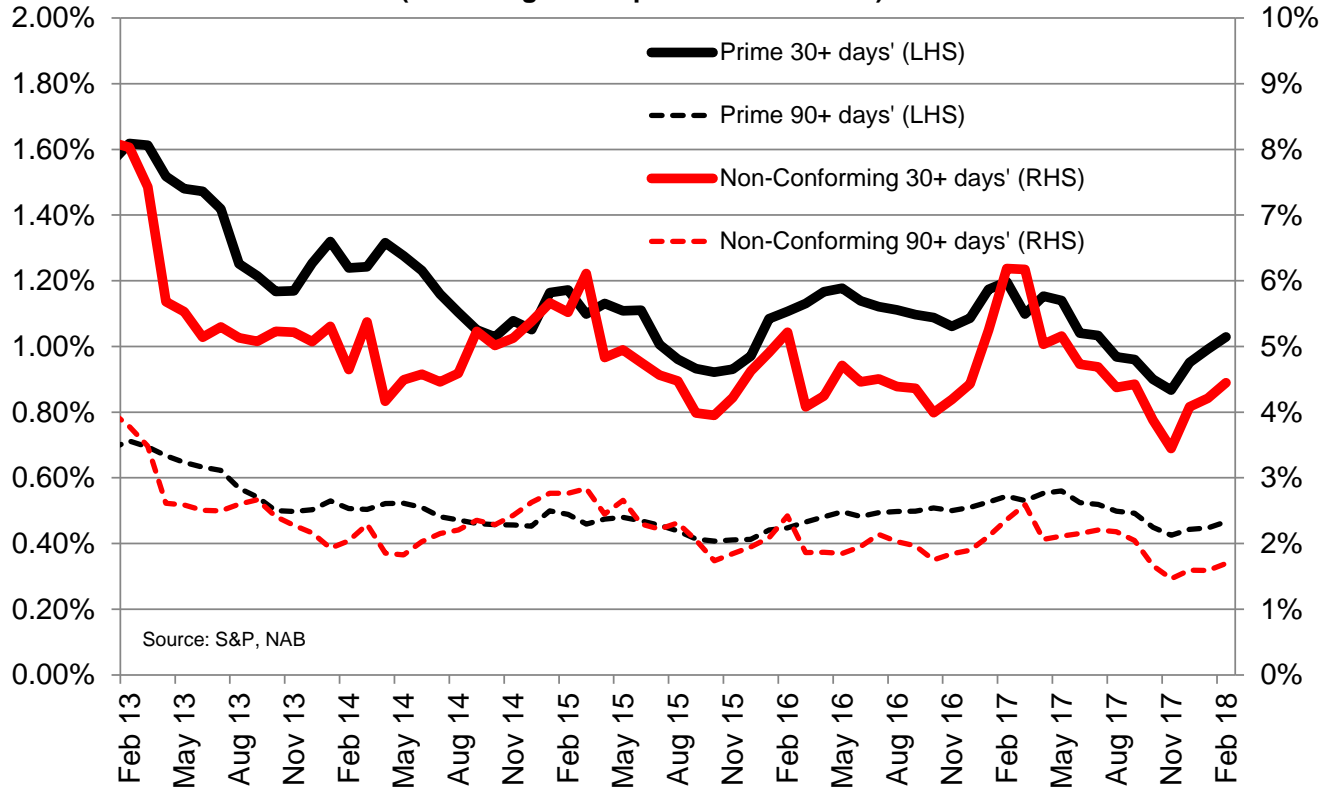
(Excluding non-capital market issues)



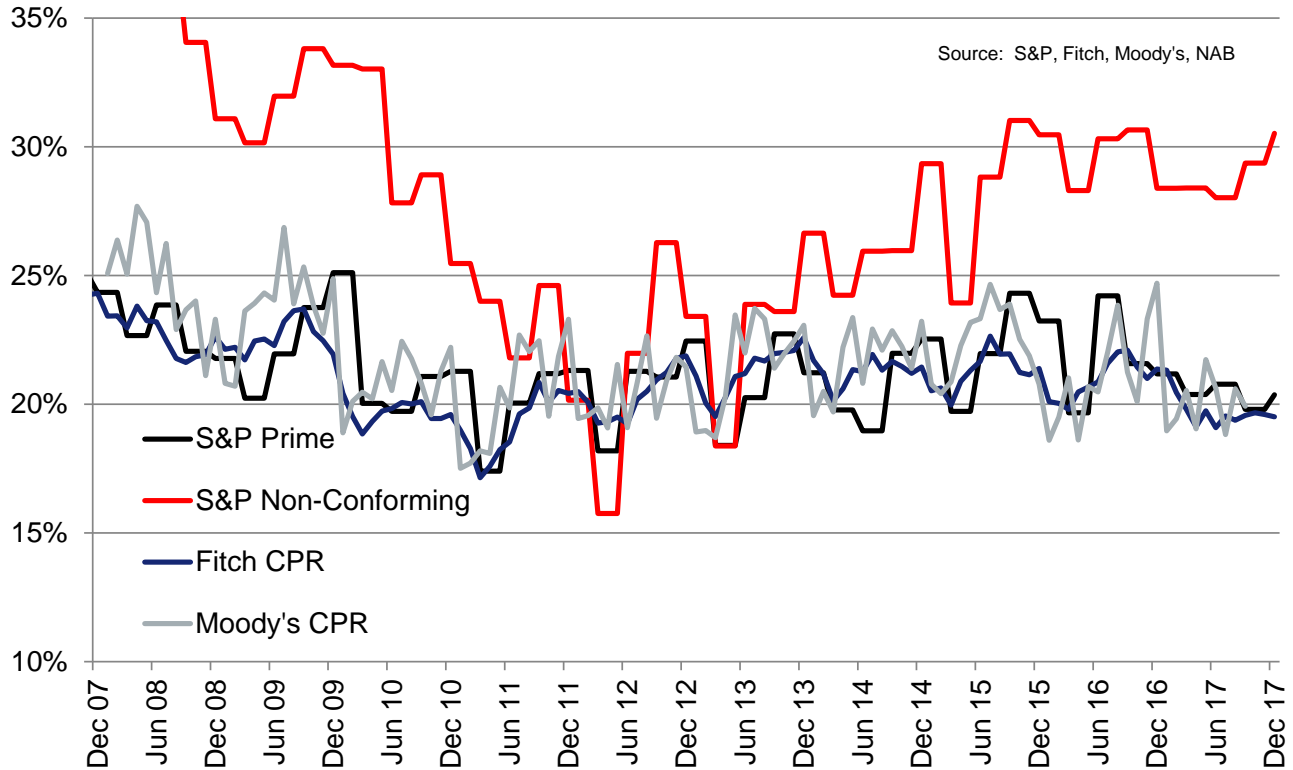
Australian Collateral-Backed RMBS – Arrears

S&P Australian RMBS Arrears

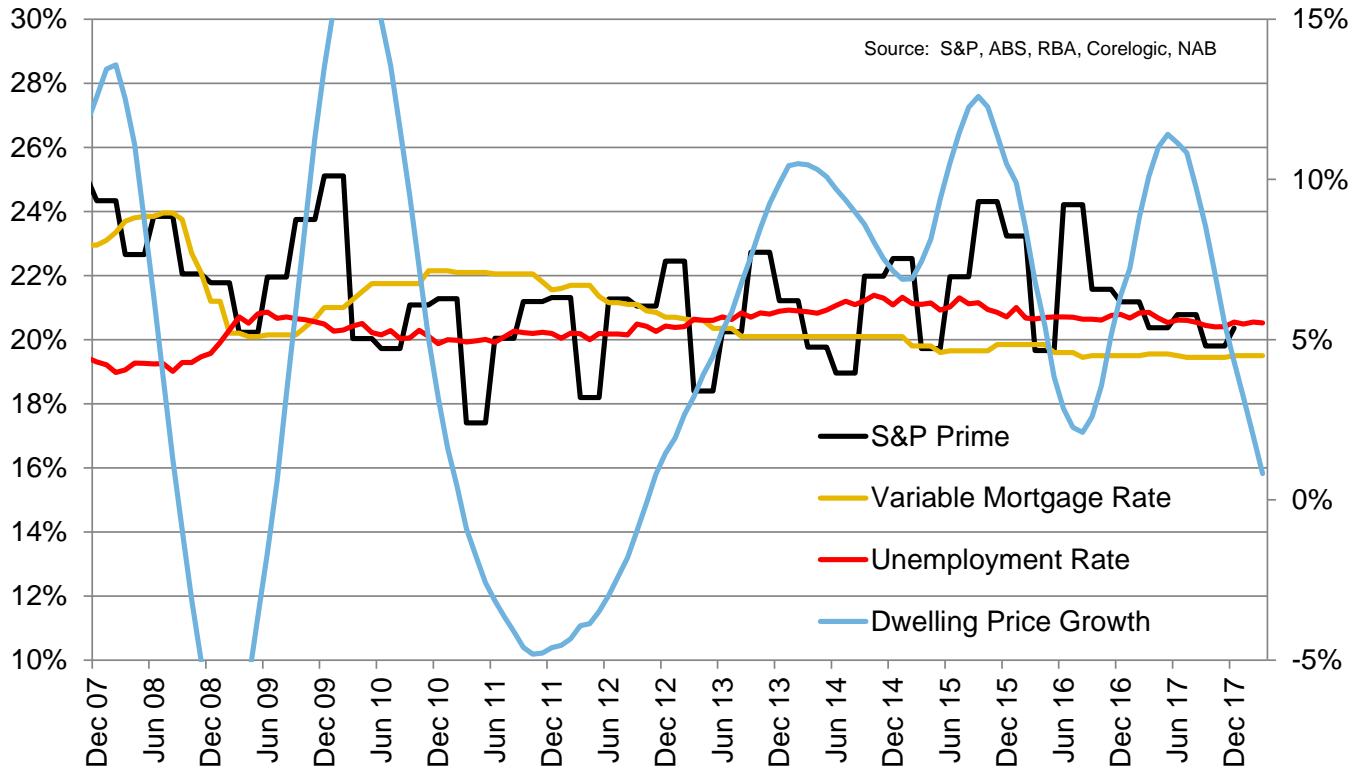
(Excluding non-capital market issues)



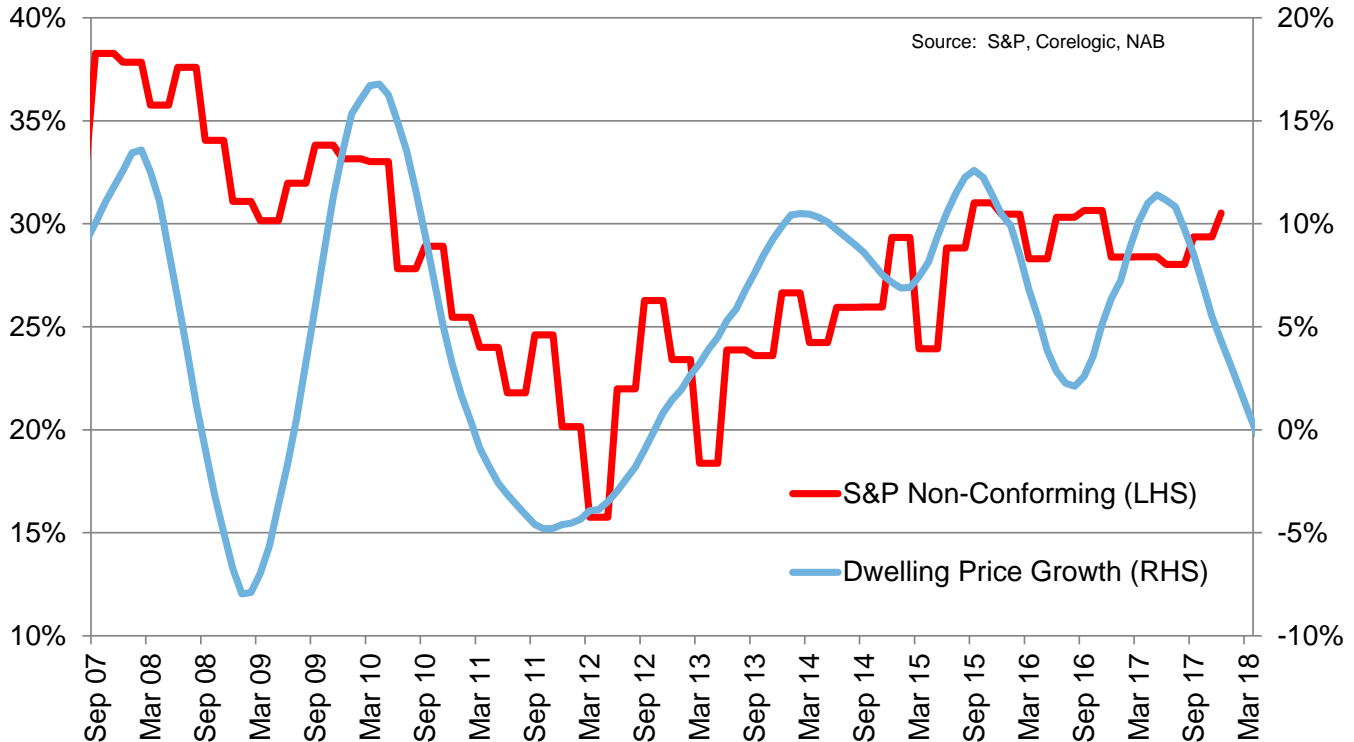
Australian RMBS Market – Prepayment Rates



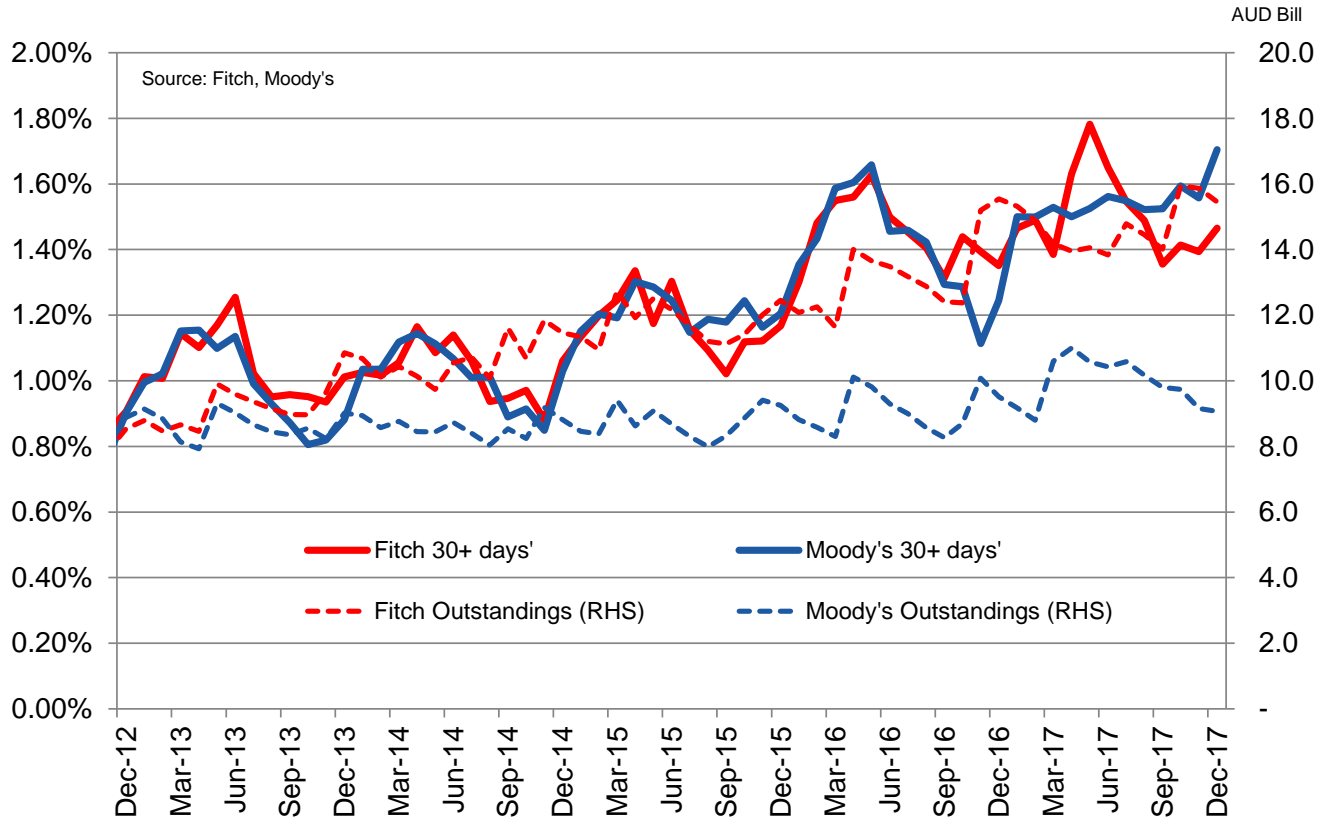
Australian RMBS Market – Prepayment Rates



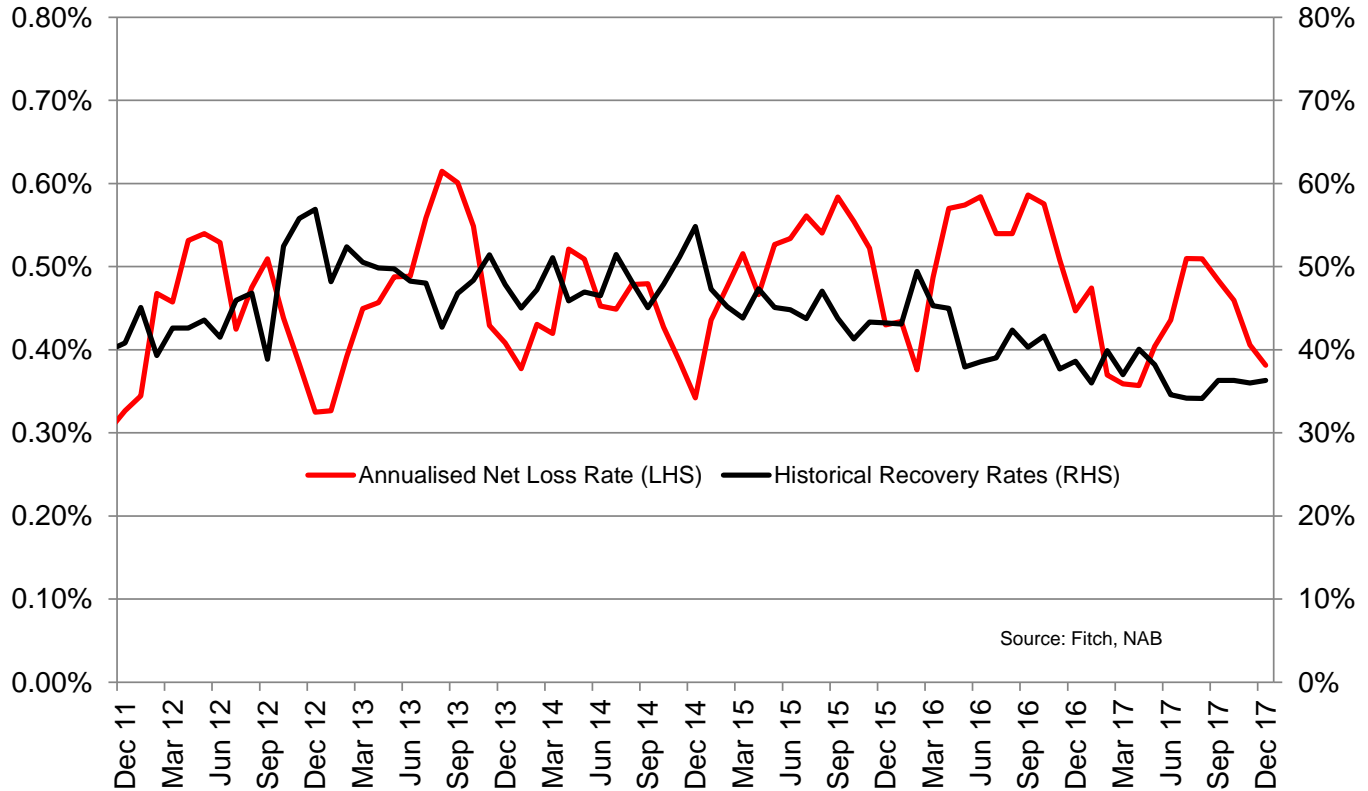
Australian RMBS Market – Prepayment Rates



Auto ABS – Arrears

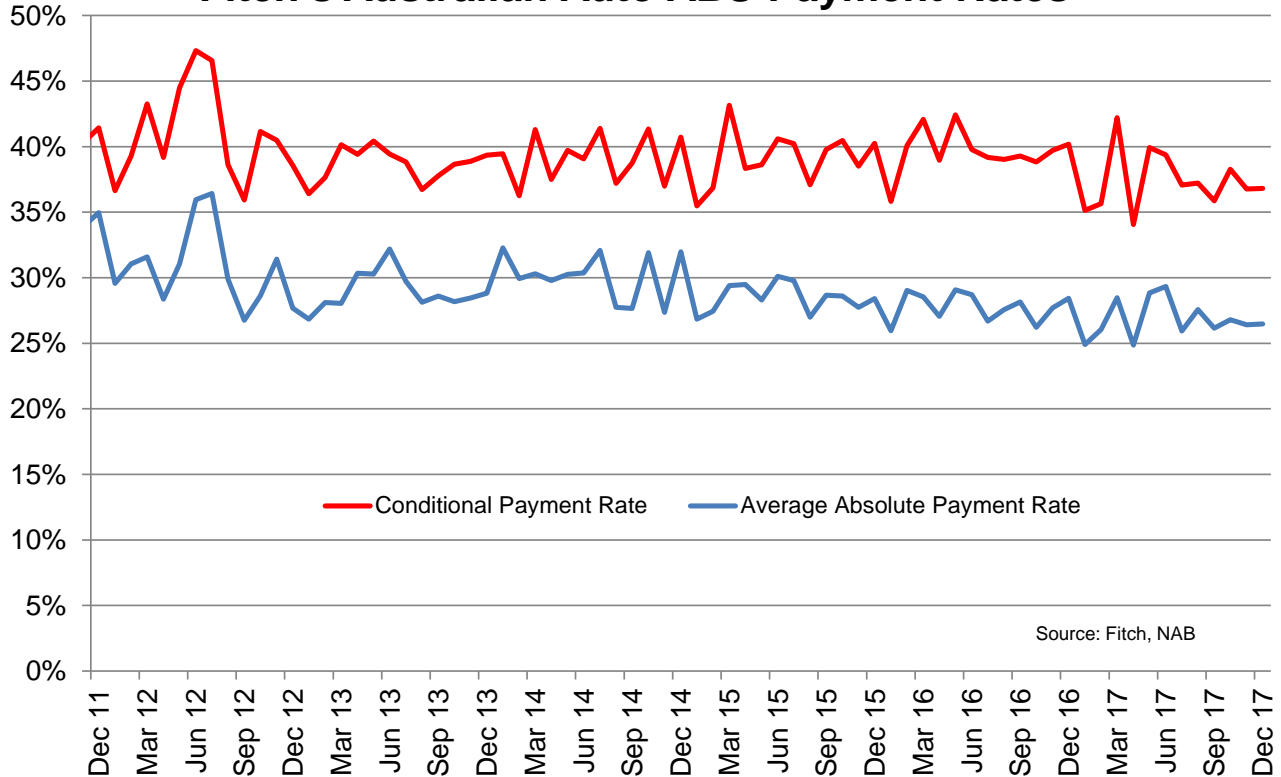


Auto ABS – Recoveries and Losses



Auto ABS – Prepayment Rates

Fitch's Australian Auto ABS Payment Rates



Source: Fitch, NAB

Regulation

- Prudential Standard APS 120 Securitisation – Effective 1 January 2018
- Prudential Standard APS 210 Liquidity – Effective 1 January 2018
- July 2017 - Unquestionably Strong: IRB Banks CET1 >10.5%, Standardised Bank requirements increased by an average 50bps. Expected to be met by 1 January 2020.
- February 2017 - Revisions to the capital framework and the leverage ratio requirement for ADIs Discussion Papers – Revised prudential standards for standardised and IRB approaches to credit risk to be released in 2H18. To be implemented on 1 January 2021. Leverage ratio requirements to come into effect 1 July 2019.

Existing and Proposed Residential Mortgage Risk Weights – Current and Proposed Standardised Approach

LVR %	Current APS112 Risk Weight		Owner-Occupied P&I Proposed Risk Weight		Investment I/O and SME Proposed Risk Weight	
	Standard	Non-Std	Standard	Non-Std	Standard	Non-Std
0-50	35%	35%	20%	100%	30%	100%
>50-60	35%	35%	25%	100%	35%	100%
>60-80	35%	50%	30%	100%	45%	100%
>80-90	35%	75%	40%	100%	60%	100%
>90-100	50%	75%	50%	100%	75%	100%
>100	75%	100%	70%	100%	85%	100%

Source: APRA Discussion Paper: Revisions to the capital framework for authorised deposit-taking institutions

Disclaimer

Disclaimer: This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it. Products are issued by NAB unless otherwise specified.

So far as laws and regulatory requirements permit, NAB, its related companies, associated entities and any officer, employee, agent, adviser or contractor thereof (the "NAB Group") does not warrant or represent that the information, recommendations, opinions or conclusions contained in this document ("Information") is accurate, reliable, complete or current. The Information is indicative and prepared for information purposes only and does not purport to contain all matters relevant to any particular investment or financial instrument. The Information is not intended to be relied upon and in all cases anyone proposing to use the Information should independently verify and check its accuracy, completeness, reliability and suitability obtain appropriate professional advice. The Information is not intended to create any legal or fiduciary relationship and nothing contained in this document will be considered an invitation to engage in business, a recommendation, guidance, invitation, inducement, proposal, advice or solicitation to provide investment, financial or banking services or an invitation to engage in business or invest, buy, sell or deal in any securities or other financial instruments.

The Information is subject to change without notice, but the NAB Group shall not be under any duty to update or correct it. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

The NAB Group takes various positions and/or roles in relation to financial products and services, and (subject to NAB policies) may hold a position or act as a price-maker in the financial instruments of any company or issuer discussed within this document, or act and receive fees as an underwriter, placement agent, adviser, broker or lender to such company or issuer. The NAB Group may transact, for its own account or for the account of any client(s), the securities of or other financial instruments relating to any company or issuer described in the Information, including in a manner that is inconsistent with or contrary to the Information.

Subject to any terms implied by law and which cannot be excluded, the NAB Group shall not be liable for any errors, omissions, defects or misrepresentations in the Information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the Information. If any law prohibits the exclusion of such liability, the NAB Group limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.

This document is intended for clients of the NAB Group only and may not be reproduced or distributed without the consent of NAB. The Information is governed by, and is to be construed in accordance with, the laws in force in the State of Victoria, Australia.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Global Markets Division of NAB.

For distribution by WealthHub Securities: Where you have received this document via the nabtrade service (nabtrade), it is distributed to you by WealthHub Securities Limited ABN 83 089 718 249 AFSL No. 230704 ("WealthHub Securities"). WealthHub Securities is a Participant of the Australia Securities Exchange and a wholly owned subsidiary of National Australia Bank Limited ABN 12 004 044 937 AFSL No. 230686 ("NAB"). NAB doesn't guarantee the obligations or performance its subsidiaries, or the products or services its subsidiaries offer. Any material provided to you by WealthHub Securities will contain factual information or general advice. This factual information or general advice does not take into account your particular objectives, financial situation and needs, and a statement of advice will not be provided. WealthHub Securities will not give you any legal, tax, financial or accounting advice or any advice or recommendation regarding the suitability or profitability about your transactions. Before you make a decision about whether to acquire a financial product, you should obtain and read the Product Disclosure Statement available at nabtrade.com.au and consider the appropriateness of the information having regard to your particular circumstances. You agree that you will not solely rely on the information provided by WealthHub Securities or elsewhere on nabtrade.com.au when making investment and/or financial decisions. WealthHub Securities does not provide personal advice to online retail clients. WealthHub Securities receives commission from dealing in securities and from its authorised representatives. Introducers of business may directly share in this commission. WealthHub Securities and its associates may hold shares in the companies that it distributes research/information on.

The value of investments and future returns may rise or fall and, at times, returns may be negative. Past performance is not a guarantee of future performance. Please note, this material has not been verified by WealthHub Securities. WealthHub Securities does not make any representation or warranty as to the timeliness, reliability, accuracy or completeness of the material, nor does it accept any responsibility arising in any way for errors in, or omissions from, that material.

United Kingdom: If this document is distributed in the United Kingdom, such distribution is by National Australia Bank Limited, 88 Wood Street, London EC2V 7QQ. Registered in England BR1924. Head Office: 800 Bourke Street, Docklands, Victoria, 3008. Incorporated with limited liability in the State of Victoria, Australia. Authorised and regulated by the Australian Prudential Regulation Authority. Authorised in the UK by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.

Hong Kong: In Hong Kong this document is for distribution only to "professional investors" within the meaning of Schedule 1 to the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") and any rules made thereunder and may not be redistributed in whole or in part in Hong Kong to any person. Issued by National Australia Bank Limited, a licensed bank under the Banking Ordinance (Cap. 155, Laws of Hong Kong) and a registered institution under the SFO (central entity number: AAO169).

New Zealand: This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. Bank of New Zealand strongly recommends readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication. National Australia Bank Limited is not a registered bank in New Zealand.

Japan: National Australia Bank Ltd. has no license of securities-related business in Japan. Therefore, this document is only for your information purpose and is not intended as an offer or solicitation for the purchase or sale of the securities described herein or for any other action.