

Mortgage Market Index – The Dinkum RMBS Index

4Q16

At a Glance 4Q16 Δ 3Q16 4Q15

Dinkum RMBS Index (%)

30+ days (%) 1.09 ↑ 1.06 0.94

Fitch-Rated RMBS Index (%)

30+ days (%) 1.00 ↑ 0.94 0.85

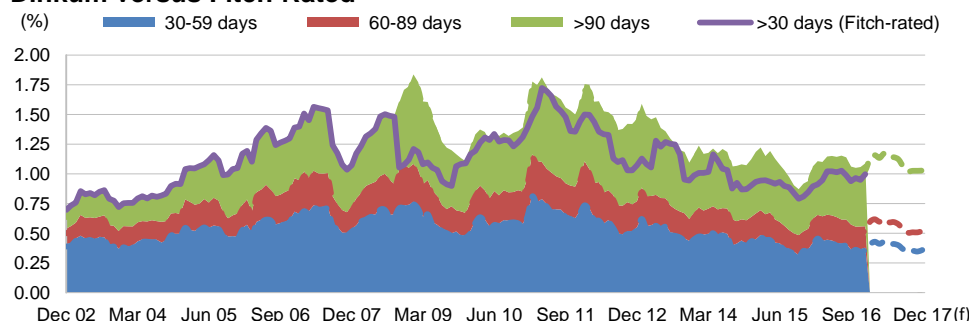
Non-Conforming RMBS Index (%)

30+ days (%) 7.72 ↑ 5.27 5.69

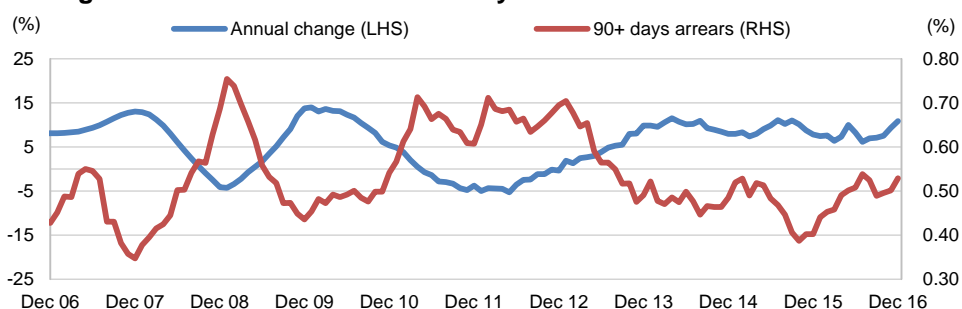
Dinkum (publicly rated and issued)
Fitch-rated (public, private and retained)
[4Q16 - The Dinkum RMBS Index Data \(Excel\)](#)

Stable Performance in Benign Economic Environment

Dinkum versus Fitch-Rated



Change in Home Prices versus 90+ Days Arrears



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- **Stability Despite Rate Cuts:** 30+ days arrears increased marginally by 3bp qoq to 1.09% at end-4Q16, indicating that 2016 cuts in the target cash rate had little impact on borrowers' serviceability.
- **Higher Arrears YoY:** Arrears in 2H16 were 15bp higher yoy, despite an improved economic environment, appreciating house prices and low interest rates. Real wage growth is low, but positive. Fitch Ratings is monitoring underemployment, which is high despite falling unemployment. A slowdown in the mining sector and surrounding regional areas may also have affected borrowers.
- **Strong RMBS Performance:** Fitch-rated residential mortgage-backed securities transactions have experienced extremely low levels of realised losses since closing and an increasing lenders' mortgage insurance (LMI) payment ratio since 4Q12. Excess spread was sufficient to cover principal shortfalls during 4Q16.
- **Threatening Regional House-Price Trends:** Regional areas in Queensland, Western Australia and the Northern Territory have been affected by the mining slowdown and this has been reflected in defaults and losses. However, RMBS exposure to these areas remains limited, with most loans located in capital cities and major urban areas.

Prime RMBS Delinquencies: *Stable and Low*

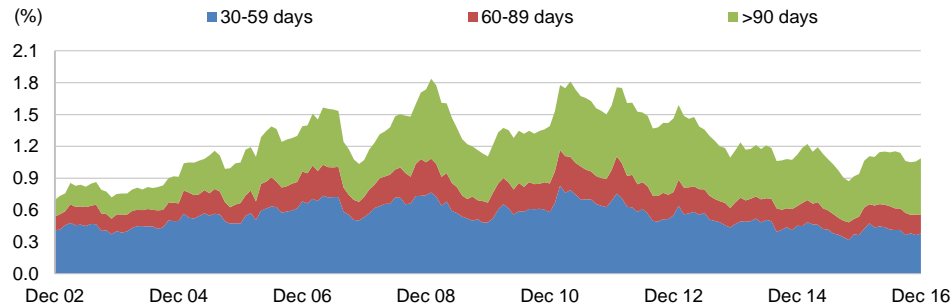
Dinkum RMBS Index

	4Q16	Δ	3Q16
Number of transactions	115	↓	117
Collateral (AUDbn)	40.4	↓	40.6
30-59 days (%)	0.38	↑	0.36
60-89 days (%)	0.18	↓	0.21
90+ days (%)	0.53	↑	0.49
30+ days (%)	1.09	↑	1.06

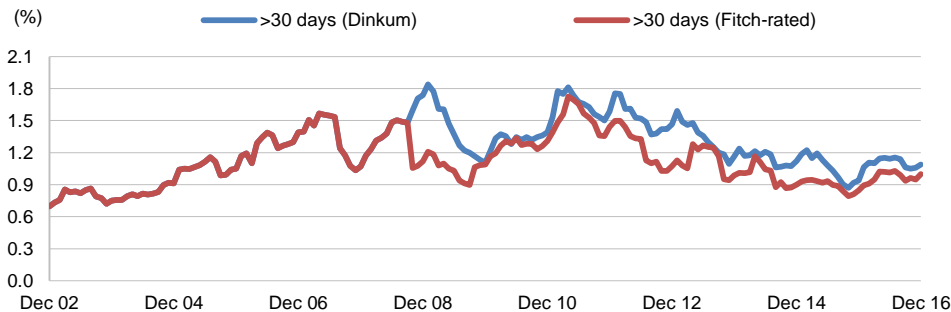
30+ days RMBS Delinquency Rate

	4Q16	Δ	3Q16
Dinkum (%)	1.09	↑	1.06
Fitch-rated (%)	1.00	↑	0.94

Prime RMBS Arrears – Dinkum



Dinkum versus Fitch-Rated



Fitch has removed low-documentation prime mortgage performance results as the sample size has reduced significantly during the past decade and is no longer a reliable indicator of performance. A negligible portion of prime low-doc mortgages have been written and securitised during this period.

Fitch monitors arrears because a loan's delinquency status is a key determinant of foreclosure. Fitch believes borrowers in arrears are more likely to default and conservatively models all loans that are over 90 days in arrears as being in default.

Fitch Dinkum RMBS Index (Publicly Issued)

The Fitch Dinkum RMBS Index worsened marginally by 3bp qoq to 1.09% at end-4Q16. Arrears over 30 days for 4Q16 were still low and have been below 1.20% since September 2013. In contrast, 90+ days arrears of 0.53% are at the highest level since September 2013, although in line with the five-year average of 0.54%.

Fitch believes the majority of delinquencies in the current benign environment may be due to non-economic factors, such as divorce, illness or extraordinary expenses, and expects 30+ days arrears to remain above 0.80%. Borrowers who cannot service their loans are unlikely to benefit from further improvements in key drivers. Factors that could result in a deterioration of the index include slowing property-price growth, increasing underemployment or unemployment, rising interest rates and payment shocks.

The Fitch-Rated RMBS Index (Public, Private and Retained)

The Fitch-rated RMBS Index, which includes large issuer-retained transactions, has shown a similar trend, with arrears worsening by 6bp qoq to 1.00% at end-4Q16. Fitch expects this index to continue outperforming the Dinkum RMBS Index. Arrears have been increasing over the previous few years, in line with the big-four Australian lenders' origination.

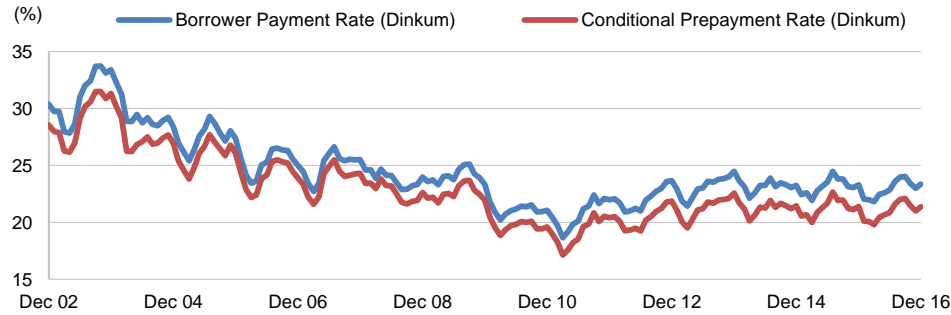
The Dinkum RMBS Index is a smaller sample of the mortgage market, but a more stable measure of transaction performance, as it is not influenced by frequent top-ups of new loans or mortgage loan removals, which are common in issuer-retained transactions. The Fitch-rated RMBS Index represents 17.2% of the total Australian mortgage market.

Prime RMBS Repayment Rates: Stability in the 20%-25% Range

**RMBS Repayment Rates (%)
Prime**

	4Q16 Δ	3Q16
Dinkum		
CPR (%)	21.4 ↓	22.1
BPR (%)	23.4 ↓	24.0

Prime RMBS Payment Rates – Dinkum



Source: Fitch

Fitch monitors repayment rates as they can affect RMBS investors' payout, depending on mortgage performance and interest-rate levels. High repayment rates are usually a positive indicator of household wealth, credit availability and a strong housing market.

Australian borrowers tend to repay their mortgages ahead of schedule. Borrowers remained far ahead of their scheduled payments at end-4Q16. This provides borrowers with a servicing buffer so they can stay out of arrears longer if experiencing an income-break or interest-rate rise.

Repayment rates are also strong due to the ability to refinance. This is supported by the competitive lending environment, characterised by low interest-rates, which facilitates borrowers' refinancing and potentially more borrowing. Competition for new owner-occupier borrowers is particularly strong due to the Australian Prudential Regulation Authority's (APRA) directive to restrict annual investment-loan growth to 10%.

The Prime RMBS Repayment Index

The Dinkum RMBS Index borrower payment rate (BPR) slightly decreased to 23.4% at end-4Q16, from 24.0% in the previous quarter. The conditional prepayment rate (CPR) also slightly decreased qoq to 21.4% at end-4Q16, from 22.1%.

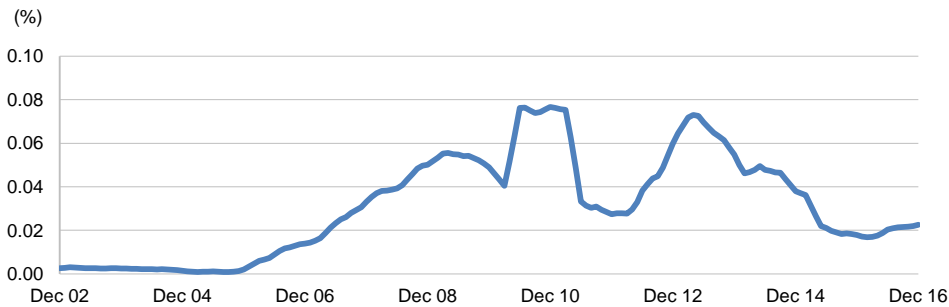
Repayment levels have been stable over the previous four years; fluctuating only due to seasonality. Fitch expects this stability to continue in the near term. Repayment rates have historically risen in the middle of the year due to low seasonal spending, while the end of the year is characterised by a slight slowdown as borrowers grapple with Christmas and holiday spending.

Prime RMBS Realised Losses: *Extremely Low*

12M Annualised Loss Rates (%)

	4Q16	Δ	3Q16
12M ALR	0.02	-	0.02

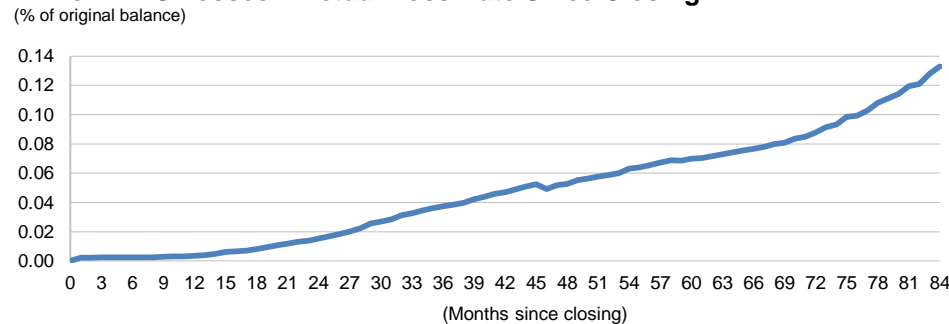
Prime RMBS Losses – Annualised Loss Rate



Realised Losses since Closing (% of original balance)

	4Q16	Δ	3Q16
12 months	0.00	-	0.00
24 months	0.02	↑	0.01
48 months	0.05	-	0.05
84 months	0.13	↑	0.11

Prime RMBS Losses – Actual Loss Rate Since Closing



Fitch monitors losses as they are the ultimate indicator of mortgage performance. Realising significant losses in a short-time may affect RMBS transactions. Losses are reported as realised after sales proceeds, but before excess spread and LMI payments. Fitch expects losses to remain limited due to a strong economy, improved lending standards and strong house-price growth.

Fitch 12-Month Annualised Loss Rate

Fitch tracks annualised loss rates expressed as a percentage of the current mortgage balance. The annualised loss rate was 0.02% at end-4Q16. The rate has been stable during the past two years, after peaking at 0.08% in June 2010 and June 2013. The speed of defaults depends on several economic factors, including unemployment levels and housing market strength. Fitch expects the rate to remain low throughout 2017.

Fitch Loss-Rate after Closing

Seasoning strongly influences the probability of default. Therefore, Fitch tracks realised losses based on months since closing, expressed as a percentage of the original transaction size. The average loss experienced seven years from closing was 0.13% at end-2016, far below Fitch's expected levels and in line with previous quarters. Fitch expects the curve to remain overall unchanged over the next two to three quarters.

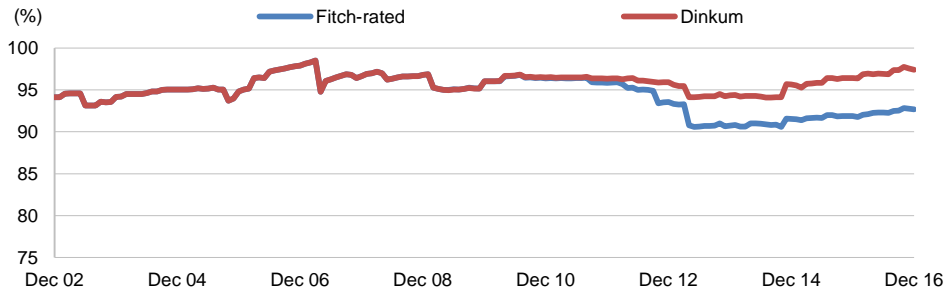
Losses take up to 12 months after default to be realised. Fitch models front-loaded and back-loaded default distributions.

Prime RMBS LMI Claims: Rising Payment Rates

LMI Payment Ratio (%)

	4Q16	Δ	3Q16
Dinkum	97.4	-	97.4
Fitch-Rated	92.7	↑	92.5

Average LMI Claim Paid/Submitted Ratio

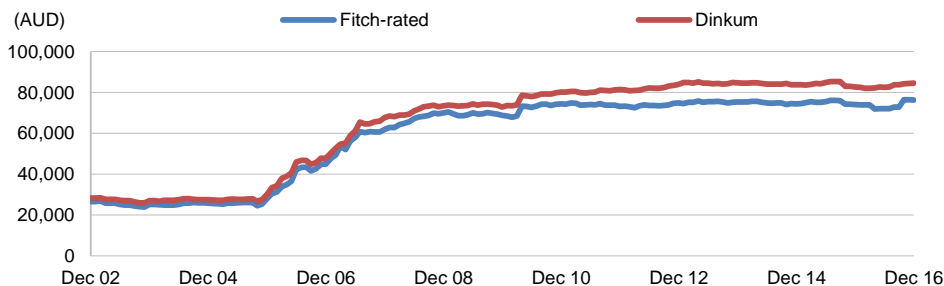


Source: Fitch

Cumulative Submitted Claims

	4Q16	Δ	3Q16
Dinkum			
Claim number	1,216	↓	1,299
Value (AUDm)	102.7	↓	108.8
Average (AUD)	84,463	↑	83,747
Fitch-Rated			
Claim number	2,355	↓	2,421
Value (AUDm)	195.8	↑	192.1
Average (AUD)	76,256	↑	72,821

LMI Payments – Average LMI Submitted Claim

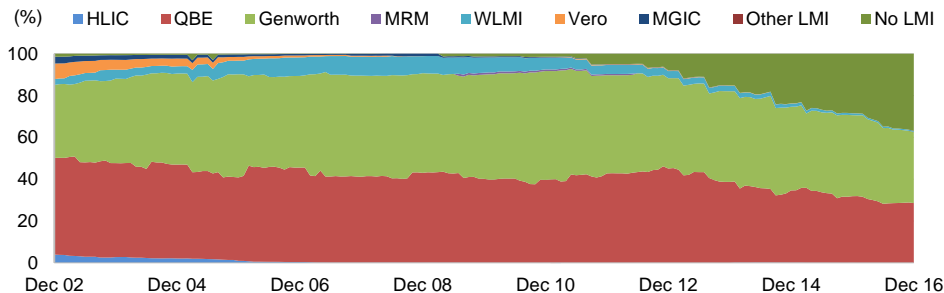


Source: Fitch

Prime RMBS Market Share

	4Q16	Δ	3Q16
Genworth	34.0	↓	35.0
QBE	28.6	-	28.6
WLMI	0.5	-	0.5
Other LMI	0.1	-	0.1
No LMI	36.8	↑	35.8

Prime RMBS – Historical LMI Market Share



Source: Fitch

See [The Dinkum RMBS Index and Methodology](#) for LMI provider details.

LMI protects lenders – and investors if loans are securitised – from losses if recoveries from a property sale are less than the amount owed when a borrower defaults. Submitted LMI claims benefit from the currently strong housing market, as principal shortfalls are less likely. However, when claims include housing costs and repairs, the average claim may trend in line with construction inflation. Uninsured mortgages represented 36.8% of Fitch-rated transactions in 4Q16, continuing the increasing trend seen since 2010. Prior to 2010, most Fitch-rated transactions comprised collateral pools that were fully LMI-insured.

Banks do not receive capital benefit when borrowers pay for LMI. Without the incentive of explicit capital relief, the portion of LMI-insured loans in rated transactions could fall further. A sudden rise in foreclosures could raise losses as recoveries from LMI fall. Fitch's default model takes this into account.

Average LMI Payment Ratio

LMI providers paid 92.7% of all submitted claims in 4Q16, up marginally from 92.5% in the previous quarter. The Dinkum LMI Payment Ratio was at 97.4% at end-4Q16 and has been improving since 2012. Fitch expects the ratio to remain above 95.0% over the next two quarters given current housing market and LMI payment trends.

Average LMI Submitted Claim

A total of 33 claims worth AUD11.7 million were submitted across Fitch-rated transactions in 4Q16, with the average 4Q16 LMI claim of AUD353,503, far above the Fitch-rated average LMI claim of AUD76,256. The average submitted claim is influenced by the loan/value ratio and tends to be inversely related to Australian house-price trends. Marketing, recovery and repair costs also affect the average submitted claim. Fitch expects the average LMI claim to remain between AUD70,000-80,000, depending on house-price volatility.

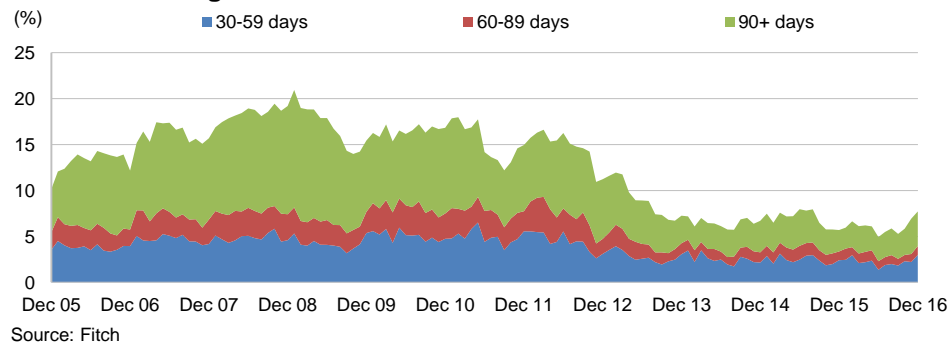
See [Global Criteria for Lenders' Mortgage Insurance in RMBS](#), dated 28 July 2016, for more information.

Non-Conforming RMBS Delinquencies: Volatility due to Seasonality and Index Size

Non-Conforming RMBS Index

	4Q16	Δ	3Q16
No. transactions	9	↑	8
Collateral (AUDbn)	1.0	-	1.0
30-59 days (%)	2.98	↑	1.83
60-89 days (%)	0.97	↑	0.73
90+ days (%)	3.77	↑	2.72
30+ days (%)	7.72	↑	5.27

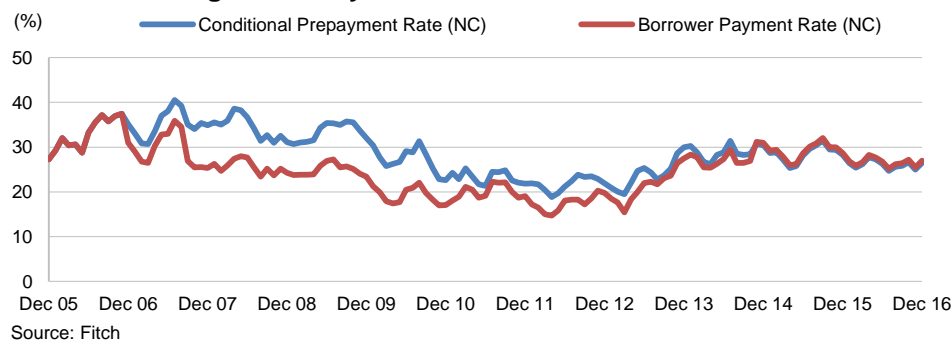
Non-Conforming RMBS Arrears



Non-Conforming RMBS Repayment Rates

	4Q16	Δ	3Q16
CPR (%)	26.5	↑	25.9
BPR (%)	27.0	↑	26.4

Non-Conforming RMBS Payment Rates



Non-conforming mortgage lending standards do not meet the standard lending criteria of LMI providers or mainstream lenders and usually involve lending to borrowers with poor credit or payment histories.

Fitch Non-Conforming RMBS Index

Fitch's Non-Conforming RMBS Index worsened by 2.45% to 7.72% at end-4Q16 due to volatility caused by seasonality and the index's small size. The index remains well below 1Q09 record highs, when arrears climbed to 20.90%, or 3x current levels.

Consumer protection laws require lenders to check if borrowers can service loans. Lenders must perform income verification for all borrowers, including those taking out low-doc loans. This is positive for investors in non-conforming Australian RMBS, which include low-doc loans.

Arrears between 30-59 days increased the most among the arrears buckets, by 1.15% to 2.98% in 4Q16. Fitch expected 30-59 days arrears to remain in the low range of 1.50%-2.50%, in line with levels seen in the previous two years. An increase above these levels may indicate some financial struggles among non-conforming borrowers. Fitch expects stable fundamentals in the near-term due to low unemployment and a strong housing market, which allows borrowers to sell their properties if they experience financial difficulties. Highly leveraged borrowers in specific geographical areas, such as Northern Queensland, may have been affected by the local property market.

Assets comprising the index totalled only AUD1.0 billion at end-4Q16, subjecting the index to volatility from issuance and amortisation. The non-conforming market has seen steady issuance over the previous year, but the index remains a small subset of the mortgage market.

Further breakdown of non-conforming data can be found in [Appendix 3: Non-Conforming Additional Arrears and Losses Data](#).

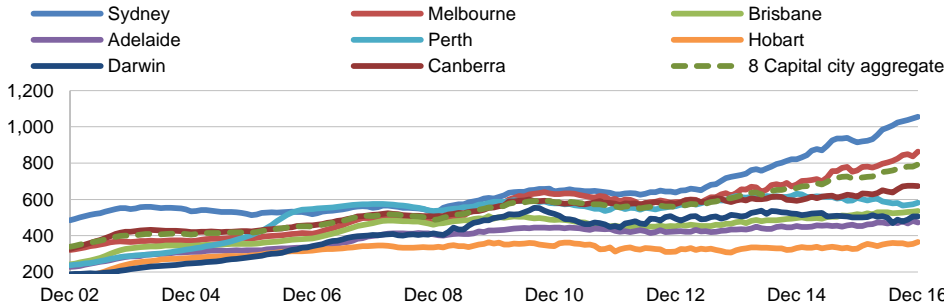
Key Drivers Remain Stable

CoreLogic RP Data Home Value Index

	% Change	
	4Q16 from 3Q16	4Q16 from 4Q15
Weighted-average of eight capital cities	2.09	10.85
Sydney	2.39	15.46
Melbourne	2.38	13.68
Brisbane	1.82	3.60
Adelaide	-1.55	4.23
Perth	2.76	-4.33
Hobart	2.11	11.23
Darwin	5.89	0.93
Canberra	0.15	9.29

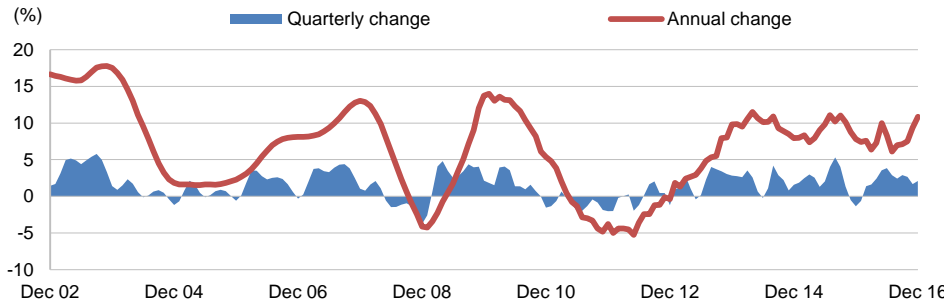
Source: CoreLogic RP Data

CoreLogic RP Data Home Value Index



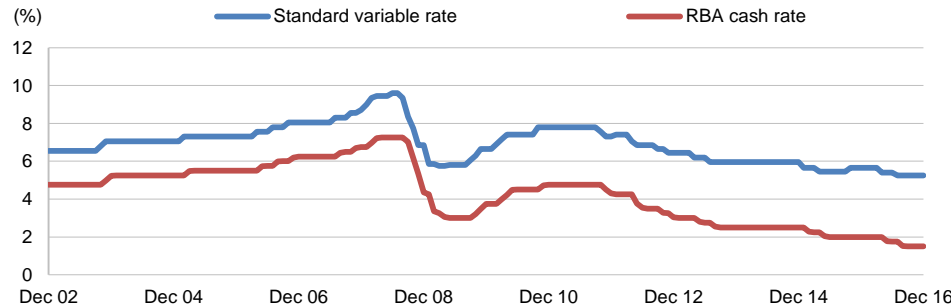
Source: CoreLogic RP Data

Change in Home Prices



Source: CoreLogic RP Data

Reserve Bank of Australia Rates



Source: Reserve Bank of Australia

Interest Rates

Quarter	Standard Variable Rate (%)	Cash Rate (%)
31 Dec 2016	5.25	1.50
30 Sep 2016	5.25	1.50
30 Jun 2016	5.40	1.75
31 Mar 2016	5.65	2.00
31 Dec 2015	5.65	2.00

Source: Reserve Bank of Australia

Recent Developments

House-Price Growth Moderating: House prices in six out of eight Australian capital cities continued to rise in 4Q16 from the same period a year ago. House-price growth for the year to end-2016 was 10.85%. A slowdown in house-price growth could see higher 90+ days arrears, as high house prices allow borrowers to sell properties to clear arrears.

Stable Standard Variable Rate: The standard variable rate remained stable in 4Q16; following the Reserve Bank of Australia's (RBA) decision to keep the target cash rate unchanged. The decrease in the standard variable rate in 2H16 did not positively affect borrowers nor contribute to improved 4Q16 mortgage performance.

Key Drivers Remain Stable (Cont.)

Unemployment

Quarter	Rate (%)
31 Dec 2016	5.8
30 Sep 2016	5.6
30 Jun 2016	5.8
31 Mar 2016	5.7
31 Dec 2015	5.7

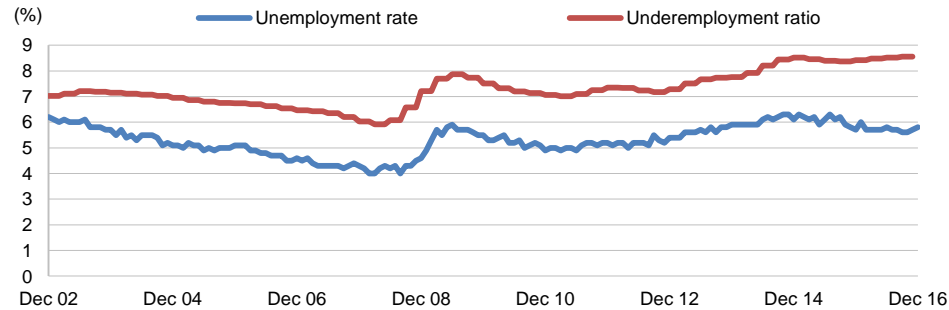
Source: Australian Bureau of Statistics

Underemployment

Quarter	Ratio (%)
30 Nov 2016	8.6
31 Aug 2016	8.7
31 May 2016	8.4
28 Feb 2016	8.4
30 Nov 2015	8.4

Source: Australian Bureau of Statistics

Unemployment

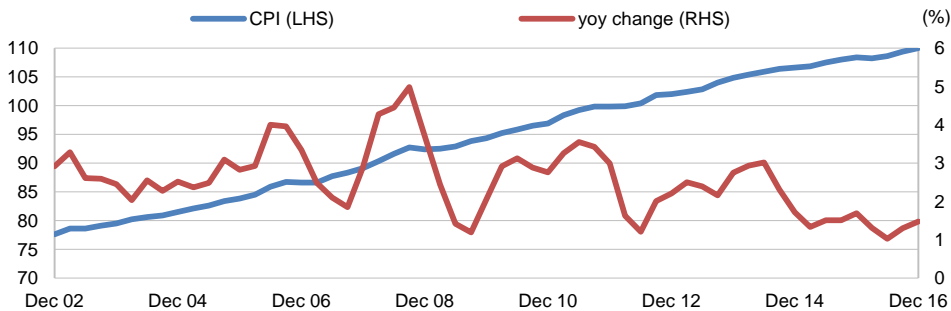


Consumer Price Index

Quarter	Index
31 Dec 2016	110.0
30 Sep 2016	109.4
30 Jun 2016	108.6
31 Mar 2016	108.2
31 Dec 2015	108.4

Source: Australian Bureau of Statistics

Consumer Price Index



Recent Developments

Competition for Owner Occupiers: Recent regulatory directives are fuelling competition in the owner-occupied space through lower interest-rates, fee waivers and cash incentives. APRA issued a directive in late-2015 for Australian banks to limit the growth of investment loan portfolios to 10% a year, forcing banks to focus on owner-occupied loans to meet growth targets. Developers have also been limited in their capacity to sell to non-resident investors. Fitch expects the situation to continue in 2017 and for the stricter underwriting guidelines to offset adverse selection of borrowers due to heavy discounting.

Unemployment Declining: Unemployment is a major driver of mortgage performance. The unemployment rate was 5.8% at end-2016, below Fitch forecast of 6.1%. Fitch expects the unemployment rate to remain stable in 2017 (2017F: 5.8%); leading to stable and low arrears. While unemployment has been falling, there is public concern about underemployment, especially in regional areas.

Moderate Consumer Price Index Rises: The consumer price index (CPI) increased by 0.6% in 4Q16, and by 1.6% yoy; below the RBA's target upper-limit of 3.0%. The increase does not negatively affect RMBS performance, as inflation remains below the RBA's target. Low real-wage growth remains a threat to mortgage performance unless borrowers adjust their spending behaviour.

Long-Term Trends

Higher unemployment, a slowing housing market and rising interest-rates could lead to loan-servicing pressure, and in turn, higher delinquencies and foreclosure activity. Fitch does not expect slowing property-price growth or a gradual rise in interest-rates to affect its outlook on outstanding ratings of Australian RMBS.

RMBS Transactions at a Glance

Issue name	(AUD)		%				Submitted claim (AUD)	Number of claims	Loss ratio (%)
	Initial housing pool	Current housing pool	30-59 days	60-89 days	90+ days	Total 30+			
AFG 2013-1 Trust Series 2013-1	275,000,000	87,587,213	0.48	0.00	0.41	0.89	0	0	0.0
AFG 2013-2 Trust Series 2013-2	300,000,000	98,386,925	0.24	0.00	0.00	0.24	0	0	0.0
AFG 2014-1 Trust Series 2014-1	300,000,000	121,009,615	0.27	0.00	0.35	0.62	0	0	0.0
AFG 2016-1 Trust Series 2016-1	300,000,000	279,241,306	0.00	0.00	0.00	0.00	0	0	0.0
AIMS 2004-1 Trust	586,000,000	14,005,085	1.23	2.86	0.00	4.09	653,637	13	0.1
AIMS 2005-1 Trust	400,000,000	16,728,126	2.65	2.23	0.00	4.88	1,703,090	27	0.5
AIMS 2007-1 Trust	346,000,000	18,651,075	0.00	0.00	0.00	0.00	2,983,796	27	0.9
APOLLO Series 2009-1 Trust	1,478,000,000	246,344,455	0.29	0.00	0.42	0.71	49,586	1	0.0
APOLLO Series 2011-1 Trust	1,250,000,000	317,849,997	0.39	0.16	0.85	1.40	32,867	1	0.0
APOLLO Series 2012-1 Trust	1,000,000,000	316,724,902	0.29	0.18	0.91	1.38	96,960	2	0.0
APOLLO Series 2013-1	1,150,000,000	418,981,747	0.78	0.28	0.50	1.56	0	0	0.0
APOLLO Series 2015-1 Trust	1,250,000,000	767,883,935	0.40	0.16	0.40	0.96	0	0	0.0
Barton Series 2011-1 Trust	300,000,000	72,559,583	0.00	0.17	0.00	0.17	0	0	0.0
Barton Series 2014-1 Trust	300,000,000	174,240,511	0.08	0.00	0.31	0.39	0	0	0.0
Challenger Millennium Series 2007-1E	1,840,832,310	155,985,660	1.63	0.07	1.61	3.31	10,924,514	121	0.6
Challenger Millennium Series 2007-2L	904,300,000	81,366,755	0.86	1.48	5.37	7.71	4,405,996	41	0.5
ConQuest 2010-2 Trust	250,250,000	50,551,015	0.72	0.59	0.07	1.38	65,762	3	0.0
ConQuest 2013-1 Trust	322,000,000	86,659,669	0.56	0.58	0.27	1.41	73,556	1	0.0
ConQuest 2014-2 Trust	300,000,000	175,075,142	0.24	0.00	0.14	0.38	0	0	0.0
Conquest 2016-2 Trust	300,000,000	299,993,314	0.00	0.00	0.00	0.00	0	0	0.0
Crusade Euro Trust No. 1E of 2007	2,263,628,730	236,218,078	1.50	0.46	1.62	3.58	883,475	12	0.0
Crusade Global Trust No. 1 of 2007	5,962,913,634	371,614,186	1.48	0.51	1.54	3.53	1,657,198	21	0.0
Firstmac Mortgage Funding Trust No. 4 Series 2-2014	700,000,000	373,683,343	0.17	0.05	0.06	0.28	0	0	0.0
Firstmac Mortgage Funding Trust No. 4 Series 2-2016	500,000,000	420,583,615	0.10	0.00	0.13	0.23	0	0	0.0
Firstmac Mortgage Funding Trust No. 4 Series 3PP-2014	700,000,000	399,967,933	0.28	0.13	0.18	0.59	220,716	1	0.0
Firstmac Mortgage Funding Trust No.4 Series 1-2015	1,000,000,000	645,103,724	0.00	0.07	0.40	0.47	264,190	3	0.0
FirstMac Mortgage Funding Trust No.4 Series 1A-2014	1,037,341,031	380,218,150	0.20	0.12	0.10	0.42	260,913	2	0.0
Firstmac Mortgage Funding Trust No.4 Series 2-2015	500,000,000	362,877,621	0.08	0.00	0.00	0.08	0	0	0.0
Firstmac Mortgage Funding Trust No.4 Series 3-2016	600,000,000	557,774,189	0.00	0.00	0.00	0.00	0	0	0.0
FirstMac Mortgage Funding Trust Series 1-2007	781,000,000	94,469,463	1.76	0.52	1.57	3.85	4,182,768	42	0.6
FirstMac Mortgage Funding Trust Series 1-2010	416,000,000	119,666,880	0.31	0.00	0.00	0.31	1,119,746	19	0.3
FirstMac Mortgage Funding Trust Series 1-2012	300,000,000	97,683,749	0.00	0.00	0.40	0.40	92,445	2	0.0
Firstmac Mortgage Funding Trust Series 1E-2013	501,259,769	214,415,550	0.12	0.17	0.15	0.44	422,270	5	0.1
FirstMac Mortgage Funding Trust Series 2-2011	300,000,000	111,847,109	0.43	0.00	0.88	1.31	219,423	2	0.1
Firstmac Mortgage Funding Trust Series 2E-2013	401,702,150	187,595,481	0.12	0.00	0.21	0.33	88,470	2	0.0
FirstMac Mortgage Funding Trust Series 3-2012	440,000,000	166,402,856	0.17	0.30	0.44	0.91	116,285	3	0.0
GBS Receivables Trust No. 4	261,800,000	38,091,740	0.48	0.00	0.40	0.88	0	0	0.0
HBS Trust 2014-1	400,000,000	192,990,271	0.07	0.00	0.09	0.16	0	0	0.0
Illawarra Series 2013-1 RMBS Trust	300,000,000	105,329,031	0.00	0.00	0.00	0.00	0	0	0.0
Interstar Millennium Series 2004-5 Trust	750,000,000	26,539,082	1.01	0.71	0.00	1.72	4,353,272	63	0.6
Interstar Millennium Series 2005-2L Trust	1,659,842,187	76,219,833	1.39	0.62	2.52	4.53	9,426,616	102	0.6

RMBS Transactions at a Glance (Cont.)

Issue name	(AUD)		(%)				Submitted claim (AUD)	Number of claims	Loss ratio (%)
	Initial housing pool	Current housing pool	30-59 days	60-89 days	90+ days	Total 30+			
Interstar Millennium Series 2005-3E Trust	1,880,767,098	120,957,724	0.69	0.47	1.14	2.30	15,976,605	187	0.8
Interstar Millennium Series 2006-1 Trust	1,000,000,000	58,126,801	1.97	1.92	2.26	6.15	3,855,228	47	0.4
Interstar Millennium Series 2006-2G Trust	1,347,687,030	119,085,905	0.43	0.15	0.58	1.16	8,934,378	101	0.7
Interstar Millennium Series 2006-3L Trust	1,200,000,000	137,661,318	1.35	0.31	2.45	4.11	9,101,654	105	0.8
Interstar Millennium Series 2006-4H Trust	400,000,000	46,131,609	3.02	0.00	3.47	6.49	7,728,425	97	1.9
Light Trust No. 2	263,200,000	30,222,505	0.00	0.00	1.26	1.26	0	0	0.0
Light Trust No. 3	530,000,000	99,900,673	0.45	0.38	0.58	1.41	31,848	1	0.0
Light Trust No. 4	450,000,000	129,938,381	0.00	0.00	0.23	0.23	12,209	1	0.0
Light Trust No.6	500,000,000	340,871,417	0.24	0.22	0.32	0.78	0	0	0.0
Maxis Loans Securitisation Fund 2009-1	276,000,000	29,654,492	1.56	1.61	6.93	10.10	784,429	7	0.3
Medallion Trust Series 2011-1	3,525,000,000	797,366,821	0.68	0.15	0.55	1.38	578,777	10	0.0
Medallion Trust Series 2012-1	1,000,000,000	359,011,864	0.47	0.04	0.77	1.28	31,823	1	0.0
Medallion Trust Series 2013-1	2,535,000,000	940,910,791	0.40	0.27	0.52	1.19	380,342	6	0.0
Medallion Trust Series 2013-2	3,200,000,000	1,377,281,924	0.69	0.20	0.67	1.56	108,234	3	0.0
Medallion Trust Series 2014-1	2,511,000,000	1,225,011,476	0.25	0.38	0.44	1.07	0	0	0.0
Medallion Trust Series 2014-1P	550,000,000	261,069,866	0.19	0.12	0.42	0.73	0	0	0.1
Medallion Trust Series 2014-2	4,000,000,000	2,154,230,135	0.37	0.18	0.37	0.92	0	0	0.0
Medallion Trust Series 2015-1	2,000,000,000	1,296,797,584	0.20	0.08	0.43	0.71	0	0	0.0
Medallion Trust Series 2015-2	2,000,000,000	1,430,567,384	0.14	0.07	0.33	0.54	94,148	2	0.0
Medallion Trust Series 2016-1	1,575,000,000	1,295,507,625	0.06	0.06	0.02	0.14	0	0	0.0
National RMBS Trust 2011-1	1,210,000,000	203,232,601	0.27	0.23	0.89	1.39	192,878	2	0.0
National RMBS Trust 2011-2	1,909,767,197	344,707,484	0.30	0.23	0.93	1.46	0	0	0.0
National RMBS Trust 2012-2	999,819,581	303,610,112	0.37	0.06	0.22	0.65	0	0	0.0
National RMBS Trust 2015-1	1,750,000,000	1,047,553,315	0.26	0.18	0.35	0.79	0	0	0.0
National RMBS Trust 2016-1	2,000,000,000	1,707,608,431	0.17	0.07	0.15	0.39	0	0	0.0
Pepper Prime 2012-1 Trust	711,091,943	134,604,715	1.55	0.40	1.28	3.23	593,527	9	0.1
Pepper Prime 2013-1 Trust	647,858,594	177,393,889	1.93	0.55	0.80	3.28	584,591	8	0.1
Pinnacle Series Trust 2010-T1	275,000,000	43,024,616	0.31	0.41	1.17	1.89	29,004	1	0.0
Pinnacle Series Trust 2013-T1	300,000,000	91,841,466	0.54	0.75	0.64	1.93	0	0	0.0
Progress 2010-1 Trust	1,000,000,000	174,138,534	0.82	0.33	0.86	2.01	348,585	1	0.1
Progress 2012-1 Trust	650,000,000	176,254,564	0.01	0.27	0.93	1.21	0	0	0.0
Progress 2012-2 Trust	800,000,000	250,975,825	0.82	0.14	0.70	1.66	186,208	3	0.0
Progress 2014-2 Trust	1,000,000,000	526,945,330	0.33	0.08	0.21	0.62	0	0	0.0
PUMA Masterfund P-15	315,000,000	31,913,462	0.00	0.62	1.54	2.16	165,620	3	0.1
PUMA Masterfund P-16	750,000,000	137,059,652	0.37	0.22	0.20	0.79	137,611	2	0.0
PUMA Masterfund P-17	750,000,000	158,119,884	1.32	0.11	1.06	2.49	120,083	3	0.0
PUMA Masterfund S-10	191,000,000	52,939,680	1.40	0.00	3.22	4.62	936,698	6	0.5
PUMA Masterfund S-13	256,000,000	96,575,985	0.61	0.77	0.88	2.26	174,461	2	0.1
PUMA Masterfund S-9	500,000,000	95,749,267	0.83	0.50	4.29	5.62	1,162,349	12	0.2
PUMA Series 2013-1	1,250,000,000	470,542,134	0.58	0.12	0.74	1.44	149,074	3	0.0
PUMA Series 2014-1	1,400,000,000	577,153,284	0.25	0.00	0.16	0.41	220,408	1	0.0

RMBS Transactions at a Glance (Cont.)

Issue name	(AUD)		(%)				Submitted claim (AUD)	Number of claims	Loss ratio (%)
	Initial housing pool	Current housing pool	30-59 days	60-89 days	90+ days	Total 30+			
PUMA Series 2014-2	1,000,000,000	456,412,854	0.12	0.16	0.77	1.05	109,626	1	0.0
PUMA Series 2015-1	2,000,000,000	1,126,628,837	0.35	0.24	0.46	1.05	196,576	2	0.0
PUMA Series 2015-2P	624,220,000	378,376,051	0.26	0.48	0.64	1.38	0	0	0.0
PUMA Series 2015-3	1,500,000,000	985,446,224	0.16	0.20	0.38	0.74	0	0	0.0
RESIMAC Triomphe Trust - RESIMAC Premier Series 2012-1	222,851,613	142,441,844	0.16	0.25	1.10	1.51	331,544	6	0.2
RESIMAC Triomphe Trust - RESIMAC Premier Series 2013-1	1,278,352,074	293,199,500	0.34	0.00	0.88	1.22	255,429	4	0.0
RESIMAC Triomphe Trust - RESIMAC Premier Series 2014-1	748,642,017	424,851,790	0.07	0.09	0.13	0.29	113,385	1	0.0
RESIMAC Triomphe Trust - RESIMAC Premier Series 2015-1	500,000,000	352,576,620	0.19	0.00	0.13	0.32	0	0	0.0
RESIMAC Triomphe Trust - RESIMAC Premier Series 2016-1	935,000,000	818,717,236	0.08	0.03	0.03	0.14	0	0	0.0
RESIMAC Triomphe Trust - RESIMAC Premier Series 2016-2	500,000,000	500,029,677	0.00	0.00	0.00	0.00	0	0	0.0
Series 2010-1 SWAN Trust	620,000,000	104,319,140	0.58	0.13	1.25	1.96	129,580	2	0.0
Series 2010-2 SWAN Trust	1,000,000,000	170,325,015	0.28	0.11	0.35	0.74	105,240	6	0.0
Series 2011-1 SWAN Trust	500,000,000	102,706,527	0.08	0.85	0.57	1.50	0	0	0.0
Series 2012-1E REDS Trust	1,003,942,868	364,517,562	0.70	0.08	0.92	1.70	311,162	4	0.0
Series 2013-1 REDS Trust	850,000,000	368,797,610	0.92	0.74	0.88	2.54	542,840	2	0.1
Series 2014-2 WST Trust	2,700,000,000	1,596,954,287	0.38	0.20	0.64	1.22	173,932	1	0.0
Series 2015-1 Harvey Trust	750,000,000	476,662,064	0.17	0.00	0.16	0.33	0	0	0.0
Series 2015-1 REDS Trust	900,000,000	548,389,872	0.19	0.11	0.40	0.70	0	0	0.0
Series 2015-1 WST Trust	2,100,000,000	1,418,309,833	0.36	0.16	0.51	1.03	0	0	0.0
SMHL Securitisation Fund 2009-3	783,700,000	79,660,863	0.21	0.79	1.62	2.62	14,212	1	0.0
SMHL Securitisation Fund 2010-1	673,000,000	68,702,479	0.10	0.18	0.31	0.59	104,150	2	0.0
SMHL Securitisation Fund 2010-2E	1,197,601,309	126,200,305	1.01	0.00	0.99	2.00	420,667	5	0.0
SMHL Securitisation Fund 2011-1	1,000,000,000	150,367,998	1.34	0.63	1.52	3.49	0	0	0.0
SMHL Securitisation Fund 2012-2	800,000,000	186,634,576	0.18	0.42	0.73	1.33	0	0	0.0
SMHL Series Securitisation Fund 2010-3	1,000,000,000	120,816,008	0.82	0.47	2.27	3.56	89,091	3	0.0
SMHL Series Securitisation Fund 2011-2	665,000,000	108,189,012	0.46	0.00	1.66	2.12	65,970	1	0.0
SMHL Series Securitisation Fund 2013-1	1,250,000,000	453,596,185	0.49	0.32	0.98	1.79	40,984	1	0.0
SMHL Series Securitisation Fund 2014-1	1,450,000,000	638,016,010	0.29	0.17	0.80	1.26	0	0	0.0
TORRENS Series 2014-1 Trust	500,000,000	213,431,003	0.83	0.32	0.36	1.51	164,381	1	0.0
TORRENS Series 2014-2 Trust	600,000,000	326,004,023	0.56	0.20	0.56	1.32	0	0	0.0
Triton Trust No. 2 Bond Series 2013-1	500,000,000	169,548,433	0.21	0.17	0.30	0.68	137,199	1	0.0
Triton Trust No.2 Bond Series 2014-1	500,000,000	250,887,421	0.49	0.00	0.36	0.85	0	0	0.0
Triton Trust No.7 Bond Series 2016-1	350,000,000	296,723,663	0.00	0.00	0.00	0.00	0	0	0.0
Triton Trust No.7 CS Warehouse Series No 1	116,840,000	86,603,276	1.01	0.00	1.37	2.38	0	0	0.0
WB Trust 2009-1	433,500,000	83,430,412	0.24	0.00	0.85	1.09	1,743,416	17	0.4
WB Trust 2010-1	250,000,000	61,239,601	0.05	0.21	0.37	0.63	224,679	7	0.1
WB Trust 2014-1	300,000,000	180,820,741	0.52	0.15	0.58	1.25	351,453	4	0.1

RMBS Transactions at a Glance (Cont.)

Issue name	(AUD)		%				Submitted claim (AUD)	Number of claims	Loss ratio (%)
	Initial housing pool	Current housing pool	30-59 days	60-89 days	90+ days	Total 30+			
RMBS Issuer-Retained Transactions									
Barton Series 2013-1R Trust	400,000,000	343,774,748				0.19	0	0	0.0
ConQuest 2010-1R Trust	107,500,000	388,276,287				1.44	53,308	1	0.2
Crusade Trust No. 2P of 2008	11,500,000,000	25,547,366,456				1.99	3,757,813	47	0.0
GBS Receivables Repo Trust	425,000,000	409,186,964				0.84	0	0	0.0
Illawarra Series IS Trust	500,000,000	499,302,239				0.46	226,353	1	0.0
Kingfisher Trust 2008-1	29,541,800,000	73,157,955,509				0.49	40,858	1	0.0
Light Trust No. 5R	550,000,000	709,575,859				0.57	0	0	0.0
Lion Series 2009-1 Trust	1,575,000,000	4,097,672,556				0.33	0	0	0.0
Medallion Trust Series 2008-1R	69,800,000,000	75,137,266,263				1.33	73,988,940	940	0.2
National RMBS Trust 2012-1	5,800,000,000	24,152,915,747				0.44	941,377	15	0.0
National RMBS Trust 2015-2	1,000,000,000	924,457,681				0.00	0	0	0.0
Pinnacle Series Trust 2014-SST	365,100,000	541,871,421				0.45	0	0	0.0
PUMA Sub-Fund B-1	7,510,000,000	15,277,592,246				1.04	12,775,194	127	0.2
SMHL Series 2008-1 Fund	883,860,000	2,358,216,472				1.03	178,525	4	0.0
RMBS Non-Conforming Transactions									
La Trobe Financial Capital Markets Trust 2015-1	250,000,000	137,470,916	2.69	0.56	2.20	5.45			0.0
Pepper Residential Securities Trust No. 10	350,000,000	95,858,740	1.91	2.10	4.82	8.83			0.5
Pepper Residential Securities Trust No. 11	350,000,000	102,974,588	5.31	0.34	7.08	12.73			0.2
RESIMAC Bastille Trust - RESIMAC Series 2013-1NC	350,000,000	124,159,953	1.15	0.16	0.41	1.72			0.0
RESIMAC Bastille Trust - RESIMAC Series 2015-1NC	375,000,000	175,793,472	1.66	0.57	1.55	3.78			0.0
RESIMAC Bastille Trust - RESIMAC Series 2016-1NC	750,000,000	671,094,224	0.00	0.00	0.00	0.00			0.0
Sapphire XII Series 2013-1 Trust	153,390,000	68,680,860	2.49	1.36	8.29	12.14			1.0
Sapphire XIII Series 2014-1 Trust	209,350,000	112,177,808	5.72	1.30	4.14	11.16			0.7
Sapphire XIV Series 2016-1 Trust	200,000,000	152,185,849	3.67	2.24	6.34	12.25			0.0

Source: Fitch

The Dinkum RMBS Index and Methodology

Fitch compiles indices based on Fitch-rated Australian RMBS transactions, using a weighted-average based on mortgage balance.

Fitch-Rated RMBS Index: Includes all Australia prime RMBS transactions. This includes private and issuer-retained transactions. The Fitch-rated RMBS index represents 17.2% of the total Australian mortgage market.

The Dinkum RMBS Index: Includes all public static Australian prime RMBS transactions; excludes issuer-retained transactions. Fitch does not include issuer-retained transactions in the Dinkum RMBS Index, as the size and frequent top-ups would suppress arrears levels and skew comparisons between periods. Any index based on the performance of Dinkum RMBS Index transactions exhibits low volatility because the collateral pools are static and the mortgage balance does not change significantly over time. Though the Dinkum Index is relatively small, it is a stable measure of all Fitch-rate transactions.

Issuer-Retained Transactions: Authorised deposit-taking institutions (ADIs) create and hold securities that are repo eligible with the Reserve Bank of Australia. These transactions can be large and have long revolving periods, where principal collections can be used to purchase additional non-delinquent loans, rather than repay notes.

The Non-Conforming RMBS Index: Consists of mortgages that do not meet the standard lending criteria of LMI providers and mainstream lenders, and includes lending to borrowers who have poor credit or payment histories. Non-conforming transactions tend to have higher levels of delinquencies and defaults.

Seasoning: Transactions are added to the indices about six months after issue to allow some seasoning to occur. Transactions are removed once fully redeemed.

Repayment Rates: Fitch monitors repayment rates to track the amortisation profile of Australia prime RMBS transactions.

Borrower Payment Rate (BPR) tracks all the principal cash flows driven by borrowers. It excludes cash flows directly influenced by lenders' activity (for example, substitutions, further advances, repurchases, or new loan purchases). **Conditional Prepayment Rate (CPR)** excludes scheduled payments and, therefore, focuses on principal prepayment rather than the original scheduled amortisation.

Losses: Net (or realised) losses are reported according to the servicer's methodology and when the losses have occurred in the trust. Losses are reported as the realised losses after sales proceeds, but before excess spread. The **12M ALR** (annualised loss rate) is a 12-month rolling average of the annualised losses pre-lenders' mortgage insurance as a percentage of the current transaction size.

As seasoning is a key driver of losses, Fitch also monitors realised losses from months since closing, and are expressed as a percentage of the original transaction size.

Australian LMI Providers:

Genworth Financial Mortgage Insurance Pty Limited (IFS A+/Stable)
 Housing Loans Insurance Corporation (HLIC)
 MGIC Australia Pty Ltd
 Mortgage Risk Management Pty Ltd. (MRM)
 QBE Lenders' Mortgage Insurance Limited (IFS AA-/Stable)
 Westpac Lenders Mortgage Insurance Limited (WLMI, IFS AA-/Stable)

LMI Payments: The **Average LMI Claim Index** shows the average dollar amount of claims submitted for all Fitch-rated transactions.

For a claim to materialise the loan must first default and upon foreclosure, property sale proceeds be insufficient to repay the loan. LMI claims are the amounts claimed by servicers submitted to LMI providers on realised losses. This index does not therefore give a loss-given-default metric, as not all defaults result in claims on LMI.

The **Average LMI Paid/Submitted Ratio** looks at the portion of submitted claims that have been paid by the LMI providers. This does not include LMI claims.

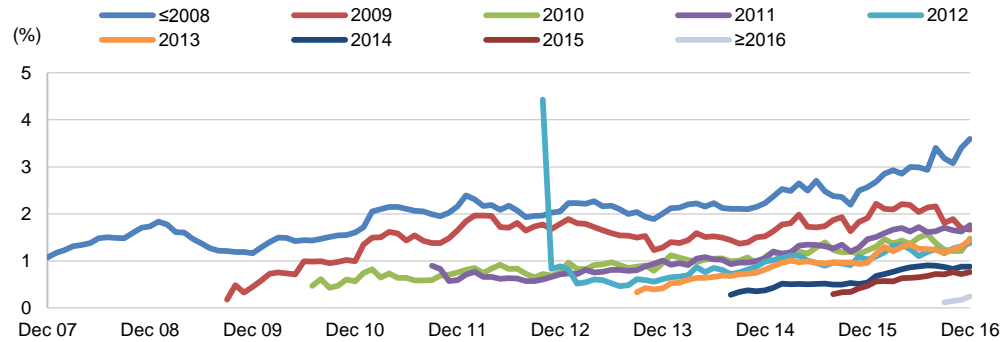
Changes to Index Composition: In 4Q16, the prime index portfolio included AUD40.4 billion of mortgages, AUD0.2 billion lower than in 3Q16.

Five transactions were redeemed and removed from the Dinkum RMBS Index in 4Q16: Crusade Global Trust No.2 of 2006, Illawarra Series 2006-1 RMBS Trust, Medallion Trust Series 2007-1G, SMHL Securitisation Fund 2009-1, SMHL Securitisation Fund 2009-2.

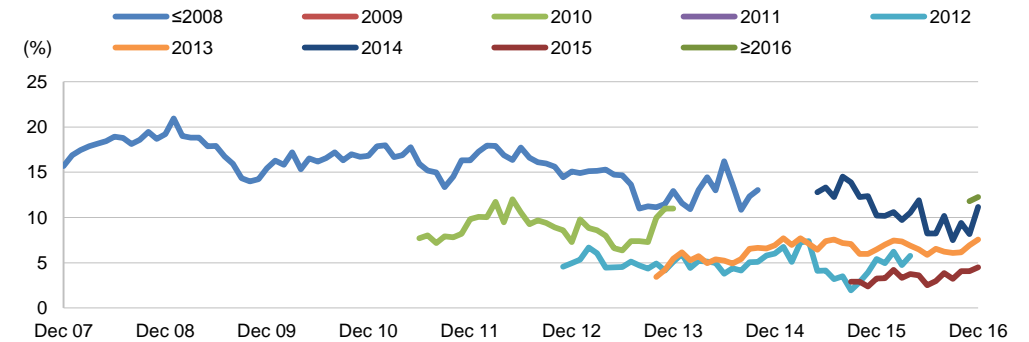
Three new transactions were added to the Dinkum RMBS Index in 4Q16: Firstmac Mortgage Funding Trust No. 4 Series 2-2016, RESIMAC Triomphe Trust - RESIMAC Premier Series 2016-1, National RMBS Trust 2016-1

Appendix 1: Prime Versus Non-Conforming by Vintage

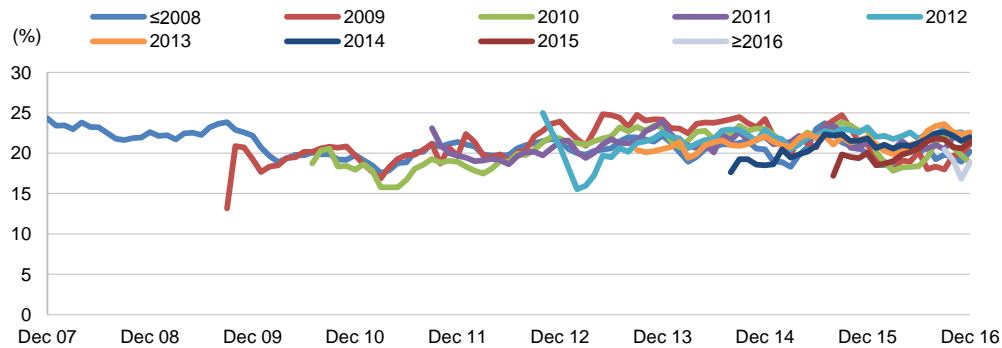
Dinkum Prime RMBS 30+ days Arrears by Vintage



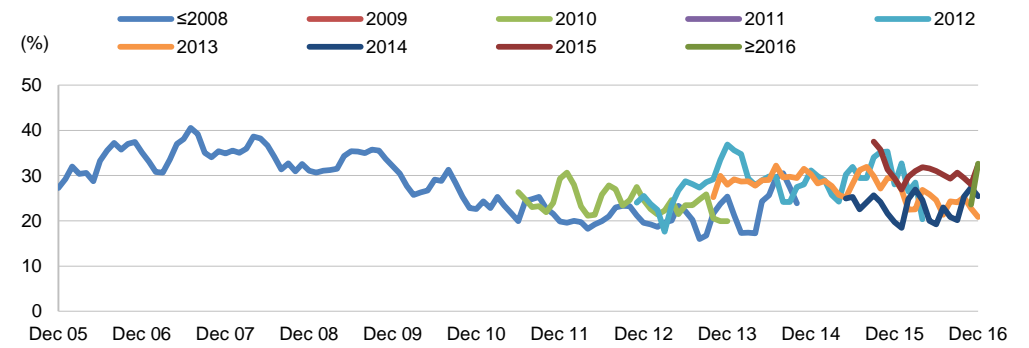
Non-Conforming RMBS 30+ days Arrears by Vintage



Dinkum Prime RMBS CPRs by Vintage

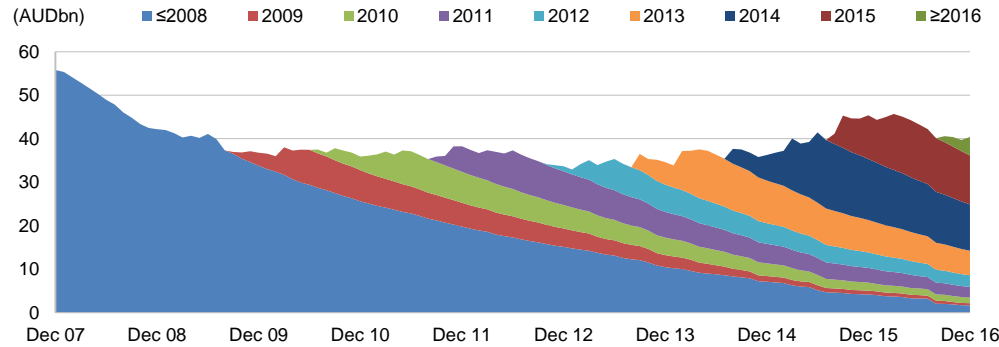


Non-Conforming RMBS CPRs by Vintage



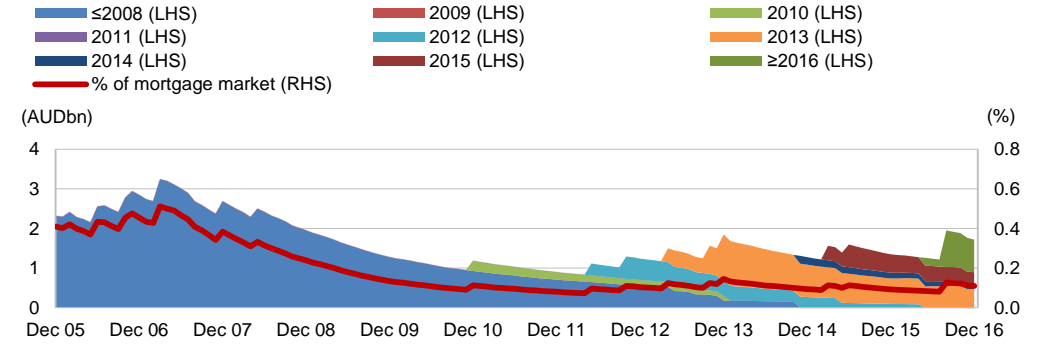
Appendix 2: Issuance and Outstanding Volumes

Prime RMBS Outstanding – Dinkum



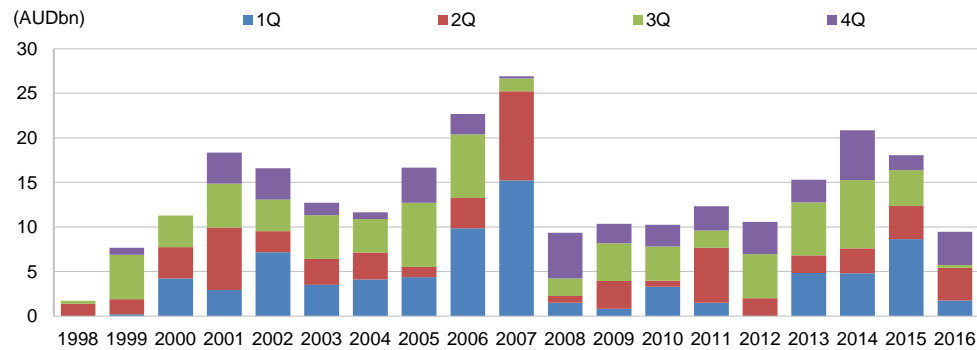
Source: Fitch

Non-Conforming RMBS Outstanding – Fitch-Rated



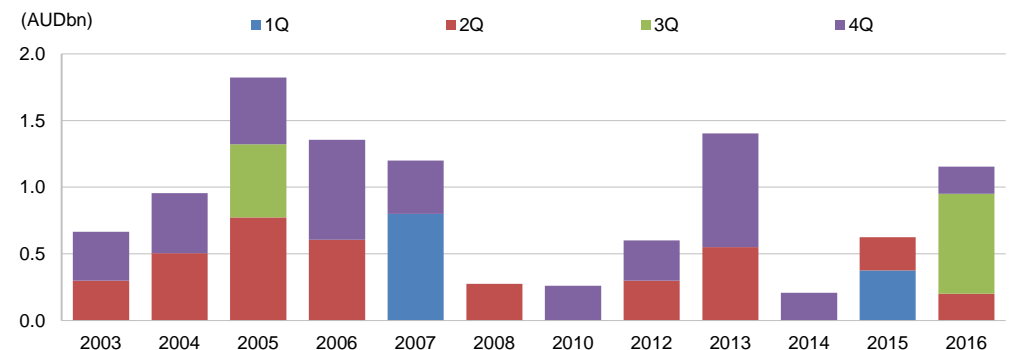
Source: Fitch

Prime RMBS Fitch-Rated Public Issuance



Source: Fitch

Non-Conforming RMBS Fitch-Rated Public Issuance



Source: Fitch

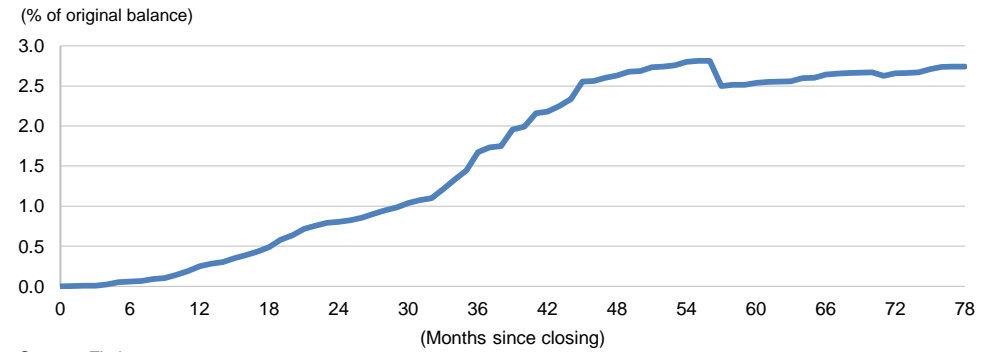
Appendix 3: Non-Conforming Additional Arrears and Losses

Non-Conforming RMBS Losses – Annualised Loss Rate



Source: Fitch

Non-Conforming RMBS Losses – Actual Loss Rate Since Closing



Source: Fitch

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