ASJ

# AUSTRALIAN SECURITISATION JOURNAL

Incorporating Australian and New Zealand Securitisation and Covered Bonds

>> *Issue 18 • 2020*

## *Riding out the storm*

Strong foundations and mainly enviable public-health performance have put Australian and New Zealand securitisers in a good position to come through the COVID-19 crisis. Government support is also playing a key role in the Australian market.

Australian Securitisation Forum



ASJ

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# CONTENTS

# FROM THE FEDERAL TREASURER

This issue of *ASJ* comes at a profound time for the global financial system and the Australian economy. The coronavirus pandemic has devastated jobs around the country, wiped out one-third of the Australian Stock Exchange's value in just four weeks through to late March and, at the time of writing, we are forecasting a record fall in GDP in the June quarter. Nevertheless, in the face of a one-in-100-year global pandemic, the Australian economy has been remarkably resilient, and both Moody's Investors Service and Fitch Ratings have reaffirmed Australia's triple-A rating.

We entered this crisis from a position of economic strength. This enabled the government to provide unprecedented levels of support to households, businesses and financial markets in order to support the continued flow of credit.

In total, the government has provided around A$259 billion (US$179.7 billion) or 13.3 per cent of GDP in economic support. We significantly expanded access to income support, provided two supplementary income support payments of A$750 and allowed early access to superannuation to help cushion the blow for households. Meanwhile, our JobKeeper programme is providing A$70 billion to Australian businesses to reduce their wage costs and preserve the relationship with their employees, while our SME Guarantee Fund is guaranteeing 50 per cent of new loans issued by eligible lenders to SMEs, including sole traders and not-for-profits.

As we all know, access to credit is critical to any economy and securitisation is an important avenue for lenders to secure funds so as to support lending activity. Securitisation especially helps smaller lenders, which are essential to ensuring that our financial system is competitive for both businesses and consumers, to attract funding.

That's why the government introduced the Structured Finance Support Fund (SFSF), which is providing up to A$15 billion to smaller lenders. The SFSF is investing in structured-finance markets used by these lenders, in rated term securitisations and in both rated and unrated securitisation warehouses. These lenders provide consumer and business finance and are critical in ensuring a deep, competitive market for financing.

The SFSF will help keep access to funding markets open for SMEs affected by coronavirus and support competition in consumer and business lending markets. The SFSF was announced at the same time as the Reserve Bank of Australia announced a term funding facility of at least A$90 billion to support authorised deposit-taking institutions to continue lending during the crisis. Both these initiatives have helped ensure there has been adequate liquidity for lenders to support businesses over the last three months.

The SFSF complements other measures the government has introduced in support of the economy. Even prior to the crisis the government had implemented numerous reforms to improve competition in the financial sector, which included improving new and smaller lenders' access to funding by building out the securitisation market's infrastructure. The Australian Business Securitisation Fund (ABSF) is investing A$2 billion in warehousing and the securitisation market, which will provide significant additional funding to smaller banks and nonbank lenders to on-lend to small businesses on more competitive terms.

It has also been encouraging to see industry support the securitisation market during this crisis. While the Australian Office of Financial Management has invested in public term deals, announced commitments to a number of private warehouses, and is investing in the secondary market, a number of recent primary-market deals have concluded without needing public funds.

More than ever, it is critical that the securitisation industry and the government continue to work closely together to support the flow of credit and help strengthen competition in the financial sector. While Australia and the rest of the world still face some significant challenges, the government will continue to take steps to ensure we can bounce back stronger on the other side of this crisis.

**JOSH FRYDENBERG MP**
TREASURER, GOVERNMENT OF AUSTRALIA

# FROM THE ASF

*Welcome to the first edition of ASJ for 2020. Despite the challenges brought about by the onset of the COVID-19 pandemic across the globe, it is pleasing to note that confidence is re-emerging in the Australian securitisation market.*

This is aided in part by the introduction of the government's economic response package comprised of the A$90 billion (US$62.5 million) Reserve Bank of Australia (RBA) term funding facility, the A$40 billion SME guarantee scheme and the Australian Office of Financial Management (AOFM)'s A$15 billion Structured Finance Support Fund (SFSF) (see p6).

Although new primary issuance in 2020 has not been as strong as in the same period in 2019, the challenging market conditions, commencing with the COVID-19 shutdowns from March, have still resulted in A$9.8 billion of residential mortgage-backed securities (RMBS) and asset-backed securities (ABS) issuance in Australia by mid-June.

By 26 June, the AOFM had made SFSF investments of A$394.6 million in public primary markets, A$841.4 million in the public secondary market – with these purchases made to support real-money participation in primary deals – and A$1.5 billion of warehouse facilities.

Primary covered-bond market issuance by domestic issuers has reached A$7.6 billion in the year to date (see p11), which is less than the A$12.3 billion achieved over the same period last year. Notably, however, the market saw the placement of an Australian dollar conditional pass-through covered bond from a regional bank – a first for the Australian market.

Since March, the Australian Securitisation Forum (ASF) has been working closely with its members and the AOFM, exploring options for the SFSF to invest in outstanding RMBS, ABS and warehouse facilities sponsored by the smaller nonbank lending sector. This will compensate for the missed interest component of scheduled payments not received as a result of the borrower being granted a reduced or deferred payment moratorium due to the impact of COVID-19.

The forbearance special-purpose vehicle (FSPV) is designed to ensure COVID-19 hardship cases do not restrict cash flow into securitisation vehicles. The sector has responded positively to this with a number of originators having already expressed interest in accessing FSPV funding in the near term or relying on it as back-up support.

In parallel with this work, the ASF developed an industry guideline for the securitisation industry on the treatment of COVID-19 hardship to clarify the treatment and reporting of loans and accounts classified as COVID-19 support cases funded through securitisation transactions.

The ASF's consultation on Australian interest-rate benchmark reform, released in November 2019, was the first step in engaging the industry on the longevity of one-month bank-bill swap rate (BBSW) for ABS and RMBS, the adoption of more robust contractual fallback benchmarks and the challenges of using risk-free rates over interbank offer rates as alternate benchmarks.

At the same time, Commonwealth Bank of Australia came to market with the first Australian RMBS linked to the overnight index average, under its Medallion programme. There still seems to be confidence in the use of BBSW in securitisation transactions. Meanwhile, the ASF will continue its work with industry around a robust fallback benchmark. As soon as the International Swaps and Derivatives Association releases its fallback language there will be more active engagement with members and the RBA with the aim of producing a market standard.

The ASF continues to work with its New Zealand subcommittee and members on specific submissions to Treasury in relation to the Reserve Bank of New Zealand Phase 2 review, the ability of nonbanks to address financial hardship suffered by their customers due to COVID-19 (see p14), and changes to the overseas investment regime.

## ASF OUTREACH

While the ASF is unable to hold its regular face-to-face workshops, its professional securitisation education programme is being presented in a virtual format.

The first series of the Securitisation Fundamentals and Securitisation Professionals courses were held in May and June with strong participation. Further virtual sessions are planned throughout the year at reduced cost.

The ASF is also planning on member briefings via webinar in the second half of 2020 including an investor seminar for UK and Asian investors in July.

ASF membership continues to grow, to more than 145 Australian and New Zealand market participants. We would like to take this opportunity to welcome the following new members that have joined the ASF since our last publication: Arch Finance, ASX, Boston Managed Investments, Credabl, Custom Fleet, Grow Asset Finance, Lannock Strata Finance, Lumi, Metro Finance, NOW Finance, Ratesetter, Resi Wholesale Funding, Revolution Asset Management and Tradeplus 24.

Finally, we welcome Andrea Manson as the ASF's new marketing and operations executive. Andrea has a background in securitisation and extensive experience in marketing and relationship management. She can be contacted on **+61 2 8277 4141** or via email at **amanson@securitisation.com.au.** ■

# FORBEARANCE BROUGHT TO BEAR

*The Australian Office of Financial Management (AOFM) is set to deploy a forbearance special-purpose vehicle (FSPV) from the end of June to mitigate the impact of COVID-19 hardship on securitisation trusts. An Australian Securitisation Forum (ASF) working group assisted the AOFM in establishing the facility, which is intended to be a key plank in the bridge taking small bank and nonbank lenders to the other side of the crisis.*

BY MATT ZAUNMAYR

When the Australian economy was locked down in March to mitigate the spread of COVID-19, the ability of consumers to maintain loan payments was quickly drawn into the spotlight. Lenders across the spectrum began offering forbearance measures such as part or full payment deferrals to ease the burden on their customers and reduce default.

In turn, Australia's federal government moved to ease the funding pressure on smaller lenders that could eventuate from a massive rise in arrears by the provision of a A$15 billion (US$10.4 billion) Structured Finance Support Fund (SFSF) to be administered by the AOFM.

The SFSF is designed to invest in the securitisation structures of smaller bank and nonbank lenders and to facilitate primary-market liquidity and price discovery. It can invest in primary transactions, the secondary market and warehouses, and is able to invest across all asset classes. Given the rapidly unfolding nature of the COVID-19 crisis, the AOFM began its SFSF investments immediately (see box on p8).

But getting new deals to market is potentially only the tip of the iceberg of challenges COVID-19 is presenting to lenders. For those that rely on securitisation structures for funding, the hardship measures being implemented to provide relief to customers could also derail their ability to repay investors in existing securitisation trusts.

Furthermore, the arrears arising from COVID-19 hardships could cause downgrades within securitisation structures. These factors could cause long-lasting damage to the public securitisation market even at a level akin to what was seen following the 2008 financial crisis.

Chris Dalton, Melbourne-based chief executive at the ASF, says the decision by the government, regulators and other industry bodies to provide leeway to lenders that are providing borrowers with payment holidays and other forbearance arrangements provided a catalyst. It opened the door to nonbank and smaller bank lenders to offer their customers similar hardship arrangements in a way that enabled the securitisation structures these institutions use for a substantial proportion of their funding to sustain the period of missed interest payments.

The FSPV will allow the AOFM to invest in the securitised assets of eligible lenders, where interest payments are being missed due to hardship related to the COVID-19 crisis and its economic fallout. This takes the burden off securitisation structures and should allow lenders to maintain the integrity of their funding instruments – and thereby maintain confidence in the market.

The COVID-19 lockdown has had and will continue to leave an indelible mark on the Australian economy. But, through the FSPV, investor confidence in the securitisation market should be reinforced and the ability of smaller lenders to continue providing credit through the cycle will be greater.

## RACING THE CLOCK

Time has been of the essence in creating the FSPV given the rapid rise in hardship claims during April and May. In response, the ASF quickly mobilised a working group to establish a structure which would be investable by the SFSF.

The SFSF can invest in securities that have any financial loan receivable originated by a nonbank or small bank lender as underlying collateral. For the purposes of the SFSF, a small bank lender is defined as one that is not able to access the Reserve Bank of Australia's term funding facility using self-

*"The aim was to achieve a 'one-size-fits-most' solution. We could have aimed for a solution that is tailored to each individual participant, but by the time we got there it is likely that the troubled period would be over."*

**ANNE-MARIE NEAGLE** KING & WOOD MALLESONS

# *Greasing the wheels*

THE STRUCTURED FINANCE SUPPORT FUND (SFSF) IS BEING ADMINISTERED BY THE AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT (AOFM) TO PROVIDE FUNDING SUPPORT TO NONBANK AND SMALLER BANK LENDERS THROUGH INVESTMENTS IN SECURITISATION STRUCTURES. IT HAD EARLY SUCCESS IN FACILITATING PRIMARY TRANSACTIONS THROUGH DIRECT PARTICIPATION AND SECONDARY-MARKET SWITCHES.

The A$15 billion (US$10.4 billion) fund was announced on 19 March as part of a suite of government measures to build a bridge for the financial markets to reach the other side of the COVID-19 crisis. By 22 June, the AOFM had disclosed A$2.4 billion of SFSF investments. The SFSF has made investments across asset classes in primary and secondary markets, as well as in 19 warehouses (see chart 1). The SFSF can invest in nonbank and smaller bank lenders but by the third week of June only made one smaller bank investment – in a Judo Bank warehouse facility.

The nature of SFSF investments has evolved rapidly (see chart 2). At first the fund was compelled to participate in primary deals that were ready for execution when the COVID-19 crisis hit.

But its support has shifted to providing relief in the secondary market, where *ASJ* understands there was a large overhang of paper in April, and in warehouse facilities to supplant wary third-party mezzanine investors in particular.

Between the AOFM's investment in Liberty Financial's primary deal on 8 May and 18 June, six primary securitisation deals priced in Australia for aggregate volume of A$4.2 billion. Of this flow, the AOFM only participated in two deals for a total of A$141 million. Unlike its first primary investments, the AOFM was not a sole subscriber to any tranches and acted as a price taker instead of a price maker.

The SFSF's secondary-market activity in May and June directly preceded primary deal flow. As a result of these secondary purchases, the need for direct AOFM participation in primary markets has decreased as investors' investment capacity has been freed up.

In a webinar briefing on 18 May, Michael Bath, head of global markets and business strategy at the AOFM in Canberra, said the secondary-market purchases undertaken by the SFSF were designed to enable investors to switch into primary transactions and also to provide price discovery. Investors do not necessarily need to have like-for-like securities to enable switches, Bath explained.

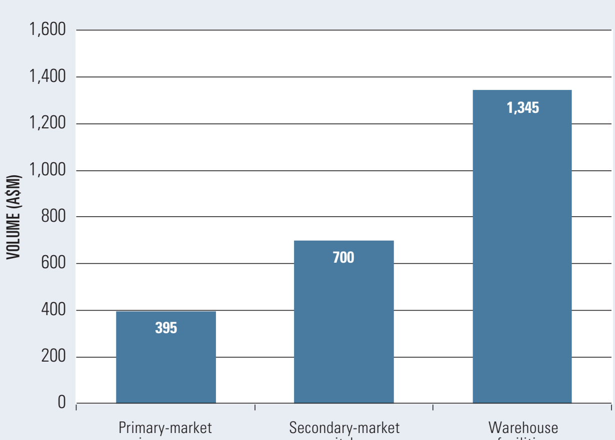
For instance, the AOFM has conducted purchases of SME loan-backed securities to enable investor participation in RMBS transactions.

There is some correlation between secondary purchases and related new issuance, though. For instance, the AOFM purchased some commercial mortgage-backed securities (CMBS) and SME-backed paper prior to RedZed Lending Solutions' new CMBS transaction on 19 June.

A steady pipeline of primary deals was building by late June, including prime and nonconforming residential mortgage-backed securities, and auto and equipment asset-backed securities.

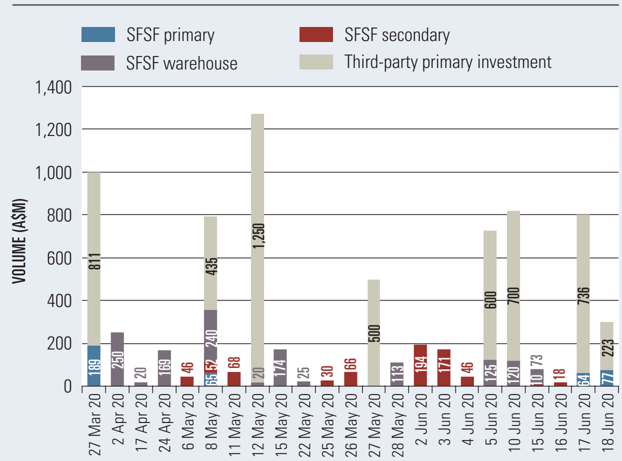
Bath said he expected the need for SFSF participation in primary-market deals to decline further over time as price discovery becomes easier and as the forbearance special-purpose vehicle makes the impact of COVID-19 on securitisation pool cash-flow less substantial.

**CHART 1. SFSF INVESTMENTS TO 22 JUNE 2020**




SOURCE: AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT 22 JUNE 2020

**CHART 2. SECURITISATION MARKET INVESTMENT TIMELINE**




SOURCE: AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT, KANGANEWS 22 JUNE 2020

*"The SFSF has to engage in investing – it is not to engage in making grants. The AOFM needs to be able to reasonably determine that anything it applies money to can be characterised as an investment."*

**STEPHEN MAHER** AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

securitised assets as repo collateral, nor a subsidiary of a bank that can.

Stephen Maher, Sydney-based portfolio manager at the AOFM, confirmed during an 18 May webinar briefing that lenders originating the full spectrum of asset classes available to SFSF investment would be able to apply for support through the FSPV.

The ASF working group comprised a range of issuers, lawyers and trustees. The ASF appointed King & Wood Mallesons (KWM) to advise on the structure and draft a termsheet.

Given the pressing nature of the crisis, the process for this development was not run in the usual manner whereby the termsheet would be negotiated and signed by all parties before moving to full documentation. Instead, many of the documentation processes ran through a parallel workstream to allow expediency so the FSPV could be used by the lenders that need it as soon as possible.

The challenge was to create an industry-level solution, as quickly as possible, for a heterogenous group of market participants. Anne-Marie Neagle, partner at KWM in Melbourne, says some other structures were considered in the embryonic stages of consultation, but one that required development on a trust-by-trust or originator-by-originator basis would not be pragmatic in the current, time-stressed circumstances.

"The aim was to achieve a 'one-size-fits-most' solution. We could have aimed for a solution that is tailored to each individual participant, but by the time we got there it is likely that the troubled period would be over," says Neagle.

She adds that finding the middle ground between flexibility, complexity and expediency has been a challenge in bringing the FSPV to life. The coordination of the ASF working group and its consultation with industry participants beyond the participating originator community was key.

## STRUCTURAL FEATURES

The structure settled upon is a single SPV that caters to all lenders and asset classes that meet the criteria for investment by the SFSF. In order to meet the time constraints of the COVID-19 crisis, the structure also had to be one that lenders could access with expediency.

"The structure needed to be straightforward and not require any changes to existing documentation of transactions or the consent of counterparties to existing transactions," Dalton says.

There was no specific precedent for the industry to draw on in creating an appropriate FSPV. However, Neagle says the structure was inspired by the Australian securitisation industry's experience coming out of the 2008 financial crisis, when the AOFM also played a critical, but very different, supporting role.

The technical aspects of the forbearance SPV are not novel, however. "The central vehicle is established using securitisation technology, with a sale of receivables and other familiar components. Other elements of the structure are borrowed from structured-finance technologies that are not specifically securitisation but nonetheless are familiar to many market participants," Neagle explains.

One of the most critical aspects was ensuring the security produced by the FSPV would be investable by the SFSF. This meant a debt security in which the AOFM needs to be the senior financier.

The FSPV will fund the missed interest payments of loans directly affected by COVID-19. It will not fund missed principal payments, fees or any other charges. Maher says for "those asset classes that do not have well defined interest components, interest will be defined using appropriate methodologies".

The SPV will have a class A variable funding note with an interest rate of 5 per cent, to which the SFSF will be the sole subscriber. The SFSF is not able to invest in first-loss securities, so participating lenders will subscribe to a class B note to provide credit enhancement. The class B notes will not bear interest.

The size of the class B note subscribed to by participating lenders will be determined by a percentage of the forbearance SPV's commitment to purchase a lender's receivables based on asset class (see table). If a trust has a mixed portfolio of assets, the required first-loss percentage will be determined on a dynamic weighted-average basis.

Maher says the AOFM does not believe these levels will be detrimental to originators' businesses. On the other hand, they are fundamental to the FSPV meeting the SFSF's legislative requirements and directions.

Amounts subscribed to by lenders will be segregated into a first-loss collateral account and amounts contributed recorded in individual ledgers, so first losses can be tracked. Amounts contributed by lenders are not available to other originators.

Eligible lenders will be able to draw down from the FSPV during an availability period which will run from the FSPV's implementation date until 30 March 2021. Eligible loans will have to be originated before 30 September 2020. The purpose here is to allow lenders to continue originating loans as the crisis evolves.

If a participating lender has more than one trust eligible for the FSPV, requiring multiple drawdowns, these drawdown requests will be aggregated into one or two per month. Interest on liquidity payments will be charged monthly and will be capitalised during the FSPV availability period.

The SFSF will fund up to 90 per cent of missed interest payments for a participating lender's COVID-19 hardship approved claims. The remaining 10 per cent will flow through the originator's trust waterfall.

## EXIT ROUTE

After 30 March 2021, participating lenders will begin paying back the funds they have drawn from the FSPV. The repayment period will be up to five years for long-dated assets such as mortgages and three years for shorter-dated assets including consumer loans. The repayment obligation participating lenders have to the FSPV sits above the entitlement of the residual income unit.

Dalton says the AOFM is able to extend the duration of the programme should the economic recovery be delayed or shallower than forecast, but this is not currently the expectation of either the ASF or the AOFM.

For lenders with multiple participating trusts, if a trigger event occurs in one trust – such as a first-loss trigger event or an amortisation event that does not remedy within three months of occurring – the FSPV will have access to excess funds from other participating trusts of that originator.

There will also be a stop-funding feature in place in case of breaches to the transaction agreements. "At no point in time can the AOFM entertain carte blanche support to lenders and there is a requirement that originators engage in appropriate practices. Where behaviour is out of line, this would cause a stop-funding event where the FSPV would not provide any future draws for that originator's trusts," Maher said during the May webinar.

## FSPV IMPLEMENTATION

The FSPV is intended to be operational by late June and the AOFM has already sought expressions of interest from lenders that are eager to make use of it.

Lenders have been encouraged to indicate their specific interest for using the FSPV and the number of trusts they expect to access the programme. Lenders have also been encouraged by the AOFM to provide data relating to the specifics of each trust they expect to access the programme, including asset type, assets under management, weighted-average interest rate, number and volume of assets in COVID-19-related hardship, and number and volume of assets currently in 30-plus and 90-plus days arrears.

### PERCENTAGE REQUIRED FOR FSPV CLASS B NOTE SUBSCRIPTION

| ASSET CLASS | PERCENTAGE OF SPV COMMITMENT |
|---|---|
| Prime residential mortgages | 1 |
| Nonconforming mortgages | 2 |
| Auto and equipment loans | 4 |
| Consumer unsecured loans* | 7.5 |
| SME secured loans | 5 |
| SME unsecured loans | 10 |
| Other | To be determined case by case |

* Includes credit cards, personal loans, business charge cards and buy-now, pay-later receivables.

SOURCE: AUSTRALIAN SECURITISATION FORUM 15 JUNE 2020

*ASJ* understands many borrowers have been working through the terms of the FSPV to be ready for implementation. This is despite some issuers indicating that they will apply for use of the vehicle but do not expect to ever draw on funds. Instead, some issuers see the virtue of the FSPV being its ability to provide an emergency liquidity backstop, which even if not used will provide investors with confidence (see p18).

On 20 May, the AOFM revealed BNY Mellon would act as trustee and trust manager for the forbearance SPV. In mid-June, the AOFM is still to unveil its appointed collateral verification agent (CVA). The CVA will engage in ongoing monitoring of draws from the SPV to determine that lenders' assets are eligible for support and that draws have been accurately calculated.

To be eligible for a draw, underlying loans must be in COVID-19 hardship and the drawing trust must also be one in which the AOFM is confident that draws will be repaid, including allowing for cross-collateralisation benefits. Maher says: "The SFSF has to engage in investing – it is not to engage in making grants. The AOFM needs to be able to reasonably determine that anything it applies money to can be characterised as an investment."

The AOFM will also undertake viability testing to ensure these criteria are met. "Viability testing will assess a lender's cash-flow models as well as its experience so far with COVID-19 hardship claims, to assess the potential level of drawdowns from that lender as well as its ability to repay after 30 March 2021," explains Maher.

Both the FSPV's trustee and the AOFM's CVA will give input to the final documentation before the FSPV is operational. But Neagle says there are not expected to be fundamental changes from the two-page termsheet provided to the industry in May.

She says the termsheet is being expanded, but this process is more evolutionary than revolutionary. "The final stages are more about joining the dots than revisiting any of the fundamental agreements. We are taking something that is short and conceptual and translating it into something detailed and implementable." ■

# COVERED DURING COVID

*Covered bonds proved their rainy-day value by providing the first primary supply from local and international issuers, after an issuance hiatus across the Australian credit market in the wake of the COVID-19 crisis. However, use of the product remains relatively narrow in Australia – and there seems little prospect of uptake from a much larger group of issuers.*

BY CHRIS RICH

In times of dislocation, the Australian credit market has often been reopened by major bank supply, with these issuers typically standing up to reset primary price levels after disruption. Other financial institutions and corporate borrowers then follow, as does securitisation, as capital-markets momentum gradually returns. The dynamic has been different in the COVID-19 crisis, though. Specifically, a clutch of developments have left the local big-four banks with no immediate wholesale funding need (see box on p12). In their absence, it was left to other issuers to initiate price discovery on the other side of the acceleration of the crisis.

The last Australian dollar credit benchmark deal to print ahead of the COVID-19 crisis came from Emirates NBD on 19 February. A period of primary-market silence followed before a slate of Canadian banks issued covered-bond transactions in the first half of April (see table) to get credit issuance on the move again.

BENCHMARK AUSTRALIAN DOLLAR COVERED-BOND DEALS 2020

| PRICING DATE | ISSUER | VOLUME (A$M) | MATURITY DATE | MARGIN (BP/3M BBSW) |
|---|---|---|---|---|
| 2 Apr 20 | Canadian Imperial Bank of Commerce Sydney Branch | 600 | 14 Apr 23 | 125 |
| 3 Apr 20 | Toronto Dominion Bank | 1,250 | 14 Apr 23 | 125 |
| 8 Apr 20 | Bank of Montreal | 2,000 | 17 Apr 23 | 120 |
| 15 Apr 20 | Royal Bank of Canada Sydney Branch | 2,250 | 24 Apr 23 | 100 |
| 20 Apr 20 | Suncorp-Metway | 750 | 27 Apr 25 | 112 |
| 7 May 20 | Bank of Queensland | 750 | 14 May 25 | 107 |

SOURCE: KANGANEWS 12 JUNE 2020

The Canadian banks had all issued covered bonds in offshore markets soon before tapping Australian demand. This allowed them to use global guidance to frame Australian dollar price discovery at a time when illiquidity continued to make secondary marks unreliable.

In turn, the new primary price points cleared the path for Suncorp-Metway to issue a A$750 million (US$520.6 million) covered-bond deal on 20 April. Suncorp also took the market a further step towards recovery by extending the tenor of its print to five years, from the three years issued by the Canadian banks. The tenor is relevant because it provided the issuer with something it could not get from the funding support facility put in place to assist Australian banks manage liquidity issues during the crisis.

Simon Lewis, treasurer at Suncorp in Brisbane, told *KangaNews* after pricing that the bank will be able to draw A$1.7 billion from the Reserve Bank of Australia's term funding facility (TFF) and that it had already accessed a small amount by late April. However, TFF lending is all at three-year tenor.

Suncorp initially considered three-year duration for its covered bond even though this matches what the TFF is offering. However, when Royal Bank of Canada Sydney Branch priced its three-year covered bond at 100 basis points over three-month bank bills – 20-25 points tighter than the preceding Canadian bank deals – Suncorp realised five-year tenor could also offer attractive liquidity and cost outcomes.

Lewis explained: "Five-year tenor makes sense to us because if we draw down the full A$1.7 billion [of TFF funds] over the course of the next few months it will create a large maturity tower we will have to address in 2023."

The Canadian banks were able to execute their Australian dollar covered-bond deals due in the main to a surge in demand from bank balance sheets (see charts 1 and 2).

"The significant amount of liquidity pouring into the banking system, either via the expectation generated from the creation of the TFF or deposit inflows, left balance sheets looking for an appropriate way to deploy that liquidity via their high-quality liquid asset books," says Gerard Perrignon, managing director, debt capital markets at RBC Capital Markets in Sydney.

Australian real-money accounts were less prevalent in the first wave of covered bonds from Canadian banks. But Perrignon says the notable participation from this sector in Suncorp's deal reflected increasing investor confidence and thus willingness to participate in primary transactions as market conditions began to settle.

## NARROW SUPPLY

The April-May deal activity allowed covered bonds to demonstrate their ability, as a high-grade instrument, to coax investors back into a troubled market and to allow issuers access to wholesale funds that might not otherwise be available. At the same time, though, the transaction flow also

## Major banks absent from funding markets

THE RESERVE BANK OF AUSTRALIA (RBA)'S TERM FUNDING FACILITY (TFF) WAS DESIGNED TO ENSURE BANKS HAD ACCESS TO LIQUIDITY EVEN IF CAPITAL MARKETS FROZE UP. WHOLESALE FUNDING LIQUIDITY HAS ACTUALLY HELD UP BETTER THAN MIGHT HAVE BEEN EXPECTED AT THE START OF THE COVID-19 CRISIS – AND AUSTRALIA'S BIG-FOUR BANKS HAVE MINIMAL ISSUANCE REQUIREMENT IN ANY CASE.

The RBA introduced the TFF on 19 March along with a range of other pre-emptive measures designed to tackle a looming economic – and, at the time, anticipated funding-market – crisis.

The RBA says the facility's goals are to "reinforce the benefits to the economy of a lower cash rate, by reducing the funding costs of ADIs and in turn helping to reduce interest rates for borrowers" and to "encourage ADIs to support businesses during a difficult period".

The TFF limit for each ADI is an initial 3 per cent of residential-mortgage assets plus an allowance based on SME lending – with a five-to-one ratio – and large business lending – with a one-to-one ratio.

The TFF offers three-year lending to authorised deposit-taking institutions (ADIs) at a fixed rate of 0.25 per cent. Banks did not immediately rush to access this low-cost funding in scale, though. May's balance shows A$129 billion (US$89.5 billion) of the TFF is still available out of a total of A$135 billion.

In part, this is because Australia's largest banks took advantage of strong issuance conditions early in the year to load up on wholesale funding. In January 2020, the major banks plus Macquarie Bank issued an aggregate of US$16.9 billion equivalent across Australian dollar, euro, sterling, and US dollar deals, according to KangaNews data.

The onset of the crisis also prompted significant deposit flows into the banking sector, further shoring up ADIs' funding positions for the medium term.

Net deposit inflows for ADIs were A$110 billion and A$53 billion in March and April – the two largest flows on record – according to a 9 June ANZ research note.

Westpac Institutional Bank research published on 18 May says: "These deposit inflows have also contributed to much less term-debt issuance from the major banks. In the June quarter so far, the majors issued A$415 million of term debt, easily the lowest in the post-financial-crisis era."

It adds: "Given current balances and access to the TFF, senior and secured funding appears unlikely in the short term. Capital paper may be the exception and we believe banks will continue to call and roll additional tier-one paper in line with call dates, [while] opportunities in tier-two will continue to be accessed."

reinforced the relatively narrow issuer takeup of the asset class in Australia.

Apart from Suncorp and Bank of Queensland (BOQ), the only Australian banks to have issued covered bonds domestically at any stage are the big four, Macquarie Bank and ING Bank Australia.

Perrignon says there is untapped demand for covered-bond product, with bank balance sheets still the primary bidder supplemented by real-money accounts. But the supply pipeline is challenged by the expected moderate volume of domestic bank wholesale funding requirement. "The most likely source of covered bonds is going to be in Kangaroo format," Perrignon tells *ASJ*.

The use of covered bonds in Australia has primarily been a means by which the big four achieve investor diversification and obtain duration in their offshore funding profiles.

As of June 2020, the major banks only had A$8.5 billion of their outstanding covered-bond issuance in the domestic market, with the last transaction executed being a A$1.5 billion multi-tranche deal from National Australia Bank in March 2018. Outstanding covered bond issuance for the major banks across all currencies is around A$90 billion equivalent, according to Westpac Institutional Bank (see chart 3).

Improving credit sentiment may make the range of issuers that can access covered-bond liquidity a moot point, too. Benchmark senior-unsecured issuance proliferated in the Australian dollar market in the second half of May, including consistent flow of deals from global banks, either through local entities or in Kangaroo format. Macquarie Bank also issued a A$750 million 10-year non-call five-year, tier-two transaction.

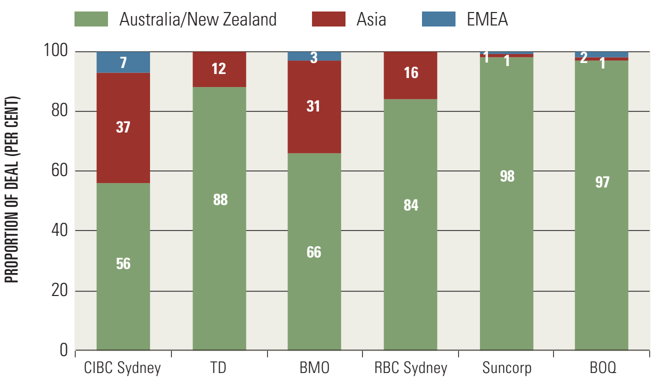
On the lack of major-bank issuance, a 9 June ANZ research note points out that major banks' Australian dollar denominated floating-rate note curves were trading inside where they were prior to the COVID-19 crisis.

ANZ's analysts conclude the lack of activity suggests deposit inflows have been enough to cover banks' funding needs for the time being, while they also suggest the TFF could provide most of their wholesale funding for the rest of the year – perhaps supplemented by limited term-debt issuance.

### SMALLER ADIs

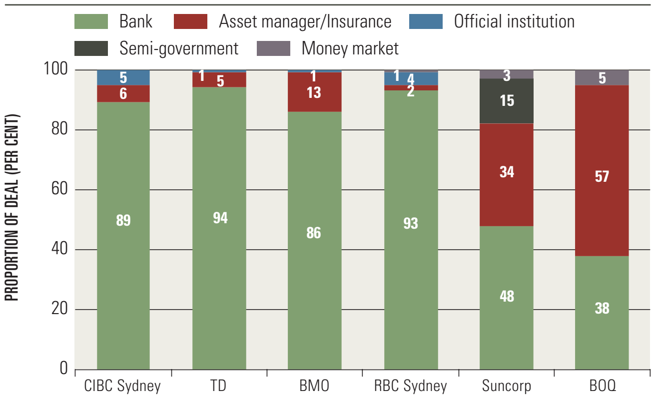
At the same time, it is undoubtedly true that covered bonds have not yet offered smaller Australian banks access to cost-effective funding in the same way as the residential mortgage-backed securities (RMBS) product. The issue is that, to reach a triple-A rating, banks with lower entity-level ratings need to

### CHART 1. BENCHMARK AUSTRALIAN DOLLAR COVERED-BOND DEALS 2020 GEOGRAPHIC DISTRIBUTION



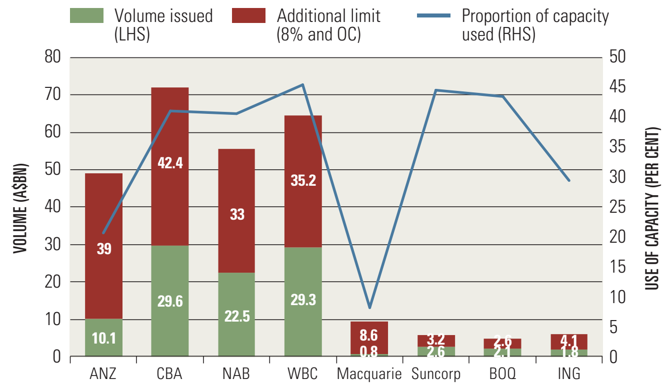

SOURCE: KANGANEWS 12 JUNE 2020

### CHART 2. BENCHMARK AUSTRALIAN DOLLAR COVERED-BOND DEALS 2020 DISTRIBUTION BY INVESTOR TYPE




SOURCE: KANGANEWS 12 JUNE 2020

### CHART 3. AUSTRALIAN BANK COVERED-BOND REGULATED ISSUANCE CAPACITY




SOURCE: WESTPAC INSTITUTIONAL BANK 12 JUNE 2020

overcollateralise their covered-bond pools by so much that the product has not been cost effective.

There have been hopes that conditional pass-through (CPT) covered bonds could unlock access to cost-effective triple-A rated covered-bond issuance for smaller banks, by delinking bonds from the issuer's senior rating under some rating-agency criteria.

BOQ issued the first Australian dollar CPT covered-bond transaction on 7 May, having established its CPT programme in May 2017 and issued two euro deals, both for €500 million (US$560.4 million), in June 2017 and May last year. BOQ is the only Australian domestic issuer with a CPT programme.

Richard Coyne, director, debt syndicate at National Australia Bank in Sydney, says the success of BOQ's covered-bond transaction could lead to further issuance. "Australian investors are quite comfortable with pass-through RMBS structures already and BOQ's latest transaction saw significant support from both domestic real-money and balance-sheet accounts. We see this aspect as a pleasing indicator for those issuers thinking about establishing covered-bond programmes, CPT or otherwise."

Another barrier remains in place, though. Australia's regulatory cap on covered-bond issuance – of 8 per cent of risk-weighted assets – has been discussed as stifling smaller bank balance sheets from issuing covered-bond product. There was renewed lobbying for an increased cap for smaller banks toward the end of last year.

In its review of the four major banks and other financial institutions, the federal government's standing committee on economics received a statement in November 2019 from the chief executives of BOQ, Bendigo and Adelaide Bank and Suncorp. This called for, among other things, an increase to the regulatory cap on covered-bond issuance.

"The four major banks have a significant funding cost advantage that comes from the government's 'too big to fail' guarantee. This implicit subsidy affords the four major banks with access to cheaper wholesale funding than the smaller banks – giving a 20-120 basis point discount and ultimately a significant head start on margins," the banks claimed.

The regional bank chief executives suggested the federal government can "ensure better and fairer access to high-quality, low-cost debt for smaller banks" by increasing the current covered-bond cap applied to small banks to 15 per cent from 8 per cent. They estimated this could reduce funding costs by around A$200 million over five years, as well as help diversify their funding mix.

Sources familiar with the lobbying effort tell *ASJ* the future of the undertaking is unclear as the sector works through the wide-ranging impact of COVID-19 and the introduction of the TFF. The additional TFF allowance on lending to SMEs will, some market participants believe, help smaller banks compete.

But even if the low-cost funding of the TFF is drawn down to its full extent, at some point this will have to be refinanced in what could easily still be a challenging capital-market environment for the non-major banks in particular. One source says small-bank chief executives are still talking to the government about potential future measures, including the increase to the covered-bond cap. ■

# NEW ZEALAND SECURITISERS PLAY THE LONG GAME

*New Zealand's world-leading performance in the public-health phase of the COVID-19 crisis has engendered a mood of cautious optimism among local nonbank lenders. The absence of government support for the sector is only enhancing awareness of the importance of ongoing engagement with policy makers in future.*

BY LAURENCE DAVISON

New Zealand officially became the envy of the world on 8 June, when its prime minister, Jacinda Ardern, lifted all social-distancing restrictions from the following day. There had been no new cases of COVID-19 for three weeks and the victim of the last active case was declared recovered on the same day as Ardern's announcement.

By this point, New Zealand had had just more than 1,500 COVID-19 cases and 22 deaths. The country locked down hard and early in its battle against COVID-19 – entering a European-style regime on 25 March, less then three weeks after detection of the first locally transmitted case of the virus and before the first death.

While other countries continue to battle with the health impact of COVID-19 and wrestle with the need to reopen their economies while limiting virus spread, 43,000 New Zealanders were able to attend a sold-out Eden Park as crowds returned to Super Rugby matches on the weekend of 13-14 June.

The lifting of social-distancing restrictions does not mean things are back to normal in New Zealand, however. The national border remains closed and even the prospect of a trans-Tasman "bubble" – allowing travel between Australia and New Zealand – will only go some way towards relieving the pressure on the beleaguered tourism industry.

The parlous state of the global economy also presents challenges to export sectors, while domestic outcomes depend on the pace at which consumer confidence returns and how well the economy copes with the withdrawal of direct stimulus later in 2020.

Despite the risks, on 20 May Kiwibank's chief economist, Jarrod Kerr, was able to say: "The economic numbers we are likely to see over the next year or so will be better than we originally thought a few months back, mainly due to the huge success we have has as a nation in containing the virus."

## GOVERNMENT SUPPORT

Kerr also noted that the Reserve Bank of New Zealand (RBNZ) and the government have "opened up the cheque book", providing direct stimulus to the local economy as well as keeping interest rates low and financial markets stable during the lockdown phase and into the recovery.

Speaking at the release of the May 2020 *Financial Stability Report*, RBNZ governor, Adrian Orr, noted the "significant capital and liquidity buffers" local banks had built up ahead of the pandemic and which the reserve bank expected to be used to support bank customers' long-term economic wellbeing.

"Banks have a critical role in supporting customers who are facing short-term income declines. Maintaining the flow of credit to financially sound customers also contributes to the long-term profitability of the banking sector, by avoiding unnecessary defaults and disorderly corrections in asset markets," Orr said.

The RBNZ and New Zealand government have also deployed a raft of measures designed to ensure the supply of credit to businesses and households is not disrupted by the crisis. These include a loan-deferral scheme facilitated by "appropriate capital treatment" of loans by the RBNZ, a partial government guarantee on loans to SMEs, concessional term funding provided to banks by the RBNZ and a delay in the implementation of higher capital requirements for banks.

The government is also providing temporary support directly to businesses and households. The Small Business Cash Flow Loan Scheme (SBCS) provides loans to businesses with no more than 50 staff, of up to NZ$10,000 (US$6,416) plus NZ$1,800 for each full-time employee. There is also a wage

*"One positive from this crisis is that we have opened dialogue with the government and the RBNZ. No matter what comes out of that discussion on this occasion, if we can keep the communication lines open we should regard it as progress."*

**SIMON O'CONNELL** WESTPAC

> *"I think it could be seen as short-sided of the RBNZ and government to suggest that the mortgage market is the only part of lending worth supporting. The types of lending nonbanks are prominent in – autos and SME lending, for instance – also promote a healthy economy."*

**BIANCA SPATA** FLEXIGROUP

subsidy available to employers affected by COVID-19, which pays NZ$585.50 a week towards the wages of full-time staff and NZ$350 a week for part-time staff.

All these measures, however, are primarily targeted either at bank lenders or directly at households and business. The nonbank financial-institution sector is not addressed.

In fact, in some cases nonbanks are not just not covered but are effectively specifically disadvantaged by measures taken in response to COVID-19 in New Zealand. For instance, as of 1 April banks have been exempted from some specific requirements of the *Credit Contracts and Consumer Finance Act* in relation to COVID-19 relief afforded to borrowers. The same exemptions do not apply to nonbank lenders.

"Under the act, given the absence of an exemption on the same terms, nonbank financial institutions must continue to consider a borrowers' ability to afford loans in the future before extending relief. But in many cases it can't be done with any accuracy – for example there is no way of knowing if the borrower will have a job in a few months' time," explains Simon O'Connell, director, corporate and structured finance at Westpac in Auckland and chair of the Australian Securitisation Forum (ASF)'s New Zealand subcommittee.

## AUSTRALIAN EQUIVALENCE

Following – and expanding on – measures taken in the financial-crisis era, the Australian government has included nonbank lenders in its policy response to COVID-19. Announcing the introduction of the A$15 billion (US$10.4 billion) Structured Finance Support Fund in March, Australia's federal treasurer, Josh Frydenberg, commented: "Small lenders are critical to Australia's lending markets, often driving innovation and providing competition for larger lenders."

In the early phase of the crisis, New Zealand market participants had some hope that a similar argument could be made locally. The ASF convened a working group on the issue and on 31 March it wrote to Orr and New Zealand's minister of finance, Grant Robertson, to request the implementation of support facilities for nonbank lenders.

The letter argued that nonbank lenders want to support their customers, minimise economic disruption and, in time, assist in rapid recovery after lockdown by offering repayment holidays and other hardship accommodation to borrowers. However, in the absence of the type of support afforded to banks, the type of flexibility required to offer significant hardship arrangements "has implications for [nonbank] funding structures that differ from those applying to banks".

For instance, Paul Jamieson, group treasurer at Avanti Finance in Auckland, explains that his firm has offered reduced payment plans to borrowers in hardship, which flows through as lower income to the securitisation structures the firm uses to fund its book. The impact has not been sufficiently large to influence the payment waterfall, but Jamieson says it highlights the value external liquidity support would afford loan books that should still be able to repay in time.

In other words – and as argued by the ASF letter – support for the nonbank sector would not have to mean the wholesale acquisition of asset-backed securities by a government agency. Instead, its recommended approach was the provision of a liquidity facility to the sector, focusing on loans affected by COVID-19 and with any funds drawn to be repaid when cash flow in these assets recommences.

Securitisation market participants are quick to point out that the industry was not asking for a grant. O'Connell says: "I think everyone is aware that businesses should be built to survive storms without having to seek government support every time. But we can see that what is happening in Australia is not a handout."

Ross Pennington, partner at Chapman Tripp in Auckland and member of the ASF's working group, adds: "What the AOFM did following the financial crisis and is doing again now implies a government assumption that nonbanks are an important credit channel that should be maintained. Supporting credit channels has a multiplier and a signalling effect, reducing the likelihood of issues being transmitted by them."

Unfortunately for the industry, this argument does not appear to have struck a chord with the powers that be. Speaking at a briefing to accompany the release of the *Financial Stability Report*, Orr said additional support for the nonbank sector "remains an option" but that it "doesn't seem necessary at the moment".

RBNZ deputy governor, Geoff Bascand, added: "The sector is a lot smaller here [than in Australia] and is more focused on consumer lending, for instance auto loans, than on residential mortgages. We are in conversation with the sector and we don't want to make it harder for those lenders, but specific measures are not required."

*ASJ* also understands Robertson wrote to the ASF and other interested parties, including the chief executives of certain

*"The question is what we can do to educate the government and reserve bank on the nonbank sector. Not getting the cut-through we want is pretty frustrating, but it is incumbent on us to make sure our sector and our contribution in the economy is understood in future."*

**PAUL JAMIESON** AVANTI FINANCE

nonbank lenders, in early June to confirm the government's decision not to provide AOFM-type support.

The government's view appears to be that direct income support and its own lending efforts, via the SBCF, are the most effective way of offsetting borrower hardship.

## MISUNDERSTOOD SECTOR

The mood in the local securitisation industry is one of frustration rather than panic. Nonbank lenders say they are in good shape to ride out the crisis – helped by New Zealand's world-leading performance to date on the public health side – but express disappointment that their role in promoting economic growth does not appear to be recognised.

"The nonbank sector is much smaller in New Zealand and it appears there is less attention paid to it as a result – it is certainly less well understood than it is in Australia. 'Nonbank' still seems to create the perception of poorly managed finance companies rather than responsible lenders that play an important role alongside the banks," suggests Bianca Spata, group treasurer at flexigroup in Sydney.

Pennington believes the perspective on nonbanks is symptomatic of the way government and regulators think about the financial system. He says there is an ongoing debate about the regulatory "perimeter" and in this context the RBNZ in particular has never been deeply engaged with nonbank lenders or the securitisation asset class – neither of which it has historically viewed as having the same systemic importance as the banking sector.

"Our financial system is safe but undynamic," Pennington claims. "The New Zealand financial system is overwhelmingly intermediated by banks, and by the big-four, Australian-owned banks in particular. The problem is there are some things that banks don't do as well – specifically SME lending."

Spata acknowledges the RBNZ's point about nonbanks' relative lack of market share in the residential mortgage space. But she adds: "I think it could be seen as short-sided of the RBNZ and government to suggest that the mortgage market is the only part of lending worth supporting. The types of lending nonbanks are prominent in – autos and SME lending, for instance – also promote a healthy economy."

## NEXT STEPS

The negative outcome of the appeal for AOFM-style support for the nonbank sector will only make lenders redouble their efforts to carve out their niche in New Zealand. The opportunity set for these lenders should be unchanged and they expect to continue growing market share after the COVID-19 crisis recedes.

Spata says while additional support is not immediately required, it would have provided comfort given the uncertain outlook while a significant worsening of the economic situation would certainly pose new questions. The hardship position in flexigroup's New Zealand book is "being managed well", though the lack of help from government "makes us think differently about our funding and business approach".

O'Connell describes a year of wildly fluctuating issuance forecasts. In January, there were realistic hopes that 2019's record deal volume could be surpassed. By the end of March, it seemed unlikely that any transactions would print at all. Approaching the end of the first half, O'Connell says he once again thinks new issuance should be possible this year.

Jamieson agrees, though he also reveals that Avanti is exploring alternative funding options in case a more challenging environment returns. "We are hoping it will be possible to complete a deal in the second half – we have just started work on our third securitisation transaction and I am sure others will be making similar plans. Our investor base is typically 50-50 split between domestic and Australian accounts, so we are also happy to see the positive signs in Australia."

O'Connell says it is important for issuers to maintain contact with investors regardless of whether public issuance is imminent. He adds that investor updates have tended to produce positive feedback, including on the better-than-expected performance of nonbank loan books.

As for the government and regulator, the New Zealand industry plans to intensify its efforts to establish its value and thus ensure it is appropriately considered for additional support as and when it is next required.

"The question is what we can do to educate the government and reserve bank on the nonbank sector," Jamieson suggests. "Not getting the cut-through we want is pretty frustrating, but it is incumbent on us to make sure our sector and our contribution in the economy is understood in future."

O'Connell, meanwhile, sees the bright side. "One positive from this crisis is that we have opened dialogue with the government and the RBNZ. No matter what comes out of that discussion on this occasion, if we can keep the communication lines open we should regard it as progress." ■

COPUBLISHED ROUNDTABLE

# Australian securitisers face the COVID-19 crisis with enhanced resilience

*A positive public-health trajectory and hopes of a better-than-expected economic outcome have eased the pressure on Australian nonbank financial institutions.* ***ASJ*** *and* ***National Australia Bank*** *hosted a roundtable via video conference in June to discuss experiences so far, the state of funding markets and the likely challenges of the withdrawal of some economic support packages later in 2020.*

**PARTICIPANTS**
- **James Austin** Chief Financial Officer FIRSTMAC
- **David Bailey** Chief Executive AUSTRALIAN FINANCE GROUP
- **Raj Bhat** Head of Group Capital Management PROSPA
- **James Cunningham** Treasurer NOW FINANCE
- **Sarah Samson** Head of Securitisation Originations NATIONAL AUSTRALIA BANK
- **Bianca Spata** Head of Group Funding FLEXIGROUP

**MODERATOR**
- **Laurence Davison** Head of Content and Editor KANGANEWS

## BOOK AND CREDIT RESILIENCE

**Davsion** *Going into this crisis, no-one knew how severely affected lenders' books would be by COVID-19 hardship. Does book performance reflect the scale of economic downturn data suggest has taken place, and how well is book quality holding up relative to what lenders thought might occur back in March?*

◆ **AUSTIN** The first 2-3 weeks of March were quite alarming with the number of COVID-19-related calls coming in. This seemed to be at an accelerating rate until the [Australian federal government's] JobKeeper announcement was made. Since then, it has plateaued – and I don't think the significance of the programme can be understated.

While some hardship cases are still coming through, the number has been relatively stable. We are at around 5.5 per cent for hardship in our book. The good thing about this number is that roughly half is on arrangement, meaning borrowers are paying something – so only half have been unable to pay at all. This is significant. It means only 2 per cent of our loans so far have gone 30 days in arrears. This is partly because partial payments have been made and partly because a lot were in advance prior to the crisis.

This position looks quite good and we are pleased, but the big unknown is what happens when JobKeeper is expected to expire from 1 October – or, more precisely, 90 days after that. What percentage of these affected customers recover and what percentage default? It is the big unknown and will challenge a lot of accounting provisions coming up to 30 June. This scenario is unique so it is very difficult to know how it pans out.

◆ **BAILEY** Our numbers are public as well. We have had a similar experience to what James Austin has outlined in the sense of a plateau after JobKeeper, albeit with higher numbers. We have had around 10 per cent of loans affected by COVID-19, and around 50 per cent of these are into some sort of interest-only or payment-holiday methodology.


**James Austin** FIRSTMAC


**David Bailey** AUSTRALIAN FINANCE GROUP


**Raj Bhat** PROSPA

These numbers have ground to a halt. We are now getting one or two new loans in hardship each week and we are also now seeing around 20 per week come out of hardship.

One thing that became a misnomer very early was the idea of a 'mortgage holiday'. A lot of people were keen to take advantage of this but did not realise they would still need to pay the debt back. Once they realised, there was a different reaction.

There seemed to be a moment of panic in this crisis, when customers were very uncertain. Part of this was probably that they could not speak to anyone. We found our brokers were spending a lot of time speaking with customers about their options.

JobKeeper has certainly helped with the situation, but I agree with James Austin: there is a lot of uncertainty around what will happen in October.

**Davison** *Are issuers seeing material differences in hardship requests between prime and nonconforming loans?*

◆ **BAILEY** It is a similar picture in both. We do not write a lot of nonconforming loans, with about 85-90 per cent of our loans being prime, so the numbers we are talking about are small. But we are not seeing anything stand out.

◆ **AUSTIN** In our book, the customers that are affected by COVID-19 are not skewed towards those that traditionally would be a higher credit risk. I don't think the pure prime and nonconforming distinction would provide good guidance on where to expect disproportionate hardship.

It could be the case that there are more self-employed borrowers in the nonconforming space, which could make that category higher. It does not seem to be the typical credit indicators, though, that determine whether a loan is affected by COVID-19.

◆ **SAMSON** The picture being described is consistent across National Australia Bank (NAB)'s other mortgage-lender clients. We saw a rapid increase in hardship across the book with the same experience of a flood of requests. Then the government announced its various packages, people reassessed their situation and perhaps decided differently about what would be best for them.

I think the nonbank lenders have had an advantage over the ADI [authorised deposit-taking institution] sector just because of the sheer numbers of COVID-19-affected customers the banks are dealing with. Nonbanks have been able to take a more hands-on approach, for instance by talking with customers to assess their situations. The banks, just by sheer volume, have not been able to be as quick in response.

As well as JobKeeper, the superannuation initiative has made a difference. Accenture recently released a report revealing that the number-one use of the early release of superannuation has been to repay debt. I am not sure whether this is flowing through more to mortgages, personal loans or other debt – but it has certainly made a difference.

More broadly across the book, I agree with James Austin that the typical indicators are not indicative of more COVID-19-affected loans. There is a big difference, though, for self-employed borrowers: this is the part of our total portfolio with the highest level of hardship. Other than this, COVID-19 hasn't discriminated according to normal risk factors.

◆ **SPATA** It is a similar theme for us. We haven't seen large changes in performance across our various books as yet – they are holding up better than we expected, in fact.

We found it was difficult, in the first few weeks, to get a good view of what the impact of the crisis would be. It is unprecedented and is clearly different from what was seen in the financial crisis and in other downturns.

For this reason, we erred on the side of caution when we were thinking about the way we would continue to lend over this period and also in forecasting how our book would perform.

Government support has aided performance enormously. This has given customers resilience to withstand the crisis despite changes in their personal circumstances. It appears this, and the access to superannuation, has actually improved performance across some of our books.

**James Cunningham** NOW FINANCE

**Sarah Samson** NATIONAL AUSTRALIA BANK

**Bianca Spata** FLEXIGROUP

# Into the recovery phase

THE INITIAL IMPACT OF COVID-19 ON THE AUSTRALIAN ECONOMY DOES NOT APPEAR TO HAVE BEEN AS SEVERE AS FIRST FEARED. ATTENTION IS TURNING TO WHAT HAPPENS WHEN THE MAIN GOVERNMENT STIMULUS MEASURES – IN PARTICULAR THE WAGES SUBSIDY, JOBKEEPER – EXPIRE IN THE FINAL QUARTER OF 2020.

**Davison** *Based on the modelling lenders have seen and the behaviour of books so far, and assuming that JobKeeper expires as expected after September, how steep does the other side of the recovery need to be for there not to be more problems in loan performance?*

**CUNNINGHAM** This is the million-dollar question. I think it is hard to project what the recovery looks like. For me, it feels like we are in the lucky country. Isolation has certain benefits when you are dealing with a pandemic.

Compared with the trajectory of a lot of other countries, we are in a strong position to open up domestically and start business again. We are also in a better place than we were 6-8 weeks ago. Even so, there is probably a very conservative lens on decision making when it comes to underwriting and extending new money. We are still in a very uncertain environment and we need to react to the recovery when it does come.

**AUSTIN** I actually think the reason it has not been too bad so far has been the success of the government programmes. While the economy has been much better than expected, I think the downturn will become more severe down the track. The degree of severity will depend on how many people get their jobs back and how far house prices fall.

I think they will fall and I think a lot of selling will happen at the same time. It could be this time next year when we see this, though. There will undoubtedly be a core increase in unemployment that does not come down for many years. This means that, when we try to estimate what percentage of our COVID-19-affected loans will default, as a rough stab I would say it could be 15 per cent of those that experience hardship in this period.

**SAMSON** One of the things we have been grappling with, to bring it right back to securitisation, is whether we have the right amount of credit support for the equivalent rating in our warehouses.

As James Austin says, the virus does not necessarily correlate through to traditional risk factors. It is not just a case of looking at high LVR [loan-

> *"There are positive things we can do now, regardless of what the outcome ends up being. The capitalisation of nonbank originators is really important, to make sure they are in a robust position to deal with whatever the outcome turns out to be."*
>
> **JAMES CUNNINGHAM** NOW FINANCE

We have seen payment rates on our credit-cards book increase since March, and some customers are exiting hardship early and paying their accounts off in full. There has been some different behaviour from what we initially thought would occur, and the focus is now on preparing for the September-October period when we start to see people come off hardship arrangements without the same level of government support.

All in all, so far it has definitely been a better result than we were expecting.

◆ **SAMSON** I would add that, across NAB's warehouse portfolio, the asset class with the lowest level of hardship by a long way is the buy-now, pay-later segment. This was not what I initially assumed would happen – it was actually probably one of the sectors I was most worried about.

It does make sense, though, because the repayment amounts are so small. With government support in place borrowers can still make these payments, so that part of the book has been fine. The interesting thing will be whether this carries on when the government pulls back.

**Davison** *It would be interesting to hear some more about why this might be the case. Are you saying borrowers do not want to risk their credit rating on a debt where the repayments are that small?*

◆ **SAMSON** Yes. The other thing we have observed is that borrowers tend to use their credit cards to buy their groceries and other things they need right now. Whereas the mortgage process typically takes longer when you are working through arrears.

The mantra used to be that people always pay their mortgages first. But I am not convinced this is still the case across the board.

◆ **AUSTIN** Another observation is that our home-loan and car-loan books have performed about the same. This does not make a lot of sense to me. I would have thought car loans, where borrowers are paying on a fixed schedule, would have gone down first and would have had a higher level of hardship. Our car-loan book also tends to be a younger age group. But they are at around the same hardship level.

to-value ratio] loans, for instance – because borrowers could be employed and completely immune to the crisis. It is also challenging to think through this lens when looking at warehouse structures.

One thing we have looked at is comparing unemployment in February, which was around 5 per cent, and then forecasts to, say, 11 per cent, and trying to see where the 6 per cent change comes from.

We can't just run a pool of mortgages through a model and make a determination on which loans may ultimately default. The situation is so uncertain and unprecedented, which is a unique piece of this crisis.

It is not a normal credit crisis and is completely different to the 2008 financial crisis. It is much harder to predict and this is why I don't think anyone is willing to do so with any confidence. We just have to wait and see what the data show – but in the meantime, as financiers, try to ensure our exposures are adequately protected.

Also, a second wave of the virus could be catastrophic. But again, we don't know whether this will happen or how bad it would be if it does.

**CUNNINGHAM** There are positive things we can do now, regardless of what the outcome ends up being. The capitalisation of nonbank originators is really important, to make sure they are in a robust position to deal with whatever the outcome turns out to be.

We can also work with consumers including by resourcing appropriate areas of our business so we can have conversations with them early, to make sure they are in the best position possible. It is an uncertain time and people are gearing themselves up for it. They are not spending, they are paying down more expensive debt and they are getting as liquid as they can be as individuals and businesses.

Regardless of what the shape of the recovery is, the more that can be done now to put people in a robust position the better the eventual outcome will be. The difficult time will come.

**SPATA** Adding to this, I agree that we do not really know what the deterioration will look like. But two things will be crucial in the recovery. The first is how effectively we can manage our accounts now, and what initiatives we can put in place to help customers out of hardship and get to a position where they can perform.

We are motivated to work as closely as we can with our customers to get them out of hardship earlier as opposed to everyone coming off at the same time.

The second point, and I am sure most lenders will likely see something similar, is the changes we have made in our underwriting that will affect the shape of loss curves in the future. We took a number of initiatives back in March to manage credit risk across each of our portfolios. We have continued to monitor these and to make adjustments to underwriting as these changes have evolved.

Changes will take time to come through. But they will affect the quality of various books and potentially offset some of the losses we will inevitably see as a result of COVID-19.

**BHAT** Picking up on the point about a staged process, engagement with customers going from some form of deferral to part payment is a delicate process for us as well.

Most of our customers are weekly payers and one of the things we are noticing right now is that a lot of them want to move back to full payment. We need to ensure this transition is smooth and sustainable.

**Davison** *What are lenders in the personal- and SME-loans space seeing?*

◆ **CUNNINGHAM** When we came into this unprecedented time, we attempted to put together a base-case and a downside scenario assuming unemployment peaked at 11 and 15 per cent respectively. Under the base case, we expected our hardships to top out at around 8-9 per cent.

Our hardship experience intensified in the third and fourth weeks of March and peaked in the second week of April. It has been falling since that point and we are currently sitting at around 5.8 per cent of our book in hardship, so it is materially better than our base-case assumption.

We have also experienced exactly what Sarah Samson referred to in prepayments. Normally our prepayment rate runs at around 1.5 per cent, but it has picked up to 2-2.5 per cent per month. To me, this indicates that Australian consumers are smarter than they are often given credit for. They understand that they do not want the most expensive interest to be capitalising and they have leaned on cheaper forms of finance to get ahead on some of the more expensive ones.

We are seeing benefits through the government stimulus but also through the proactive actions the industry has been taking to provide relief on cheaper forms of credit.

Our big concern is that we don't know what it will look like when we come off the stimulus and some of the hardship arrangements. But our book is in a better position now than this time last year. It feels perverse, but that is where we are.

**"ONE THING WHICH BECAME A MISNOMER VERY EARLY WAS THE IDEA OF A 'MORTGAGE HOLIDAY'. A LOT OF PEOPLE WERE KEEN TO TAKE ADVANTAGE OF THIS BUT DID NOT REALISE THEY WOULD STILL NEED TO PAY THE DEBT BACK. ONCE THEY REALISED, THERE WAS A DIFFERENT REACTION"**

**DAVID BAILEY** AUSTRALIAN FINANCE GROUP

> **"GOVERNMENT SUPPORT HAS AIDED PERFORMANCE ENORMOUSLY. THIS HAS GIVEN CUSTOMERS RESILIENCE TO WITHSTAND THE CRISIS DESPITE CHANGES IN THEIR PERSONAL CIRCUMSTANCES. IT APPEARS THIS, AND THE ACCESS TO SUPERANNUATION, HAS ACTUALLY IMPROVED PERFORMANCE ACROSS SOME OF OUR BOOKS."**
> **BIANCA SPATA** FLEXIGROUP

◆ **BHAT** Everything that has been said so far is relevant to us. The shape of requests for assistance was quite similar to what we believe it has been across all asset classes. We could probably pick about five days between the end of March and the first two weeks of April when there was a spike in requests for some form of assistance.

When the government and ABA [Australian Banking Association] announced 180-day terms and other forms of assistance we saw a spike in inbound requests to seek some form of assistance. After the spike, requests have gone to a level consistent with pre-COVID-19.

Part of this is obviously because some are already on assistance. There was a lot of pressure in the early days on nonbank lenders to grant the 180-day requests. We offered customers assistance in the form of six-week deferrals or part-payments, because we have fixed instalments.

We lend to microbusinesses and the impact of the shutdown in this sector differed by industry and geographic location. Businesses in CBDs have less cash coming through, but suburban cafés were often making more money given the rent deferrals, lower staffing costs and the fact that people could still come to buy coffee and takeaway.

James Austin made the point that COVID-19 does not discriminate by risk profile. Requests for assistance came in for us in similar proportions across our risk grades. The hospitality industry was heavily affected but, depending on geographic location, these businesses have also seen some positive effects.

The rate of customers moving back to full payment from deferral is increasing on a daily basis. We are opening the gates to new credit progressively. The bulk of requests coming in is for working-capital requirements, where suppliers are not providing credit terms or there is a need to build up inventory.

We are seeing inbound requests from medical practitioners, technology companies, and businesses that had depleted inventory and are now seeking working capital to build this back up. The underlying situation is that the profile of our customers has been changing over the past two years and we expect this trend will continue.

When it commenced in March, we thought the lockdown was most likely to end in July or August. With this being brought forward, the unwind of assistance offered and demand have emerged a lot sooner.

## COVID-19 OUTCOME

**Davison** *Do lenders get a sense that the upside surprise in books is because the economic consequences of COVID-19 have not been as bad as was thought possible in March on an outright basis, or has it just been that borrowers have behaved differently from expectations?*

◆ **SAMSON** It is important to remember that this is all being caused by a virus – and I think the virus has been contained better than was initially forecast. There were countries ahead of Australia, such as Italy, Spain and the UK, where things got very bad. If it had played out here as it did in those countries we would be in a totally different situation. But it has been contained much quicker here.

This allows us to talk about recovery and how we come out of lockdown to restart the economy again. For me, it is all related to the virus – and this explains why a lot of borrowers are in better shape than what was expected.

◆ **BAILEY** On the broking side of our business, our staff have never been busier. This has taken us by surprise: we thought volume would drop significantly whereas in actual fact we are close to 20 per cent above last financial year in broker volume.

Brokers are also reporting a higher level of new customers coming through, which goes to James Cunningham's point around consumers being more savvy on how they can save money and make their repayments as low as possible.

We believe we have also been the beneficiary of banks closing their branches, or people just not wanting to go into a branch. This has pushed more volume to brokers as people try to find the best rate to minimise their home-loan repayments.

We have also been through a period where every major bank has been offering large cash bonuses for refinancing, like A$4,000 (US$2,776) cash back. Customers have been savvy to grab this where they can and also lock in a lower rate than they have been paying. Brokers have been beneficiaries of this since April.

◆ **SPATA** We have probably managed to contain the virus much quicker than expected and this has made a huge difference to sentiment. Looking at the RBA [Monetary Policy Committee] commentary from June, it seems there has been a shift in sentiment looking forward, too. This makes a big difference.

We have seen some sectors, like retail and travel, more affected than others. But we have also seen opportunities in some segments, such as our SME book and areas – like home improvement – where spending has held up well. These factors have offset some of the negativity we thought would pan out from March.

**◆ AUSTIN** Aggressive pricing by major banks can be annoying and frustrating but it also demonstrates that there is good competition and strong demand for good customers. This indicates there won't be a problem down the track – it is a good sign and one that did not happen during the financial crisis.

**◆ BHAT** From the SME side, self-employed borrowers are always perceived to be higher risk. What we have seen, though, is that spending in the economy has held up better than what was expected.

Spending behaviour is linked to the parts of the economy that are being funded. One thing we noticed is that a lot of our customers offer day-to-day business services. As long as the wider economy could keep operating, these small and micro businesses were still able to work as well.

Looking at our book, the average business we lend to has been around for approximately seven years. As they have been operating for a while it is more likely that they will get support from the local community that uses their goods and services.

We also have a line-of-credit product which is revolving. I imagine everyone on this call would think that the use of this product would increase during this period. But it has actually remained flat and in some cases customers are paying down the principal for future redraw, which is the way the product is intended to operate.

This goes back to Bianca Spata's point around prepayment. Customers are cautious in this environment and I think using funds diligently goes through a lot of borrowers' minds.

**◆ BAILEY** When the COVID-19 crisis began to hit, everyone's reference point was the financial crisis. But to a large extent the financial crisis impact on consumers occurred over a long period of time. There are some reference points to the financial crisis but what we have now is very different.

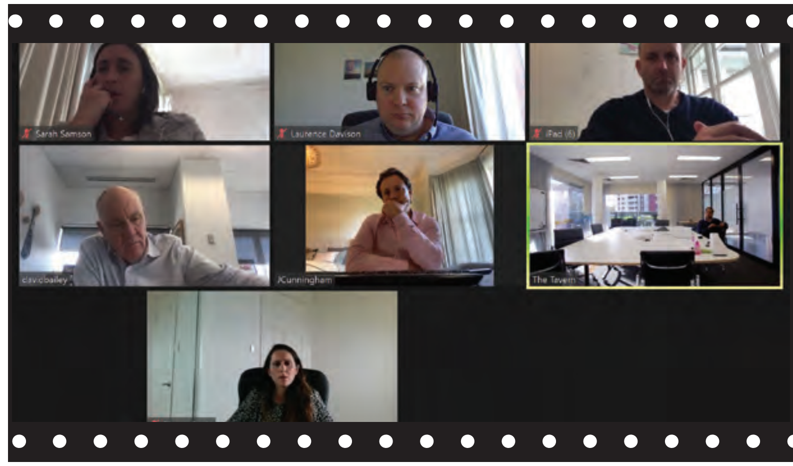
As Sarah Samson says, it is important to remember that this has been caused by a virus and that it all unravelled in a matter of days as opposed to months in the sense of the effect on consumers.

We have seen refinancing making up around 45 per cent of business coming through. I suspect this will settle down while new lodgements will depend on consumer confidence as well as their ability and desire to invest.

## FUNDING MARKETS

**Davison** *The financial crisis of 2008-9 was fundamentally an issue that focused on funding markets, whereas COVID-19 is a public-health issue that has turned into an economic and, to some extent, a capital-market crisis. How does the funding experience compare with the financial crisis?*

**◆ AUSTIN** It is probably stating the obvious, but the 2008 financial crisis was about financial institutions and their own funding arrangements, whereas this is about the underlying assets.



They both have an impact for end investors and, as an issuer, in getting access to funding. But this time around you will have access to funding if your book is performing well. It took a long time for issuance markets to recover after the financial crisis. This time, markets have come back faster than we expected.

This said, positioning your book and changing how you manage your balance sheet is not something you can do when you are already in a crisis. It is about the past decade of maintenance, having your book structured in the right way, not having too much exposure to warehouses and having the right length of matched-term funding.

This time around, if there is certainty around the assets – meaning defaults won't be as bad as they might have been, as well as visibility of loans affected by COVID-19 and how these might fall over time – the funding will come.

I think this is why funding markets have come back faster than expected. In March, we did not think we would be funding again this calendar year but markets have returned quickly – particularly by the end of May. This is a big difference because after the financial crisis it took 3-4 years, even with assistance from the AOFM [Australian Office of Financial Management].

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>
> **JAMES CUNNINGHAM** NOW FINANCE

# The role of government support

THE AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT (AOFM) HAS ONCE AGAIN STEPPED IN TO SUPPORT LOCAL LENDERS THAT RELY ON SECURITISATION FUNDING, REFINING AND EXPANDING THE PROGRAMME IT DEPLOYED TO GREAT EFFECT AFTER THE FINANCIAL CRISIS (SEE P6).

**Davison** *Going back to the financial crisis comparison, how do issuers see the AOFM's support playing out this time relative to a decade ago? The mandate is broader and it seems the focus will be less on direct investment in new deals. Is this a refined or genuinely different approach, and what should be the benefits?*

**BAILEY** The AOFM was very well prepared and, for the size of the organisation and number of people working on its support programme, it got moving very quickly. It benefited from its experience during the financial crisis and it was a very efficient process.

We were one of the first to access the mezzanine funding and I think the AOFM had its priorities right. From our conversations with investors in the UK, this group was also quite surprised at the forbearance facility being set up.

**AUSTIN** I think there are two pieces here. This is a very different crisis from the 2008 financial crisis, which was centred on securitisation. Back then the investment just was not there and even senior notes needed a lot of support.

I echo what David Bailey says: the AOFM has done an excellent job. It has a lot more flexibility this time around whereas the rules were a lot more rigid in 2008. With this flexibility, the AOFM is able to adapt and change as the market requires. It is taking regular feedback from market participants and is able to adjust its response accordingly.

For example, secondary-market liquidity support has been very successful and the move to establish the forbearance SPV [special-purpose vehicle] has been very quick. It has also been well thought out and well designed. The AOFM is also open to engagement and feedback from the Australian Securitisation Forum, which has worked very well.

The volume invested by the AOFM in the financial crisis dwarfs what has been invested so far this time and what is eventually invested this time will probably not be as much. I think this is because the AOFM has been far more targeted.

It is about providing confidence to the market. To take one example, we will sign up to the forbearance SPV but it will simply be there effectively as an eligible liquidity facility. We do not expect ever to draw on it. But the very fact that it is there brings confidence to the market. The AOFM is aware of this – it is bringing confidence without investing a single dollar, which is an excellent outcome.

**SAMSON** The AOFM needed to play a different role in the last crisis. What it did then was very good. I think it was quicker to act this time because it had been this way before, but it recognised that picking up what it did last time and replicating it was not going to be the right solution this time round.

It worked this out almost immediately. At the start of the latest crisis, the banks were being hit with drawdowns right across the board but the AOFM realised it was the mezzanine piece in warehouses where it would be most required.

A lot of warehouses are not rated and the mezzanine slice can go quite deep, so the AOFM got its mandates adjusted quickly to play a role here. This has been fantastic.

Also, the way the AOFM has gone about executing has been very quick and pragmatic. It is obviously doing all the necessary credit work on its own side but it is not making document comments for the sake of it. It is just trying to get in as quickly as possible to help.

The forbearance facility gives the market confidence whether or not

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> **SARAH SAMSON** NATIONAL AUSTRALIA BANK

This time around the AOFM has been important in supporting secondary-market liquidity but it is not as key to getting primary deals done.

**Davison** *After the financial crisis a lot of banks that had been providing securitisation warehouse funding took flight. Has warehouse liquidity held up as well as third-party capital markets liquidity?*

◆ **AUSTIN** The lesson remains the same, and it is that issuers can rightly feel more comfortable with domestic warehouse providers. It is good to be in the same rowing boat as the major banks; in times of mortgage stress they will be experiencing the same problems.

issuers draw on it. The fact it is there is more important than anything else.

**Davison** *Is this how other lenders view the forbearance facility?*
**SPATA** It is certainly a confidence booster. We will likely access the facility for some of our portfolios. However, for others, where hardships remain low, the cost and operational side may not warrant us accessing the support. Regardless, having the benefit of optionality around this is critical.

More broadly on the AOFM mandate, it feels like there is a different approach being taken and I see two important benefits. First is the fact it is supporting assets beyond residential mortgage-backed securities. This needed to be done and the AOFM made it clear quickly that this was part of the mandate.

Given the breadth of assets that have been built out in the market in recent years this was critical to ensure nonbank lenders in the SME and consumer space would be supported to put them in a position to access markets when they need to.

The second point is, by focusing on warehouse support rather than just primary markets, the AOFM has the ability to support smaller lenders. The programme is not just there to support the established players with established programmes.

The financial-services landscape to me feels much different from what it was 10 years ago, and I think the royal commission has really highlighted the importance of a well-functioning and diverse nonbank sector.

In recent years we have seen new lenders, including fintechs, come to market and it is important that we do not see these smaller players unable to get through this crisis.
**CUNNINGHAM** All compliments to the government and the AOFM. I remember sitting in New York in 2007, and it felt like Armageddon with no safety net, no bottom and complete illiquidity. Whether by luck or by good management, the collaboration that has happened between industry and government means they have applied resources and liquidity very effectively and very quickly to calm markets and allow them to function properly.

**Davison** *How has the government's partial guarantee on SME loans changed the outlook for Prospa?*
**BHAT** From our perspective, it is in line with a lot of the comments that have been made about government support for different sectors. It has identified the SME sector, where a lot of people are employed, and given it a strong show of support.

A lot of our customers have given feedback around this through what we call our back-to-business loans – they recognise that the government is trying to support small businesses.

The key for us is that the guarantee is a show of confidence. It is 50 per cent of loan value and we are glad it is not 100 per cent, because this probably would lead to behaviour that is not what the government wants. Our approach to risk is unchanged, because we still have a 50 per cent exposure.

This time around, government made some specific comments in the legislation that it would be preferable to provide a product like a line of credit. The government is not just doing things for the sake of doing them. It is watching, listening and understanding.

For us it is a welcome opportunity for the sector. We have worked closely with the government and with Treasury and the AOFM to find this support. Our funding partners have also started to offer support to provide this type of credit in the market.

There are some quirks with the mandatory six-month deferral which, when customers are informed, perversely often makes them feel that they do not want the product. We have fed this back to Treasury.

We think there will be a point in the near term where one side of government has set up a guarantee and then, through the SFSF [Structured Finance Support Fund], there is also additional support to drive what the government intends, which is to get capital to small businesses.

Combining these two over the next four weeks would be the key for us, because this will drive holistic government support for the small-business sector.

*"The financial-services landscape to me feels much different from what it was 10 years ago, and I think the royal commission has really highlighted the importance of a well-functioning and diverse nonbank sector."*
**BIANCA SPATA** FLEXIGROUP

When dealing with foreign warehouse providers it is important carefully to choose the right counterparty and fully understand their strategic objectives and commitment to the local market.
◆ **SAMSON** Conditions for term deals are definitely better at this point of the crisis than they were in the financial crisis. This is a bit surprising because the underlying assets are much more heavily affected this time around. The AOFM was very quick to signal and get its support in action, by which I mean the forbearance facility and also with term-deal and secondary-market support. The AOFM supported the Firstmac RMBS [residential mortgage-backed securities] deal very early on in the process, which gave confidence to the market that it would be constructive.

> **"DEALS ARE TAKING A BIT LONGER TO GET TO THE START AND FINISH LINE, BUT THE AOFM HAS BEEN VERY HELPFUL AND CONSTRUCTIVE. IT FEELS MORE POSITIVE ALMOST DAILY, INCLUDING WITH REAL-MONEY INVESTORS RETURNING."**
> **SARAH SAMSON** NATIONAL AUSTRALIA BANK

The AOFM has not been as active in the primary market but it has been much more so in switches in the secondary market, to facilitate primary deals. This has given a lot of confidence.

Investors have been tracking hardships and they have seen them taper off. There is still the unknown of what happens once the hardship periods end, but investors are comfortable with deal structures. We have very good issuers in Australia that manage their books well – it is very different from the financial crisis in the US.

On the warehouse side, the major banks have demonstrated they are through-the-cycle banks. Offshore banks have played an important and constructive role in the last few years but they have their own head-office issues so it may be difficult for them to prioritise Australia over their home countries. This is normal in any industry. For the most part, warehouse providers have done the right thing by their customers. This is constructive.

**Davison** *How did issuers deal with the onset of the crisis specifically when it came to shoring up funding liquidity in the near term? What were the major challenges and how did issuers respond?*

◆ **SPATA** The immediate response was to stop and take stock of where we were. We were lucky to have closed out a couple of extensions to facilities just prior to COVID-19 and had also had a record capital-markets year in 2019. This helped a lot with warehouse liquidity.

The biggest challenge we had was the unknown – not knowing what the impact would be on the business. When we were working through facility extensions with banks, we had to make sure they were comfortable with how we were thinking about our business and what we perceived the impact of COVID-19 to be.

On the public side, our attention turned away from capital markets pretty quickly because we were not in a rush to issue. In recent weeks, though, we have seen a positive shift in sentiment. It has been good to see a number of nonbanks bring deals to market.

Over the last fortnight we have shifted to thinking about our capital-markets plan. Similar to James Austin, at the start of this we thought we would not have access to markets for 12 months and were considering alternatives. The plan now is to be in the market in the second half of 2020.

Conversations we have had with senior and mezzanine investors show a lot of confidence, which will hopefully continue.

◆ **CUNNINGHAM** One of the first steps for us was to make sure the originator and servicer was liquid and well capitalised. There was a lot of communication and an effort to be transparent with senior lending partners in particular, so they understood that this was an unprecedented situation and we needed to work through it together. This transparency and communication is very important in these relationships.

In the mezzanine part of the structure it was again a partnership focus, but from a starting point of having some diversification of investors. This gave some flexibility.

The velocity of money is quite high with the NOW Finance product, so we are naturally well aligned with our funding providers. We are constraining our appetite for providing new money at the moment and we have quite a lot of money coming back at us, so we are naturally slowing down. This is aligned with the partnership with our different lenders.

Where the difficulties may arise is when our risk appetite starts to return and whether this is in tandem with our lenders. There will be a right time for risk appetite and hopefully we can all lend and grow out of this environment.

◆ **BAILEY** We were very keen to slow down the origination piece just to make sure we were well funded. We had 4-5 months of very strong lodgement activity prior to the crisis onset and were conscious of acquiring loans that may be solving someone else's credit issues.

This allowed us to take a breath. It was particularly important because our proposition for brokers is mainly around the turnaround and consistent credit time, and we were relocating all our credit team to their homes.

There is no point competing for the 2.29 per cent, four-year fixed-rate loan with A$4,000 cash back. There is no magic in those numbers.

◆ **BHAT** We were going from warehouse funding towards executing a term deal. We had everything lined up after five years of building the asset base. COVID-19 was a left-field event that obviously disrupted those plans.

From our perspective, the big opportunity was to get access to cheaper funding and then be able to push deeper into some premium credit customers, as we have been for the last two years. We were very comfortable that we were going into a term deal with a credit profile that was better than the perceived risk profile of small businesses.

The biggest issue is the delay in bringing our asset class to the capital markets. We believe, though, that we and our customers will trade through, we will get to the other side and, at some point in the future, we will be able to go to the market.

We are fortunate that we spent much of the last five years building relationships with long-term funders in the industry.

We have diversity in our warehouses, which has meant having a lot of the same conversations but has certainly helped.

'Team Australia' has flown through. Most of our funding partners are domestic but we have one overseas – that continues to be very supportive as well. Diversity and maintaining on-balance-sheet liquidity have been the most important factors. Luckily, when we completed our IPO last year we also raised cash which was sitting in our bank account.

Risk appetite will probably tighten before it finds a new normal and I think this is where we will have to focus as we bring our funding partners along on this journey.

> **"EVERY WEEK AS WE PULL AWAY FROM THIS CRISIS WE GET MORE DATA WHICH WILL PROVE THE RESILIENCE OF THE SMALL BUSINESS SECTOR. THIS IS THE MOST IMPORTANT THING FOR US, BEFORE WE THINK ABOUT TAKING A DEAL TO THE MARKET."**
> **RAJ BHAT** PROSPA

**Davison** *On the subject of postponing a public capital-markets transaction, was it just not the right time to be a debut issuer in general or were there specific factors that made it impossible to proceed?*

◆ **BHAT** Around 10 years ago, when I was advising a fleet-leasing company, it took five years to get an operating-lease transaction into the market, even after having a rated warehouse. The reason is that investors need to be comfortable when they are looking at a new asset in the market.

Right now, even if the market has performed better than expected, it is probably not the right time to introduce a new asset class. We want things to settle down. Every week as we pull away from this crisis we get more data that will prove the resilience of the small-business sector. This is the most important thing for us, before we think about taking a deal to the market.

We will speak with our arrangers and get guidance. But for now the priority is to make sure our customers' needs are taken care of and that we have enough data to ensure new investors coming in are comfortable with what they see. Then we can put hand on heart and do a deal that makes sense for everyone.

◆ **SAMSON** This goes to the heart of managing liquidity. Issuers need the right balance between warehousing, term deals and other funding so they are never in a situation where they are pushed into doing a term deal. It's important to be running an appropriate amount of liquidity so issuers can do a deal at the right time.

I agree with Raj Bhat: bringing a new asset class, particularly one that is likely to be affected by COVID-19, is probably not the right decision at the moment. They might as well wait.

**Davison** *What does the pipeline look like for term issuance?*

◆ **SAMSON** We have a lot in the queue, which is good. Hopefully the deals can be spaced in an orderly fashion, which is not always easy to achieve. Deals are taking a bit longer to get to the start and finish line, but the AOFM has been very helpful and constructive. It feels more positive almost daily, including with real-money investors returning.

**Davison** *Do any other borrowers have plans for accessing term funding?*

◆ **CUNNINGHAM** For our balance of receivables, we have between a quarter and a third sitting in warehouses and the balance sitting in closed-pool securitisations. We are at the point of nurturing and growing a new book and are probably 6-9 months at least away from a public deal.

◆ **BAILEY** We have taken a view that we are in the business of issuing paper and we will undertake a transaction when the timing is right for us. We have told our equity investors that we are in the business of recycling money out of the warehouse and we will try do this over the next three months.

## MEZZANINE INVESTMENT

**Davison** *The rise of third-party mezzanine investment in warehouses and term deals has been a feature of recent years. Has mezzanine funding become a particular challenge or is it in line with the rest of the market?*

◆ **SAMSON** Specifically on warehouses, it has been a mixed bag. One of my fears when the new APS120 came out in 2018 was the move, as an industry, to relying on these mezzanine providers. They play a critical role in the warehouse stack nowadays so there was always a question as to what would happen if there was an issue, because these investors had not been as active in the warehouse environment before.

For some mezzanine investors, a retreat might not necessarily happen because they want to – it could be because of the 'mothership' offshore or because they may be under pressure domestically. Some mezzanine investors do not want to increase lending and some want to pull away.

This is proving challenging and, from what I can see, this is where the AOFM is proving to be extraordinarily helpful. I worry about what might have happened, but thankfully we do not have to wonder because the AOFM has been great in plugging gaps and, in some cases, replacing outgoing mezzanine investors. We are not seeing some of the potential issues play out, when they could have been very problematic.

For term deals, some key investor names that are typically in most deals are not there right now. These are some of the

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> **JAMES AUSTIN** FIRSTMAC

bigger tickets so there is less demand overall, but it is healthy enough to get the deals done.

Deal sizes are smaller than would be typical in a good market, which naturally means less paper to sell across the stack. The buy and sell sides are both holding up okay, but they are smaller than normal.

◆ **BAILEY** It is worth adding that one of the benefits of the financial crisis was the AOFM's interaction with the market and the role it played. As we moved into this crisis it is fair to say the AOFM has moved quicker than most expected and has played a role in ensuring competition remains in the marketplace and in ensuring nonbanks can keep writing loans.

This means these entities will still exist and will be able to provide competition and choice in the market when we come out on the other side. The AOFM's role in the market has been very effective.

◆ **AUSTIN** Last year we were seeing mezzanine being oversubscribed by several times. This is a typical crisis time, where an issuer needs to work hand in glove with its mezzanine investors. We need good, deep relationships to do this.

It is not a one-way street. The market is constructive and deals can be built, but it is more like a jigsaw puzzle and relationships are critical.

## INVESTOR RELATIONS

**Davison** *How have investor relations changed recently?*

◆ **AUSTIN** I would say they have never been more important. Through this process our relationships have become deeper than they have ever been. I think the years invested in an investor-relations programme are critically important and will continue to be so because, at the end of the day, it is a pretty small market. There are only so many investors domestically and offshore, so there is scarcity of money and choice of markets. You need to make sure you are a partner and not just always looking for the best transaction.

**Davison** *Many in the Australian industry would have been heading to the global securitisation conference in Barcelona around this time of year, but that obviously is not happening in 2020. How are issuers working to keep in touch with domestic and international investors in these unusual circumstances?*

◆ **SPATA** In this sort of environment, transparency and more information rather than less are critical. In April, we reached out to material investors across our Australian and New Zealand programmes to organise catch-up calls. We had people from across the business on these calls and the purpose was to provide investors with an update on the performance of the portfolios they support.

It also gave the opportunity to ask questions of the business, to make sure investors are comfortable with how we are managing through the crisis. The feedback from these discussions was very positive.

In the New Zealand market, it is unlikely we will bring a transaction to market this year but the intention is to stay close to investors and make sure they are across performance and management of hardship, over and above the data they get via monthly reporting.

◆ **BAILEY** I agree entirely. When the crisis hit, we set up – via NAB – calls with all our investors on the eastern seaboard and overseas, recognising that we see one in 10 home loans in the country written through our broker network. This allowed us to share some insights.

Investor relations has a long gestation period but it is very important. Even while we were relocating people, we were conscious of keeping investors informed of what is happening in our portfolio and in the wider market. It is fair to say that our observations, which are fuelled by a high volume of mortgage applications, took a lot of investors by surprise, particularly in the UK.

**Davison** *How is NAB going about ensuring its securitisation clients stay front of mind for investors?*

◆ **SAMSON** Everyone has embraced Zoom, which is good. We are finding meetings, and even what would previously have been phone calls, are now being done by Zoom.

We have found that investors are making more of an effort than previously to reach out to us to help facilitate meetings and talk about what we are seeing. It has actually been easier to stay front of mind because investors have wanted to hear the updates as much as we have wanted to tell them.

Most issuers have been very transparent, which is critical. There is so much uncertainty and the more people can understand the more comfortable they should be around the key risks.

The days of the roadshow are probably over in the short term, but I do not think there has been any loss of information and I do not think having a call instead of a physical roadshow will influence decisions to invest or not. ■

# REFOCUSING ON IBOR REFORM

*International progress towards interbank offered rate (IBOR) reform is continuing with timelines unchanged by the COVID-19 crisis. Alternative reference rate (ARR)-linked issuance continues to rise in key global jurisdictions, as does progress towards implementing fallback language.*

BY MATT ZAUNMAYR

Progress has been more measured in Australian securitisation, with the crisis removing the opportunity for other issuers to follow Commonwealth Bank of Australia's November 2019 pricing of the first transaction using the Australian overnight index average (AONIA) as a reference rate.

There is still activity in the background, though. Most recently, the Australian Securities and Investments Commission (ASIC) released the feedback it has received on its consultation gauging local institutions' exposure to offshore IBORs.

The COVID-19 crisis has caused many regulators around the world to park ongoing reforms, at least temporarily, as they focused all their efforts on ensuring markets and their participants can survive the current turmoil. This is not the case for IBOR reform, however. In the world's primary markets, including the US and the UK, the timeline for cessation of LIBOR publishing remains unchanged at the end of 2021.

Australia's IBOR, the bank-bill swap rate (BBSW), will continue to be available into 2021 and beyond. But the forthcoming local and international developments will affect Australia. The impetus remains on the local market to keep track of developments offshore and to focus on implementation of appropriate fallback language in securitisation documentation.

## INTERNATIONAL ARR USE

The transition away from IBORs continued to gather momentum in the derivatives market in the early months of the year.

According to the International Swaps and Derivatives Association (ISDA)'s *Interest Rate Benchmarks Review: First Quarter of 2020*, published in April, there was US$8.4 trillion equivalent of traded notional value of interest-rate derivatives (IRD) referencing ARRs in the first quarter of 2020, representing 9.6 per cent of total IRDs traded. This is up from US$2.7 trillion equivalent, representing 5.4 per cent of total volume, in the fourth quarter of 2019.

This makes Q1 2020 by far the most significant for growth in traded notional volume referencing ARRs. But virtually all the activity was in the UK's ARR – the sterling overnight index average (SONIA). ISDA's April 2020 report shows SONIA as clearly the most-used ARR, accounting for US$8 trillion equivalent of the total traded notional value of IRDs in the first quarter of the calendar year (see chart).

The story is the same in the UK's fixed-income market. By the end of May, 100 per cent of sterling floating-rate note (FRN) issuance in 2020 – including in securitisation – was linked to SONIA. Meanwhile, increasing volumes of legacy FRNs are being switched from UK LIBOR to SONIA through consent solicitation processes.

The volume of activity referencing ARRs has also continued to pick up in the US. According to ISDA's report, the number of IRD transactions linked to the secured overnight financing rate (SOFR) increased by 152.5 per cent in the first quarter of 2020 from the fourth quarter of 2019.

On the other hand, use of ARRs in other developed markets, including the Eurozone, Switzerland and Japan, actually declined in the first quarter of 2020 relative to the final quarter of 2019.

## PROGRESS MADE

The relevant benchmark authorities have been eager to stress that COVID-19 has not altered the timeline for cessation of IBOR publication at the end of 2021. However, they are aware that the focus of many market participants may be elsewhere.

In April 2020, the Bank of England (BoE) said: "We recognise the challenges presented by the current operating environment. We are therefore pleased to have seen continued progress on LIBOR transition through this difficult period. This includes the first syndicated loan that will link to SONIA and SOFR [the US secured overnight funding rate], the first bilateral loan referencing SONIA in the social housing sector, and another successful consent solicitation to convert a legacy LIBOR referencing bond."

The BoE states that the transition to SONIA in the bond market is largely complete, and that lenders should be in a position to offer non-LIBOR-linked products to customers by the end of the third quarter of 2020.

UK lenders should at this point also be working with borrowers to include contractual arrangements in all new and refinanced LIBOR-referencing products to facilitate conversion before the end of 2021, while all new issuance of LIBOR-referencing loans should stop by the end of Q1 2021.

The UK central bank expects progress to continue towards dealing with "tough" legacy contracts and how to calculate a fair credit-spread adjustment in legacy cash products to assist the transition from LIBOR in cash markets. It also expects communication regarding the transition from LIBOR to intensify once COVID-19 disruption stabilises.

In the US, the Alternative Reference Rate Committee (ARRC) has also clarified and updated its timelines and interim milestones to ensure they are appropriate for a transition away from US LIBOR that minimises market disruption.

In April, the ARRC unveiled key objectives for 2020 and recommendations for spread-adjustment methodology, while in May it released its best practices and swaptions recommendations. By the end of June, it expects newly issued FRNs and securitisations to include recommended fallback language. By the end of the year there should be no new FRNs using LIBOR with maturity after 2021, while securitisation vendors should be ready to support SOFR.

By the end of the first quarter of 2021, the ARRC expects dealers to change market convention for quoting US dollar derivatives to SOFR from LIBOR.

## RESETTING FOCUS

The maintenance of BBSW as a benchmark rate in Australia means there has not been the same urgency for domestic issuers to adopt ARRs. However, use of Australia's designated ARR – AONIA – is continuing to emerge sporadically. Most recently, South Australian Government Financing Authority executed a A$1.3 billion (US$873 million) three-year, AONIA-linked FRN in June.

The Australian market has an advantage in the sense that BBSW remains robust and usable. But there is still progress to be made in ensuring local market participants are ready for the cessation of offshore LIBORs, particularly given the overall timeline for this cessation has not changed.

In early April, ASIC released feedback on responses it received to "dear CEO" letters it sent in May 2019 to gauge the preparedness of local corporates and financial institutions for the cessation of various IBORs. The responses show approximately A$10 trillion of aggregate IBOR exposure among respondents, with 40 per cent of this expected to mature after 2021. Furthermore, responses also suggest that entities have been hesitant to write ARR-linked contracts due to liquidity concerns and have therefore continued to use IBORs. ASIC says while some respondents showed preparations for the end of IBORs were under way, others were yet to make any substantial progress.

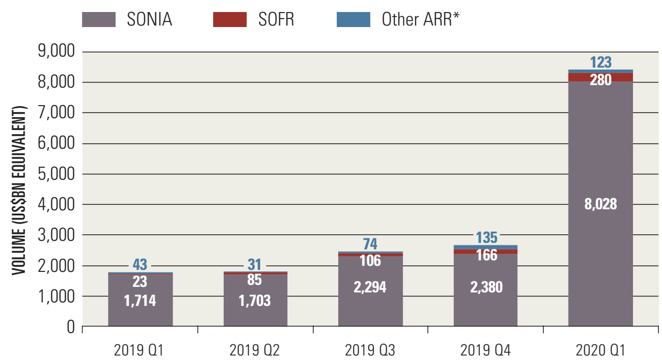
ASIC has published several measures which it and the Australian Prudential Regulation Authority consider to be best practice. These include formalising a transition programme, conducting a comprehensive assessment of how IBORs affect an institution's business, client outreach, participation in industry forums, seeking legal advice, assessing the readiness of IT systems, and planning for base and alternative scenarios including the adoption of various ARRs.

ISDA intends to publish a supplement to its 2006 ISDA Definitions in July, which will incorporate new fallbacks for derivatives that reference certain IBORs. This will give local market participants the necessary information to include fallback language in any documentation pertaining to foreign-currency transactions.

The industry will also then have everything necessary to begin drafting BBSW fallback language. The Australian Securitisation Forum (ASF) is seeking to restart working-group meetings to begin this process. The ASF has also joined the Australian Securities Exchange's BBSW advisory committee, which, among other things, is working to make one-month BBSW more robust to ensure the viability of its use into the future. However, it remains unclear whether any change in calculation methodology will lead to longer-term viability, given the fundamental issue of a lack of transactions in one-month BBSW.

There has been no major progress globally or locally towards the development of forward-looking ARRs. Work is ongoing to achieve this in major currency markets, but it remains the case that non-forward-looking rates are viable for most wholesale products. ■

### INTEREST-RATE DERIVATIVES TRADED NOTIONAL VOLUME




*Other ARRs include only SARON, TONA and €STR

SOURCE: INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION 10 JUNE 2020

COLUMN

# THE EVOLUTION OF THE SECURITISATION INDUSTRY

*The **Australian Securitisation Forum** (ASF)'s Future Leaders and Young Professionals (FLYP) subcommittee explores key themes expected to alter the securitisation landscape in the near future.*

BY ANDREW CRAWSHAW-FARDOULY, VICTORIA GAO AND SAGAN RAJBHANDARY

In November 2019, the FLYP subcommittee surveyed attendees at the ASF's annual conference regarding their thoughts on the themes affecting the securitisation industry. More than 50 attendees responded, across various roles and organisations, contributing their perspectives on how the securitisation industry will evolve into the new decade.

The survey found that most industry participants think data analytics and process automation are the most likely technologies or innovations to play a key role in the future of securitisation (see chart 1). These two areas reflect developments already occurring in the market, such as the implementation of automated processes across origination, underwriting and issuance.

Automation has grown significantly in mortgage application and processing, with many lenders employing automated credit assessment and underwriting to streamline the customer experience.

Lending and servicing is one of the most digitally advanced aspects of the securitisation process given the broader applicability beyond the capital markets, the economic importance of lending and the impact on user experience.

Initiatives such as open banking are poised further to enhance automation of already streamlined credit-assessment processes and further to improve ongoing portfolio management, for issuers and investors.

Looking to capital markets, real-time settlement is also achievable by removing the need to centrally clear individual trades. The Australian Securities Exchange is developing a distributed ledger technology (DLT) solution for equity transactions, increasing the likelihood of wider adoption in debt capital markets.

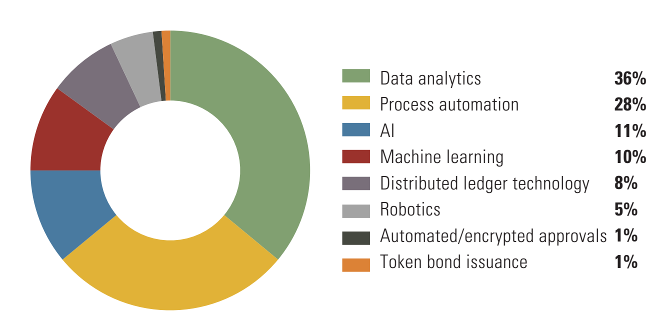
While automation increases loan-application processing volume and helps lenders make better-documented credit decisions, this is not without pitfalls. Following the banking royal commission, there has been heightened focus on responsible lending, including increased expense verification as opposed to the reliance on the household expenditure method (HEM).

Indeed, commissioner Kenneth Hayne's report concludes: "It follows that using HEM as the default measure of household expenditure does not constitute any verification of a borrower's expenditure."

It is evident that, while there are streamlining benefits to automation, the regulatory imperative is to rely less on default measures but instead to investigate and "make reasonable enquiries". With the evolution of technology, securitisation participants will need to continue balancing commercial objectives of enhanced efficiency with emerging regulatory requirements.

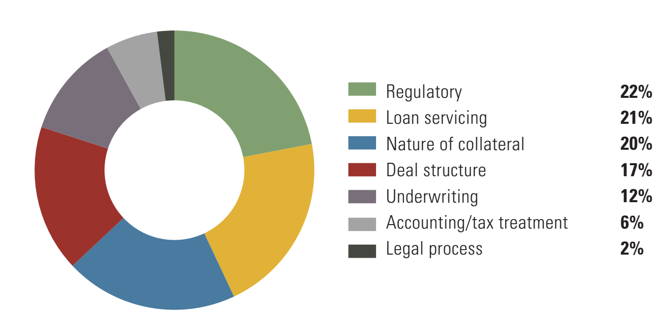
Analytics, meanwhile, is a crucial aspect enabling digital transformation. The industry relies on high-quality data. Key to the acceleration and increased use of data analytics is the improvement of infrastructure to enable secure processing of this data via digital platforms, with the end goal of improving the user experience for all participants. Data analytics also already plays a significant role in the ongoing management

**CHART 1. WHAT TECHNOLOGY OR INNOVATION WILL PLAY A KEY ROLE IN THE FUTURE OF SECURITISATION?**




SOURCE: ASF FUTURE LEADERS AND YOUNG PROFESSIONALS 2019

**CHART 2. WHAT ASPECT OF SECURITISATION WILL BE MOST AFFECTED BY CHANGE IN THE NEXT FIVE YEARS?**




SOURCE: ASF FUTURE LEADERS AND YOUNG PROFESSIONALS 2019 of securitisation portfolios. With the increased focus on data quality from all stakeholders, it is not surprising that survey participants have this on the top of their list when it comes to future impacts.

The power of analytics is clearly seen to have tremendous potential to be harnessed as data quality continues to improve across the industry.

## CHANGE AREAS

The backdrop of the royal commission and a keynote speech from the Australian Securities and Investments Commission (ASIC) seeking to provide clarity on responsible lending clearly influenced responses as ASF conference attendees see regulatory, loan servicing and the nature of collateral as the areas most likely to be affected by change over the next half decade (see chart 2).

While the subsequent release of RG 209 confirmed ASIC's retention of its principles-based approach to regulation – including loan servicing and collateral – implementation of recommendations from the royal commission have been delayed due to the onset of the COVID-19 crisis[1]. The regulatory aspects of the underlying collateral, including underwriting and servicing, therefore seem likely to remain a focus of industry participants once we move beyond the crisis.

It has become evident with the onset of the COVID-19 crisis that regulatory initiatives to improve the resilience of the broader financial system have not only proven timely but have put Australia in an enviable position globally.

Combined with prompt and significant government responses to the crisis, including the Australian Office of Financial Management's Structured Finance Support Fund and the Reserve Bank of Australia's term funding facility, the local securitisation industry has remained viable during the crisis.

Capitalising on momentum generated by the crisis for accelerated adoption of technology necessitates a deeper consideration of how existing processes can employ technology to facilitate digital transformation.

A key technology with the propensity to significantly impact multiple of facets of the securitisation process is DLT. This already has capital markets use cases[2] [3], with further applications including clearing and settlement[4] while enhancing risk and governance[5] outcomes. DLT also has application in smart contracts[6] and, while the substance of legal events and actions themselves are unlikely to change significantly, the longevity of paper-based suites of documents requiring wet signatures seems limited.

1 https://www.abc.net.au/news/2020-05-08/coronavirus-government-delays-banking-overhaul-royal-commission/12229050

2 https://www.worldbank.org/en/news/press-release/2018/08/23/world-bank-prices-first-global-blockchain-bond-raising-a110-million

3 https://www.asx.com.au/services/chess-replacement.htm

4 https://link.springer.com/article/10.1186/s40854-019-0169-6

5 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3180553

6 https://www.nortonrosefulbright.com/en-au/knowledge/publications/1bcdc200/smart-contracts

### COVID-19 IMPACT ON TRANSACTION PROCESS

| PRE-COVID-19 | COVID-19 IMPACT |
|---|---|
| In-person meetings between issuers and investors during roadshows for public-market issuance. Investor materials are provided as hardcopies in the meetings. | Roadshow discussions predominantly via calls and video conferences between all parties, with digital documents and presentation for reference. |
| Wet signatures of documentation. | Electronic signatures acceptable. |
| Working from office was the norm, with occasional work from home. Technologies generally only support partial workforce to work from home. | Working from home has become the norm, and technology infrastructure has been developed to cater to majority of workforce working remotely. |

SOURCE: ASF FUTURE LEADERS AND YOUNG PROFESSIONALS 23 JUNE 2020

## COVID-19

Few anticipated the COVID-19 pandemic and the profound impact it would have on society. However, one of the positive aspects of the crisis has been the acceleration in adoption of technology.

According to McKinsey: "COVID-19 has not only accelerated digitisation in business-to-consumer applications and channels, but also the traditionally less digitised parts of the economy, such as areas requiring physical interactions and business-to-business processes."[7]

Within the securitisation space, COVID-19 has been the catalyst for an expedited adoption of technology-based alternatives to previously in-person activities. Looking to the future, establishment of secure data repositories will facilitate digital identity verification[8] and remove a key manual step in the lending process (see table).

It is likely that these changes will remain even after social-distancing rules are lifted and that technology will be leveraged for a more streamlined process within the securitisation space.

Given the COVID-19-induced lockdown, companies have been forced to improve remote working capacity. Employees may find themselves permanently or increasingly working from home beyond the crisis, according to a new survey from research firm Gartner.

This March survey of 317 CFOs and business finance leaders reported that 74 per cent of those surveyed expect at least 5 per cent of their workforce who previously worked in company offices will become permanent work-from-home employees after the pandemic ends. A quarter of those surveyed expect 10 per cent of their employees will remain remote and 17 per cent expect 20 per cent will remain remote.

The ASF survey shows that the securitisation industry is expecting change across multiple areas including analytics, automation and regulation. COVID-19 has already catalysed increased adoption of technology, such as remote working and digital interactions, and gives us a taste of what changes the new decade will bring. While no-one can predict the future, one thing is certain – we live in a world of change. ■

7 https://www.mckinsey.com/featured-insights/asia-pacific/fast-forward-china-how-covid-19-is-accelerating-five-key-trends-shaping-the-chinese-economy

8 https://www.zdnet.com/article/australian-digital-id-biometric-capability-to-move-into-public-testing-mid-2020/

# AUSTRALIAN AND NEW ZEALAND SECURITISATION ISSUER PROFILES

*The Australian Securitisation Forum is pleased to be able to share key facts and information on member firms active as issuers in the securitisation market.*

### Pages 35-53: profiles of issuers active in public securitisation markets



### Pages 54-56: profiles of new and emerging issuers

# ANZ BANKING GROUP

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | KINGFISHER |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 1.8% |
| NUMBER OF SECURITISATIONS ISSUED | 6 |
| TOTAL VOLUME ISSUED | A$8BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 57% DOMESTIC<br>43% OFFSHORE |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$2BN* |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | ND |

* Excluding internal securitisations. Reported values are based on initial amounts securitised at the time of each securitisation. As at 24 May 2020.

ANZ Banking Group is one of the four major banking groups headquartered in Australia. ANZ provides a broad range of banking and financial products and services to retail, small-business, corporate and institutional clients in Australia, New Zealand and the Asia-Pacific region.

The bank began its Australian operations in 1835, its New Zealand operations in 1840 and has been active in Asia since the 1960s.

ANZ's strategy is focused on improving the financial wellbeing of customers, having the right people who listen, learn and adapt, putting the best tools and insights into their hands, and focusing on the few things that add value to customers and doing them right the first time.

ANZ's purpose is to shape a world where people and communities thrive. Its strong governance framework provides a solid structure for effective and responsible decision making. Further details on ANZ's strategy, purpose, governance framework and financial reports can be found in the shareholder centre on the ANZ website.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**www.anz.com/shareholder/centre**


# AUSTRALIAN FINANCE GROUP

| | |
|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAME | AFG |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 47% |
| NUMBER OF SECURITISATIONS ISSUED | 8 |
| TOTAL VOLUME ISSUED | A$2.9BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$1.4BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | ND |

Australian Finance Group (AFG) is one of Australia's leading financial-solutions companies.

Founded in 1994, AFG has grown to become one of the largest mortgage-broking groups in Australia with a loan book of more than A$170 billion. AFG listed on the Australian Securities Exchange in 2015 and has more than 2,975 brokers across Australia, distributing more than 4,000 finance products supplied by AFG's panel of more than 50 lenders.

AFG is a technology-focused business with industry-leading platforms that provide lenders and brokers with a world-class offering, through which they can grow their businesses, manage risks, and deliver streamlined and sophisticated solutions to their customers.

AFG commenced manufacturing its own home loans in 2007 with a focus on providing excellent value for consumers and a rapid, reliable, and personal experience for its broker partners. The AFG Securities portfolio comprises more than A$2.9 billion in high-quality residential assets, delivering an arrears performance consistently below industry averages.

AFG Securities maintains a diversified funding programme based around strong, trusted partnerships. The company is a regular issuer in the securitisation market. As an aggregator and funder in its own right, AFG has privileged insights that support its proprietary lending programme, and can provide funders and investors with a deeper understanding of the Australian market and developing trends.


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# AUSWIDE BANK

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | ABA TRUST |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 47% |
| NUMBER OF SECURITISATIONS ISSUED | 13 |
| TOTAL VOLUME ISSUED | A$3.7BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$233M |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | ND |

Auswide Bank is an Australian, regulated authorised deposit-taking institution (ADI) with its head office in Bundaberg and a corporate office in Brisbane, Queensland.

Auswide has Australian credit and financial-services licences issued by the Australian Securities and Investments Commission. The bank is prudentially supervised by the Australian Prudential Regulation Authority and customer deposits are guaranteed within the limits of the Financial Claims Scheme. Auswide is listed on the Australian Securities Exchange with the code ABA.

Auswide helps Australians with personal and business banking products and services. This includes home and business finance, consumer credit, deposits, foreign exchange, insurance and a range of banking services.

An omni-channel distribution strategy – via branches, strategic relationships, and via online and digital channels – creates growth opportunities and diversifies risk. The bank's branch network covers 20 locations from Townsville in north Queensland to Brisbane in the south east. The bank has played an essential role in supporting these communities for more than 50 years.

Partnerships include relationships with third-party introducers and other advocates including mortgage aggregators, peer-to-peer lenders, deposit brokers and platforms and organisations such as National Seniors Australia and Queensland Rugby League. The bank is investing in digital banking services and origination to support growth, create efficiencies and improve customer experience.

PLEASE CONTACT:

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# AVANTI FINANCE

| | |
|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAME | AVANTI RMBS |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 20% |
| NUMBER OF SECURITISATIONS ISSUED | 2 |
| TOTAL VOLUME ISSUED | NZ$400M |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | NZ$215M |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 9.4% |

Avanti Finance has been active in New Zealand for 30 years and has assisted nearly 100,000 people by providing a range of consumer and business-loan solutions. The company has a history of strong growth in mortgage and motor-vehicle lending, with these sectors seen as pillars of future growth. Avanti also provides personal and SME loans in New Zealand through its Avanti and GetCapital brands.

Through the acquisition of Branded Financial Services in 2019, Avanti now also operates in the Australian market, offering first-tier motor-vehicle financing.

At the 2019 New Zealand Financial Services Federation awards, Avanti won the Equifax Outstanding Corporate Citizen Award. This recognises a company that has demonstrably embraced corporate social responsibility and community involvement, through either sustainable resource management initiatives or support for projects that are beneficial to their community, region or New Zealand as a whole. Avanti also recently won the Most Preferred Non-Bank Lender award from *Mortgage Express* for the second year running.

Avanti is becoming a regular issuer of RMBS, with its third structure due to be launched later in 2020. Avanti will further enhance its investor offering by establishing a motor-vehicle ABS programme after 2020.

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# BANK OF QUEENSLAND

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAMES | REDS (RMBS), REDS EHP (ABS), IMPALA (ABS) |

## USE OF SECURITISATION

| | |
|---|---|
| TYPES OF SECURITISATION ISSUED | PRIME RMBS, ABS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 8.5% |
| NUMBER OF SECURITISATIONS ISSUED | 43 |
| TOTAL VOLUME ISSUED | A$26.4BN EQUIVALENT |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 93% DOMESTIC<br>7% OFFSHORE |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$4.2BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | ND |

* All data as at 29 February 2020.

Bank of Queensland (BOQ) is a public company, incorporated with limited liability under the laws of Australia. BOQ is domiciled in Australia, is listed on the Australian Securities Exchange and is regulated by the Australian Prudential Regulation Authority as an authorised deposit-taking institution. At 29 February 2020, BOQ had total assets under management of A$55 billion.

In February 2020, BOQ's business strategy was reshaped under five new strategic priorities:

1. Our purpose-led empathetic culture sets us apart.
2. Distinctive brands serving attractive niche customer segments.
3. Digital bank of the future with a personal touch.
4. Simple and intuitive business with strong execution capability.
5. Strong financial and risk position, with attractive returns.

BOQ's wholesale funding objectives are based on capacity, resilience and diversity, while minimising the cost of funds and maintaining the flexibility to take advantage of opportunities in the most appropriate global market.

BOQ has diversified access and capacity available through a range of term-funding instruments, including domestic and offshore unsecured funding programs, three triple-A-rated securitisation programmes and a A$3.25 billion triple-A-rated covered-bond programme.


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# BEYOND BANK AUSTRALIA

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | BARTON |

## USE OF SECURITISATION

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|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | >95% |
| NUMBER OF SECURITISATIONS ISSUED | 4 * |
| TOTAL VOLUME ISSUED | A$1.6BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$827M |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 3.4% |

* Excluding internal securitisation.

Beyond Bank Australia is one of the largest 100% customer-owned banks in Australia. With branches in the Australian Capital Territory, South Australia, Western Australia, New South Wales and Victoria, Beyond Bank offers a range of personal, business and community banking services, wealth management, and financial planning solutions to more than 240,000 customers. At the end of June 2019, total assets were A$6.2 billion.

Established more than 60 years ago, Beyond Bank strongly believes that understanding the value of money positively influences financial wellbeing for individuals, which leads to a more prosperous, sustainable and successful community.

In 2007, the Beyond Bank Foundation was established with a primary purpose to give back to the community and support community endeavours. The foundation has contributed more than A$25 million to local communities through sponsorships, grants and donations.

As a sustainable business, Beyond Bank aims to help its customers, people and communities achieve social, economic and environmental sustainability now and into the future. This commitment is demonstrated by its B Corp certification. B Corp is a global movement of people using business as a force for good. As Australia's first bank to be certified as a B Corp, Beyond Bank continues to meet the highest standards in performance, transparency and accountability.


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# BLUESTONE GROUP

Bluestone.

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|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAMES | SAPPHIRE, EMERALD |

## USE OF SECURITISATION

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|---|---|
| TYPES OF SECURITISATION ISSUED | RMBS, REVERSE MORTGAGE |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 56% |
| NUMBER OF SECURITISATIONS ISSUED | 29 |
| TOTAL VOLUME ISSUED | A$8.8BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 92% DOMESTIC<br>8% OFFSHORE |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$1.7BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 21.8% |

Founded in 2000, Bluestone Group is a well-diversified manufacturer and originator of prime, near prime and specialist residential home loans in Australia and New Zealand. In March 2018, Cerberus Capital Management completed a transaction to purchase Bluestone, bringing significant capital, operational and credit expertise.

Bluestone manages more than A$10 billion in its mortgage portfolio, including more than A$7 billion for a major Australian bank. Since 2002, it has completed 29 public securitisations. In 2019 Bluestone commenced issuance of CRD IV-compliant securitisations, broadening the range of international investors able to participate in its programmes.

Bluestone leverages an established distribution network to deliver genuine value for partners and customers. Its strategic focus is to shift lending towards lower credit-risk assets, expand its product set and broaden investor relationships.

Bluestone undertook a significant number of strategic initiatives in 2019, including a complete redesign of its product set as well as internal structural changes that saw its S&P Global Ratings servicer rating upgraded to "Strong", representing the highest rating an RMBS issuer can achieve.

Bluestone's credit policy has been significantly tightened since the COVID-19 pandemic and will be reviewed as management gains confidence in the broader economic outlook. Bluestone has 250 employees across Australia, New Zealand and the Philippines.


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# CITI AUSTRALIA

citi

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|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAMES | SAMT, CITI CARDS AUSTRALIA MASTER TRUST |

## USE OF SECURITISATION

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|---|---|
| TYPES OF SECURITISATION ISSUED | PRIME RMBS,<br>CREDIT CARD ABS |
| NUMBER OF SECURITISATIONS ISSUED | 34 |
| TOTAL VOLUME ISSUED | A$13.8BN |
| CURRENCIES ON ISSUE | AUD |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$3.6BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | ND |

As part of one of the world's largest financial-services companies with a presence in nearly 100 countries, Citi Australia has been providing financial services to Australian consumers, corporations, institutions and governments for more than 30 years. Citi is recognised for its innovative range of global products and services, and today counts more than a million Australians and a thousand local corporate and institutional clients as valued customers.

Citi's two major business divisions – global consumer bank and institutional clients group – operate in Australia. The institutional clients group includes banking, capital markets and advisory, markets and securities services, and treasury and trade solutions. With more than 1,500 employees based in Sydney, Melbourne, Perth and Brisbane, Citi is committed to supporting the Australian community. This support includes Citi Foundation grants, employee volunteering and fundraising focused on progress for disadvantaged youth.

Citi Australia has been servicing and managing asset-backed portfolios since 1995. At the end of March 2020, Citi had an A$8.3 billion portfolio of Australian mortgage assets and a A$4.6 billion portfolio of Australian credit-card assets, with around 25% of these assets securitised. There have been 15 issues from the SAMT programme, 18 from the legacy Compass Master Trust programme and one from the Citi Card Australia Master Trust programme. The SAMT structure is an active programme that has been in operation since 2003.


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# COLUMBUS CAPITAL

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|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAMES | TRITON, VERMILION |

## USE OF SECURITISATION

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|---|---|
| TYPES OF SECURITISATION ISSUED | PRIME RMBS, NONRESIDENT RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 75% |
| NUMBER OF SECURITISATIONS ISSUED | 15 |
| TOTAL VOLUME ISSUED | A$7.2BN EQUIVALENT |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 98% DOMESTIC<br>2% OFFSHORE |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$4BN EQUIVALENT |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 2% |

Since incorporating in 2006, Columbus Capital has gone from strength to strength. In 2012 it acquired the Origin MMS business from ANZ Banking Group, enabling the provision of white-labelled loan products to mortgage managers. As part of the white-label arrangement, Origin MMS provides mortgage managers with back office loan processing support and underwriting.

Columbus's product offering ranges from standard owner-occupier and investment home loans to highly customised products for niche segments of the market, including to nonresidents and self-managed superannuation funds.

In October 2018, Columbus acquired Homestar Finance. This was a natural evolution to expand into the retail market, while supporting the continued growth of the long-standing online lender, which has been in the Australian market since 2004.

Columbus is spearheading continued growth in the nonbank lending market, with more than A$6 billion in loans under management. It uses securitisation funding through its Triton programme for prime loans, and its Vermilion programme for nonresident loans.

Columbus also offers third-party servicing capabilities covering home-loan, consumer-finance and commercial asset-backed securities products.


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**www.colcap.com.au**


# COMMONWEALTH BANK OF AUSTRALIA

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | MEDALLION |

## USE OF SECURITISATION

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|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 8% |
| NUMBER OF SECURITISATIONS ISSUED | 27 |
| TOTAL VOLUME ISSUED | A$66.1BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$11.9BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 APRIL 2020 | 6.1% |

Commonwealth Bank of Australia (CBA) is Australia's leading provider of integrated financial services. These include retail, premium, business and institutional banking, and funds-management, superannuation, insurance, investment and share-broking products and services.

The bank's approach to wholesale funding is to remain diversified across markets and to maintain a degree of flexibility around transaction timing. CBA's long-term wholesale funding is complemented by securitisation issuance through the Medallion programme.


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**www.commbank.com.au/about-us/investors/debt-investors**

# CREDIT UNION AUSTRALIA

cua

BANKING | INSURANCE

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | HARVEY |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 52% |
| NUMBER OF SECURITISATIONS ISSUED | 11 |
| TOTAL VOLUME ISSUED | A$6.6BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$2.1BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 4.5% |

Credit Union Australia (CUA) is Australia's largest member-owned banking organisation, contributing to the financial wellbeing of around 560,000 Australians through its banking and insurance offering.

CUA's roots date back to several small credit unions in the 1940s, which started with just 180 members. The bank has since grown its national footprint through amalgamations of more than 170 different credit unions.

Today, CUA has consolidated assets worth more than A$16 billion, around 1,000 staff and 45 branches across Queensland, New South Wales, Victoria, the Australian Capital Territory and Western Australia. CUA's geographic spread is amplified through its mortgage broker channel. CUA is represented by more than 1,500 brokers across Australia.

As a mutual bank, CUA was created by members for members. It is a purpose-led organisation. From the board and executive through to its frontline staff, CUA's team members strive to deliver on its purpose: "Members working together, though life's changes for mutual good."

The ongoing growth and success of CUA enables the reinvestment of profits back into the business to improve products, services and member experience as well as to build stronger communities.

CUA is an authorised deposit-taking institution under the *Banking Act* and has a financial services license and a credit license granted by the Australian Securities and Investments Commission.

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# ECLIPX GROUP

eclipx GROUP

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|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAMES | FP TURBO, FP IGNITION |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | AUTO ABS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION AT 31 MARCH 2020 | 64% |
| NUMBER OF SECURITISATIONS ISSUED | AUSTRALIA: 5<br>NZ: 2 |
| TOTAL VOLUME ISSUED | A$1.5BN<br>NZ$500M |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES AT 31 MARCH 2020 | A$536M<br>NZ$226.8M |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | AUSTRALIA: 1%<br>NZ: 3.4% |

Eclipx Group is an Australian Securities Exchange-listed, established leader in vehicle-fleet leasing, fleet management and novated leasing across Australia and New Zealand. Eclipx offers consumers, businesses and governments access to solutions including fleet leasing, fleet management services, novated leasing, and medium-term accident-replacement vehicles through its suite of brands.

The business has more than 33 years of experience with unique credit insights through economic cycles. At 31 March 2020, Eclipx had A$2.1 billion equivalent of assets under management or financed across Australia and New Zealand.

Eclipx has been a regular ABS issuer in Australia and New Zealand since 2010. Eclipx also maintains a highly diversified funding strategy, including warehouse facilities, ABS, third-party funding arrangements, corporate debt and cash to arrange finance for its customers through its brands FleetPartners, FleetPlus, and FleetChoice.

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# FIRSTMAC

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|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAME | FIRSTMAC MORTGAGE FUNDING TRUST |

## USE OF SECURITISATION

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|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 71.3% |
| NUMBER OF SECURITISATIONS ISSUED | 46 |
| TOTAL VOLUME ISSUED | A$28.1BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 92.4% DOMESTIC<br>7.6% OFFSHORE |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$9.1BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 5.7% |

Firstmac epitomises the successful impact nonbank lenders have had on the Australian home-loan market in the past two decades. Firstmac believed it could do it better, and this mantra became its battle cry as it challenges traditional home-loan lenders.

The Firstmac home-loan funding programme was established in 2002. This introduced home loans better tailored to customer needs with online access to loan information and functionality, and benchmark customer service.

Firstmac is recognised as one of the leading prime home-loan lenders in the Australian market. Since its inception it has funded approximately A$40 billion in home loans.

Firstmac loans are available through independent mortgage brokers throughout Australia and online under Firstmac's retail brand, www.loans.com.au. Firstmac also provides motor-vehicle financing and a managed investment fund offering.

Firstmac predominantly funds its lending through securitisation and is a highly regarded RMBS issuer, averaging approximately A$3 billion annually for the past three years. Firstmac transactions display benchmark loan portfolio performance, which is underpinned by high-quality borrower creditworthiness and 92% of all loan collateral less than 80% loan-to-value ratio.

The Firstmac group is privately owned. It is headquartered in Brisbane with offices in Sydney and Melbourne.


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# FLEXIGROUP

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|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAMES | FLEXI ABS, Q CARD TRUST |

## USE OF SECURITISATION

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|---|---|
| TYPE OF SECURITISATION ISSUED | ABS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 44% |
| NUMBER OF SECURITISATIONS ISSUED | 21 |
| TOTAL VOLUME ISSUED | A$4.1BN EQUIVALENT |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | >70% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$1BN EQUIVALENT |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 2% |

Flexigroup is an Australian company listed on the Australian Securities Exchange since 2006, with operations spanning more than 30 years. As a diversified financial services group, flexigroup provides a range of finance products and payment solutions to consumers and businesses through a network of retail and business partners. This includes credit cards, buy-now, pay-later, and business lending and leasing solutions for SMEs.

With operations in Australia, New Zealand and Ireland, flexigroup plays an important role facilitating payments in a range of industries. In addition to its 71,000 retail partners, flexigroup has more than 1.8 million active customers, leading to A$2.5 billion of transaction volume annually.

In Australia, flexigroup has been a regular ABS issuer under its Flexi ABS programme. In 2016, it was the first Australian corporate to issue green ABS, to fund its solar-energy-related financing. Flexigroup has since issued more than A$375 million in green ABS across five transactions, all certified by the Climate Bonds Initiative. Flexigroup's most recent transaction, in November 2019, was the first in the Australian market to offer green ABS across all rated tranches.

In New Zealand, flexigroup is a frequent issuer under its Q Card Trust programme. This is the first revolving master trust programme to be established in New Zealand. Since 2014, the company has issued more than NZ$1.1 billion of ABS under the programme including a record NZ$300 million transaction executed in August 2019.


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# IMB BANK

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|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | ILLAWARRA |

## USE OF SECURITISATION

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|---|---|
| TYPES OF SECURITISATION ISSUED | PRIME RMBS, SMALL-TICKET CMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 46% |
| NUMBER OF SECURITISATIONS ISSUED | 7 RMBS, 3 CMBS |
| TOTAL VOLUME ISSUED | A$3.6BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$258M |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | ND |

Established in 1880, IMB Bank has been helping people achieve their financial goals for 140 years by offering competitive products, practical solutions and superior customer service. IMB provides a full range of banking services including home and personal lending, savings and transaction accounts, term deposits and business banking. It can also arrange financial planning and travel products.

IMB has a growing branch network in the Illawarra region, Sydney, the New South Wales south coast, the Hunter region, the Australian Capital Territory and Melbourne. It has a lending specialist in every branch and a team of mobile lending specialists. IMB's business banking specialists are supported by branch-based local business centres.

IMB members enjoy access to free internet, mobile and phone banking 24 hours per day, and a team of specialists who are just a phone call away at a local call centre. IMB is also proud to be one of the first Australian banks to introduce real-time payments through Osko.

IMB is regulated by the Australian Prudential Regulation Authority and is a member of the Customer Owned Banking Association, an independent organisation representing mutual banks, building societies and credit unions. IMB has around 200,000 members and assets of more than A$6 billion.

IMB supports the wider community through the IMB Community Foundation, which was established in 1999 and has since provided more than A$10 million to support more than 700 projects.

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# ING BANK (AUSTRALIA)

How banking can be

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | IDOL |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 15% |
| NUMBER OF SECURITISATIONS ISSUED | 12 |
| TOTAL VOLUME ISSUED | A$11.9BN EQUIVALENT |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 99% DOMESTIC 1% OFFSHORE |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$3BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 5.6% |

ING – the trading name of ING Bank (Australia) Limited – is part of the world's leading direct bank and is wholly owned by ING Group.

ING changed the way Australians bank 20 years ago by launching the country's first high-interest, fee-free, online savings account. Since then, it has continued to bring value to customers with home loans, transactional banking, superannuation, credit cards, personal lending and insurance.

At the core of ING's strategy is growing the number of customers that choose ING as their main bank. In 2019, this number grew by 30%, supported by strong growth of the Orange Everyday transaction account, with 459,000 new accounts opened. The bank's residential-mortgage business grew by 6.3%, to A$52 billion, and the share of the broker market increased each quarter. More than 30,000 customers purchased their own home with the help of ING in 2019.

ING's market share across deposits and loans continues to grow faster than system. In 2019, retail deposits grew by 9.9% and business lending grew by 9.2%.

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# LATITUDE FINANCIAL SERVICES

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|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAMES | LATITUDE AUSTRALIA CREDIT CARD MASTER TRUST, LATITUDE AUSTRALIA PERSONAL LOANS SERIES, LATITUDE NEW ZEALAND CREDIT CARD MASTER TRUST |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | ABS |
| NUMBER OF SECURITISATIONS ISSUED | 7 |
| TOTAL VOLUME ISSUED | A$4BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$2.6BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | ND |

Latitude Financial Services is a leading digital-payments, instalments and lending platform in Australia and New Zealand, with 2.7 million open customer accounts and A$7.7 billion of receivables at 31 December 2019. The company offers products including interest-free instalment plans through its large network of retail partners, credit cards, personal loans and insurance.

The business employs approximately 1,600 staff across Australia and New Zealand, and services its customers through retailers, brokers, phone and internet.

The company offers financing solutions for retail partners, managing credit applications and authorisation, billing, remittance and customer-service processing. Its products include LatitudePay, Gem Visa, GO MasterCard and 28 Degrees Platinum MasterCard.

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# LA TROBE FINANCIAL

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|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAME | LA TROBE FINANCIAL CAPITAL MARKETS |

## USE OF SECURITISATION

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|---|---|
| TYPE OF SECURITISATION ISSUED | RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 35% |
| NUMBER OF SECURITISATIONS ISSUED | 10 |
| TOTAL VOLUME ISSUED | A$6.2BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$4.4BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | CONTACT ISSUER |

La Trobe Financial has issued A$6.2 billion of RMBS to a range of Australian and international investors. Its RMBS programme has had continued support from repeat investors and a progressively widening investor base. This reflects the diversity and resilience of La Trobe Financial's funding base, including institutional mandates and Australia's largest retail credit fund, which has A$5 billion of assets under management (AUM).

In May 2020, La Trobe Financial issued the largest securitisation globally since the onset of the COVID-19 crisis, at A$1.25 billion, helping reopen Australian debt capital markets. La Trobe Financial is a regular issuer of RMBS to global markets in public and private formats.

La Trobe Financial has A$11 billion of AUM and has been responsible for more than A$25 billion of investment mandates in varying structures since being founded in 1952. La Trobe Financial provides solutions for borrowers and investors under-served by traditional institutions.

The company has a focus on specialist lending, with loan products that cater for a wide range of borrower and credit situations, with a group maximum loan-to-value ratio of 80%. La Trobe Financial was a pioneer of alternative documentation lending in Australia, introducing this loan product in Australia in 1992.

La Trobe Financial has more than 400 staff and offices in Melbourne, Sydney, Shanghai and Hong Kong. It has helped more than 150,000 individuals obtain mortgage finance and has a strategic partnership with Blackstone Group.

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# LIBERTY FINANCIAL

Liberty

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|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAME | LIBERTY |

## USE OF SECURITISATION

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|---|---|
| TYPES OF SECURITISATION ISSUED | ABS, CMBS, RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA TERM SECURITISATION | 65% |
| NUMBER OF SECURITISATIONS ISSUED | 60 |
| TOTAL VOLUME ISSUED | >A$27BN EQUIVALENT |
| TOTAL AUD/NON-AUD ISSUANCE | 87% DOMESTIC<br>13% OFFSHORE |
| TERM SECURITISED ISSUES | >A$8.1BN EQUIVALENT |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | ND |

Liberty Financial (Liberty) is a mainstream speciality-finance group that champions free thinking. Since 1997, Liberty has helped more than 600,000 customers "get financial". Liberty provides a wide range of products and services comprising home, car, commercial, SMSF and personal loans, and investment and deposit products. Liberty also offers consumer loan protection solutions via its group companies LFI Group and ALI Group.

A multichannel distribution strategy supports Liberty's origination activity. Liberty offers products through mortgage and motor-vehicle-finance brokers, financial planners and direct to consumers. Liberty also distributes products and services through company-owned networks in Australia and New Zealand. Liberty provides solutions to a wide range of customers, from people who could be serviced by mainstream providers to those searching for a customised solution.

Liberty deploys its own capital in its operations, thereby reducing financial and operating leverage. By aligning its interests to the way its long-term assets perform, Liberty is dedicated to deciphering the fundamental relationship between risk and return. The company's loan performance is best in its class.

Liberty has a "Strong" servicer ranking from S&P Global Ratings. Liberty is Australia's only investment-grade rated nonbank issuer, with a BBB- rating and stable outlook.

Liberty has established and maintains a flexible and diversified funding programme with multiple sources of funding. It has approximately A$1 billion of equity capital, around A$5 billion of wholesale funding limits and A$1 billion of outstanding medium-term notes. It is the only nonbank lender that has a senior-unsecured funding programme.

Liberty's term-securitisation programme provides investors the opportunity to buy prime and nonconforming RMBS, auto ABS and SME formats. Liberty has raised more than A$27 billion in domestic and international capital markets across 60 transactions. Liberty has an unblemished capital markets track record whereby its rated notes have never been charged off, downgraded or placed on negative watch.

Liberty is a privately owned company. The shareholders who established the business are the same to this day. They have never received a dividend, preferring to reinvest the company's earnings to fund future growth. The shareholders are committed to the business and this mirrors the long tenure of team members, many of whom have more than 10 years' service. An independent board of directors possessing decades of relevant financial-services and insurance experience oversees Liberty's operations.

PLEASE CONTACT:

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**www.liberty.com.au**

# MACQUARIE GROUP

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAMES | SMART, PUMA |

Macquarie Group is a global financial group with offices in 31 markets. Founded in 1969, Macquarie now employs 15,849 people globally, including staff employed in operationally segregated subsidiaries. The group had total assets of A$255.8 billion and total equity of A$21.8 billion as at 31 March 2020.

Macquarie Group is listed in Australia and is regulated by the Australian Prudential Regulation Authority as a non-operating holding company of Macquarie Bank, an authorised deposit-taking institution.

Macquarie's breadth of expertise covers asset management, retail and business banking, wealth management, leasing and asset financing, market access, commodity trading, renewables development, investment banking and principal investment. This diversity of operations, combined with a strong capital position and robust risk-management framework, has contributed to Macquarie's 51-year record of unbroken profitability.

Macquarie's banking and financial-services group comprises its retail banking and financial services businesses, providing a diverse range of personal banking, wealth management, business banking and vehicle finance products and services to retail clients, advisers, brokers and business clients in the Australian market. At 31 March 2020, the group had total deposits of A$63.9 billion, a home loan portfolio of A$52.1 billion, funds on platform of A$79.1 billion and a vehicle finance portfolio of A$13.7 billion.

Macquarie Bank is a pioneer of the Australian RMBS and ABS market. It maintains good arrears performance in line with the market by making all credit decisions, as well as servicing and arrears management, in-house.

Alignment of interests is a longstanding feature of Macquarie's client-focused business, demonstrated by its willingness to invest alongside clients and closely align the interests of its shareholders and staff.

## SMART PROGRAMME

### USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | ABS |
| NUMBER OF SECURITISATIONS ISSUED | 35 |
| TOTAL VOLUME ISSUED | A$28BN EQUIVALENT |
| CURRENCIES ON ISSUE | USD, AUD |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$2BN EQUIVALENT |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 11.4% |

## PUMA PROGRAMME

### USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| NUMBER OF SECURITISATIONS ISSUED | 63 |
| TOTAL VOLUME ISSUED | A$62BN EQUIVALENT |
| CURRENCIES ON ISSUE | AUD |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$11BN EQUIVALENT |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 11.3% |

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**www.macquarie.com**

# ME

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | SMHL |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | RMBS |
| NUMBER OF SECURITISATIONS ISSUED | 49 |
| TOTAL VOLUME ISSUED* | A$49.5BN EQUIVALENT |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | A$31.8BN, US$10.4BN, €2.2BN |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$3.7BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | ND |

* Combined Members Equity Bank and historical mortgage-origination business.

ME was created 26 years ago to provide low-cost home loans and banking products to members of industry superannuation funds and unions. ME's new brand represents a modern, strong, innovative and secure bank in the digital era.

ME is 100% owned by 26 industry super funds, which created the bank to help all Australians get ahead. ME has opened its product offering to the broader Australian population. It is committed to providing straightforward products. ME has a philosophy of supporting, educating and empowering its customers to achieve their financial objectives.

ME is a long-term issuer through its RMBS programme, having issued 49 transactions in the SMHL and Maxis programmes since 1995. ME has issued at least annually over that period.

◆ PLEASE CONTACT:

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**www.mebank.com.au**

# METRO FINANCE

| | |
|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAME | METRO FINANCE |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | ABS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 41% |
| NUMBER OF SECURITISATIONS ISSUED | 3 |
| TOTAL VOLUME ISSUED | A$1BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$579M |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 18 JUNE 2020 | 15.4% |

Metro Finance provides products to fund capital purchases, which enable business customers to grow their operations. Metro Finance originates its lending nationally through the commercial auto and equipment broker and aggregator industry.

Metro Finance offers secured loans, commercial hire purchase and lease products, as well as a green loan for eligible low-emission vehicles.

Metro Finance issued its first ABS deal in 2018 and plans to be a regular annual issuer, with the securitisation market accounting for a major portion of its overall funding.

◆ PLEASE CONTACT:

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**www.metrofin.com.au**

# MORTGAGE HOUSE

| | |
|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAME | MORTGAGE HOUSE CAPITAL MORTGAGE TRUST |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | RMBS |
| NUMBER OF SECURITISATIONS ISSUED | 1 |
| TOTAL VOLUME ISSUED | A$300M |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$232M |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 4.5% |

Mortgage House is one of Australia's leading, growing and independent retail nonbank lenders, with 25,000 customers and more than A$3.3 billion of funds under management. This comprises residential mortgage loans in its own funding programmes, white-label arrangements and loans through third parties. During 2019, Mortgage House originated A$950 million of residential mortgage loans.

Mortgage House was established in 1986, initially as a broker to various banks and lending institutions for the origination of residential mortgage loans. In 1998, Mortgage House extended its operations to include mortgage manager and originator responsibilities through white labelling agreements with major financial institutions. By 2004, it had originated A$2 billion of residential mortgage loans.

In 2007, Mortgage House launched its own funding programme. It is now a full-service residential mortgage loan company incorporating origination, servicing and funding.

Between 2015 and December 2019, Mortgage House has originated more than A$1.4 billion of residential mortgage loans into its own funding programme and, as at 31 December 2019, had more than A$1 billion of residential mortgage loans outstanding. On 23 May 2019, Mortgage House completed its first RMBS transaction, Mortgage House RMBS Series 2019-1.

Its operations are based in North Sydney where it has approximately 60 staff.

◆ PLEASE CONTACT:

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**Sean Bombell** General Manager
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**www.mortgagehouse.com.au**

# MTF FINANCE

| | |
|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAME | MTF |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | ABS |
| NUMBER OF SECURITISATIONS ISSUED | 5 |
| TOTAL VOLUME ISSUED | NZ$1BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | NZ$380M |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | ND |

MTF Finance was formed in 1970 to enable selected New Zealand dealers to finance sales of motor vehicles to the public. Since opening its doors, MTF has grown into one of New Zealand's largest and most trusted motor-vehicle financiers, with a network of more than 150 dealers and 46 MTF Finance franchises operating in all major centres from Kaitaia to Invercargill.

MTF's dedicated finance originators are experts, offering a range of competitive finance and insurance products to help Kiwis do more, whether people need a new vehicle, a caravan to get away for the weekend, or plant and equipment to keep the business running.

MTF's originators are 100% locally owned and operated. They are proud to be strongly connected to their communities, with a reputation for providing customers with service and advice that is tailored from start to finish. Having a local understanding means they always treat customers with respect and empathy.

MTF has been helping local dealers and franchise business owners to be part of the landscape of New Zealand and thrive for 50 years. Each of MTF's originators participates in the profit of MTF in proportion to the volume of origination written. Their success reflects a compelling financial interest in the quality of business originated and ensures the ongoing success of MTF.

◆ PLEASE CONTACT:

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**Kyle Cameron** Chief Financial Officer
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**www.mtf.co.nz**

# MYSTATE BANK

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | CONQUEST |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 78% |
| NUMBER OF SECURITISATIONS ISSUED | 8 |
| TOTAL VOLUME ISSUED | A$2.7BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 95.3% DOMESTIC<br>4.7% OFFSHORE |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$1.1BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 APRIL 2020 | 6.5% |

MyState Bank is a wholly owned subsidiary of MyState Limited, a national diversified financial services group headquartered in Tasmania. MyState Bank offers banking, lending and insurance services across Australia with a customer-centric culture.

MyState Bank's loan portfolio is more than A$5 billion and is sourced directly through its branch network in Tasmania and central Queensland, as well as Australia-wide through the bank's digital presence and broker network. MyState Bank also sources deposits through branch and digital channels. MyState Bank is an authorised deposit-taking institution and is regulated by the Australian Prudential Regulation Authority.

MyState Limited has a clear, organic revenue growth strategy centred on maintaining excellent asset quality, disciplined deposit and lending margin management, continuing to invest in strengthening risk-management capability, investing in modern digital platforms and building a national distribution capability to provide further revenue diversity.

The business continues to invest to deliver new digital services with greater responsiveness and speed of service, simplifying processes, anticipating and meeting customers' evolving needs and producing superior customer outcomes while pursuing further operational efficiencies.

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**www.mystate.com.au**

# NATIONAL AUSTRALIA BANK

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | NATIONAL RMBS |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| NUMBER OF SECURITISATIONS ISSUED | 7 |
| TOTAL VOLUME ISSUED | APPROX. A$19.6BN (EXCLUDES RETAINED DEALS) |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$3.6BN |
| TOTAL CROSS-BORDER TRANCHES ISSUED | 7 |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 25 MAY 20 | 8.3% |

National Australia Bank (NAB) is a major financial-services organisation in Australia and New Zealand. For almost 160 years, NAB has been helping customers with their money. NAB has more than 30,000 people serving 9 million customers at more than 900 locations in Australia, New Zealand and around the world.

As Australia's largest business bank, NAB works with small, medium and large businesses. NAB is there from the beginning to support them through every stage of the business lifecycle.

NAB funds some of the most important infrastructure in communities – including schools, hospitals and roads – in a way that is responsible, inclusive and innovative.

NAB knows that to be Australia's leading bank, trusted by customers for exceptional service, it needs to be good with money and needs to be just as good with people, too.

◆ PLEASE CONTACT:

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# NOW FINANCE GROUP

| | |
|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAME | NOW |

### USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | CONSUMER RECEIVABLES |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 37.1% |
| NUMBER OF SECURITISATIONS ISSUED | 1 |
| TOTAL VOLUME ISSUED | A$200M |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$145.9M |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 5.8% |

NOW Finance is a nonbank lender specialising in Australian consumer loans. The business has developed multiple distribution channels, a state-of-the-art technology platform and a differentiated product offering, allowing it successfully to grow market share. Since the inception of its lending programme in 2013, the business has originated more than A$600 million of consumer loans to close to 30,000 customers.

The secured and unsecured personal loan products are distributed through a national network of accredited finance brokers as well as direct to consumers via an online portal and Australia-based customer care centre.

Fundamental to the success of NOW Finance has been the development of a unique business platform which includes:

- Technology led innovation, enabling operational effectiveness and a superior customer experience.
- Simplicity of product design, which means easy-to-understand loans.
- Robust risk assessment and management which underpins the high quality of the loan book.
- A strong compliance culture and oversight, which has been paramount from the start.
- A scalable, institutional-grade funding model, which has evolved to ensure targeted growth can be achieved and funding costs optimised.
- An experienced management team, which has guided the development and execution of a compelling growth strategy.

NOW Finance is a private company headquartered in Melbourne, which currently employs 86 staff in Melbourne, Sydney, Brisbane and Perth.


◆ PLEASE CONTACT:

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**www.nowfinance.com.au**


# PEOPLE'S CHOICE CREDIT UNION

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | LIGHT |

### USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 66% |
| NUMBER OF SECURITISATIONS ISSUED | 8 |
| TOTAL VOLUME ISSUED | A$3.7BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$1.4BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 6.1% |

Australian Central Credit Union, trading as People's Choice Credit Union, is an authorised deposit-taking institution. It is subject to prudential supervision under Australia's *Banking Act* and is regulated by the Australian Prudential Regulation Authority.

People's Choice is one of Australia's largest credit unions, with more than A$10.7 billion of total assets under management at 30 June 2019. The credit union's origins date back to 1949 and since then it has grown materially to become a trusted financial services provider and a leader in the mutual industry. People's Choice was created through the merger of Australian Central and Savings & Loans in December 2009 and offers a genuine alternative to the major banks.

South Australia has been home to People's Choice's head office and core operations since its establishment. With a strong community presence, loyal members and a growing balance sheet, People's Choice has built on the foundations laid in South Australia to expand its member base throughout the country. People's Choice now has more than 375,000 members serviced through locations in South Australia, the Northern Territory, Victoria, Western Australia and the Australian Capital Territory.

The Light Trust RMBS programme was first launched in 2007, with regular issuance coming to market since its inception. The quality of the underlying collateral associated with the Light Trust series is reflective of the credit union's core business of conservative, residential lending and steady, organic growth.


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# PEPPER GROUP

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|---|---|
| AUSTRALIAN ADI | NO |
| AUSTRALIAN SECURITISATION PROGRAMME NAMES | PEPPER RESIDENTIAL SECURITIES (PRS), PEPPER PRIME, PEPPER I-PRIME, SPARKZ |

## USE OF SECURITISATION

| | |
|---|---|
| TYPES OF SECURITISATION ISSUED | RMBS, ABS |
| NUMBER OF SECURITISATIONS ISSUED[1] | 25 PRS (12 OUTSTANDING, 13 CALLED), 5 PEPPER I-PRIME (OUTSTANDING), 2 SPARKZ (OUTSTANDING) |
| TOTAL VOLUME ISSUED[1] | A$19.2BN EQUIVALENT |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE[2] | ~76% DOMESTIC<br>~24% OFFSHORE |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | CONTACT ISSUER |

1 Australian platform issuance only.
2 Eleven issues in the PRS series have included US dollar tranches with four issues of the PRS series also including euro notes. Two issues in the Pepper I-Prime series have included US dollar tranches.

Established in 2000, Pepper Group is a leading Australian-headquartered financial-services group with businesses in Australia, Asia and Europe encompassing lending and asset servicing.

In Australia, Pepper's asset originations include prime and nonconforming mortgages, auto and equipment receivables, and small-ticket commercial real estate. In New Zealand, the firm originates residential mortgages.

Pepper's approach to securitised debt funding is to be a frequent issuer to a globally diversified investor base across a number of asset classes. As part of this strategy, Pepper issues in a variety of tenors, currencies and repayment formats. The company first began issuing in 2003 and has a 100% track record of calling each deal at the first available call date.

Pepper believes in a proactive engagement model with its global investor base, providing all investors the opportunity to understand the corporate strategy, deal-related specifics, the approach to issuance pipeline and any new asset classes or platforms coming to the market.

Pepper is a third-party servicer and asset manager across a range of asset classes. It has more than A$80 billion in assets under management globally.

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# P&N BANK

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | PINNACLE |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 35% |
| NUMBER OF SECURITISATIONS ISSUED | 2 |
| TOTAL VOLUME ISSUED | A$650M |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$230M |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF | ND |

P&N Bank is a division of Police & Nurses Limited. Since the merger with bcu, formerly Bananacoast Community Credit Union, in late 2019, P&N Bank operates within the organisation's multibrand, customer-owned banking model. P&N Bank trades in Western Australia and bcu in New South Wales and southeast Queensland, sharing group services located across all three states.

Both customer-owned banking brands value the strong heritage established over many decades in their respective regions and offer a genuine banking alternative for people who value competitive and convenient banking products, outstanding customer service and a local, community focus.

P&N Bank and bcu strive to create exceptional member experiences for their existing 150,000 members, while educating more Australians about the benefits of customer-owned banking.

Police & Nurses Limited is an authorised deposit-taking institution, regulated to the same high standards as the major banks by the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission, the Australian Transaction Reports and Analysis Centre, and the Australian Competition and Consumer Commission.

◆ PLEASE CONTACT:

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**www.pnbank.com.au**

# REDZED LENDING SOLUTIONS

| | |
|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAME | REDZED |

## USE OF SECURITISATION

| | |
|---|---|
| TYPES OF SECURITISATION ISSUED | RMBS, CMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 46% |
| NUMBER OF SECURITISATIONS ISSUED | 8 |
| TOTAL VOLUME ISSUED | A$2.1BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 94% DOMESTIC 6% OFFSHORE |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$1BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 17 JUNE 2020 | 14.7% |

RedZed Lending Solutions (RedZed) is a national lender to Australia's self-employed. Established in 2006, RedZed is a privately held company that focuses on delivering residential and commercial mortgages to empower the 2.1 million Australians that are self-employed.

RedZed currently has more than A$1.6 billion in assets under management. More than 90% of the customer base are self-employed borrowers that have been under-served by banks. More than 60% of these borrowers have been operating their businesses for more than five years.

RedZed has originated more than A$3.5 billion of residential and commercial finance secured by real property and equipment assets. RedZed primarily sources its competitively priced funds from the term and warehouse markets domestically and offshore. Since its inception, RedZed has issued more than A$2.1 billion of term debt-market securities via eight public securitisations.

RedZed continues to invest in its brand and in 2020 was proud to be announced as the major partner of the Melbourne Storm in Australia's National Rugby League competition.

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**Rick Li** Treasurer
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**www.redzed.com**

# RESIMAC

| | |
|---|---|
| AUSTRALIAN ADI | NO |
| SECURITISATION PROGRAMME NAMES | PREMIER, BASTILLE, AVOCA, VERSAILLES |

## USE OF SECURITISATION

| | |
|---|---|
| TYPES OF SECURITISATION ISSUED | RMBS, NIM BOND |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 100% |
| NUMBER OF SECURITISATIONS ISSUED | 50 |
| TOTAL VOLUME ISSUED (AUD EQUIVALENT) | A$30BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 55% DOMESTIC 45% OFFSHORE |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$7BN EQUIVALENT |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 8% |

Resimac Group is a leading nonbank residential-mortgage lender and multi-channel distribution business. Resimac operates under a fully integrated business model comprising originating, servicing and funding prime and nonconforming residential mortgages, SME and consumer finance assets in Australia and New Zealand.

Resimac has more than 250 staff operating across Australia, New Zealand and the Philippines, more than 50,000 customers and assets under management in excess of A$12 billion.

Resimac has issued more than A$30 billion in bonds across 50 transactions in global fixed-income markets. The group has access to a diversified funding platform with multiple warehouse lines provided by domestic and offshore banks for short-term funding in addition to a global securitisation programme to fund its assets over a longer term.

Resimac's asset-servicing credentials are recognised by a "Strong" servicer ranking from S&P Global Ratings.

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# SUNCORP GROUP

SUNCORP

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAME | APOLLO |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | 14.3% |
| NUMBER OF SECURITISATIONS ISSUED | 23 |
| TOTAL VOLUME ISSUED | A$26.5BN EQUIVALENT |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 81% DOMESTIC<br>19% OFFSHORE |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$3BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 8.5%* |

* Proportion by balance of loans in portfolio.

Suncorp Group is a leading financial-services provider in Australia and New Zealand, enabling more than 9.5 million customers better to protect and enhance their financial wellbeing.

Since 1902, Suncorp has become a top-50 Australian Securities Exchange-listed company with more than 13,000 people and A$95 billion in group assets. Suncorp offers banking and wealth services and insurance products. Suncorp Bank is focused on lending, deposit gathering and transaction account services to personal, small and medium enterprise, commercial and agribusiness customers.

After several months of natural disasters across Australia, followed by the global COVID-19 pandemic, Suncorp's dedicated teams are working to implement measures that support its customers affected directly and indirectly by the health and economic implications of COVID-19, by offering insurance packages and a range of financial-support options.

Further digital solutions have been deployed to assist customers affected by COVID-19, such as online application for loan payments deferrals.

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# ZIP CO

zip™

| | |
|---|---|
| SECURITISATION PROGRAMME NAME | ZIP MASTER TRUST |

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | BUY NOW, PAY LATER |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION | ~60% |
| NUMBER OF SECURITISATIONS ISSUED | 1 |
| TOTAL VOLUME ISSUED | A$500M |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES | A$500M |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | <0.2% |

Zip Co is a leading player in the digital retail-finance and payments industry. Zip provides point-of-sale credit and payment services across the retail, home, health and wellness, auto, travel and entertainment sectors, and is the owner of Pocketbook, a leading personal finance management app.

Pocketbook has more than 700,000 users, whom it allows to budget and save by automatically categorising spending and providing smart alerts.

Zip offers customers an interest-free digital wallet via two products: up to A$1,500 with Zip Pay, and up to A$50,000 with Zip Money.

Zip now has more than 1.8 million customers and is available to be used in more than 60,000 locations. Customers simply sign into their Zip digital wallet, either online or in store, and authenticate the transaction to complete the purchase.

◆ PLEASE CONTACT:

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# WESTPAC BANKING CORPORATION

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| SECURITISATION PROGRAMME NAMES | WST, CRUSADE RMBS, CRUSADE ABS |

Westpac Banking Corporation is Australia's second-largest banking organisation and one of the largest in New Zealand. Through its unique portfolio of brands, Westpac provides a broad range of banking and financial services in these markets including retail, business and institutional banking.

With strong market share positions in its home markets and more than 14 million customers, Westpac focuses on organic growth, increasing customer numbers in chosen segments and building stronger and deeper customer relationships. A key element of Westpac's approach is its unique portfolio of financial-services brands, which enables the group to appeal to a broader range of customers and provides the strategic flexibility to offer solutions that better meet customer needs.

Westpac has strong financial, capital, funding and liquidity positions, all comfortably above regulatory minima, and maintains a prudent level of provisioning. This is recognised in the group's high credit ratings.

At 31 March 2020, Westpac had total assets of A$968 billion. Westpac's ordinary shares and certain other securities are quoted on the Australian Securities Exchange and, at 31 March 2020, the bank's market capitalisation was A$60 billion.

Westpac's wholesale-funding activities are focused on diversity and flexibility, with a view to providing the group with a stable and efficiently priced wholesale funding base within the parameters of prudent liquidity management. In recent years, Westpac's annual term-funding volume has been A$30-35 billion equivalent, including capital.

Diversity is a key part of the group's funding strategy. It is assessed from a number of different perspectives, including currency, product type and maturity term, as well as investor type and geographic location. Securitisation forms an important part of this strategy, adding valuable diversity to the group's funding franchise.

# WST, CRUSADE RMBS

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | PRIME RMBS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION[1] | 3.7% |
| NUMBER OF SECURITISATIONS ISSUED | 44 |
| TOTAL VOLUME ISSUED | APPROX. A$84.3BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE[2] | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES[2] | APPROX. A$8.3BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 29 APRIL 2020[3] | 9% |

1 Includes RMBS and ABS. As at 31 March 2020. Residual maturity basis.
2 Based on issues currently outstanding as at 30 April 2020.
3 In the case of WST RMBS, around 25-40% of borrowers who have taken up this option were already 3 months or more ahead on repayments (including offset balances). Reported as a % balance.

# CRUSADE ABS

## USE OF SECURITISATION

| | |
|---|---|
| TYPE OF SECURITISATION ISSUED | ABS |
| PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION[1] | 3.7% |
| NUMBER OF SECURITISATIONS ISSUED | 10 |
| TOTAL VOLUME ISSUED[2] | APPROX. A$10.3BN |
| TOTAL DOMESTIC VS OFFSHORE ISSUANCE[3] | 100% DOMESTIC |
| OUTSTANDING VOLUME OF SECURITISED ISSUES[3] | APPROX. A$2.6BN |
| PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020[4] | 3.8% |

1 Includes RMBS and ABS. As at 31 March 2020. Residual maturity basis.
2 100% Crusade ABS.
3 Based on issues currently outstanding as at 30 April 2020.
4. Reported as a % of balance.

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# ALLIED CREDIT

| | |
|---|---|
| AUSTRALIAN ADI | NO |
| TYPE OF LENDING | SECURED CONSUMER AND SME |
| SIZE OF LENDING BOOK | A$400M |
| PROPORTION OF LENDING BOOK IN COVID-19 PAYMENT RELIEF | ND |
| YEAR OF ESTABLISHMENT | 2010 |

Allied Credit is a privately owned finance company established in 2010 to take advantage of demand from vehicle and equipment manufacturers, distributors and dealership groups for branded retail and floorplan finance products. Allied Credit has grown to become the retail finance business partner of choice for an increasing array of leading brands and dealer groups in the motorcycling, marine, recreation and automotive finance industry.

By combining Allied Credit's experience and expertise with leading, iconic brands, the company has created proven finance solutions for vehicle and equipment businesses, their dealer networks and their customers. These brands include Kawasaki, Triumph, Vespa, Piaggio, Moto Guzzi and Aprilia, Mercury Power, Hyundai Commercial and Suzuki Motorcycles.

Receivables are funded via several securitisation warehouses aligned to the individual businesses.

Allied Credit employs around 80 staff with offices in Sydney, Perth and Melbourne and a salesforce across the country.

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# ATHENA HOME LOANS

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|---|---|
| AUSTRALIAN ADI | NO |
| TYPE OF LENDING | PRIME MORTGAGES |
| SIZE OF LENDING BOOK | A$1.5BN DRAWN BALANCE |
| PROPORTION OF LENDING BOOK IN COVID-19 PAYMENT RELIEF AT 29 MAY 2020 | 0.6% IN HARDSHIP, 0.2% BALANCE IN PAYMENT MORITORIUM |
| YEAR OF ESTABLISHMENT | 2017 |

Athena Home Loans was founded in 2017 by former bankers Nathan Walsh and Michael Starkey. Athena competes in the prime mortgage space and aims to save Australians tens of thousands of dollars, and years over the life of their home loans.

Since public launch in February 2019, Athena has settled more than A$1.6 billion in loans and achieved a customer net promoter score of +70. In the face of the COVID-19 economic shock, tight credit criteria and robust systems have resulted in a very high-quality book. As of June 2020, only 4 out of 3,433 loans were in a payment moratorium, with a further 13 loans in hardship on interest-only arrangements.

Athena uses the latest technology to drive efficiency in origination and to lead migration towards digital and direct sales channels. Its experienced team is backed by a broad range of venture capital and strategic equity investors including Square Peg Capital, AirTree, Macquarie Bank, Hostplus, Australian Super, Sunsuper, Salesforce Ventures and NAB Ventures.

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# BRIGHTE

| | |
|---|---|
| AUSTRALIAN ADI | NO |
| TYPE OF LENDING | CONSUMER |
| SIZE OF LENDING BOOK | >A$200M |
| PROPORTION OF LENDING BOOK IN COVID-19 PAYMENT RELIEF AT 15 MAY 2020 | 1.2% |
| YEAR OF ESTABLISHMENT | 2015 |

Brighte is an innovative digital payment platform, connecting homeowners with home-improvement vendors by offering frictionless finance solutions at the point of sale.

Brighte was founded by Katherine McConnell with the mission to make paying easy. To date, Brighte has enabled more than 1,500 home-improvement and solar vendors to offer finance to more than 50,000 Australians. One in every 15 new residential solar installations in Australia are funded with Brighte, resulting in an offset of more than 300,000 tonnes of $CO_2$ equivalent.

Brighte's average customer loan is for an A$8,000 purchase with a four-year term.

With a growth rate of 8,881% over the last three years, Brighte was recently recognised as the fourth-fastest-growing company in Deloitte's Asia Pacific Technology Fast 500 list.

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# DEFENCE BANK

Defence Bank

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|---|---|
| AUSTRALIAN ADI | YES |
| TYPE OF LENDING | RESIDENTIAL, AUTO, PERSONAL AND CREDIT CARD |
| SIZE OF LENDING BOOK | A$2.3BN |
| PROPORTION OF LENDING BOOK IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 0.9% |
| YEAR OF ESTABLISHMENT | 1974 |

Defence Bank is one of Australia's larger member-owned banks, serving the Australian Defence Force and the broader Australian community, including staff in the Commonwealth Department of Defence (Defence) and Department of Veterans' Affairs (DVA). Defence Bank has operated for more than 45 years, and has more than 80,000 members and more than A$2.7 billion in assets with 33 branches.

For more than 10 years, Defence Bank has worked with Defence and DVA to facilitate home ownership as one of only three incumbent Defence Home Ownership Assistance Scheme panel members. Defence Bank has also been appointed by the National Housing Finance and Investment Corporation to the panel of residential-mortgage lenders to offer guarantees under the Federal government's First Home Loan Deposit Scheme.

The current product range includes home and investment mortgage loans, personal loans, credit cards, car loans, at call and term deposits, and more.

Defence Bank is rated triple-B with a stable outlook by S&P Global Ratings.

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# JUDO BANK

judobank

| | |
|---|---|
| AUSTRALIAN ADI | YES |
| TYPE OF LENDING | BUSINESS, LINE OF CREDIT, EQUIPMENT, HOME LOANS FOR SMEs |
| SIZE OF LENDING BOOK | A$1.8BN |
| PROPORTION OF LENDING BOOK IN COVID-19 PAYMENT RELIEF | CONTACT ISSUER |
| YEAR OF ESTABLISHMENT | 2016 |

Judo Bank is a challenger bank dedicated to small and medium-sized businesses. Judo was established in Melbourne, in 2016, by a highly credentialled executive team with the aim to bring back the craft of relationship banking to the SME market, in order to provide a genuine alternative for SMEs to secure the funding they need and the service they deserve.

Judo challenges the status quo in a market dominated by the four major banks, which Judo believes share a deep complacency and high level of similarity.

Judo acquired its banking licence from the Australian Prudential Regulation Authority in April 2019 and has successfully raised the biggest funding round in Australian history to date.

Judo has offices in Melbourne, Sydney and Brisbane, and another due to open shortly in Perth. Judo's current loan book sits at more than A$1.8 billion.

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# MONEYME

moneyme

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|---|---|
| AUSTRALIAN ADI | NO |
| TYPE OF LENDING | UNSECURED CONSUMER |
| SIZE OF LENDING BOOK | A$140M |
| PROPORTION OF LENDING BOOK IN COVID-19 PAYMENT RELIEF | ND |
| YEAR OF ESTABLISHMENT | 2013 |

MoneyMe is an Australian Securities Exchange-listed, digital consumer-credit business, leveraging its Horizon technology platform and big-data analytics to deliver an innovative virtual-credit offering to online consumers.

Founded in 2013, MoneyMe originates consumer credit products through its algorithm-based decision platform to online-ready people seeking convenient and simple access to credit, direct from their mobile devices.

MoneyMe's technology platform allows applications to be completed in approximately five minutes and funds to be disbursed, or credit limits to be available, to the customer shortly after approval.

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# PRIME CAPITAL

prime capital

| | |
|---|---|
| AUSTRALIAN ADI | NO |
| TYPE OF LENDING | COMMERCIAL MORTGAGE |
| SIZE OF LENDING BOOK | A$400M |
| PROPORTION OF LENDING BOOK IN COVID-19 PAYMENT RELIEF AT 31 MAY 2020 | 0% |
| YEAR OF ESTABLISHMENT | 1997 |

Prime Capital is one of Australia's leading independent lenders to the SME sector. Established in 1997, Prime Capital has a proud, 23-year history of supporting businesses with a compelling product range and remarkable customer service.

Since 1997, Prime Capital has helped thousands of Australian SMEs by lending more than A$2 billion in fast, simple loans.

Prime Capital currently services secured mortgage portfolios of approximately A$400 million, originated exclusively through a network of more than a thousand of the best mortgage brokers in Australia, including over 60% of the *Mortgage Professional Australia* Top 100. Prime Capital has offices in Sydney, Melbourne and Brisbane.

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# RATESETTER

RateSetter

| | |
|---|---|
| AUSTRALIAN ADI | NO |
| TYPE OF LENDING | CONSUMER |
| SIZE OF LENDING BOOK | A$400M |
| PROPORTION OF LENDING BOOK IN COVID-19 PAYMENT RELIEF AT 24 JUNE 2020 | 3.5% |
| YEAR OF ESTABLISHMENT | 2014 |

RateSetter is an entrepreneurial, founder-led, consumer-lending and investment business. RateSetter launched in 2014 and has funded more than A$800 million in secured auto, renewable-energy and personal loans.

RateSetter is technology-led, with partners and customers benefiting from the significant investment it has made in its proprietary technology platform, which delivers fast, simple, and competitive loans.

RateSetter launched with a focus on retail investors via a peer-to-peer lending structure. It has subsequently diversified its investor base to include fixed-income funds, authorised deposit-taking institutions, a superannuation fund and the federal government's Clean Energy Finance Corporation. In 2019, RateSetter introduced a warehouse facility specifically for the funding of secured auto loans.

The company is headquartered in Sydney and employs more than a hundred staff nationally. Its shareholders include Carsales, Five V Capital, Federation Asset Management and its executive team.

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