ASJ

AUSTRALIAN SECURITISATION JOURNAL

Incorporating Australian and New Zealand Securitisation and Covered Bonds

>> Issue 19 • 2021

Lessons learned

The Australian and New Zealand securitisation markets displayed impressive resilience in 2020, aided in part by knowledge acquired in previous crises.

Australian Securitisation Forum

ASJ

AUSTRALIAN SECURITISATION JOURNAL

Incorporating Australian and New Zealand Securitisation and Covered Bonds

>> Issue 19 • 2021

Australian Securitisation Forum

ASF MANAGEMENT COMMITTEE

Chair
Sarah Hofman

Deputy Chairs
Matthew O'Hare
Belinda Smith

Treasurer
Heather Baister

Chief Executive Officer
Chris Dalton

asf@securitisation.com.au
+61 2 8277 4141
www.securitisation.com.au

***ASJ* PUBLISHED BY**
KangaNews
www.kanganews.com

Chief Executive
Samantha Swiss
sswiss@kanganews.com

Head of Content and Editor
Laurence Davison
ldavison@kanganews.com

Deputy Editor
Matthew Zaunmayr
mzaunmayr@kanganews.com

Staff Writer
Chris Rich
crich@kanganews.com

Head of Commercial
Jeremy Masters
jmasters@kanganews.com

Head of Operations
Helen Craig
hcraig@kanganews.com

Design Consultants
Hobra Design
www.hobradesign.com

ISSN 1839-9886 *(print)*
ISSN 2207-9025 *(online)*
Printed in Australia by Spotpress.

CONTENTS

4 **WELCOME** *Chris Dalton, chief executive, Australian Securitisation Forum*

6 **SESSION REPORT** *National Australia Bank leads a discussion on crisis preparedness, response and government support.*

13 **SESSION REPORT** *Asset quality, securitisation structural robustness and regulatory oversight under the microscope in a Moody's Investors Service-chaired panel.*

20 **SESSION REPORT** *Commonwealth Bank of Australia hosts a discussion on how lending and funding changed in the heat of the COVID-19 crisis.*

27 **SESSION REPORT** *Digitalisation came into sharper focus as working practices changed in 2020. Perpetual and market participants discuss how.*

34 **EVENT REPORT** *Profiling opinions and insights from the Australian Securitisation Forum Virtual Symposium 2020.*

48 **FEATURE** *After coming through 2020 in good shape the Australian securitisation market is primed for a positive 2021, according to Westpac Institutional Bank.*

50 **FEATURE** *TAO Solutions on the value and impact of automation for treasuries in a new working environment.*

53 **COLUMN** *Australian households have largely kept their heads above water in the COVID-19 crisis, according to S&P Global Ratings. The next challenge will be the long-term impact of accelerating structural change.*

56 **COLUMN** *Foreign-currency issuance has been less prominent in the Australian securitisation space since the global financial crisis. Natixis says the value proposition is swinging back in favour of offshore markets.*

59 **COLUMN** *Arrears and defaults could rise in 2021 as government support dials back while the economy remains weak, says Fitch Ratings.*

62 **Q&A** *Stephen Magan from J.P. Morgan looks at Australian RMBS performance and relative value in the pandemic era.*

65 **COLUMN** *Mayer Brown dissects the impact of the US presidential election on the local regulatory picture.*

CONTENTS

68 Q&A **Terence Law** from **Deutsche Bank** offers his perspective on the securitisation industry's efforts to attract and retain young talent.

70 EVENT REPORT Further perspectives from the **Australian Securitisation Forum Virtual Symposium 2020**.

86 Q&A **Stafford Hamilton** and **David Salkinder** explain **Credabl**'s unique market segment and the lender's plans for capital-market funding.

88 Q&A Perspectives on funding and big data in a new environment from **Resimac**'s **Andrew Marsden**.

90 ISSUER PROFILES

113 EMERGING ISSUER PROFILES

Profiles of issuers active in public securitisation markets

91 Allied Credit
ANZ Banking Group
92 Australian Finance Group
Auswide Bank
93 Avanti Finance
Bank of Queensland
94 Beyond Bank Australia
Bluestone Group
95 Brighte
Citi Australia
96 Columbus Capital
Commonwealth Bank of Australia
97 Credit Union Australia
Eclipx Group
98 Firstmac
hummgroup
99 IMB Bank
ING Bank Australia
100 Latitude Financial Services
La Trobe Financial
101 Liberty Financial
102 Macquarie Group
103 ME
Metro Finance
104 Mortgage House
MTF Finance
105 MyState Bank
National Australia Bank
106 NOW Finance Group
People's Choice Credit Union
107 Pepper Group
P&N Bank
108 RedZed Lending Solutions
Resimac
109 Suncorp Group
Thinktank
110 Westpac Banking Corporation
111 ZIP

Profiles of new and emerging issuers

113 Athena Home Loans
Credabl
Defence Bank
114 Greensill
Harmoney
115 Judo Bank
MoneyMe
Moula
116 OnDeck
Prime Capital
UDC Finance

Welcome to the first edition of the ASJ for 2021. As we reflect on 2020, the resilience of the Australian and New Zealand securitisation and covered-bond markets was notable. It was pleasing to see confidence re-emerge with deal flow bouncing back strongly in the latter part of the year. Full-year issuance in the Australian securitisation market reached almost A$34.5 billion (US$26.6 billion).

Confidence was underpinned by the government's economic response package announced in March. It comprised the A$90 billion Reserve Bank of Australia (RBA) term funding facility (TFF), the A$40 billion SME guarantee scheme and A$15 billion Structured Finance Support Fund (SFSF). As of January 2021, total investments of the SFSF have reached A$3.7 billion.

In 2020, new primary issuance by nonbank lenders represented 77 per cent of total market issuance volume. Covered-bond and RMBS issuance by authorised deposit-taking institutions declined partly due to the leap in deposits and the introduction of the TFF in March – both of which provided access to cheaper funding.

Constructive engagement with policymakers and regulators continues to be an important focus for the ASF. During 2020, the ASF made a number of submissions on relevant topics to government in Australia and New Zealand. Dialogue was also maintained with key market influencers including regulators, Treasury, and central banks to further the interests of members.

In October 2020, the International Swaps and Derivatives Association (ISDA) launched the IBOR fallbacks supplement and IBOR fallbacks protocol, with the changes coming into effect on 25 January 2021. The ASF will continue to engage with members and regulators on interest-rate benchmark reform in Australia and New Zealand over the course of 2021.

In November 2020, in lieu of its annual in-person conference, the ASF brought the industry together in a Virtual Symposium. More than 1,350 individuals registered to hear from 75 local and international market professionals on the fallout from 2020, market developments and what is in store for the future. Replays of the sessions are available on demand on the ASF's website until 31 March 2021. The ASF would also like to take this opportunity to thank the 24 sponsors of the event for their support, in particular our headline sponsors: Commonwealth Bank of Australia, Moody's, National Australia Bank and Perpetual.

The ASF has already commenced planning for the 2021 conference to be held at the Hilton Hotel in Sydney on 9-10 November 2021. The ASF is also working on a series of member briefings to be held via webinar over the coming months.

During the course of 2020, the ASF ran its securitisation education programme in virtual format and it is pleasing to note that participation remained strong. Presented by industry experts, the following professional development virtual learning series will be available in 2021:

- Securitisation Fundamentals
- Securitisation Fundamentals for the New Zealand market
- Securitisation Professionals
- Securitisation Applied
- Securitisation Trust Management

The ASF is also able to deliver these courses in-house, tailored to meet specific needs. Details for upcoming courses can be found on the ASF's website.

ASF membership continues to grow: we now have 158 Australian and New Zealand market participants constituting our membership. We are delighted to welcome the following new members which have joined the ASF since our last publication: Aberdeen Standard Investments, Alliance Financial Group, Angle Finance, Booster Financial Services, Fifth Avenue Finance Group, Golden Stand Financial Technology, Greensill Capital, Harmoney, Kapstream, Moula Money, Private Mortgages Australia and UDC Finance.

The ASF looks forward to staying connected during 2021 as we work together to further develop and strengthen the Australian and New Zealand securitisation and covered-bond markets.

CHRIS DALTON
CHIEF EXECUTIVE OFFICER

SESSION REPORT

Crisis management: resilience and response

Australian securitisation market participants universally credit the Australian Office of Financial Management (AOFM) for helping the local industry come through the worst of the COVID-19 crisis. **National Australia Bank** *(NAB) hosted a panel at the Australian Securitisation Forum Virtual Symposium 2020 to discuss the integration of government support with issuers' own efforts to ensure maximum resilience in the face of an unprecedented challenge.*

PANELLISTS

- **Martin Barry** Senior Vice President and Chief Financial Officer LA TROBE FINANCIAL
- **Michael Bath** Head of Global Markets and Business Strategy AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT
- **Toni Blundell** Manager, Securitisation AUSTRALIAN FINANCE GROUP
- **Katherine McConnell** Founder and Chief Executive BRIGHTE

MODERATOR

- **Sarah Samson** Head of Securitisation Origination NATIONAL AUSTRALIA BANK

ISSUER EXPERIENCE

Samson *COVID-19 has brought a serious health crisis, significantly affected our economy and had a direct effect on lenders, borrowers and the securitisation market. Everyone has had to adapt to the unusual and unique set of circumstances that hit almost overnight in March 2020. AFG [Australian Finance Group] and La Trobe Financial have been through economic cycles and crises before. How did these institutions manage COVID-19 and what kind of comparison can be made with previous crises, such as the global financial crisis?*

◆ **BARRY** First, it is important to extend our best wishes to everyone affected by COVID-19 around the world, including our international colleagues and bond investors and their families.

It seems Australia is on a different COVID-19 curve from the rest of the world. We have local challenges, but I am confident in Australia's ability to get through this crisis and positive on the future.

The 2008 financial crisis was very different from the pandemic, in a number of ways. The financial crisis was a banking crisis that led to an economic crisis, affecting all sections of the economy. The COVID-19 crisis appears to be very narrow, affecting smaller and more specific industries such as tourism, hospitality and small business. There is also a huge amount of liquidity washing through the system at the moment, so it is a very different set of circumstances.

La Trobe Financial's business model has always required us to hold substantial funding and capital for times of stress. We have always held in excess of 12 months' forward-funding capacity and currently sit at around 23 months. We have always invested and backed our assets and we have more than A$550 million (US$423.6 million) of shock-absorber and regulatory capital within the business to support our investors.

We were well placed going into 2020 and the peak panic in March. On the lending side, we remained open throughout. We are 100 per cent onshore and our staff were all working remotely, which worked flawlessly without interruption.

We applied a COVID-19 overlay to our underwriting and income checks, as one would expect, and did a hindsight review of A$1.8 billion of pipeline loans. Unfortunately, we had to put some applications on hold – but this would be expected from any prudent lender.

There has been a slight reduction in origination volume and we are now settling about A$350 million of mortgages per month. We anticipate the recovery being a square-root shape into 2021 and therefore getting back to pre-virus levels probably by the second half of the year.

Approaching funding was interesting. We initially planned to be in markets in April so we had to adjust plans


more than money
nab
WE'RE USING BIG IDEAS TO SUPPORT THE SECURITISATION MARKET
Our leading capabilities in RMBS and ABS help corporations and financial institutions with new approaches and bold structures – and access to a global network of investors.
What's your Big Idea?
Our Corporate & Institutional team can help.
NAB Big Ideas
© 2021 National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686 A146328-1220

Looking forward

AUSTRALIA MAY HAVE TAKEN A FEW STEPS ON THE PATH TO RECOVERY BUT THE JOURNEY IS LIKELY TO BE A LONG ONE – WITH PLENTY OF CHALLENGES ALONG THE WAY.

Samson *What are the panellists' thoughts on the market outlook and their role in it?*

BATH It is difficult for me to talk about the interaction between the TFF [term funding facility] and our mandate, other than to say that the government is aware of the issue.

I would say watch this space on the Australian Business Securitisation Fund – we are looking to re-engage with the market-development aspects in the new year. Close watchers of our approach would note the caution with which we were planning to move toward unsecured SME lenders. It is fair to say the Rubicon has been crossed as we are already in that space thanks to the Structured Finance Support Fund.

Finally, I expect specialist credit investors will return to the mezzanine tranches of warehouses – so sharpen your pencil.

BLUNDELL We think spreads will continue to grind tighter. Investor demand for credit product remains strong and there is limited supply of new primary issuance from authorised deposit-taking institutions on the horizon. Prime nonbank issuance may also decline given the obstacles to originating new loans. There is positive news on vaccines and the election of a new US president, and I think these factors will assist with bringing spreads in tighter.

MCCONNELL Australia has done a great job in navigating COVID-19. I am cautiously optimistic and hope 2021 will continue to see improvement in investor confidence around the performance of markets.

We hope to do our second public securitisation transaction in 2021 so will be keeping our relationships strong. Once there is a vaccine and international travel reopens, we will hopefully begin to see a pickup in origination as well as consumer credit and lending.

slightly when we saw the panic in March. We monitored the various pieces of government support that were put into the economy including JobKeeper, JobSeeker and early access to superannuation. The RBA [Reserve Bank of Australia] provided its TFF [term funding facility] and of course the AOFM moved quickly to support securitisation markets.

This encouraged us, and we took the view that if markets were open and receptive to a transaction we should push on. We thought this was the prudent thing to do in a very uncertain world. We put together a transaction, spoke to the rating agencies and provided additional information on our hardship levels and liquidity structure.

We conducted a virtual roadshow with around 30 investors, which worked well although we missed the personal connection. Through April, it was obvious that Australia's health outcomes were quite different from the rest of the world and the quality of our assets was also better than in other jurisdictions. There was appetite to support a transaction. Investor interest coupled with the offer of AOFM support led us to price a A$1.25 billion transaction in May.

I would like to go on record with my thanks to Michael Bath and the AOFM team for helping to stabilise the market through this period. The virus crisis appeared very quickly in March and April, and while of course we do not know how it will play out in 2021 the initial impact was a short, sharp shock. This is unlike the financial crisis, which played out over a number of years. We are optimistic for the future.

◆ **BLUNDELL** One of the key differences for AFG in this crisis compared with the financial crisis has been the importance of our mezzanine financiers. It became apparent to us early on that we were only as strong as those financiers.

We were getting ready to kick off an inaugural nonconforming transaction in mid-March. But as the pandemic unfolded we decided it was not the right time to launch a new programme. The focus then became about locking in funding – in particular warehouse funding – and ensuring we had sufficient capacity to write mortgages through the cycle should we be unable to do any primary issuance.

Fortunately, we have very good relationships with the senior financiers in our warehouses and we were quick to lock in additional funding capacity with them, at far higher volume than we would normally require. Critical to the structure and our ability to access additional capacity was our mezzanine financiers – and specifically their appetite to provide funding through the cycle.

Mezzanine funders needed to manage their own liquidity issues and they have their own investors that they needed to be accountable to. We had varying levels of support from these investors and the role the AOFM played to fill the gap was critical. The AOFM quickly recognised this was a place it was needed, its judgement was sound and it was quick to act. We are very grateful for this.

AFG also undertook an equity raising to boost its cash position and bring in additional support in case we needed to fill a gap in mezzanine or subordinated investment.

Having open lines of communication with our financiers and investors was paramount throughout this period. During a crisis we are all seeking the same thing – certainty. We did

> **“THE AOFM HAS PLAYED AN INSTRUMENTAL ROLE IN SUPPORTING THE SECURITISATION INDUSTRY AND ITS PARTICIPANTS IN THE LAST TWO CRISES. IT WAS PARTICULARLY QUICK TO ACT IN MARCH 2020 WHEN THE REALITY OF THE PANDEMIC SITUATION AND ECONOMIC IMPACT STARTED TO BECOME EVIDENT.”**
> **SARAH SAMSON** NATIONAL AUSTRALIA BANK

not know how the situation would evolve but we knew that the more information we could share with our financiers and investors the better placed we would be in the long term.

We reached out to our debt investors and offered one-on-one meetings to share how we were handling requests and provide some insight on the volume of deferrals we were seeing. We were also able to provide insights on what we were seeing in the Australian mortgage market more generally. AFG holds a unique position with its data and footprint in the Australian mortgage market, and sharing these insights with investors was well received.

As a result, when we eventually kicked off discussions for our prime transaction the conversations were all about the transaction.

Samson *Brighte is a newer lender. How did it approach the COVID-19 crisis and would it do anything differently if it could rewind to March?*

◆ **MCCONNELL** I am navigating this crisis as a chief executive for the first time. I was working at a bank during the last financial crisis and of course I have some recollection of that time, but going through 2020 as chief executive brought a different set of challenges.

We have a very experienced team at Brighte. In 2008, our head of corporate development, John Rohl, was at Macquarie Bank and our chief financial officer, Rachel Gatehouse, was at Equity Group.

The first thing for us was pattern recognition. At the end of February, we were beginning to wonder whether this was like anything we had ever seen. All we could say was that it looked a little bit like the 2008 financial crisis.

In 2008, in the business I was in, brokers were using the bank for funding and the ones that did not have good relationships were not getting their funding lines extended. I quickly concluded that relationships would be key.

Second, we realised it would not be a high-growth environment anymore. We have been in a high-growth environment, including hiring new people and entering new markets, and the realisation that this would change was important to understanding the impact on our business.

Our priority was securing capital, which meant meeting with our mezzanine investors. We are fortunate that our primary mezzanine investors are also our equity investors and therefore they have a very strong understanding of our business. We also maintained frequent contact with our senior funding provider, NAB, and were able to secure and extend our funding lines.

Once we had locked in our capital we were in a position, when lockdown began in March, to focus on our customers and our people. Our number-one priority was to understand our customers and their concerns, which were primarily around what would happen if they lost their jobs or could no longer afford repayments.

Our staff looked at arrangements for how we could support customers and provide certainty – by offering payment holidays and fee relief for late payments, and anything else we could do to help minimise the hardship and uncertainty they were facing. One of the values we have at Brighte is ‘brighter together’. This held us together during uncertain times.

Many companies, like ours, have back offices offshore. Ours is in the Philippines, which went into military-enforced lockdown overnight. This meant a percentage of our business was no longer available and we had to band together as a team to support our customers.

Open lines of communication and strong relationships were very important. We built the relationship with NAB in

> **“THERE HAS BEEN A SLIGHT REDUCTION IN ORIGINATION VOLUME AND WE ARE NOW SETTLING ABOUT A$350 MILLION OF MORTGAGES PER MONTH. WE ANTICIPATE THE RECOVERY BEING A SQUARE-ROOT SHAPE INTO 2021 AND THEREFORE GETTING BACK TO PRE-VIRUS LEVELS PROBABLY BY THE SECOND HALF OF THE YEAR.”**
> **MARTIN BARRY** LA TROBE FINANCIAL

good times so it was not just a case of us reaching out for help in tough times. This was an absolutely essential factor.

We also developed a relationship with the AOFM. We had not been in contact with Michael Bath and his team prior to this crisis, but being able to leverage Sarah Samson and NAB's relationships meant we could reach out and knew who to speak with.

Our equity investors were also important and we undertook an equity raising. Our equity investors actually approached us because they thought we had handled the crisis so well that they wanted to offer us more capital, which we politely accepted. We used this to provide ourselves comfort that we could support our own funding and staff despite not being in a growth environment. This gave us greater capacity to support our customers in the long term.

When I look back, I am very proud of my team, our relationships and how we navigated what was a very uncertain situation. We made big changes and moved fast. I hope we never see a situation like this again, but it has been a good playbook.

AOFM RESPONSE

Samson *The AOFM played an instrumental role in supporting the securitisation industry and its participants in the last two crises. It was quick to act in March 2020 when the reality of the pandemic situation and economic impact started to become evident. The same month, federal treasurer, Josh Frydenberg, announced the establishment of the Structured Finance Support Fund (SFSF) – initially consisting of A$15 billion to be deployed via warehouses, and primary- and secondary-market transactions – and then by the AOFM's forbearance special purpose vehicle (FSPV). How did the AOFM approach all this, and how did it compare with the financial crisis? Finally, what has the AOFM observed in the recent months during which it has been away from the market?*

◆ **BATH** I would first like to thank the other participants for their kind words – it means a lot to the team. The government's overall objective for the SFSF was to maintain access to finance for households and businesses that are not banked by the ADIs [authorised deposit-taking institutions]. There was an identified need to move quickly while maintaining the level of due diligence people expect of custodians of public money.

We have written a lot about the three workstreams we identified: public term securitisation markets, private warehouse markets and the FSPV.

The overarching strategy has been to try to instil confidence. For small lenders, this means confidence that they will have access to finance by plugging gaps where they emerged. For their senior financiers, it is confidence they can term out in public markets. For investors, confidence that they will not be crowded out by a big elephant in Canberra. For all parties, confidence that smaller lenders can access arrangements that will support their ability to make hardship arrangements by the FSPV.

While small in volume, I see the FSPV as the lynchpin of the intervention. The entire industry should be commended for the work done to pull it together so quickly. The good news is that the establishment work is now done and can serve as a template for other jurisdictions when the time is right.

Comparing and contrasting the experience with the 2008 financial crisis, there are a few lessons. First, a little flexibility goes a long way. The range of asset classes and parts of the capital structure we can invest in this time around allowed for a much smaller investment to go a lot further than was the case in the financial crisis, when we were restricted to investing in triple-A tranches.

Second, be prepared, have a good team, and know the market and industry. We have been blessed with a great team that was already working on the Australian Business Securitisation Fund (ABSF), which allowed us to pivot to the SFSF quickly. The team was augmented with staff from within the [federal] Treasury and some new recruits, giving us a good mix of public- and private-sector experience.

We had also undertaken a great deal of market engagement with small lenders for the ABSF. This held us in good stead to go beyond the prime residential-mortgage lending space, which we were familiar with from the financial crisis. Maintaining good relationships with the industry through the ASF [Australian Securitisation Forum], and in particular the ASF Women in Securitisation subcommittee, has also been very beneficial to us.

"WE WERE A FIRST-TIME ISSUER COMING TO MARKET SIX MONTHS INTO A GLOBAL PANDEMIC. ALL THE TRANCHES WERE 2-4 TIMES OVERSUBSCRIBED, WHICH IT ATTESTS TO INVESTORS' CONFIDENCE. THIS IS THERE BECAUSE THE AOFM CAN STEP IN IF NEEDED."
KATHERINE MCCONNELL BRIGHTE

On outcomes, issuance in 2020 is well and truly within the peloton of annual volume. The non-ADIs have made up for a large gap where ADI issuance used to be. This, we can be confident, has a lot to do with the RBA's TFF.

The stock of outstanding RMBS, unlike in the financial crisis where it was on a persistent slide, has been maintained at close to the post-financial-crisis peak. The upward trend of non-ADI outstanding RMBS has been maintained in both the prime and nonconforming sectors of the market.

While the greater flexibility we have had this time around has allowed us to play a much more catalytic role and achieve a greater multiplier effect with our investments, the clear difference between now and the last crisis has been the existence of the RBA's TFF.

Samson *It would be great to hear from lenders on how they have benefited from the SFSF, either directly or indirectly. How did the process work?*

◆ **MCCONNELL** It was very interesting for us. This was going to be a big year for Brighte as we were planning to bring our first transaction to the public market. At the end of 2019 and start of 2020 we never would have contemplated that market conditions would be like this. You should always expect curve balls in life!

However, we could not have been better supported than we have been. I remember the call discussing what we should do that we had with Sarah Samson in March, and it was fantastic to have this relationship to support us.

NAB stayed very close to us to keep us updated on whether our issuance could go ahead and what support we would need for it to do so. We ran a concurrent programme looking at a scenario in which it might not happen and we would have to extend existing funding lines, as well as one where we planned for the deal to go ahead and considered how we would navigate this.

It was great to meet Michael Bath and the AOFM team. They were clear, consistent and straight-talking, which was very refreshing. We kept them updated weekly on what we were seeing in origination, arrears, and in the front and back book. We spoke with them about our ideas on the structure and timing of the transaction, as well as our approach to the capital market.

I do not think the AOFM's value to the market can be overstated. It gave us confidence, as a first-time issuer, that the credit market would continue to operate effectively.

The conversations we had were around whether the AOFM would be required to participate in our issuance, what such a scenario might look like and how it might evolve. Just knowing the AOFM was present and could provide support if needed gave us confidence we could get the deal away.

We were a first-time issuer coming to market six months into a global pandemic. All the tranches were 2-4 times oversubscribed, which attests to investors' confidence. This is there because the AOFM can step in if needed.

◆ **BLUNDELL** The AOFM has directly provided us with some mezzanine finance in our origination warehouses. We were one of the first beneficiaries of this. It replaced one of our mezzanine investors in its entirety and also played a crucial role in filling a gap with another mezzanine investor that had limited appetite to upsize its facility limit during the crisis. The AOFM's support was very well received across the industry.

Indirectly, we have also benefited from the FSPV. We were part of the working group that provided feedback on the structure and contributed to the cost of setting it up. We have not yet had to tap into the FSPV but the fact it exists provides us and our investors with a lot of comfort. This benefits all nonbanks.

◆ **BARRY** We issued two public RMBS transactions in 2020 and neither required primary support from the AOFM. We did have some secondary-market switching support for our first transaction.

We have reviewed the forbearance funding available from the AOFM and are presently not participating in it but may do so if there are further economic shocks. We have also not had any warehouse participation.

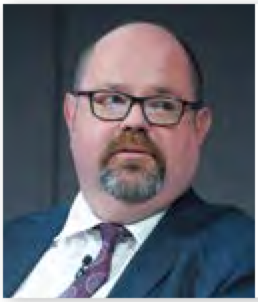
Just to reiterate, though: we are very grateful for AOFM support. It calmed the market and allowed us to continue to lend, and in turn support the real economy.

COST OF FUNDS

Samson *Funding costs are a hot topic. Given how well Australia has done in containing the health crisis, we can dare to look forward – and there are a number of headwinds and tailwinds*

"AS A BROKER, WE HAVE WORKED HARD SINCE THE FINANCIAL CRISIS TO INCREASE COMPETITION IN THE MORTGAGE MARKET AND BRING MORE LENDERS ONTO OUR PANEL. IT IS UNDENIABLE THAT THE CURRENT FUNDING REGIME AVAILABLE TO BANKS HAS RESULTED IN A LESS LEVEL PLAYING FIELD."

TONI BLUNDELL AUSTRALIAN FINANCE GROUP



"WHILE THE GREATER FLEXIBILITY WE HAVE HAD THIS TIME AROUND HAS ALLOWED US TO PLAY A MUCH MORE CATALYTIC ROLE AND ACHIEVE A GREATER MULTIPLIER EFFECT WITH OUR INVESTMENTS, THE CLEAR DIFFERENCE BETWEEN NOW AND THE LAST CRISIS HAS BEEN THE EXISTENCE OF THE RBA'S TFF."

MICHAEL BATH AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

for nonbanks. In particular, interesting competition dynamics are at play. Bank lenders are offering borrowers very sharp pricing, aided by cheap funding from the TFF. How are lenders seeing the market and how do the competitive environment and cost of funds affect their bussinesses' asset and liability management?

◆ **BLUNDELL** It is really tough to compete with the major banks at the moment. The objective of the TFF was to reduce funding cost to ADIs, in order to reduce interest cost to the end consumer – borrowers – and to assist the economy through the pandemic.

Borrower rates have come down and we are supportive of this. However, we also believe nonbanks are feeling unintended consequences. The combination of the TFF being set at a non-market rate and the banks' access to deposits makes it very difficult to compete for new lending.

AFG has seen a significant increase in CPR [conditional prepayment rates] as customers look to refinance and take advantage of the low rates being offered by the major banks. We cannot compete with their prime fixed-rate offering.

As a broker, we have worked hard since the financial crisis to increase competition in the mortgage market and bring more lenders onto our panel. It is undeniable that the current funding regime available to ADIs has resulted in a less level playing field.

Our origination flow to fixed-rate products being offered by the majors has doubled and now sits at about 25 per cent of all lodgements. This is a significant increase. Unless there is an offering to the nonbanks that complements the cheap funding available to ADIs it is difficult to see how this pricing dynamic will change before 30 June 2021.

The ability to offer a competitive prime rate is skewed in favour of the banks, which means we will have to drive growth in other avenues – such as our nonconforming product.

One thing we are doing is working with the ASF and other nonbanks so we have a voice. We are trying to reach out to Treasury to make it aware of what we feel are the unintended consequences of the TFF.

◆ **BARRY** Our product set is quite different and broad, from full-documentation loans to alternate income-verification loans, SMSF [self-managed superannuation fund] loans, parent-to-child loans and construction loans. We are not competing with the major banks head-to-head like some of the other nonbank lenders.

My observation is that the major-bank part of the mortgage market is hyper competitive with low aggregate consumer demand, lots of liquidity in the system and very aggressive rates being offered often with cash back as well.

There is a wider market, though, and we can cherry pick from some A$75 billion of mortgages per year that meet our credit criteria. We still see good opportunities.

I think 2021 will be interesting. The recovery from COVID-19 will not be linear and it will take a long time. This will create opportunities for our business, specifically where borrowers are in the recovery phase.

The major-bank trend of simplification will continue into 2021 and perhaps the proposed changes to responsible-lending obligations will intensify this. We still feel there is good opportunity and room for us to grow.

On funding costs, they are never cheap enough! We would like cheaper funding, of course. But nonetheless we see good opportunity with our business model.

Samson *Brighte is not a mortgage lender but competition seems to be heating up in the sector it covers as well. What does Brighte's recent asset-backed securities transaction mean for the business's funding costs?*

◆ **MCCONNELL** Competition is good. We use it in the business as inspiration to be on our game and to explore where we have gaps in our product offering or customer experience. We are seeing more participants in the market for the higher-value buy-now, pay-later sector, and in solar and home improvements.

In our experience it is not just about price, though. Our customers value the user experience and how we innovate and create value for them. We will continue to do this.

It is not just price, but price does matter. It was great that we could access the public market. From day one I knew this was what we needed to do. We were equity-funding our loans so being able to access the public market and get on a pathway to bringing funding cost down enables us to pass this on to customers.

We have begun rolling out some price changes and customers will be the beneficiaries of the term-out. ■

Moody's

SESSION REPORT

Credit quality – surprising resilience or developing stress?

At the Australian Securitisation Forum (ASF) Virtual Symposium 2020, **Moody's Investors Service** *convened a panel of industry experts to discuss asset performance through an unprecedented period, securitisation structures and the features that help protect them, and some of the regulatory reforms proposed by government that seem likely to affect credit going forward.*

PANELLISTS

- **Dylan Bourke** Portfolio Manager KAPSTREAM CAPITAL
- **Peter Casey** Deputy Treasurer ING BANK AUSTRALIA
- **Sonia Goumenis** Partner CLAYTON UTZ
- **Bianca Spata** Group Treasurer HUMM

MODERATOR

- **Irene Kleyman** Vice President and Senior Credit Officer, Structured Finance MOODY'S INVESTORS SERVICE

ASSET RESILIENCE

Kleyman *Starting with asset performance, the mood around the market and economy more generally seems to be that Australia has perhaps avoided the worst of the pandemic. But can we get a perspective from issuers on how assets in lending books have performed through the crisis and how this performance compares with expectations when the pandemic impact hit back in March?*

◆ **CASEY** Coming into the start of the COVID-19 crisis, it was difficult to predict with much certainty where we would end up. The pandemic is a one-in-100-year event and we were coming off the back of a long period of good quality credit and stable economic conditions.

We have been quite surprised at how things have turned around. We reached about 8 per cent of the book receiving COVID-19 assistance at the peak in March and April and we are now down to 1 per cent.

As people have gone back to work and communities and economies opened back up, most of our customers have been able to resume making their normal repayments. While we did not know what path we would take, we can say with certainty that the current situation is better than what we would have hoped for six months ago.

◆ **SPATA** I agree. We were concerned when forecasting how our books could be affected but it has not played out as expected over the past six months.

The immediate focus for us when COVID-19 hit was to ensure we had suitable hardship programmes in place so our customers could access support. We saw a flurry of requests for that support in March and April. But by May those requests tapered off materially and have been back to a pre-COVID-19 level for some time.

Some of our portfolios – such as our Australian buy-now, pay-later (BNPL) book – have had largely immaterial hardship, even at peak. This product in particular has held up extremely well – thanks to the low repayments customers need to make.

From an arrears and loss perspective, we continue to see strong performance across the board and for most of our portfolios arrears and losses are at historically low levels – which appears also to be other lenders' experience. Putting

"THE QUESTION OF FORECLOSURES IS AN IMPORTANT ONE – WITH GOVERNMENT SUPPORT AND LOAN DEFERRALS BEING SCALED BACK IN 2021 WE CERTAINLY EXPECT TO SEE AN INCREASE IN FORECLOSURES AND IN DEFAULTS."

IRENE KLEYMAN MOODY'S INVESTORS SERVICE

aside the uncertainty that lies ahead, all our portfolios have proved resilient so far.

Kleyman *This matches what we are seeing across the market, specifically that loans in COVID-19 hardship have been reducing as a proportion of portfolios. Are lenders still seeing any pockets of stress?*

◆ **SPATA** The only pocket of stress that remains is in our SME portfolio, which has been more affected than the consumer books when it comes to hardship. But it felt very early on that small businesses were being guided to apply for hardship relief through their advisers and accountants even if it was not required. This pushed the numbers up.

Once we had an opportunity to connect with these customers and understand their particular circumstances we were in a better position to assess ongoing payment relief and support.

What we saw in the sector, as one would expect, was that SMEs operating in hospitality and tourism have been the hardest hit. Some hospitality venues we support, even in New South Wales (NSW) where restrictions have been peeled back, are still unable to open due to social-distancing requirements making it unfeasible to do so.

The extended lockdown in Victoria has also led to some customers requiring extended hardship arrangements. We have been working with these customers in our SME book for some time.

◆ **CASEY** We have seen most of the remaining stress across the residential-mortgage book in Victoria, which is no surprise. Given the path the state is on now it will improve in the coming months.

Apart from this, we have seen metropolitan areas hit harder than regional, which again is probably no surprise given how the economy has been more harshly affected in the cities.

More broadly, higher-risk loans have underperformed and loans where the borrowers have higher debt and high LVRs [loan-to-value ratios] have not performed as strongly.

Kleyman *The AOFM [Australian Office of Financial Management] was quick to step in to respond to the crisis and was instrumental with its support. What experience did issuers have with the AOFM?*

◆ **SPATA** I completely agree about the speed of response and significance of the AOFM. As a headline comment, the pace at which the federal government announced A$15 billion (US$11.6 billion) of support through the SFSF [Structured Finance Support Fund] was hugely positive for the nonbank sector and, ultimately, a strong endorsement of the valuable contribution it makes to the broader financial-institution sector in Australia.

What this has meant for the Australian securitisation market, on the capital-markets side, is that the primary and secondary support facilitated by the AOFM have both helped issuers return to the market. It has provided execution certainty and it is certainly something we took into account when we mandated our deal in October.

Alongside this, the extensive amount of effort that has gone on across the industry from market participants, the AOFM and ASF into getting the forbearance SPV [special-purpose vehicle] operational has gone a long way in supporting investor confidence and participation in the market.

The key thing for me has been the support at warehouse level, which was not a feature of the AOFM's 2008 financial-crisis support package. I think the numbers speak for themselves when it comes to how valuable this has been for issuers, including humm.

The AOFM has approved more than A$2.2 billion of investment into nonbank warehouses and this has allowed nonbanks to preserve capital. It has also allowed us to run our funding lines and ultimately to continue to support Australian consumers and businesses with their borrowing needs.

Overall, the AOFM support has been invaluable and I think it really set up strong foundations for the momentum we have seen in the market over the past four or five months. From here, it is about working with the AOFM to see its investments refinanced over the coming period.

Unfortunately, we have not seen similar support provided to the New Zealand nonbank market as yet.

FORECASTING PERFORMANCE

Kleyman *A very common question throughout the ASF Virtual Symposium has been what lies*

"THE ONLY POCKET OF STRESS THAT REMAINS IS IN OUR SME PORTFOLIO, WHICH HAS BEEN MORE AFFECTED THAN THE CONSUMER BOOKS WHEN IT COMES TO HARDSHIP. BUT IT FELT VERY EARLY ON THAT SMALL BUSINESSES WERE BEING GUIDED TO APPLY FOR HARDSHIP RELIEF THROUGH THEIR ADVISERS AND ACCOUNTANTS EVEN IF IT WAS NOT REQUIRED."

BIANCA SPATA HUMM


Moody's Analytics
Issuer Solutions
The securitisation industry standard
for 30 years and counting.
Our capabilities:
» Trust Management
» RBA Reporting
» Funding Optimisation
» Collateral Servicing
» Securitisation Accounting
» Static Pool/Vintage Analysis
» Cash Flow Analytics
» Data Transparency
» Cash Management
» Lending Facility Data Management
To learn more about why we are the industry's
most widely used and trusted solution,
visit us at issuersolutions.moodys.io.
Moody's
Analytics
© 2021 Moody's Analytics, Inc. and/or its licensors and affiliates. All rights reserved.

Regulatory landscape

THE 2008 FINANCIAL CRISIS WAS FOLLOWED BY MANY YEARS OF REGULATORY REFORM. AS A HEALTH AND ECONOMIC – RATHER THAN FINANCIAL-MARKET – EVENT, COVID-19 WILL NOT HAVE THE SAME IMPACT ON THE MARKET LANDSCAPE. BUT THE REGULATORY ENVIRONMENT WILL NOT BE COMPLETELY UNAFFECTED, EITHER.

Kleyman *We would like to spend a little time discussing some of the regulatory reforms proposed by the government. The proposed changes to consumer-credit legislation – which are aimed at improving the flow of credit and aiding the economic recovery – are certainly at the centre of indsutry interest at the moment. What are the most notable elements of the proposed reforms?*

GOUMENIS It is a big topic and it has certainly been the subject of a lot of debate in the market since the reforms were announced. The government's key aim is to make sure there is a free flow of credit and that we have the building blocks in place to handle an economic recovery.

There are criticisms of the current regime, which provide background for the changes. We do not really have a mechanism in place that allows for a risk-based approach to credit. It is really a one-size fits all sort of approach and this was one of the things the government clearly had playing on its mind.

Under current regulatory requirements, when assessing credit, lenders are obliged to make an judgement of whether a particular product is unsuitable for the consumer. What this means is that if a customer cannot comply with their obligations under the product, or would have to incur substantial hardship to comply, it is not suitable for their requirements and objectives.

To make this assessment, what has been required of lenders is an obligation to make reasonable enquiries into a particular customer's requirements, their objective and financial position – and then on top of this verify the information customers provide.

These aspects sound reasonable enough, but they have been the cause of most angst for financial institutions. The issue lies in the interpretation and implementation.

We see this play out in ASIC [the Australian Securities and Investment Commission]'s guidance on responsible-lending obligations, which runs to almost 100 pages. We also saw it in the litigation with Westpac Banking Corporation for the "Wagyu and Shiraz" case. There are definitely issues here and the government is seeking to address them.

What is changing is that those responsible-lending obligations will be removed from the *Credit Act* except in the case of higher-risk products. These include what are called lower-limit products, pay-day style lending and consumer-lease products.

Kleyman *Will the proposed rule changes affect all lenders equally?*

GOUMENIS ADIs [authorised deposit-taking institutions] are already regulated by APRA [the Australian Prudential Regulation Authority] in this space, including via APS 220 in relation to credit risk and APG 223 in relation to residential-mortgage lending. APRA will continue to be responsible for regulating ADIs under proposed prudential requirements.

The biggest change is for non-ADI lenders, which will have to put in place a credit standard that will effectively replicate some of the requirements already contained in the APRA standards that currently apply to ADIs. The main requirement in those

ahead. What do panellists believe will be the key risk factors for Australian asset performance going forward?

◆ **BOURKE** Deferrals improving faster than initially expected matches our experience. But there are still some risks out there. Obviously, further outbreaks or mutations of COVID-19, which could cause further lockdowns like we saw in Victoria, could really hurt SME and nonconforming self-employed borrowers, especially those in sectors such as travel and tourism. However, overall I would say this is more of a tail risk given where COVID-19 is tracking, in NSW especially.

Another risk we are thinking about is the reduction and unwind of the government's JobKeeper and JobSeeker programmes at the end of March 2021. As borrowers come off these programmes, it will be interesting to see whether any, or many, of them revert to loan deferral or hardship.

The final factor is the potential end of loan deferrals, also at the end of March 2021. This has already been extended by APRA [the Australian Prudential Regulation Authority] a few times so it seems unlikely it will come to a cliff. Nevertheless, it is still a possibility.

◆ **SPATA** We remain extremely cautious and have certainly provisioned for some increase in losses across all our portfolios in 2021. We also continue to review and adjust our credit decisioning to ensure we are mitigating additional risk to the book.

The key risk is really the ongoing uncertainty about exactly how the situation will play out. Rising unemployment and the removal of government support will present risks to asset performance.

Continued economic recovery from this point is of course largely dependent on ongoing containment of the virus and

"Based on the current proposals, we will end up with two regulators in this space – one for ADIs and one for the nonbank lenders. This will be interesting because the regulators operate quite differently. APRA has a supervisory relationship with the ADIs while ASIC is very much investigative and takes enforcement action."
SONIA GOUMENIS CLAYTON UTZ

non-ADI credit standards will be an obligation to have systems, policies and procedures that ensure compliance with the requirements. The requirements will also set out broad credit-assessment obligations to be complied with in assessing credit.

Kleyman *What real impact are the new rules expected to have?*

GOUMENIS The changes are generally similar to what we have in place with the responsible-lending regime but with a couple of key differences – these are where it is hoped it will speed up the credit process and thereby provide that flow of credit.

The key differences are that the 'unsuitable' requirement has been left out – at least under the current proposal. The standards will also set out information requirements around the verification piece – the information customers provide when applying for credit.

Banks will be allowed to rely on the information customers give them in connection with their enquiries unless the lender has reasonable grounds to believe that information is unreliable. This is really the key change.

Lenders will also be allowed to take a proportionate view of credit risk and to tailor their credit assessments to meet requirements. This will to some extent depend on the type of product they are offering and the type of customer they are offering it to.

It will be fascinating because, based on the current proposals, we will end up with two regulators in this space – one for ADIs and one for the nonbank lenders. This will be interesting because the regulators operate quite differently. APRA has a supervisory relationship with the ADIs while ASIC is very much investigative and takes enforcement action.

The legislation still needs to pass through the Senate and that may be a tricky process, so we will have to see how it comes out. It is also flying in the face, to some extent, of the financial services royal commission and its recommendations not to make changes to credit laws. It will be interesting to see how it all plays out.

Kleyman *Will the proposed changes weaken credit standards?*

BOURKE Not materially, we believe, because the banks still have an obligation to verify information under APG 223. While the nonbanks will have to investigate income, I do not think they have to verify expenses. To me this seems like more of a superficial change rather than a deep fundamental one, because I doubt nonbanks will weaken standards in response to this development.

CASEY We will have our APRA requirements and we also have our own group's global approach to credit and responsible lending. We generally tend to be on the more conservative side anyway, so we are not foreseeing any major changes – we just need some clarity around what is required from us.

access to vaccines, but also the impact of monetary and fiscal stimulus over the coming months.

A positive from our perspective is that the performance of our portfolios going into 2021 will be extremely strong. I think the impact of any deterioration we might see will not be as severe as we first thought.

◆ **CASEY** We are looking at the path out of lockdown for Victoria, to see if the state economy can continue to open up and then at how restrictions look across the whole country in future. The question is whether we get to a point where most people are back at work and they are able to sustain the reduction in JobSeeker and JobKeeper allowance, and whether employment picks up.

We normally look at unemployment and interest rates as the two main risks. I think we can rule out interest rates going up for the foreseeable future, so it comes down to employment: whether people get back to work and are able to withstand the reduction in government support.

The other thing we are looking out for is property sales due to foreclosure. If we get a situation where some borrowers just cannot get back to meeting their obligations, there is a risk of properties being sold and potentially some downward pressure on house prices as a result. This will be some way off, but it is a risk we are alert to at the moment.

FORECLOSURE OUTCOMES

Kleyman *The question of foreclosure is an important one, and the reality is that with government support and loan deferrals being scaled back in 2021 we certainly expect to see an increase in foreclosures and defaults.*

"ANOTHER RISK WE ARE THINKING ABOUT IS THE REDUCTION AND UNWIND OF THE GOVERNMENT'S JOBKEEPER AND JOBSEEKER PROGRAMMES AT THE END OF MARCH 2021. AS BORROWERS COME OFF THESE PROGRAMMES, IT WILL BE INTERESTING TO SEE WHETHER ANY, OR MANY, OF THEM REVERT TO LOAN DEFERRAL OR HARDSHIP."
DYLAN BOURKE KAPSTREAM CAPITAL

How do lenders manage the balance between forbearance and foreclosure?

◆ **CASEY** Our general approach is that we always try to keep the borrower in their property as long as possible and work with them as closely as we can so this remains the case. We do not want to rush into foreclosure or prompting borrowers to sell their house. But at some point that is going to be the right outcome for some borrowers.

Generally, if we can keep a borrower committed to living in their house, they will make all efforts to keep their repayments current – and we also have the ability to restructure the loan in some way.

We will employ every effort to try to keep borrowers in their homes, but we also acknowledge that, at some point and for some borrowers, the right thing for them is to sell the property.

◆ **SPATA** In the same way that our focus back in March was on our customers having access to hardship relief, we will continue to put our customers first and ensure they have financial assistance where it is legitimately required. This is certainly consistent with the approach we took to hardship prior to COVID-19.

I think we are likely to support extended hardship arrangements for particular customers, and these arrangements will very much be tailored to the circumstances of the customer. Across our SME books, this could also mean looking to restructure arrangements if doing so will support a business and help it keep going.

Having said this, how we deal with extended arrangements is clearly a balance and we need to consider each case on its merits as well as how extending hardship beyond the standard period ties in with our servicing guidelines – and ultimately what impact this may have on funding lines, too. It is a bit of a wait-and-see approach, but we are definitely looking at both sides of the equation.

Kleyman *A balanced approach makes a lot of sense and it seems to be the strategy that is being taken by many lenders. But what about credit provision, where a lot of lenders tightened their criteria as the crisis unfolded? What could be some of the key triggers to reverse these underwriting changes?*

◆ **CASEY** We will be taking a very gradual approach to this. Just as there was no template for the way into this pandemic, there is not really a template for the way out either.

As Dylan Bourke mentioned, there is still a risk of the virus mutating or escaping back into the community – so we will be moving only gradually to unwind some of the restrictions we have put in place.

We have been taking an industry-by-industry approach for our underwriting as well. For example, if we are looking at the tourism or hospitality sectors, which have really suffered, we want to be pretty confident about them opening back up before we loosen some of the restrictions we are applying at the moment.

We do not want to be chopping and changing when it comes to credit policy so we will look for some certainty before we unwind any of the changes we have implemented. We have a pretty large book now, so we are able to get good insight into how customers are performing across industries and we are able to consider this knowledge before looking to loosen any of our lending restrictions.

SECURITISATION STRUCTURES

Kleyman *Moving onto Australian deal structures, there is nothing like some stress on the assets to test how robust those structures are. What are some of the key safeguards and limitations in place for Australian deals?*

◆ **BOURKE** Australian deals are pretty well structured. One of the safeguards is the amount of subordination, particularly for senior triple-A notes, which is generally more than rating agencies require. For prime ABS [asset-backed securities] and residential mortgage-backed securities deals, generally there is a couple of years of sequential payment with arrears and charge-up triggers, often on top of a call date at 10 per cent of the remaining pool.

Nonconforming transactions actually have even safer structures. They have similar kinds of safeguards but instead of having a 10 per cent pool-factor call they often have a time-based call at 3-5 years. This often means the structure reverts to sequential payment more quickly than in prime deals.

The other thing I would note about the Australian market is that there are a lot of closed-end pools, which allows

"WE DO NOT WANT TO BE CHOPPING AND CHANGING WHEN IT COMES TO CREDIT POLICY SO WE WOULD LOOK FOR SOME CERTAINTY BEFORE WE UNWIND ANY OF THE CHANGES WE HAVE IMPLEMENTED. WE HAVE A PRETTY LARGE BOOK NOW, SO WE ARE ABLE TO GET GOOD INSIGHT INTO HOW CUSTOMERS ARE PERFORMING ACROSS INDUSTRIES."
PETER CASEY ING BANK AUSTRALIA

seasoning to build up and LVR to drop as repayments occur. There are not a lot of revolving structures with substitution of assets. Overall, I would say the structures are quite strong and the protections are quite robust for investors.

When it comes to limitations, one that emerged from this crisis is that arrears definitions were probably more industry- and consumer-friendly than debt-investor focused.

For example, loans in hardship, or loan deferral more generally, are classified as in arrears. This means the arrears and loss charge-up triggers can be delayed or ineffective in some scenarios.

This time it has worked out well because the economy has recovered and many borrowers have returned to repayment. However, I doubt investors contemplated the scenario in a nonconforming pool where potentially 20 per cent of the pool stops paying for a few months and yet the deal continues to pay pro-rata, allowing junior note holders to receive principal because those loans were not considered to be in arrears. I think this definition around arrears is a limitation.

Kleyman *I echo those comments from a rating-agency perspective. Based on the deal structures and asset performance we have seen, the market has held up quite well. We have only seen downgrades of very junior notes from two nonconforming transactions and there are no notes currently under review – certainly the performance of structures is holding up so far. How well set up is the local market to deal with possible default situations?*

◆ **GOUMENIS** Fundamentally, there is no doubt about the robustness of Australian market structures and that they work. This has been the underpinning of our very active securitisation market for many years.

We have not had many occasions to test the legal structure. But I did have to work through a default scenario in 2019, which I had not done since the financial crisis. This was in the warehouse structure of an ASX [Australian Securities Excahnge]-listed SME loans-backed issuer. The sponsor had a complex capital structure and we were acting for the senior lender in connection with this structure.

This set of circumstances gave us an opportunity to test the robustness of the structure and the mechanics built in to it. Dylan Bourke has already mentioned the credit-support requirements in securitisation transactions and this was key to ensuring, in this particular case, that the senior lender was protected.

Some of the practical elements that play out in these scenarios are really worth mentioning. There is a lot of comfort to be had from the fact that we have very experienced and independent service providers that are engaged with transactions – I am talking about trustees, security trustees and the backup-servicer role.

Obviously in these scenarios there is a practical perspective – the reality of dealing with the situation, aside from what the documents actually say. It is the practical reality that will carry the day in the end. Having those experienced professionals, who have dealt with these situations before, at the table is really helpful in default scenarios.

Kleyman *What is the state of play when it comes to provisions that have not been tested or have not worked in Australia?*

◆ **GOUMENIS** When it comes to limitations in the documents, the only questions that have come up in 2020 – that have given us opportunity to go back and work through how the documents apply in a particular context – are, as Dylan Bourke alluded to, arrears definitions.

Documents generally refer to the policies and procedures of the originator, so they are not actually prescriptive in this regard. This obviously leads to the issues that have already been mentioned.

The other question we had to work through is that, in some cases, there was a lack of flexibility in documents to help deal with hardship scenarios and in particular variations that may need to be offered to customers.

As a result, lenders in rated transactions may face limitations in connection with extending the maturity of the underlying assets and whether their documents respond to their ability to pull assets out of a pool so they can offer customers the support they are trying to give them.

This is an area we have had to dig into, to work out what the documents say. A bit more thought will definitely go into this area going forward, to ensure documents work with reality – and obviously subject to rating agencies' requirements as well. ■

New market dynamics for securitisation in 2021 and beyond

A panel hosted by **Commonwealth Bank of Australia** *(CBA) at the Australian Securitisation Forum Virtual Symposium 2020 discussed market changes and guided delegates through how the pandemic changed origination and investment in 2020.*

PANELLISTS

- **Dimitra Dinos** General Manager, Home Loan Product, Pricing and Credit Risk COMMONWEALTH BANK OF AUSTRALIA
- **Steven Fleming** Chief Executive GRYPHON CAPITAL INVESTMENTS
- **Kylie Robb** General Manager, Treasury, Funding and Liquidity COMMONWEALTH BANK OF AUSTRALIA
- **Lauren Holtsbaum** Director, Fixed Income Syndicate COMMONWEALTH BANK OF AUSTRALIA
- **Jonathan Street** Chief Executive THINKTANK GROUP

MODERATOR

- **Monica Stephens-Saliba** Director, Capital Markets Securitisation COMMONWEALTH BANK OF AUSTRALIA

ISSUANCE CRUNCH

Stephens-Saliba *The pandemic has markedly altered the role of banks as issuers and buyers of residential mortgage-backed securities (RMBS). What most dramatically changed the landscape for banks in securitisation over the course of 2020?*

◆ **ROBB** There is no question the year has been remarkable on many fronts. Just focusing on bank balance sheets and our funding task, there has been a dramatic change – with two primary drivers.

There has been a lot of focus on the term funding facility (TFF), which is a huge funding opportunity for the banks. The total system quantity is about A$190 billion (US$146.3 billion), of which CBA can access around A$40 billion.

There has been less written about the quantum of deposits we are seeing come into bank balance sheets through the COVID-19 period. CBA went from a customer-deposit ratio of 69 per cent to 74 per cent now. This growth equates to about A$60 billion.

Between the TFF and deposit growth, Australian banks' funding needs have reduced. This is the first year that CBA has not done a new-issue securitisation transaction since we debuted in this market after the 2008 financial crisis. With the current excess liquidity position, we expect to be out of the market for some time.

Stephens-Saliba *Should we assume from this that there will be no new Medallion AONIA [Australian overnight index average] transaction in 2021?*

◆ **ROBB** Not at this stage. We were delighted with the investor demand and market response to the AONIA RMBS in 2019. We would have loved to do one in 2020 and it was our intention to do so. But, given there is no funding requirement in the near term, we will have to be patient.

Stephens-Saliba *How do you keep investors engaged with the debt programme with an eye on funding after the TFF?*

◆ **ROBB** We have continued actively to engage with investors – if anything we have seen more interest and engagement with our investor community. This is because they have paper outstanding. Even at a customer deposit ratio of circa 75 per cent, in due course we will issue again and, despite the lack of new issuance, we have had positive engagement with our investors through this period.

What we will probably pull back on is pursuing future new investors. Investors naturally prefer not to spend extra time on engagement or on a relationship when there is not going to be issuance in the near term.

Our investor-engagement efforts have been more focused and, so far, it has worked really well. Domestically and internationally, investors have come to us with good questions. They have been keen to engage with us through COVID-19 even though they are not expecting us to do any funding.

Stephens-Saliba *How have specialist RMBS and ABS [asset-backed securities] investors responded to the absence of major-bank supply now and in the near future?*

◆ **FLEMING** Gryphon Capital Investments was in a strong position going into the crisis because we do not manage liquidity-providing funds. This meant there were no client

Commonwealth Bank of Australia

Could a loan bring a more diverse workforce?

Our Institutional Business is helping Wesfarmers meet its Indigenous employment targets, and create 3000 jobs, with a sustainability linked loan.

New Perspectives

Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945.

Syndicate view

SECURITISATION SPREADS UNDERPERFORMED MAJOR-BANK SENIOR AND TIER-TWO PRODUCT FOR MOST OF 2020, LEADING TO A BREAKDOWN OF THE HISTORICAL RELATIONSHIP BETWEEN SECURITISATION AND BANK SENIOR PAPER.

HOLTSBAUM Historically, five-year, major-bank senior bond spreads have been used as a benchmark for the pricing of residential mortgage-backed securities (RMBS), particularly bank RMBS. In February and March 2020, during the peak of the pandemic in Australia, the average five-year major-bank senior spread widened to around 175 basis points over three-month bank-bill swap rate (BBSW). RMBS also widened but levels were somewhat more opaque given limited secondary trading in RMBS.

Due to the introduction of the term funding facility (TFF), the five-year major-bank senior secondary spread reached a new low of 21.5 basis points over three-month BBSW in early November 2020. Since the 2008 financial crisis, the previous low was 57 basis points over BBSW in July and August 2019.

Prior to COVID-19, major-bank three-year weighted-average life RMBS priced at a 15-20 basis points average spread over five-year senior-unsecured. This has been as high as 70 basis points in 2020. With senior-unsecured spreads outperforming and reaching new lows, this price relationship all but disappeared.

In early December, ME Bank priced the first bank prime RMBS deal since senior-unsecured bonds reached new tights in early November. The class A tranche of SMHL 2020-1 was more than three-times covered, which allowed the deal to upsize and the price to be tightened.

The A$920 million (US$708.5 million) triple-A notes priced at the tight end of the revised price guidance of 70 basis points over one-month BBSW while five-year senior-unsecured major-bank paper was being marked at around 27 basis points over three-month BBSW, giving a spread of 43 basis points between the two. This is certainly a positive sign of the overall health of the market.

The SMHL 2020-1 class-A notes is a significant price point as it is a post-2008 financial crisis primary tight for nonmajor-bank RMBS. This validates the new relationship with bank senior-unsecured pricing and demonstrates that the sector has performed off its recent wides. Even so, the spread between the two asset classes has not retraced to pre-COVID-19 levels.

In the near term, we expect the spread between RMBS and senior-unsecured bank paper to continue to narrow – particularly for prime securities as they play catch up and spreads attract offshore and domestic demand driven by the hunt for yield.

"In the near term, we expect the spread between RMBS and senior-unsecured bank paper to continue to narrow – particularly for prime securities as they play catch up and spreads attract offshore and domestic demand driven by the hunt for yield."

LAUREN HOLTSBAUM COMMONWEALTH BANK OF AUSTRALIA

redemptions to meet, and we had a good level of liquidity across our mandates.

We also allocate substantial resources to obtaining and scrubbing loan-level data. We do this so we can monitor performance across all originators – bank and nonbank. The data enable us to compare a programme's performance across many common metrics.

A number of nonbanks have excellent performance, superior risk management and good governance. We have been investing in these programmes for several years. The key reasons we continue to invest in them is their granular data, long track record of performance and good governance. After the March sell-off, Gryphon was active in the Australian securitisation market because of this history of data.

In periods of stress only the best originators and best pools with the most conservative structures will be able to reopen the market.

Importantly, the data also provided good relative value. That is why we were at the forefront of investing in the reopening of the securitisation market in Australia.

Stephens-Saliba *We generally see major-bank RMBS margins used as a pricing benchmark for other securitisation issuers. How do you go about establishing relative value in the absence of new bank issuance?*

◆ **FLEMING** Establishing relative value is one of the most enjoyable aspects of portfolio management because it is not always obvious. It is true, in the Australian market, that major-bank RMBS sets the benchmark for other RMBS issuers. Major-bank RMBS in turn typically prices with reference to the more liquid senior-unsecured markets.

At Gryphon, we take a more global view of relative value within the credit universe. We monitor bank-capital curves but also credit indices and higher-beta markets, including US dollar and euro CLOs [collateralised loan obligations], as they provide more transparent pricing right across the capital structure.

When the market was frozen and there were no price points, secondary trading was scattered and did not provide a true reflection of clearing levels. Establishing relative value in this context is more an art than a science.

We looked at the markets that were open – specifically the high-beta euro CLO market. We monitored bookbuilds over the many days they took to clear, which provided useful insights because we could compare the spread widening pre- and post-COVID-19. We could also compare this for a differential between rating bands – we could see and observe the bookbuild and demand for different tranches of the capital stack.

All this was useful information when pricing up the mezzanine stack for the first RMBS transaction that came in Australia. We used this data from the euro CLO market as well as other factors including our experience in past pricings. We also considered pool characteristics. The prime deals that came were from the best originators and they were conservative structures.

Finally, when we were pricing up the mezzanine tranches in deals and there were no other price points other than those I alluded to in Europe, we knew transaction economics had to work from the issuers' perspective. We also knew that the AOFM [Australian Office of Financial Management] could participate if we priced too wide. The deal had to work for all parties, in other words – so our goal was to manufacture a win-win scenario.

MORTGAGE MARKET

Stephens-Saliba *How has the mortgage market itself changed in 2020, specifically changes that will affect securitisation?*

◆ **FLEMING** The major banks are fighting hard and winning borrowers, particularly in fixed-rate loans. The most recent RBA [Reserve Bank of Australia] rate reduction provided the opportunity to reduce fixed rates but leave variable rates unchanged. The knock-on consequence of this is that the nonbanks' prime programmes are experiencing elevated conditional prepayment rates. We expect this to continue.

Nonbanks have subdued origination volume, which points to lower nonbank prime issuance in 2021. Even so, the bank story means we expect the market will continue more or less unchanged in 2021 and potentially into 2022 – in that it will be dominated by nonbanks.

Once the TFF was announced, we were able to look for guidance at the Bank of England's funding-for-lending scheme and the impact this had on the UK market. We expected there to be a lack of issuance by major banks. The regional and smaller banks would probably issue but only in smaller size and for capital purposes – for example we saw an issue from HSBC during the year.

◆ **DINOS** There have been some notable changes to customer behaviour over the year, driven by the uncertainty customers have experienced because of the pandemic. These include increasing unemployment and historically low interest rates.

The first thing we saw was an increase in the number of customers talking to their lenders and brokers to review their financial situation. This included their home-loan product, rates and repayments.

We also saw more customers refinancing – across the whole mortgage market, as lenders are offering competitive refinancing rebates to encourage business. As Steven Fleming says, with low interest rates there are very competitive fixed rates on offer. We saw more and more customers switching some, or all, of their variable home-loan rates to a fixed rate. They are doing so to lock in a low rate and also to create more certainty in their repayments. Around 40 per cent of our new business is borrowers fixing their rate.

Lockdowns and restrictions limiting people's ability to travel and spend as much as they are used to means we have seen an increase in savings. Customers are paying down their home loans faster than they usually would.

Not surprisingly, customers are avoiding face-to-face interaction and prefer contact with the bank to be over the phone or through digital channels. We have seen an increase

"WHAT WE WILL PROBABLY PULL BACK ON IS PURSUING FUTURE NEW INVESTORS. INVESTORS NATURALLY PREFER NOT TO SPEND EXTRA TIME ON ENGAGEMENT OR ON A RELATIONSHIP WHEN THERE IS NOT GOING TO BE ISSUANCE IN THE NEAR TERM."

KYLIE ROBB COMMONWEALTH BANK OF AUSTRALIA

in usage of our online digital tools by customers managing their home loans. There has been an increase in digital take-up across the whole industry, which includes digital execution of contracts as well as electronic settlement and property valuations.

Lenders and brokers are also doing fewer face-to-face meetings. But less time travelling means they are spending more time interacting with customers, whether over the phone or via video. This is generally more convenient for customers.

There is of course a segment that has been adversely affected by COVID-19 and that has needed more tailored support throughout the pandemic. Many of these customers were able to defer their home-loan repayments for six months – we have seen about 10 per cent of our home-loan portfolio asking for additional relief and support.

Other borrowers have used their redraw facilities to cover repayments or even drawn down on their superannuation to assist in these uncertain times. Overall, there have been quite a few changes in behaviour over the year.

◆ **STREET** It has been an interesting journey for Thinktank. Self-employed SMEs make up 88 per cent of our borrower cohort so we have certainly been at the centre of things since the pandemic started in March.

But it is worth noting that the way our hardship has tracked is very much in line with banks, when you break it down to SME and residential borrowers. At the outset, when we started receiving hardship requests, we did not know what to expect. We certainly had a lot of stakeholders asking us what we thought, but we had no idea – because we did not know the extent to which the economy and the borrowers in it would be affected.

We thought at one stage that if we could keep hardship to about 30 per cent this would be a number we could manage. Through stress testing, we found the SPVs [special-purpose vehicles] between our warehouse and term structures could withstand hardship arrears up to about 45 per cent before residual income would be affected. There is a high degree of robustness and buffering in these structures.

As we got through April and May, our hardship peaked at around 23.5 per cent of the portfolio. It was slightly higher for commercial borrowers, less for residential and quite low for SMSF [self-managed superannuation fund] borrowers, which comprise about 20 per cent of our portfolio.

We dealt with the affected borrowers by trying to stay close to them. We applied a three-month hardship window where borrowers were requesting support. We tried to investigate quite closely whether they genuinely needed it.

We also tried to ensure people's interests were protected and that they understood the implications of capitalised interest that comes from hardship, so they were not unnecessarily adding to their debt going forward.

We found the majority required full payment deferral while there was a small portion that could make partial payments. With this, we built a profile of the circumstances for each borrower and tracked it as each three-month period elapsed.

Hardship has diminished to the point now where it is about one-third of what it was at the peak. We expect it will continue to decline at a good clip toward the end of the year and into 2021.

The term RMBS deal we did in October was interesting. We had a pool cut in mid-July and hardship had tapered to about 14.5 per cent, which is about what we had in our warehouse for comparable assets. By the time we launched it was down to single figures. Investors were keen to know the figures.

We were comforted by how borrowers were able to withstand the stresses and strains permeating through the economy and hitting them directly. Many have been able to adjust their business models, make payments when they have needed to and not accumulate debt.

It is worth noting that only two loans originated from 1 April onwards have entered hardship. Borrowers who are seeking credit have been well prepared, and equally our credit underwriting has adjusted effectively to the circumstances at hand.

Stephens-Saliba *Will stimulus measures from the federal budget be enough to reboot the SME sector?*

◆ **STREET** It is a little too early to tell. The way the government has responded thus far has been quite effective and it has certainly softened the blow. It has produced a better outcome across the economy than many were perhaps expecting – including us, initially.

Federal-government stimulus is being significantly supported by monetary policy. Our view is that the

"A NUMBER OF NONBANKS HAVE EXCELLENT PERFORMANCE, SUPERIOR RISK MANAGEMENT AND GOOD GOVERNANCE. WE HAVE BEEN INVESTING IN THESE PROGRAMMES FOR SEVERAL YEARS. THE KEY REASONS WE CONTINUE TO INVEST IN THEM IS THE GRANULAR DATA, THE LONG TRACK RECORD OF PERFORMANCE AND GOOD GOVERNANCE."

STEVEN FLEMING GRYPHON CAPITAL INVESTMENTS government will need to continue to adjust the till moving forward, shifting away from artificial income and revenue support for employed people and businesses to longer-term measures that support employment growth and business investment.

Government should also support immigration, population growth and infrastructure – where appropriate. Infrastructure spending at all levels of government has significant effects across the economy, particularly for SMEs.

Stephens-Saliba *Touching on a different segment, has there been pent-up demand from first home buyers?*

◆ **DINOS** The current economic environment, of low interest rates and increased borrower capacity, has resulted in more first home buyers entering the market. The introduction of the First Home Loan Deposit Scheme has also resulted in increased demand from first home buyers.

We started to see a significant number of first home buyers entering the market in late 2019, with around a 60 per cent increase on the previous year. With the help of the scheme and a focus on helping more Australians own their own home, we have seen this segment gain momentum – increasing by 40 per cent over the past few months compared with the same time last year.

CBA is one of two major lenders to participate in the scheme and we are proud to have helped more than 3,000 Australians purchase a home sooner than they otherwise would have.

SECURITISATION DEMAND

Stephens-Saliba *Moving to the demand side of the equation, with the proposed roll back of the CLF [committed liquidity facility] what changes can we expect to see in the makeup of major banks' liquid-asset portfolios and what will this mean for banks as investors in RMBS and senior bonds?*

◆ **ROBB** APRA [the Australian Prudential Regulation Authority] recently announced a reduction in the CLF. The quantum is about A$35 billion, which takes system CLF down to A$188 billion from A$223 billion or roughly a 16 per cent decline. This has been driven by the excess liquidity profile I mentioned earlier.

While this is meaningful, I would also say it is manageable within the CLF system. As a consequence, we are not looking to make a shift to our external RMBS holdings. We continue to see them as attractive and core to our liquid stack. The reduction in CLF will be delivered through internal RMBS.

The bigger challenge, which is the same challenge a lot of investors are facing, is lack of supply. As we look to 2021 and we think about maintaining or replenishing RMBS holdings, it will obviously be dependent on the product we see in the market.

I think bank balance-sheet appetite for RMBS is still there today and will be going forward. We still have a significant total size of CLF even with this reduction. RMBS has for some time been a really important and attractive component of the liquidity profile we have for supporting our CLF. I think the market will continue to see bank balance sheets participating in the right sort of issuance.

Stepehns-Saliba *How do nonbank issuers view capital markets and, in particular, demand for their product relative to expected 2021 public-market funding plans?*

◆ **STREET** We are confident. We executed a A$600 million transaction in October, which is a big step up from A$350 million in our previous transaction. This demonstrates strong investor support. We welcomed a number of new investors, on- and offshore, into the programme and we believe there is still considerable potential to expand our investor relationships.

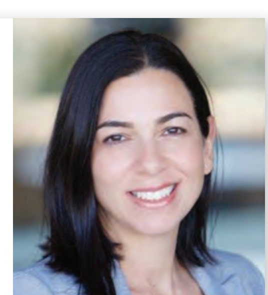
However, we also expect the commercial-property market will remain fairly subdued for the next 2-3 years. This marks a contrast with residential – which has maintained a fairly strong and stable position thus far and is well supported by low interest rates.

We expect to be back in the market in 2021 with another CMBS [commercial mortgage-backed securities] transaction, though it probably will not have a similar scale of uplift as this time around.

In the other part of the business, we are seeing residential originations continuing to be a stronger component of our overall business mix that now warrants a standalone RMBS programme. We expect to be in the market in the first half of

"THE CURRENT ECONOMIC ENVIRONMENT, OF LOW INTEREST RATES AND INCREASED BORROWER CAPACITY, HAS RESULTED IN MORE FIRST HOME BUYERS ENTERING THE MARKET. THE INTRODUCTION OF THE FIRST HOME-LOAN DEPOSIT SCHEME HAS ALSO RESULTED IN INCREASED DEMAND FROM FIRST HOME BUYERS."

DIMITRA DINOS COMMONWEALTH BANK OF AUSTRALIA



> **"IT HAS CERTAINLY BEEN A YEAR THAT HAS TESTED THE RESOLVE OF MANY PROFESSIONALS IN THE INDUSTRY, ESPECIALLY SMALLER ORGANISATIONS SUCH AS OURS. BUT THE STRONGEST TAKE AWAY HAS BEEN HOW THE INDUSTRY HAS RALLIED AND WORKED COLLABORATIVELY TO RESPOND TO THE SITUATION EFFECTIVELY."**
> **JONATHAN STREET** THINKTANK GROUP

2021 with an inaugural RMBS transaction, with CMBS issuance later.

The investor engagement and feedback we had around COVID-19 and hardship through the recent transaction has been very positive. We feel this support will translate into good participation in the next deal we bring to market.

Stephens-Saliba *Steven Fleming, what are your observations on bank and nonbank spread differentials since the pandemic hit?*

◆ **FLEMING** The bank-nonbank spread differential is completely dislocated compared with pre-crisis. As we have alluded to in this session, there has been no issuance from the major banks and there probably won't be for the foreseeable future.

There have been two bank transactions this year. Maybe regionals will issue for capital purposes but there will likely be limited bank issuance in 2021 and maybe stretching into 2022. The TFF means nonbank pricing is completely dislocated from bank capital curves.

Nonbanks have to issue and international investors will drive the triple-A pricing. But I do not think it will be with reference to major-bank RMBS pricing.

LEARNING FROM 2020

Stephens-Saliba *What has been the most positive development or lesson this unprecedented year has provided?*

◆ **STREET** It has certainly been a year that has tested the resolve of many professionals in the industry, especially smaller organisations such as ours. But the strongest take away has been how the industry has rallied and worked collaboratively to respond to the situation effectively. This means banks, nonbanks, rating agencies, trustees and service providers, investors, and other stakeholders.

Equally, and I think this deserves a special shout out, is the way in which Treasury and the AOFM have managed themselves. They have come a long way in their support for the industry since the financial crisis. The way [the AOFM's] Michael Bath and Stephen Maher have worked with industry – particularly nonbank issuers – with the SFSF [Structured Finance Support Fund] across its four streams of primary, secondary, warehouse and the forbearance SPV has been a fundamental factor in allowing the industry to be where it is today.

◆ **ROBB** Jonathan Street made the point that the Australian response to the pandemic has been absolutely world class. It is a great reminder of how lucky we are to be in this great country and have relative freedoms and protections.

From a professional perspective, I have been proud of the funding and liquidity team here at CBA and its speed and enthusiasm in embracing the change required to deal with these dramatic events. Barely a week has gone by without a fairly significant new piece of information or requirement.

If anything, I think the team has found it to be a fascinating time and has really embraced it. This has been the case across the organisation, but from my perspective it has been a professional high to see it come together so well.

◆ **DINOS** Very similar to Kylie Robb and Jonathan Street, my key take out for this year was how we have all stepped up quickly to assist our home-loan customers in these unprecedented times.

Given the impact to customers and the economy, we had businesses lean in and mobilise quickly. We have set up solutions to help our customers with deferrals, redirected staff and added more people to increase the level of contact with affected customers.

It is worth calling out that we did all this while ramping up technological capabilities and having more people working from home. This is something we never imagined would happen – teams coming together remotely to collaborate on unique solutions and to deliver them seamlessly to customers. The ability to deliver so much support to customers and staff in a really short period of time, by working together with clear priorities, is my key takeout.

◆ **FLEMING** I concur and add two observations. The first is that I agree that the response, in its timeliness, by the banks and nonbanks and the provision of hardship was unprecedented and absolutely the right thing to do.

The second is that CBA having 10 per cent of borrowers in hardship and Thinktank in the mid-20s per cent on hardship clearly causes stress to structures. As a specialist investor, we knew the outcomes Jonathan Street referred to before – how many deferrals a deal could withstand. The reality points to how robust this asset class is – that it can withstand this amount of stress and not miss a beat. ■

Perpetual

Get ready for the big digital leap

The eyes of the securitisation industry may have been firmly focused on the direct impact of the COVID-19 crisis in 2020 but the pandemic is having ripple effects across the market. In particular, as a **Perpetual Corporate Trust***-hosted session at the Australian Securitisation Forum (ASF) Virtual Symposium 2020 highlighted, new ways of working are only intensifying the path of digital integration.*

MODERATORS
- **Lynsey Thorrington** Senior Relationship Manager PERPETUAL CORPORATE TRUST

PANELLISTS
- **Lisa Hood** Financial Controller REDZED LENDING SOLUTIONS
- **Andrew Marsden** Treasurer and Head of Securitisation RESIMAC
- **Matthew Neece** Head of Product Development PERPETUAL CORPORATE TRUST
- **Craig Parker** Executive Director, Head of Structured Finance WESTPAC INSTITUTIONAL BANK
- **Velli-Matti Vanamo** Chief Technology Officer INSIGHT ENTERPRISES

MEGA TRENDS

Thorrington *What are the latest technology trends making their impact felt around the world? In particular, how do these trends factor into where the world – and capital markets – are heading?*

VANAMO The obvious megatrend, as shown by the medium in which we have all joined this symposium, is the shift in the way we work towards a more distributed hybrid workplace. Perhaps 2020 will forever be etched into our memories by the catchphrase: 'you're on mute'. I hope we will come out of this disruption with a positive outlook on the way we work with flexibility and an agile mindset.

Outside of this people-productivity disruption, and the mad rush in February to accelerate better collaboration and remote-working technology, I summarise the trends we see globally as: big-data driven insights and analytics, automation, the move to cloud, transparency and trust, and a shift to product from project mindset enabling value generation.

Starting with data, the megatrend we see here is to make more timely decisions with the latest available data to respond to the massively disrupted world we live in. This theme is top of mind in every industry, but specifically the securitisation industry.

It must feel to everyone here that the velocity of required insights is expanding exponentially. Reporting is certainly being driven by better, more accurate and more timely insights. There is also a growing need to accommodate business pivots and new growth initiatives.

This is driving a need for increasingly diverse lenses on the data we already have. Of course, in this industry the need to respond to a changing regulatory landscape and to new transparency requirements is hitting participants all at once. I am sure everyone is feeling this.

The practical thing that is manifesting is the need to get back to basics. This means how to build a platform for the ever-increasing need for agile reporting, accompanied by the requirement for what is almost a factory approach for churning out reliable, verified reports for all the diverse lenses that need to be managed. Then how to use that same platform to fulfil the need for super-fast-paced, self-service reporting. Everyone is a data scientist and analyst these days.

"THE REALITY OF SECURITISATION HAS ALWAYS BEEN ABOUT DATA AND LOTS OF IT. THE GOAL FOR OUR BUSINESS IS HOW WE GO ABOUT COLLECTING DATA AND USING IT FOR INSIGHTS INTO OUR PORTFOLIOS, TO MITIGATE RISK AND IDENTIFY OPPORTUNITIES FOR OUR CUSTOMERS."
CRAIG PARKER WESTPAC INSTITUTIONAL BANK

Thorrington *How will the goals you are describing be achieved?*

◆ **VAMANO** We of course need access to data sets that are both timely and accurate. This requirement is driving a move away from the spaghetti of spreadsheets with hundreds of formulae that we are using today, to a platform-based approach facilitating the codification of operational reporting while at the same time allowing for the accurate data set to be used for self-service.

What is also changing is the way we share data between departments and across organisations. The megatrend driving this need in the securitisation industry is open banking. The days of people producing Excel extracts and CSV files and then emailing them between departments and organisations must end if we want to achieve the goal of more objective, accurate and timely insights.

The ultimate goal here is to move to the API [application programming interface]-driven, public-partner, internal data catalogue that open banking requires. The first step is simply to move away from email transmission and facilitate the collection and submission of data sets. We have more self-service channels such as web forums or [Microsoft] Teams chats.

If we start with this simple baby step it will allow us the opportunity to automate. This brings us to the second megatrend: automation.

A theme we are seeing is that, while efficiency is of course still key, I put it out there that what is more important right now is predictability as we evolve an increasingly changing workforce. One thing automation certainly achieves is predictability in how processes are run, when they get run, for how long they run and what comes out of them.

Robotic process automation (RPA) has made it to every financial-service institution by now. It has been around for a while, but the trend we are seeing emerge is an expansion beyond simple task automation, which RPA is really about, to an end-to-end process automation.

The buzzword for this is 'hyper-automation'. What is behind this tacky buzzword is simply making the end-to-end business process efficient by integrating all the different aspects of the process. Hyper-automation is simply about creating an end-to-end workflow by integrating the RPA, AI and analytics.

The end result is an integrated automation workflow, where for example AI is used to extract data from a scant invoice. RPA is then called on to validate the data and compare the purchase-order number drawn from it against the legacy fields. The data are then passed to a machine-learning model that is invoked to perform a fraud-detection algorithm on the now-available combined data. Then an order to process the invoice is raised directly to the business-area owner via channels that are now available to us.

If it all checks out, the invoice is paid. All the analytics, insights and reporting are instantly available to business owners. This is the trend of hyper-automation. It is no longer a dream – it is available through multiple vendors such as Microsoft, in a single platform that can be democratised and used not just by developers but by subject-matter experts.

Automation, powered by accessible technology and accessible intelligence, is being baked into the platforms and tools we use every day.

Enabling these megatrends is the adoption of cloud, which is the third megatrend. Cloud helps in speed-to-value, by taking on most of the hard work of installing things like tools and platforms, and letting users focus instead on building the functionality they need on top of the platform.

With any rapid adoption and acceleration of technology, especially when it comes to the perceived security of data hosted on the cloud technology, success is ultimately achieved through trust. Trust is achieved through transparency and time.

This brings us to the fourth megatrend. With the increase in automation and the move from spreadsheets with complex formulae to platforms delivered with automated reports and self-service insights, trust in the results must be earned. We must think about how we enable transparency to show us what data was used, when, how it was collected and where it came from in every report we generate.

We must think about how we make an automated decision algorithm able to be easily explained in an accessible manner. This is hard, but to achieve trust we must have this transparency. With time we will eventually have trust.

Finally, I want to touch on how to make this real and successfully land the leap to digital. The overarching thing I see is that to capitalise on these trends requires a new operating model and a new way of thinking. There is a strong consensus

"I THINK, DESPITE ALL THE CHALLENGES WE HAVE HAD THROUGH THE COVID-19 CRISIS, IT IS AN INCREDIBLY EXCITING TIME IN THE SECURITISATION INDUSTRY. WE ARE SEEING A HUGE SWELLING OF INTEREST ACROSS THE MARKET TO MODERNISE, EMBRACE TECHNOLOGY AND PREPARE FOR THE FUTURE"

MATTHEW NEECE PERPETUAL CORPORATE TRUST

forming in our field that the time for transformation projects is over. To be successful we need a mindset shift to thinking of these initiatives more like products.

Products require time to develop but success is dependent on adoption. A product is never finished. It is ever evolving and pivoting with each new release.

◆ **NEECE** In the world of digital, I prefer the word journey to transformation. To me, journey says a long path with adventures and challenges, while transformation says a one-off renovation or makeover.

As we work with the industry, many of the challenges Velli-Matti Vanamo has highlighted have been echoed. These include the desire to access rich analytics and improve decision-making, to leverage technology to improve resiliency and remove operational waste, to build transparency, and to build scaleable and efficient processes.

While these challenges and goals are common, successful transition to a digital operating platform is by no means guaranteed just by buying a technology. Many projects have issues or fail to deliver on their desired goals. A successful digital journey requires the change in mindset that Velli-Matti Vanamo mentions.

It requires a change in culture across management, technology and operations. This means being willing to say we will disrupt, we will make ourselves justify why things run in a certain way, we will change processes, we will accept that it will take time and there will be challenges but that the path will bring results if we continue to walk it, and we will move to a continuous mindset and away from the limiting project mindset.

Mindset change opens the door to letting the technology in. It gives the best chance of success with good adoption and achievement of strategic goals.

At Perpetual Digital, we have been working with the industry to come up with digital solutions and assist participants on their journey with our Perpetual Business Platform as a service. Our purpose has been to deliver solutions that enable and support clients across treasury, finance, credit risk, portfolio management and market intelligence, using the latest in cloud technology.

I think, despite all the challenges we have had through the COVID-19 crisis, it is an incredibly exciting time in the securitisation industry. We are seeing a huge swelling of interest across the market to modernise, embrace technology and prepare for the future.

I encourage everyone embarking on the digital journey to look hard at culture and mindset as the foundational and fundamental building blocks.

INSTITUTIONAL ADOPTION

Thorrington *Many regulators have increased standards in recent years, which is leading institutions to think differently about compliance. How is Westpac Institutional Bank managing this?*

◆ **PARKER** The Westpac structured-finance business has been in operation for around 26 years and I have managed it for at least half this time. Historically we have largely relied on monthly data files from our customers along with some technology integration and assistance for our monthly compliance reporting.

This has worked reasonably well. But we have found that dealing with such a large volume of data meant we were missing out on more informed insights that greater and more granular data analysis over a long period of time could provide.

The advent of the new securitisation standard in 2018 provided us with a fresh opportunity to review how we use and receive data. It was around the introduction of this standard that we were able to get funding from within the bank to have a total rethink of how we use data within our business.

The reality of securitisation has always been about data and lots of it. The goal for our business is how we go about collecting and using data for insights into our portfolios, to mitigate risk and identify opportunities for our customers. The consequence is we have created a proprietary data warehouse called ODIN, which is housed in Westpac's digital platform.

We will be using Perpetual's business-intelligence service to assist with portfolio data analytics and other regulatory-related datasets. In time, the goal is that our customers will upload monthly data in a predetermined dataset similar to what the RBA [Reserve Bank of Australia] has in place now – albeit we manage about a dozen asset classes so the breadth is arguably wider.

We are about 70 per cent of the way through implementation. It has not been easy, to be honest. But I am

"WE ARE MAKING DATA TRANSFORMATION THE BIGGEST INVESTMENT OUR BUSINESS HAS MADE OUTSIDE OF FUNDING. OUR DIGITAL JOURNEY HAS FOCUSED ON THREE KEY AREAS: INVESTING IN SYSTEMS, WORKING ON REPLATFORMING OUR BUSINESS, AND RESOURCING."

LISA HOOD REDZED LENDING SOLUTIONS

optimistic about what it will look like in the future. Aside from the important regulatory reporting we have embedded into the system, I expect our portfolio reporting and compliance checks will largely be automated. I also aspire to a world where the data repository is sufficiently large that we can use these data in our analysis as well as for credit papers and other activities.

I also believe deeper data analysis will enable us to identify opportunities for our customers. Perhaps we can also aspire to a day when many of the credit papers we spend hundreds of hours on, as a team, will be automatically produced. Time will tell.

Thorrington *We have also seen a change in reporting standards and the complexity of these obligations increase. How has this worked for an issuer like RedZed and how has a digital strategy supported the process?*

◆ **HOOD** We have seen increasing obligation around reporting standards and, as such, a broader focus on how we collect, process and record data, as well as how this is disseminated to our investors, funders, regulators and rating agencies.

Increasing reporting obligations have become a major factor in our transformation of data. This year in particular has shown us how important it is to be able to access our data virtually from a single source so it is readily available without double handling. This increases the speed of execution and the efficiency of processes.

For these reasons, we are making data transformation the biggest investment our business has made outside of funding. Our digital journey has focused on three key areas: investing in systems, working on replatforming our business, and resourcing.

We have invested in Perpetual's business-intelligence cloud platform to support our digital journey. The credit- and risk-intelligence module is set up to forecast the performance of our portfolio as well as to benchmark our data against the market. This has been an invaluable tool, especially with the introduction of IFRS [International Financial Reporting Standards] 9.

The new accounting standard addresses how we need to account for mortgage losses within our business and also a new requirement in calculating the probability of default for Australian mortgages. It takes into account loan-level information as well as macroeconomic factors for the purpose of stress testing.

This was a fairly complex modelling system, which Perpetual was able to help us with. Its model was able to pull in historical data over a long period of time to establish trends and provide a business-intelligence-systems platform that gives us monthly expected-loss data for each trust and warehouse.

We are currently replatforming our business and introducing a level of automation and digitalisation. RedZed is now more than 13 years old and it was the perfect time to invest in data transformation. The size of our book meant we were still small enough to be agile and implement the changes needed. In other words, it would not be overwhelming and cumbersome yet we are large enough to afford a world-class system. It has been complex and challenging to put systems in place that are scaleable and will allow us to achieve the next phase of growth.

We have employed senior staff to focus wholly on the integrity of our data. We have put data champions throughout each department in the business. In the words of [RedZed managing director] Evan Dwyer at our last all-staff team meeting: "There is not a lot of point investing millions of dollars on an amazing dam if you cannot drink the water."

There is no point replatforming our business if the data going in is flawed. Every department is focused and involved in ensuring the data collected is accurate, has been verified and is working as it should. This has been a major cultural shift in our organisation.

We will be using business-intelligence tools to improve and enhance the analysis we can do with our data. This means we will provide interactive visualisation and business-intelligence capabilities with an interface simple enough for end users to create their own reports and dashboard.

We want the capture of our data, and its storage and analysis, to be as good as it can be. These are the three components of what we are doing to improve data integrity.

Thorrington *How have the events of 2020 influenced the digital journey?*

◆ **HOOD** Our experience with COVID-19 has been of ever-increasing requests from investors, funders and rating agencies on the performance of our book. This has highlighted the need for flexibility in our reporting and how we report to users.

The focus on hardship, deferrals and payment holidays has meant scrutiny on a micro level. Each loan has been assessed individually and collectively reported on an individual basis. Our stakeholders, including funders in our warehouses and rating agencies, have requested slight variations in what they are focused on.

This means we have had to be flexible in our reporting requirements and manually work around these requests. Automation is a key priority but the ability to be flexible is also important.

Although our digital transformation began almost two years ago, the complexities and challenges faced in 2020 have highlighted the growing importance of data and how our digital transformation will support us far into the future.

Thorrington *How is Resimac seeing and tackling the same challenge?*

◆ **MARSDEN** Resimac has laid out a digital roadmap that encompasses a full redevelopment and redesign of our

"IN ESSENCE, WE ARE AN ORGANISATION THAT IS TRANSITIONING FROM A MORE TRADITIONAL, ANALOGUE-STYLE BUSINESS TO ONE WITH EMBEDDED TECHNOLOGY IN ALL KEY FUNCTIONS OF THE BUSINESS. THIS GOES TO OUR CULTURE AND THE WAY THE ORGANISATION AND STAFF ARE EMBRACING IT IS VERY EXCITING."

ANDREW MARSDEN RESIMAC

business platform. This includes origination, underwriting, asset servicing, finance and treasury.

It is an end-to-end approach and we recognise that it is one of our most important programmes to future-proof the business and also play catch-up to some of the new lending-market entrants in the fintech space.

The digitalisation objectives of the organisation are just as much customer focused as they are automation, efficiency and productivity outcomes. There is a lot of focus and a lot of discussion on the 'customer journey' dynamics.

Historically, we have operated in the wholesale space and, as we find our feet and become more comfortable in the front-end retail part of the marketplace, we have realised that digitalisation is essential as part of the customer experience. We recognise that some are doing it better than us, so it is a good opportunity.

Thorrington *How is this approach being deployed at institutional level?*

◆ **MARSDEN** Our customer-first digital strategy has been segmented into five areas. The first is collaboration, which is important – we realised we needed to partner with industry-leading technology and data providers so we could identify and develop digital solutions for our customers. We have partnered with Perpetual on the treasury side and we are excited about the prospects.

The second is automation. This is the nirvana for a lot of financial-services firms at the moment. In layperson's terms, we are at one minute to midnight with big data for financial services. Any way we can collect, analyse, and share data is where we see real opportunity.

This will not just bring customer benefit but also advantages on the liabilities side of the business, so we can enhance investor reporting and investor relations.

The third aspect is end-to-end digitalisation. This covers the customer digital experience we are looking to roll out with an enhancement of the online services and functions we provide. Some of the major banks do this very well and provide a high watermark for us.

The fourth aspect is being customer-centric. Customers feature a lot in these broader objectives, which cover easy-to-use, technology-based solutions to deliver a seamless digital experience. We have relaunched our direct online channel and we are excited about it – being able to provide quick credit decisions, among other things, to prime borrowers.

Finally is the idea of engineering for the future. Future-proofing is something we see going straight to our values and the viability of the business going forward. This encompasses the appropriate amount of security and cloud-based technology.

More pertinent to what we do on the investor-relations and funding side, we are excited by the enhanced level of data we will have. As Craig Parker said, this will have benefits for portfolio reporting and analytics. It will also give a deeper form of transparency in our mortgage book.

In essence, as an organisation we are transitioning from a more traditional, analogue-style business to one with embedded technology in all the key functions of the business. Similar to what Matthew Neece said, this goes to our culture – and the way the organisation and staff are embracing it is very exciting from a funding perspective.

NEXT STEPS

Thorrington *Will blockchain technology and smart contracts be widely adopted?*

◆ **MARSDEN** We have looked at these and they are a great example of my comment about being one minute to midnight where big data is concerned. I see great opportunity, when we are looking at homogenous products like prime mortgages, to enhance the digitalisation of the product. This could even go through to standardising some legal and funding structures.

Thorrington *We have spoken extensively about digital roadmaps. What are the biggest concerns on the horizon?*

◆ **NEECE** Something that has been touched on quite a bit is data automation. This is fundamental to paving the way for the onboarding of technology and future-proofing of organisations. Putting technology over the top of problematic or inaccurate data does not get the job done. This is a longstanding concern and one that will remain in place for quite some time.

The second concern I would highlight is the rapid change the industry continues to see in information and regulatory demands. Having the ability to respond quickly – via platforms, capability and technology such as cloud services where you can

"THE SECURITISATION INDUSTRY HAS A MASSIVELY TALENTED POOL OF ANALYSTS THAT GATHER INFORMATION FROM DATA. WHAT WE HAVE SEEN IN OTHER INDUSTRIES IS THOSE SAME ANALYSTS AND EXPERTS MOVING FROM BEING THE EXPERTS IN DATA TO CREATING MACHINE-LEARNING ALGORITHMS THAT MAKE AUTOMATED ACTIONS BASED ON THEIR INSIGHTS."
VELLI-MATTI VAMANO INSIGHT ENTERPRISES

pivot and modify the way you operate – can help make sure you meet those rapid changes.

◆ **PARKER** The key concern is whether our system will work as designed. Having been involved in banking for more than 30 years, specialised financial-technology builds are usually a bit more predictable than our current project.

We have great aspirations for using big data in the future and it would be disappointing if we ended up with a service that works okay but does not deliver the differentiation we are really looking for.

This said, I am confident we will be successful as we have resourced this project with a strong group of structured-finance professionals and a highly skilled team from our technology group.

Thorrington *Does the emergence of big data imply a new wave of securitisation professionals with super-charged analytical skills – or are they already here?*

◆ **PARKER** I think they are here already, certainly in my team. What we are seeking to provide is the tools for them to aspire to greater standards in risk management, customer service and insight.

It is also about providing a greater level of service to our clients. For example, we may identify insights from the big sets of data that at the moment we may not be able to. We can provide a lot more innovation across the board with the people we have right now if we give them the right resources and skills.

◆ **MARSDEN** I agree with all these points. In particular, there has been a noticeable change in the capabilities of industry professionals since the 2008 financial crisis. From our side, this was largely driven by the requirements of the buy side – what investors required for their analysis in addition to the demands of the rating agencies.

Thorrington *On a slightly different note, do panellists believe machine learning has the potential to provide enhancements to the reporting process?*

◆ **VANAMO** I can answer this question by also responding to the previous one. The securitisation industry has a massively talented pool of analysts that gather information from data. What we have seen in other industries is these same analysts and experts moving from being the experts in data to creating machine-learning algorithms that make automated actions based on their insights.

This is the emergence of the 'citizen data scientist'. This is a well-known concept and any subject-matter expert with business knowledge can do it.

We see the emergence of tools, governance standards and capabilities to make these subject-matter experts able to create machine-learning and machine-teaching algorithms, and then integrate these algorithms into the business through automation.

This is a trend we have seen in other industries – and I think we are beginning to see it in securitisation, too. It will accelerate through the fact that one no longer needs to be a developer to make something actionable. One just needs to know the business problem and be innovative in creating a solution.

◆ **NEECE** I think it is also important to think about how the scale of data available to organisations is growing exponentially. This has never been fully harnessed. It will only create more opportunities to do things in more efficient ways, or move a lot of the wrangling and modelling process that is part of decision-making.

Machine learning plays a big part in this, and the more the data grows the more we can do with it. This will require organisations to adapt so they can leverage technology, but there is a lot of opportunity.

Thorrington *Where could the securitisation market make immediate gains from automation?*

◆ **PARKER** I think automation offers our analysts the ability to spend time thinking about what the data show us rather than crunching the data. If we can get the system to crunch the data and come up with preliminary insights, these insights can be tested in one way or another – whether it is through risk management or thinking about some type of broader opportunity set for our customers.

It takes a long time for my team to produce the right credit papers. If they can be automated, my team and I would be celebrating. This is one way of getting automation on the table in an organisation like ours. ■

EVENT REPORT

SECURITISATION INDUSTRY FACES FORWARD

In lieu of its annual in-person conference, the ***Australian Securitisation Forum*** *organised its Virtual Symposium as an online event in November 2020, taking advantage of the online format to bring in expertise from around the region and the world. After a tumultuous year, industry participants are focused firmly on the future trends in issuance, regulation and technology.*

MICHAEL STARKEY ATHENA HOME LOANS

It should not be up to the lender to make sure the customer is not lying. This sort of verification step, where it is not relevant to the credit decision, is an unnecessary burden and results in a large hidden cost. Australians are paying billions of dollars more than they need to in uncompetitive interest rates because of the perceived difficulty in switching home-loan providers.

RENEE ROBERTS AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

A borrower's capacity to service and repay a loan is sacrosanct over everything else. It is still incumbent on lenders to ensure customers have enough discretionary surplus to service their borrowing. HEM is a good benchmark to compare the adequacy of what a borrower is telling a lender so I think there is a future for it, though it is not the be-all and end-all.

LILLIAN NUNEZ IFM INVESTORS

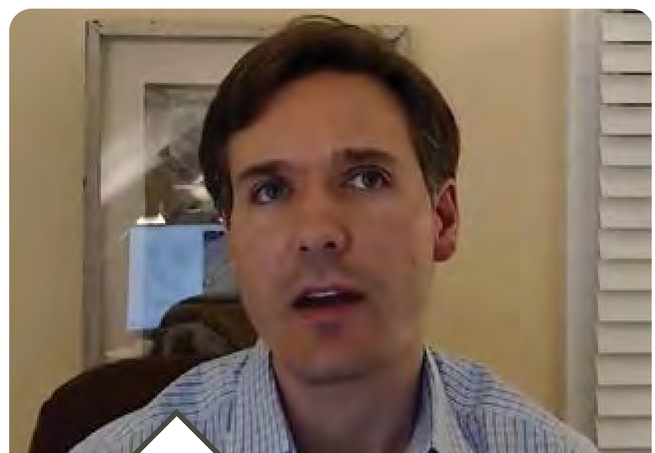
Our key concern is to make sure the assets will perform as projected when we assess origination and servicing processes. The second point is on ESG concerning predatory lending – this is becoming more important for us and our clients. We have not seen it of late but we have seen it in the past and we hope any responsible-lending changes will not result in this.

EVA ZILELI LATITUDE FINANCIAL SERVICES

Foreign-currency issuance is an attractive proposition. We have been able to fill our funding needs in Australian dollars but if there is the chance to fund in foreign currency and it is cost-effective we would potentially look at it as an option in 2021.

JOE HOCKEY

Joe Biden's stance on climate change will put more pressure on the Australian government. This issue has dominated Australian politics for 20 years, but the question will really be whether Biden can deliver on what he promises to do domestically. This will be very challenging for him.



JOSH HIRT VANGUARD

The US Federal Reserve has done a lot to support the market when it was necessary. It would be hard to argue that it could have done more. There may be some more it ends up doing, but it is now more on the fiscal side where support for the economy is needed.

Partners in money. Now, more than ever.

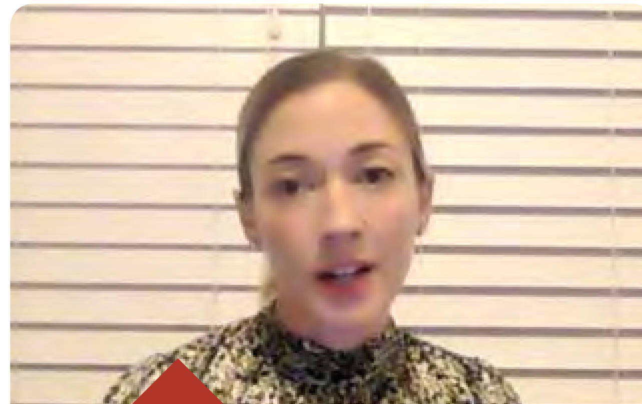
We've always been about helping Australians and New Zealanders spend smarter with interest free products and lending.

We've enhanced our enablement of better shopping experiences with the launch of LatitudePay and GenoaPay, giving consumers and retailers more flexibility than ever before. We've welcomed new partnerships such as Cotton On Group and proudly continue relationships with leading retailers like Harvey Norman, The Good Guys, Amart, Freedom and Snooze.

When you are good with money and we are good with money, great things happen.

LATITUDE | PARTNERS IN MONEY

MARK SCOTT DEUTSCHE BANK
Had one not known there was a pandemic happening, looking at ABS and RMBS in isolation one would think the economy was roaring. There was a dark period with pricing and volatility in March, but performance was much better than in the last crisis.



AMANDA BAKER MAYER BROWN
After Joe Biden was elected there was a lot of excitement in the fintech space around the prospects for renewable energy. Some solar-panel securitisation deals have gained momentum since the election and we could see more asset classes coming to the market over the medium term.

THE ASF WOULD LIKE TO THANK ALL SPONSORS FOR THEIR SUPPORT OF THE 2020 VIRTUAL SYMPOSIUM.

HEADLINE SPONSORS:

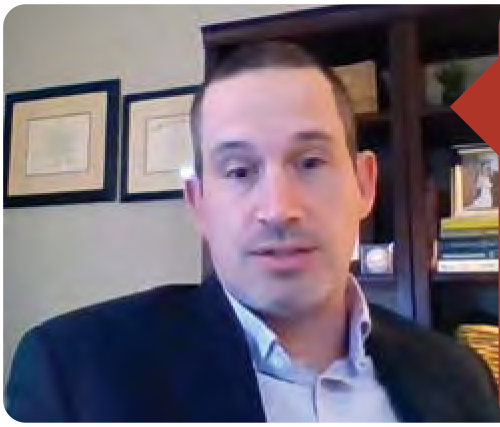
Commonwealth Bank of Australia · Moody's · nab · Perpetual

PREMIUM SPONSORS:

ANZ · Deutsche Bank · FitchRatings · J.P.Morgan · MAYER | BROWN · NATIXIS · S&P Global Ratings · tao SOLUTIONS

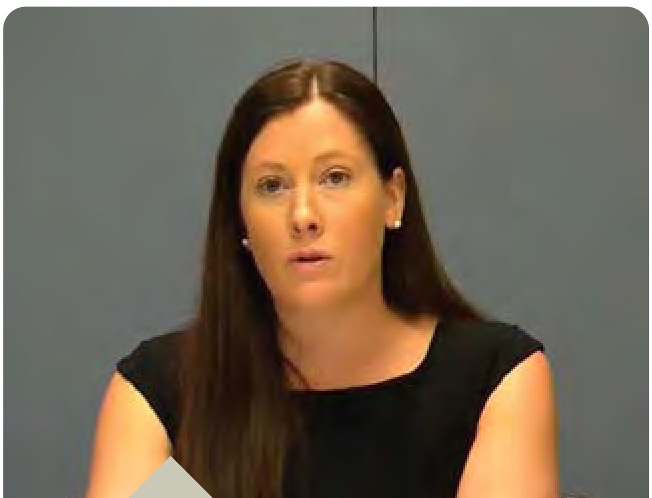
SUPPORTING SPONSORS:

AMAL · ASX · BNY MELLON · Equity Trustees · FLEXSTAR · ING How banking can be · INTEX · MACQUARIE · MUFG · RBC Capital Markets · SOCIETE GENERALE · Trustees Executors



RYAN SWEET MOODY'S ANALYTICS

We are headed for a dark winter in the US with COVID-19 cases surging and fiscal support fading. There is a strong correlation between the number of confirmed COVID-19 cases and economic activity. Hours worked will decline and jobless claims increase, which will weigh on the economy and make it feel like a recession for many. However, with vaccines coming we are very optimistic about the economy in 2021.

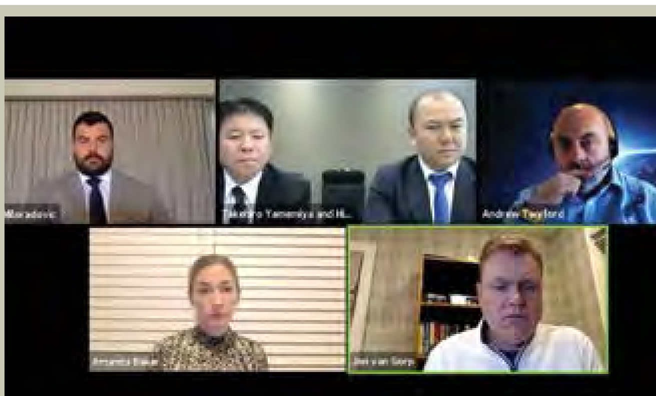


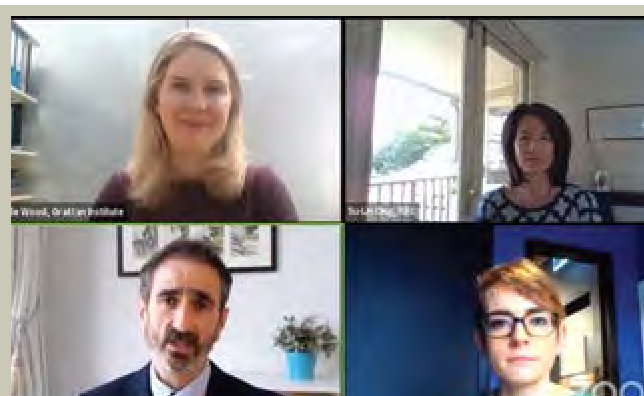
KELLY MANTOVA DEUTSCHE BANK

The size of the potential stimulus package coming from a Biden administration, as well as the rollout of vaccines in the US in the first half of 2021, will have a material impact on economic forecasts.

MILOS ILIC-MILORADOVIC NATIXIS

Courtesy of reduced foreign-currency issuance from ADIs into offshore markets and the amount of QE available, cross-currency basis swaps have come in significantly in 2020. This has a meaningful impact on the cost of funds for Australian issuers in foreign currencies and it should be something nonbanks consider in 2021.





HIROSHI OOKI SBI SUMISHIN NET BANK

It has been even more important to get information and understand different borrowers' situations during this period, not just for investment opportunities but also so we can understand the situation in positions that are historically important for us. It has not always been easy to maintain conversations but we have appreciated receiving information in a timely manner.

ANDREW TWYFORD PEPPER

The fact that we already have a lot of relationships in place makes virtual roadshows easier, but it is more difficult to build deep relationships with new investors. For newer relationships we have used video calls, which under the circumstances have been well accepted by investors. We have also sought to provide a lot of information in advance and in follow-up calls. We will remain, as we always have, as accessible as possible as this will be the new normal well into 2021.

TAKEHIRO YAMAMIYA ANZ SECURITIES JAPAN

There is a very good pick-up for Australian RMBS denominated in yen for Japanese investors with limited capability to handle Australian dollars. We think this investor base can grow but it will not be rapid because there is limited capacity for the swap arrangement. Major investors with natural Australian dollars, and those that need volume, will continue to invest in Australian dollars to save cost.

JAMES AUSTIN FIRSTMAC

Uncertainty was everywhere in March and April. Investors typically look to history to see how things might play out and with COVID-19 we were dealing with something no-one had experienced before. We decided to report our hardship data related to COVID-19 on the first of each and every month. This has become a leading indicator for the industry and the mortgage market.

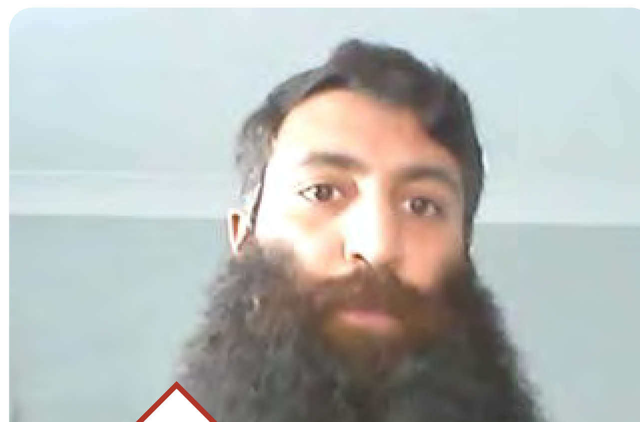

MACQUARIE
Tailoring bespoke capital solutions to help our clients grow
Whether it's financing, debt structuring, arrangement or placement, Macquarie can help. Our deep industry knowledge and more than 20 years experience working in all market conditions enables us to provide highly tailored solutions for clients looking to access private and public capital markets.
Discover the Macquarie difference:
Alan Cameron
Head of Debt Origination and Structuring
+61 4 3460 0039 | alan.cameron@macquarie.com
Kevin Lee
Debt Origination and Structuring
+61 4 0485 7206 | kevin.lee@macquarie.com
macquarie.com

JON VAN GORP MAYER BROWN

Total global ABS issuance for 2020 in late November was around US$360 billion compared with US$425 billion in 2019. It is certainly down year-on-year, but it is not a complete collapse. Looking at flow through the year, it is only April and March when there was a real issuance dip. The health of markets generally has been strong.

HENRY COOKE GRYPHON CAPITAL INVESTMENTS

After the 2008 financial crisis, all the rating agencies globalised their rating criteria. This ignores some aspects of the Australian RMBS market that give more protection than elsewhere. This, with the spread advantage of Australian product, makes it very attractive.

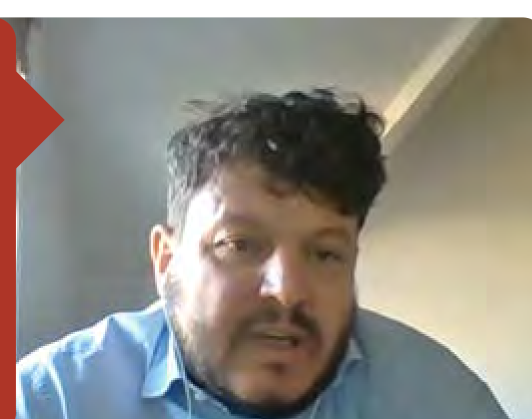


IMRAN SHAFFI STATE STREET

We are cautiously optimistic on our outlook because of the passing of the US election and the recent news on vaccines. We think spreads will continue to grind tighter and this will hopefully be reflected in supply as issuers are enticed back to the market.

CEDRIC TCHABAN HSBC ASSET MANAGEMENT

We would like to see more ADI issuance, but we are positive on nonbank issuers. Many have been operating for a long time and have a long performance history, often to before the 2008 financial crisis. A lot also operate in the prime space so we can make decisions based on the sponsor and asset risk.




WE STAND BY YOU TO BUILD WHAT COMES NEXT
At Societe Generale, our senior bankers and teams of experts are mobilized around the world to help you reinvent your business.
THE FUTURE IS YOU
SOCIETE GENERALE
Advisory – Investment Banking – Insurance – Financing – Markets – Transaction Banking
Asset Management – Securities Services – Equipment Finance – Fleet Management
Societe Generale is a French credit institution (bank), authorised and supervised by the European Central Bank (ECB) and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) (the French Prudential Control and Resolution Authority) and regulated by the Autorité des marchés financiers (the French financial markets regulator) (AMF).
Societe Generale a French Limited Company - Capital Stock EUR 1,066,714,367.50 – 552 120 222 RCS Paris - Registered Office: 29 bd Haussmann 75009 Paris.

JASON HUGHES MTF FINANCE

Uncertainty played a part in MTF not coming to market in 2020. We have sufficient headroom in our warehouses to wait for more favourable conditions. It has been great to see deals done in New Zealand in the second half of the year, though. We did not expect our loan originations to be back to pre-COVID-19 levels so quickly. If this continues, we will be back in the market during 2021.

GUY VOLPICELLA WESTPAC BANKING CORPORATION

We are in a world of imperfect information but the information that has been provided has allowed investors to dial down their concern on the Australian market. This has been done across the board and investors have become comfortable with knowledge on factors like the equity behind loans, which will provide protection to the Australian banking and housing industry.

JAMES KANARIS WESTPAC INSTITUTIONAL BANK

Significant market and economic volatility in 2020 has not dampened demand from Asia for Australian ABS. This is not surprising given the performance of Australian collateral through the crisis and the attractive yield on offer. Asia remains a key region for Australian issuers to source capital and broaden their investor base.

Consider Everything

BNY MELLON

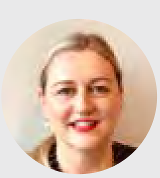
We Are a Proven Steward for the *Financial System*

Efficient support to help debt issuers close transactions quickly and seamlessly. Local, in-market experts with global scale and multi-jurisdictional knowledge across Australia.

Trustee and agency services for issuers in Australia

Contact us to discuss how we can help

Rob Wagstaff
Head of Market for Australia
T: +612 9260 6039
E: Robert.Wagstaff@bnymellon.com



Anna O'Sullivan
APAC Head of Transaction Management
T: +612 9260 6050
E: Anna.O'Sullivan@bnymellon.com

COPUBLISHED FEATURE

BRIGHT OUTLOOK FOR STRUCTURED FINANCE IN 2021

Australia's structured-finance sector performed well during the worst of the COVID-19 pandemic, bolstering investors' confidence and setting up the market for a positive 2021. Australian banks have played a critical role in maintaining the strength of the structured-finance sector and working to ready customers for the sooner-than-expected economic rebound.

BY CHRISTOPHER NIESCHE
FOR WESTPAC INSTITUTIONAL BANK

The quick response to the economic slowdown by the Australian structured-finance sector helped ensure collateral resilience of residential mortgage-backed securities (RMBS) and other products. As a result the sector ended 2020 in good shape. Westpac Institutional Bank's head of structured finance, Craig Parker says: "The outlook for asset-backed securities [ABS] in Australia is excellent."

Westpac provides structured-finance solutions to many nonbank financial institutions and smaller banks, particularly in the prime residential-mortgage sector. It also provides structured finance to providers of personal loans, small-ticket commercial loans, credit cards and auto loans.

The provision of mortgage holidays by banks supported the home-finance sector through the worst of the COVID-19 pandemic. While the majority of customers have resumed payments, some will remain on mortgage holidays until March 2021.

Investors have been largely unconcerned by this because many of these borrowers still have time to find a new job or rearrange their finances. RBMS buyers tend to view the risk as a "known known", says Parker, and are therefore able to make their own judgements.

Government stimulus payments, which have done so much to support the economy through the downturn, also expire in March 2021. Parker says while this could cause some stress for sectors such as airlines, it will not have a material impact on the credit performance of Australian ABS. This is due mainly to the economy expanding and unemployment falling once more, he explains.

The residential property market bounced back quickly from the COVID-19 slowdown and this is translating into a buoyant home-finance market, supported by RMBS. "We're finding that demand for securities is, frankly, quite extraordinary," Parker says. "ABS transactions are offering a great return relative to the risks."

In late December 2020, spreads on triple-A-rated RMBS from nonbank originators were sitting at around 120 basis points over the bank bill swap rate (BBSW) – a more attractive return than many bonds.

For instance, in November Westpac organised a five-year bond for NBN Co that priced at 70 basis points over BBSW. In fact, margins across the ABS market have been compressing since the start of COVID-19, suggesting demand from investors is running ahead of supply.

STRENGTH IN THE REBOUND

Overall, the Australian economy is in the midst of a stronger-than-expected rebound from the COVID-19 pandemic. Westpac senior economist, Matthew Hassan, expects this to continue in 2021 with the likely rollout of vaccines a significant game-changer.

After a likely contraction of around 2 per cent in 2020, Westpac forecasts the economy to grow at an above-trend rate of 4 per cent in 2021 as the international education and tourism sectors restart. It will still be a recovery year but the economy should have regained its lost ground by about mid-year.

At the same time, the Reserve Bank of Australia (RBA) will continue to hold the cash rate at a record low through 2021 and much of 2022, while the federal government is likely to introduce further fiscal stimulus in the May 2021 budget, Hassan predicts.

Despite the generally positive outlook, the picture for different states and segments is more nuanced. "There will still be significant adjustments including areas where the virus shock is still working through. In some cases, this will result in restructuring with associated drags on employment and income. While these effects should be fairly limited and will not derail the wider economic recovery, they mean collateral value could be more uncertain in specific areas," Hassan says.

In relation to the RMBS sector, some borrowers will struggle to resume payments when mortgage holidays end and there could be pockets of distress. Hassan suggests a key question will be the extent to which these affect the wider market.

HOW BANKS HAVE HELPED

The economic effects of the COVID-19 pandemic hit Australia hard and fast in March 2020, when government-imposed lockdowns caused job losses or sharp income drops for hundreds of thousands of Australians, especially in sectors including travel and hospitality.

"The outlook in March was very dour," says Martin Jacques, head of securitisation and covered bond strategy at Westpac. Equity markets plunged and credit spreads widened sharply, with the spread of benchmark RMBS – a key measure – blowing out to 140 basis points or more over BBSW, compared with low-to-mid 90s basis points before the pandemic.

"A lot of customers that were immediately affected by COVID-19 are now back in work: their cafés are open and their companies are operating. We are now seeing end customers – the mortgage holders – back at work and paying their mortgages."

CRAIG PARKER WESTPAC INSTITUTIONAL BANK

It was here that the banks stepped in to help customers through the crisis. Under the leadership of the Australian Bankers Association, banks large and small provided loan holidays to customers with home, personal, commercial and auto loans.

Bigger banks, including Westpac, also provided repayment holidays to their structured-finance customers, which were in turn able to extend loan relief to their own individual customers.

"Ordinarily, we expect our bills to be paid," says Parker. "But we were in a situation where if we forced our customers – the lenders – to make repayments under our facilities as normal, they would be forced to do the same with their customers, the homeowners."

The bank found loans in COVID-19 hardship peaked at about 9.5 per cent across its structured-finance portfolio. Auto loans were the best performers, with peak COVID-19 hardship at 5.7 per cent. Personal loans peaked at 9.5 per cent and residential mortgages at 8 per cent.

"We gave our clients space so they could give their clients space. There was massive motivation to help," Parker continues. "Everyone saw the problem and we realised people were going to struggle. Institutions came up with packages that suited their customer bases – it was very bespoke and designed around individual customers most of the time."

One factor that set Australia apart from other countries was that local financial institutions were quick to recognise the extent of the problem and the response was very well coordinated, Parker explains. He also believes the banks' actions played a major role in reducing stress about the COVID-19 pandemic in the community, as no-one had to choose between using their last handful of dollars to buy a meal or to make a mortgage payment.

WIDER SUPPORT

The government also played an important role in supporting the market, with the RBA enabling low-priced three-year funding to the banks via the term funding facility (TFF) and the Australian Office of Financial Management (AOFM) making A$15 billion (US$11.6 billion) in funding available to nonbank lenders through the Structured Finance Support Fund.

The government made the fund available to all parts of the capital structure rather than just triple-A notes, and to other asset classes as well as residential mortgages. The funding could also be used for investment in warehouse facilities, in contrast to the government support during the 2008 financial crisis. This allowed nonbank originators to maintain business as usual and provide flexibility to redeem their legacy transactions via warehouse funding if required.

These measures addressed a lesson learned from the 2008 financial crisis, when foreign banks withdrew from the market and sources of warehouse funding dried up.

"This is important for performance because doing a new transaction in capital markets is extremely difficult if an issuer is not able to call an old one," Jacques explains. "The measures the AOFM put in place were very strategic and, in my opinion, worked extremely well and kept the market functioning."

The AOFM also took the important step of buying secondary-market along with primary-market securities, to ensure motivated sellers did not offload securities too cheaply and distort the entire market. Importantly, rather than just buying in the secondary market and giving investors an easy exit from the asset class, the AOFM did so on a switch basis – buying only if the investor put the proceeds into a new primary transaction.

Loan performance improved rapidly from the hardship peak and by the end of October 2020 only around 3.4 per cent on average of loans across Westpac's structured-finance portfolio were in some form of mortgage holiday.

"A lot of customers that were immediately affected by COVID-19 are now back in work: their cafés are open and their companies are operating," Parker points out. "We are now seeing end customers – the mortgage holders – back at work and paying their mortgages."

Issuance in 2020 was heavily skewed to nonbank originators, at 77 per cent of total volume, and Jacques expects this to continue given the extension of the TFF until the end of June 2021.

He adds: "We expect smaller banks to enter the market with capital-efficient trades in a similar fashion to 2020. We also anticipate the 'other ABS' sector will see ongoing development with new asset types and originators continuing to emerge, encouraged by the presence of the SFSF." ■

tao SOLUTIONS

ACCELERATED AUTOMATION

Corporate and bank treasuries' need for integrated and automated software for portfolio modelling and regulatory reporting became clear from the outset of COVID-19 as entire workforces were forced into remote working environments. There is every likelihood this situation will persist to at least some degree even once the pandemic has passed.

Treasury managers in all types of institutions had to adapt quickly while undertaking COVID-19 risk assessments and maintaining access to funding. Jim Metaxas, managing director and head of Asia Pacific at TAO Solutions in Sydney, says end users' ability to perform detailed analytics, reconfigure reporting and adjust funding parameters without the use of in-house developers or modellers immediately became apparent.

"Equally important is having the ability to undertake funding optimisation strategies in an automated fashion to improve overall cost of funding and working-capital needs," Metaxas adds.

TAO Solutions' platform can help market users mitigate risks of future crises via its robust end-to-end securitisation transaction structuring and reporting, the service provider says. TAO Solutions is establishing a presence in the Asia-Pacific region and says it can also significantly streamline financial institutions' treasury operations.

The company was established in Toronto in 2009 to provide technology solutions for the securitisation industry. It now supports more than 85 per cent of Canadian mortgage originators, a group that includes some of the world's largest banks.

In late 2019, TAO Solutions established Asia-Pacific operations headquartered in Sydney, with the intention to address concerns around securitisation and debt capital market participants' migration to automated, secure enterprise systems from Microsoft Excel-based operations.

The company is accredited under the American Institute of Certified Public Accountants' SOC 2 Type 2 reporting and is ISO [International Organization for Standardization] 27001 qualifying. It uses the latest Microsoft technologies and has gold Microsoft Certified Partner status. Aaron Seaton, Toronto-based chief executive at TAO Solutions, says these standards underline the credibility the firm needs to introduce its technology platform to Asia-Pacific markets.

COVID-19 CRASH TEST

TAO Solutions' offering is an automated, end-to-end, tier-one banking-software solution designed to displace internal or external operations and the use of Excel, Metaxas explains.

He adds: "Our approach to securitisation software as a service is unique. Our mission is to provide a solution that enables industry participants successfully to migrate to a third-party vendor that operates in a transparent manner."

The differentiating features of TAO Solutions' platform include Opti-Pool, its proprietary algorithmic solver used for funding, pool optimisation and warehouse compliance assessments. There is also a waterfall, funding and settlement engine that enables end users to create and maintain Excel-like formulae catering to any transaction type.

Additionally, the platform allows for automated bank reconciliations to validate derived calculations, regulatory reporting, the ability to construct and issue environmental, social and governance (ESG) transactions, and address the challenges of new risk-free rates and negative-yield environments.

The service provider's deep penetration in the Canadian market allowed it not only to help individual clients during the pandemic, but also to assist with the market response as a whole. Seaton says TAO Solutions was able to assist the market with a critical piece of the COVID-19 support infrastructure – the government of Canada's Insured Mortgage Purchase Program (IMPP), which allows the Canada Mortgage and Housing Corporation to purchase up to C$150 billion (US$117.4 billion) of insured mortgage pools.

TAO Solutions rolled out support for the scheme over a four-week period in April, which "enabled reporting and operational consistency across all market participants and provided external stakeholders with relevant and timely information that would have otherwise been problematic to obtain", Seaton explains.

SECURE SOLUTIONS

The migration of banking infrastructure to vendor-hosted solutions was firmly in place as a trend even before COVID-19. But it has now been accelerated. Metaxas says by combining new market and regulatory features, TAO Solutions' offering enables financial institutions to introduce best practices, reduce operational costs and increase operational efficiencies within a controlled, auditable and traceable environment.

Seaton adds that the larger the institution and the more complex its securitisation treasury operations are, the greater the benefit that can be realised from outsourcing. The platform is also flexible and can be adapted to the needs of treasury departments of all sizes.


tao SOLUTIONS
The Next Generation Securitisation and ESG SaaS Solution
Establish industry best practices with our automated, cloud enabled, enterprise system made for all market participants.
• End-to-end automation of warehouse, securitisation and ESG activities;
• Supports all asset classes, currencies and includes covered bonds
• Powerful, embedded analytics, simplified transaction modelling and reporting capabilities
• Multi-jurisdictional regulatory reporting
• Clients include the top 10% of banks in the world
• Technology supports more than $1 trillion in transactions across a variety of asset classes
• Global cloud infrastructure with points-of-presence in all major markets
• SOC 2 Type 2 accredited, ISO 27001 qualifying and a Gold Microsoft Certified Partner
• Best in market implementation credentials and localized customer support
SecureHub tao
LeaseSpark tao
KEY CONTACTS
Jim Metaxas, Managing Director, Head of Asia Pacific
jim.metaxas@taosolutions.ca
Aaron Seaton, CEO
aaron.seaton@taosolutions.ca
TORONTO HEAD OFFICE: 11 King Street W, Suite 1600, Toronto, ON M5H 4C7. T: +1 416 777 2500
SYDNEY: 1 Macquarie Place, Level 36, Sydney, NSW 2000. T: +61 2 8075 4791
SAN DIEGO: 600 B St, San Diego, CA 92101
taosolutions.com.au
AICPA SOC
Gold Microsoft Partner
Microsoft

"Our strategy is to provide as much automation as possible. To achieve this we undertake a detailed scoping exercise to determine operational requirements and reporting practices for our customers."

JIM METAXAS TAO SOLUTIONS

The ability to apply technological enhancements to operations of all stripes has been a key focus of many securitisation and debt-market service providers in recent years. TAO Solutions sees this as a key area of strategic focus.

"A distinct advantage of our software is that we can quickly build and amend data interfaces, normalising data to our clients' existing data and reporting formats. There are no limits to the quantum of data fields and we can ingest and integrate data from various sources without concern. We can also scale horizontally and vertically to suit the scale of data held within the application," Seaton explains.

TAO Solutions' software can also be implemented rapidly. The company says it has launched an Australian customer on its platform with as little as three months from contractual close to going live. This allows customers quickly to realise benefits in reporting and structuring transactions.

EFFICIENCY DRIVE

Enhancing clients' operational efficiency and risk management is TAO Solutions' goal. For securitisation deal structuring, the platform uses engines that provide the flexibility to model transactions using comparable Excel-type safe formulae. Metaxas adds that the mechanism also "avoids the black-box approach of not having the ability to review underlying formulae, which can result in additional layers of risk".

Once a deal is modelled, it is secure and cannot be adjusted without the correct approvals being given. A detailed audit log is also available when required.

The platform also enables TAO Solutions' customers more streamlined reporting to rating agencies and regulators, with various automated data extracts and reporting templates available for secure submission to third parties. Importantly, the platform also contains control procedures and review mechanisms to confirm data integrity and consistency before it is sent to any third party.

For rating purposes, data and reporting can be provided in the format required by all the rating agencies for preliminary assessments and ongoing surveillance of transactions.

For regulatory reporting, the platform caters to all regimes in which its customers operate. In Australia and New Zealand, this means automated warehouse funding and compliance assessments, Reserve Bank of Australia or Reserve Bank of New Zealand reporting, automated lenders' mortgage insurance assessments and automated bank reconciliations. TAO Solutions has undertaken the latter with some Australian major banks, according to Seaton.

Furthermore, Metaxas says: "Any changes to reporting requirements are managed by TAO Solutions and provided to the benefit of all customers. Our strategy is to provide as much automation as possible. To achieve this we undertake a detailed scoping exercise to determine operational requirements and reporting practices for our customers."

BROADER APPLICATION

TAO Solutions specialises in providing outsourced solutions for securitisation structuring and reporting. But its platform has potential broader application for customers. In particular, the company is targeting ESG-related issuance.

Investor and regulator demand for reporting on the assets and impact related to green, social and sustainability (GSS) bonds is increasing across global jurisdictions. In July 2020, the EU's taxonomy for sustainable activities came into force, codifying a vast array of ESG objectives that issuers and investors can report against and reference.

Other jurisdictions, including Australia and New Zealand, have followed suit with their own roadmaps for sustainable finance designed to give greater and stricter guidance on how companies should address and report ESG risks.

TAO Solutions' platform can be used to structure GSS bond transactions, and the company is offering this service free of charge in 2020 and 2021.

Seaton says: "We believe our ESG initiative supports issuers across the majority of asset classes, not just securitisation. As the industry continues to evolve, technology's ability to future-proof customers is evident. Our platform houses a lender's assets and can reduce the internal complexity around asset selection, and the operational costs associated with structuring, managing and reporting GSS and vanilla transactions."

Metaxas adds that this can make for more efficient issuance of GSS bonds than if a prospective issuer went about asset selection itself. "We can automate the selection of ESG assets within seconds, using our proprietary algorithmic solver, taking into consideration the required portfolio parameters and eligibility criteria. The issuer can then review and refine the selection process and determine transactional cash flows before forwarding to third parties such as rating agencies and arrangers."

Outside its ESG application, Metaxas says the TAO Solutions platform can also provide an administration tool for the day-to-day management of warehouse and asset-backed commercial paper providers, as well as offering solutions for trust managers, regulators and investors. ■

S&P Global Ratings

COPUBLISHED COLUMN

COVID-19: A MANAGEABLE SHOCK FOR MOST AUSTRALIAN HOUSEHOLDS

Australia coped better than many of its peers in containing COVID-19 and providing a bridge to recovery – according to ***Erin Kitson****, director and sector specialist, structured finance ratings, and* ***Shaun Roache****, APAC chief economist, at* ***S&P Global Ratings****. The pandemic will leave scars in the labour market and accelerate trends that could affect households' long-term economic health, however.*

Australia's success in containing the virus has helped its economy weather the pandemic better than many of its peers. Total confirmed cases per capita in the G7 countries, on average, is more than 20 times higher than in Australia. Early decisive action, including restricting travel, helped tamp down outbreaks quickly and forced local transmission to near zero. This has allowed for a normalisation in which restrictions have not only been lifted but voluntary social distancing has lessened.

Timely and targeted policy helped cushion the blow and provide a bridge to the recovery now underway. As discussed on the economists' panel at the Australian Securitisation Forum (ASF) Virtual Symposium in November 2020, policy easing was more coordinated than usual in the sense that many types of policies were eased at the same time.

Households benefited from a combination of higher transfers from government including through wage subsidies, lower interest rates and easier access to their pension pots. These cushions supported spending and, by extension, businesses across the country that depend on this spending. They still saved more, though: saving almost doubled to near 30 per cent of income.

Australia's resilience is not just important for 2020 and 2021 but for the long run. The deeper and longer the COVID-19 recession, the greater the damage to an economy's potential output. For example, if a person loses their job they initially retain their skills and will likely stay motivated to find a new one. But the longer they remain jobless, the more skills and motivation are lost – which could lead them to leave the labor force altogether.

The good news, so far, is that Australia's job losses at their worst, at 7 per cent of total employment, are less than half as severe as economies such as Canada or the US (see chart). The jobs recovery has also been swift, led by a return of part-time jobs. Employment is now almost at pre-COVID-19 levels. This quick, albeit still partial, recovery will limit the permanent damage to real income wrought by the pandemic.

HOUSEHOLD FINANCES

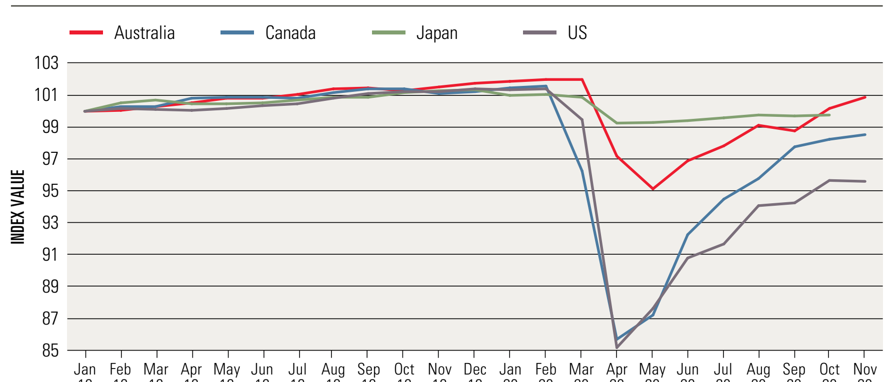
COVID-19's short-term impact on Australian household balance sheets has been tempered by the wide-ranging policy response, especially historically low interest rates. At the same time, the traditional correlation between an unemployment increase and loan arrears may be weaker in this cycle due to the unique nature of the COVID-19 shock.

Job losses have been higher in sectors where employees are more likely to rent accommodation, such as tourism and hospitality. This may reduce the impact on mortgage arrears. Work in these sectors is often contractual and seasonal with less secure income, which can discourage borrowing for homes.

Across the residential mortgage-backed securities (RMBS) sector, borrowers more exposed to rising unemployment include the self-employed, highly leveraged and less seasoned. Nonconforming transactions have a higher exposure to these borrower cohorts.

Lower interest rates often mean a drop in arrears as they help ease debt-servicing pressures. This effect is efficient in Australia as the rate households pay on their mortgages typically varies with

SEASONALLY-ADJUSTED EMPLOYMENT REBASED TO JANUARY 2019



SOURCE: S&P GLOBAL RATINGS 17 DECEMBER 2020 the central bank's policy rate and other market interest rates.

Low interest rates are also helping put a floor under property prices. Following the initial onset of COVID-19, property prices in Australia experienced a modest decline. This reversed in late 2020 as further reductions in interest rates, improving sentiment and government grants to homeowners bolstered property demand.

We now expect modest house-price gains in 2021 as the economy continues to recover, confidence builds and borders reopen. We believe lenders will not want to rush into foreclosure processes at the end of mortgage-relief periods, choosing instead to work with borrowers by restructuring loans and moving them into formal hardship programmes.

Rising house prices will help reduce the risk of losses in the event of borrower default in the months ahead. The modest loan-to-value ratio profile of the Australian RMBS sector will also help mitigate this risk.

While uncertainty still lingers, the Australian structured-finance sector will be mostly resilient in the face of a protracted economic recovery.

COVID-19 SCARS

Despite better-than-expected outcomes so far, difficult times lie ahead for some households even as life gradually returns to normal. Many small businesses, which employ more than 40 per cent of all Australian workers, will never re-open their doors.

Some industries, including tourism, may take a long time to recover even after vaccine rollout. This means some job losses will be permanent, and these workers will need to acquire new skills and find new employers. The unemployment rate is set to remain above 6 per cent until the end of 2022, almost 1 percentage point above its pre-COVID-19 level, even after considering fewer new immigrants.

Underemployment may also remain high. Even for many with a job, a large supply of people willing to work at the going wage will keep wage growth low. The ASF Virtual Symposium economists' panel recognised these challenges and cautioned that the work is far from finished. Panellists argued that policymakers will have to remain bold and creative to lift demand and restore the economy to full health.

Higher unemployment will put some pressure on arrears in the coming months as loss of income is a key cause of mortgage default. As lenders have not been required to include loans under mortgage deferral in their arrears reporting, arrears performance is yet to show the full impact of COVID-19.

Mortgage-relief periods are technically in place until the end of March 2021, although many borrowers were due to exit, and have exited, their original six-month arrangements. We expect arrears to start increasing in the first quarter of 2021 with any losses likely to start coming through in the second half.

Looking further ahead, we expect COVID-19 to accelerate secular trends already underway in Australia's labour market – especially the shift to more flexible employment terms.

One in three employees now works part time, up from one in four two decades ago. Firms have learned first hand how a flexible workforce can act as a shock absorber during downturns; at the trough in 2020, about 11 per cent of part-time jobs were lost compared with 5 per cent of full-time jobs. To some extent this is explained by the nature of the COVID-19 shock, hitting industries with higher-than-average part-time work.

At face value, more flexible employment may appear to be good news for firms. But it can bring challenges including rising income inequality and differences in job security between full-time and irregular workers.

More flexible working could also add to future debt-serviceability pressures as economic shocks are passed on from firms to households that work on flexible terms. Australian RMBS transactions' exposure to casual and part-time employees is low, at less than 3 per cent. Structural shifts may see these percentages rise over time, though.

High property prices, low wage growth and a shift toward less secure work also add to housing-affordability pressures. Home ownership has fallen in Australia over the past 10 years, partly reflecting a prolonged period of strong property-price growth. Declining home ownership risks embedding inequality.

LONG-TERM CONSEQUENCES

Australia's household debt is high by international standards. Ultra-low interest rates have reduced many households' debt-servicing burdens. But they could increase household indebtedness by reigniting house-price growth and encouraging ever more borrowing.

This escalates systemic risk as high household indebtedness increases borrowers' sensitivity to future economic shocks. There is also no guarantee that interest rates will remain low once the shock of COVID-19 has faded.

For now, we expect regulators to manage the tension of economic recovery underpinned by low interest rates and asset-price inflation through macroprudential measures, should they need to. Lending standards also have a part to play by ensuring borrowers can continue to service their future debt repayments in an era of low wage growth.

Australia's policymakers still have work to do to confront the structural challenges posed by shifts in labour markets and high house prices that are contributing to higher income and wealth inequality.

The challenges are not just desirable to overcome but central to the long-term health and stability of the economy and financial system. COVID-19 has imposed unimaginable human and financial cost but, as the economists' panel at the ASF Virtual Symposium emphasised, it has also provided an opportunity to reimagine how monetary and fiscal policies can make a difference. ■

COPUBLISHED COLUMN

NATIXIS

THE CASE FOR FOREIGN-CURRENCY ISSUANCE

From 2000 until the financial crisis, non-Australian dollar issuance comprised approximately half of public Australian residential mortgage-backed securities (RMBS) volume. Two Sydney-based ***Natixis*** *executives –* ***Oscar Austin****, director, global markets, and* ***Milos Ilic-Miloradovic****, director, global structured credit and solutions – say there are growing reasons to consider it once again.*

Since the financial crisis, Australian dollar RMBS volume has grown steadily to surpass the pre-2008 level. But non-Australian dollar denominated issuance has lagged. During a tumultuous 2020 for markets generally, Australian issuers remained focused on local issuance with foreign-currency volume significantly lower than prior years.

However, the second half of 2020 saw a material contraction in cross-currency basis swap rates for US dollars, euros and yen into Australian dollars – to lows not seen since the financial crisis (see chart). A clear example is the three-month LIBOR to three-month bank bills (BBSW) basis swap over three-year duration, which tightened by around 20 basis points compared with the average level during January 2020.

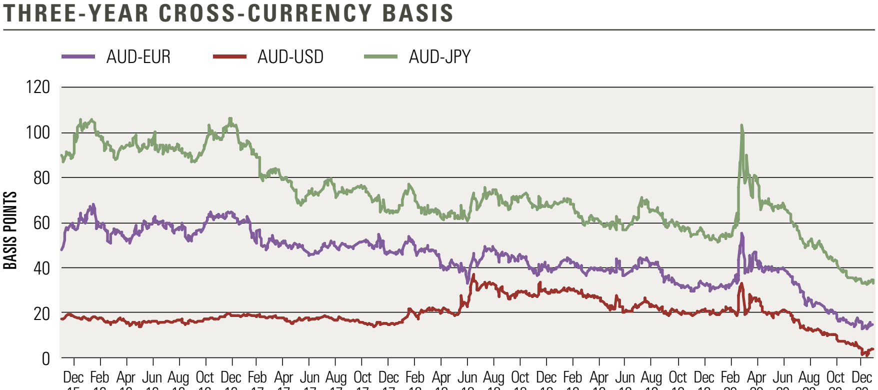
Natixis believes these levels are likely to persist in 2021. This will create opportunities for new and established issuers of foreign-currency notes, despite COVID-19-related impediments to travel.

In this environment, first-time issuers will still benefit from the basis-swap tightening as these savings offset the initial costs of building out a more diversified funding programme, which would be expected to abate with continued issuance. Established issuers will reap the benefits of the infrastructure and relationships already in place.

Non-Australian dollar tranches allow issuers to engage offshore investors that might not have an Australian dollar mandate or enlarge the wallet share of existing investors that can play additively across multiple currencies.

By employing a non-Australian dollar strategy, issuers can diversify their investor base across currency markets and simultaneously reduce the supply of Australian dollar paper in each transaction. Both factors could lead to enhanced pricing outcomes when they issue Australian dollar securities.

THREE-YEAR CROSS-CURRENCY BASIS



Reference rates used are three-month BBSW, three-month EURIBOR, three-month USD LIBOR and three-month JPY LIBOR.

SOURCE: BLOOMBERG, NATIXIS 5 JANUARY 2021

THE OFFSHORE SCENE

Since the financial crisis, foreign-currency primary issuance by Australian entities has overwhelmingly been in US dollar format, with total volume of approximately US$9.9 billion. Euro issuance has totalled around €775 million (US$941.6 million), yen around ¥97 billion (US$931.2 million) and sterling approximately £277 million (US$374.7 million).

Programmatic issuers have been responsible for the bulk of the nonbank foreign-currency issuance. Only a small portion of non-Australian dollar issuance to date appears to have been opportunistic.

In 2020, COVID-19-related disruption saw issuers focus on the domestic market. Australian securitisers between them brought just one US dollar transaction to market for only a fraction of the typical volume in the currency. However, despite the challenging environment in 2020, the market has shown signs of innovation including yen tranches in transactions issued by Liberty Financial, Firstmac and Resimac.

The pace of growth in the nonbank residential-mortgage loan sector naturally places a greater emphasis on lenders' ability to source term funding. With the primary market experiencing compression in senior triple-A margins, to almost pre-COVID-19 levels, current supply-demand dynamics are positive for nonbank issuers. These are being driven further by a lack of major-bank issuance and the relative value of the securitisation asset class.

Issuers should consider developing their non-Australian dollar denominated

strategies over the near and medium term, with the aim of further diversifying their funding platforms.

STRUCTURING AND STRATEGY

Foreign-currency tranches issued by nonbank lenders have typically followed investor preferences in regard to repayment structures. US dollar notes have used bullet, scheduled amortisation or soft-bullet formats. Euro denominated issuance to date has been on a pass-through basis, while yen issuance has seen a mix of pass-through, scheduled-amortisation and longer weighted-average-life soft-bullet structures.

Note proceeds and prepayments to maturity in foreign-currency tranches are hedged via a structured cross-currency swap. Other than the cross-currency basis, the total swap cost factors in the expected duration of the swap period as well as the predictability of foreign-currency cash flows.

While repayment-management mechanisms employed in scheduled-amortisation and hard-bullet tranches increase the predictability of future cash flows and potentially reduce the cost of the cross-currency hedge, they have a direct incremental cost impact on the structure. Such an approach might also entail employing two funders' balance sheets – thus eating up funding capacity.

Where investor appetite allows, a balance-guaranteed swap with one counterparty taking the full prepayment risk, which hedges full pass-through risk, is likely to be a more efficient solution.

Foreign-currency issuance into offshore markets is best undertaken as part of a committed diversification strategy, as foreign-currency investors typically expect a commitment to the currency programme. Repeat issuance should also see compression in the new-issue concession, allowing for a pricing curve to be established, and will see economies of scale extracted from the upfront resource commitment and costs.

Building a stock of bonds in the target currency will also bring in further investors and facilitate liquidity in secondary trading – especially in markets where investors tend to have a buy-to-hold mindset.

COST ECONOMICS

In a lower-for-longer environment – where core-asset returns have seen compression driven by a continuation and, in some cases, broadening of central-bank purchase programmes – global investors continue to search for risk-reward relativities. The Australian pandemic experience, considering the level of infections but also the commitment and ability of government to "bridge" the economy to a post-vaccination paradigm, also helps underscore the relative stability of Australian RMBS as an investment class.

In 2020, offshore investors entered the market across the senior and junior sectors. This sentiment should support issuers seeking to build out a non-Australian dollar profile.

Over the second half of 2020, a number of cross-currency basis-swap markets materially shifted in favour of issuers seeking to swap foreign currencies back to Australian dollars.

In early April, as a global US dollar liquidity shortage unfolded, Australia's structural characteristics, including its very high dependence on foreign funding intermediated by banks, saw the Australian dollar-US dollar basis-swap market widen significantly. By July, the same benchmark had moderated with similar trajectories in the euro and yen basis-swap markets. By December, basis-swap markets were at lows not seen since the 2008 financial crisis.

Compression in the cross-currency basis-swap market across a number of currencies, while affected by flow patterns, is mainly attributable to improved global risk appetite driven by easing pandemic risk and the scale of fiscal and monetary stimuli deployed globally and domestically.

A surge in deposit balances as well as interventions, such as the Reserve Bank of Australia's term funding facility and US dollar swap line with the US Federal Reserve introduced in March, have influenced issuance by Australian banks. Prior to COVID-19, offshore funding accounted for approximately one-third of major-bank assets.

The relatively positive reaction of the Australian economy to policy stimulus is also contributing to the improved sentiment while, at the same time, the attractiveness of investing in Australian bonds has also increased among Japanese investors.

On the back of decade-long low returns from domestic assets, Japanese life insurers and banks have been actively searching for higher yields in the global market. With the yield on Australian government bonds in line with or above US Treasuries since late March, the net purchase of Australian sovereign bonds by Japanese investors rose to its highest-ever level in May. Due to structurally low yield in Japan, positive inflow to the Australian market should continue.

The opportunity for Australian issuers to add resilience to their funding platforms via diversification is considerable in 2021, as the themes driving the environment of historically low cross-currency basis-swap rates are likely to persist into the first half of the year and potentially beyond.

Issuers with established foreign-currency profiles should be able to leverage the infrastructure already in place to take advantage of the market environment, enabling them to deliver compelling returns to offshore investors that have supported them over time. They may also improve their overall funding costs to levels that could compete with those achievable in Australian dollars.

Issuers that have not yet put in place a foreign-currency strategy may also find it compelling to leverage the tighter basis-swap market and offset some of the new-issue concession and upfront costs of setting up inaugural deals. In doing so, they could further diversify their investor base and build out an issuance curve, which should compress over time as they return to those markets. ■

FitchRatings

COPUBLISHED COLUMN

FITCH WATCHING ARREARS IN 2021

The pages of history will record 2020 as the year of the pandemic – a year of uncertainty. Australia closed internal and external borders and enforced lockdown measures for the first time since World War II, leading the country into its first recession in 30 years. With the page now turning on 2020, ***Natasha Vojvodic*** *senior director and head of Australian and New Zealand structured finance at* ***Fitch Ratings*** *in Sydney, looks toward 2021.*

To counter the economic impact of the pandemic and related lockdowns, the federal government implemented an unprecedented stimulus package totalling A$251 billion (US$193.3 billion). State governments have added their own substantial stimulus measures.

The Reserve Bank of Australia moved into unprecedented monetary policy territory by reducing the cash rate to 0.1 per cent and providing its term funding facility to authorised deposit-taking institutions. Nonbanks were assisted with the Structured Finance Support Fund and a forbearance special purpose vehicle from the Australian Office of Financial Management.

Lenders also came to the party by extending payment deferral terms to borrowers affected by the pandemic. This led to questions as to whether Australia would reach a mortgage-payment deferral cliff once the various support measures started unwinding.

Payment deferrals for Fitch-rated, conforming term residential mortgage-backed securities (RMBS) transactions peaked at 8 per cent in June 2020 (see chart), but it remains unclear what proportion of these borrowers were in genuine hardship. Most lenders did not perform borrower credit assessments at the original payment-deferral application, so the data also capture borrowers that did not experience a loss of income but opted to take a payment deferral as an insurance policy against potential future loss of income.

In July, the Australian Prudential Regulation Authority extended capital treatment and, consequently, payment deferrals to March 2021, with a maximum total payment-deferral term of 10 months. The extension, or the granting of new payment-deferral terms, is subject to lenders "undertaking an appropriate credit assessment".

We therefore believe deferral data from October 2020 – when the original six-month deferrals expired and which include the credit-assessment requirement – is a superior indicator of pandemic-related loan performance.

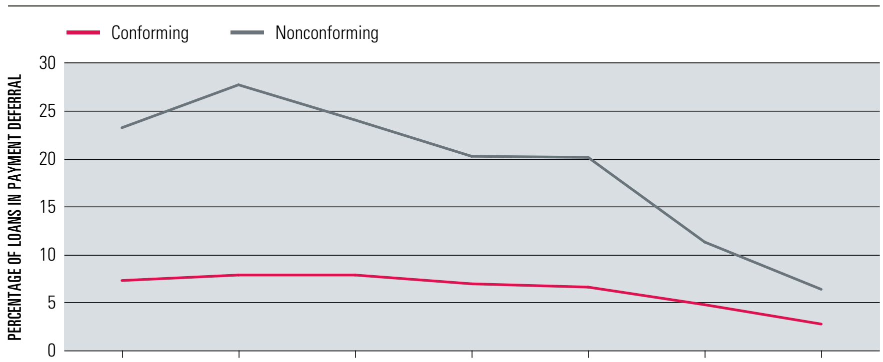
Payment deferrals by value for Fitch-rated conforming term transactions decreased to 3 per cent in October. Nonconforming lenders, which have a higher proportion of SME borrowers, have consistently reported higher payment-deferral numbers, with Fitch-rated, nonconforming term RMBS transactions reporting 6 per cent of loans by value in payment deferral in October.

We expect outstanding payment deferrals to continue to decline – subject to any further lockdowns – albeit at a slower pace, as the original payment-deferral loans roll off and subsequent loans return to performing status. We also forecast that many loans with an outstanding payment deferral at the March 2021 deferral expiry date will default throughout 2021 and 2022.

Loans in payment deferral are not recorded as being in arrears. As such, we expect the payment-deferral expiry to elevate late-stage arrears to 1.5-2 per cent, from an average of 0.6 per cent in 2020. Arrears are likely to remain high in 2022. However, the conversion to default is likely to resemble a slope rather than a cliff as lenders are working with borrowers through the hardship process to ensure an orderly execution of defaults.

We expect default timing to vary based on each borrower's circumstances. Some will move through the default process rapidly at the end of the payment-deferral term while others will have their loans restructured and a portion will eventually progress through the default process in 2022.

PAYMENT DEFERRALS IN FITCH-RATED TERM RMBS TRANSACTIONS



SOURCE: FITCH RATINGS 21 DECEMBER 2020

This recession is driven by a pandemic and not an economic or financial crisis, as has been typical for previous recessions. The impact on unemployment is therefore unique.

Normally, unemployment affects individuals from a diverse range of industries, sectors and income levels. This pandemic-led recession has mostly disrupted customer-facing industries that are directly affected by the lockdown and social-distancing measures, namely tourism, hospitality and the arts.

These industries have a disproportionate number of casual and younger employees, who typically do not have a mortgage. As a result, we expect a weaker correlation between unemployment and mortgage performance than in previous recessions.

Higher unemployment is still affecting mortgage performance, as captured in payment-deferral reporting. We expect borrowers that progress from deferral to default to be overrepresented in the tourism, hospitality and arts sectors, especially SME borrowers. This is despite these sectors being underrepresented among mortgage holders in the general population.

We believe most borrowers experiencing mortgage-serviceability difficulties due to pandemic-related unemployment are captured in the payment-deferral figures and that a material portion will progress to default. We also expect a mild increase in late-stage arrears from borrowers not captured in the current payment-deferral or arrears figures due to continuously high unemployment.

Fitch forecasts the Australian unemployment rate to reach 6.5 per cent in 2021 and 6.2 per cent in 2022, up from the pre-pandemic level of 5.2 per cent in 2019.

HOUSING FORECAST MIXED

Fitch forecasts national house prices to increase by 3-5 per cent in 2021, buoyed by record-low interest rates, a low supply of housing stock and government incentives for housing. This will be balanced by continued border closures, higher unemployment and tapering of government-support measures.

Australia's low mortgage rates increase borrowers' purchasing power through a lower mortgage-assessment rate for new purchases. Existing borrowers also benefit from lower servicing costs and, when combined with the increased savings rate in 2020, may be in a financial position to bring forward their next purchase. This will add to housing demand in 2021. We also expect government incentives for housing, including grants and reduced stamp duty, to support demand.

However, we envisage that housing stock available for sale, which plunged in 2020, will remain below historical levels in 2021 and will absorb the expected rise in foreclosed properties. This, combined with increased demand, is likely to place upward pressure on house prices in 2021, although we do not expect demand to outstrip supply in all property markets.

Australia's international border will remain closed for the foreseeable future and this will provide sustained downward pressure on properties that historically housed newly arrived immigrants, international travellers and students. Inner-city, high-density apartments in Sydney, Melbourne and, to a lesser extent, Brisbane, are the most exposed and are expected to underperform in 2021.

Border closures have shifted the leasing of such apartments away from short-term, Airbnb-style rentals that cater for international tourists toward a longer-term rental market that targets residents. Simultaneously, rental demand from residents has weakened as renters capitalise on increased labour mobility to leave inner-city apartments upon lease expiry in favour of suburbs and regional areas within commuting distance to work.

This has led to high vacancy rates, lower rental yield and, consequently, downward pricing pressure. We expect rental yield for this property stock to stay subdued while border restrictions remain in place. Furthermore, the disproportionate job losses among young people employed in tourism, hospitality and the arts are also likely to pressure rental markets.

On the other hand, increased labour mobility has been a boon for regional Australia. The prospect of long-term work-from-home arrangements for white-collar workers has eased the distance-to-work constraint when selecting property and thus boosted demand in regional property markets in 2020.

We expect this to continue into 2021, with regional towns and second-tier cities with established transport corridors to Sydney or Melbourne to benefit most from increased labour mobility and domestic tourism.

FITCH'S FORECAST

Fitch's forecasts for 2021 assume sporadic, localised COVID-19 outbreaks that lead to short-term social-distancing restrictions, lockdowns and state-border closures until the outbreaks are contained, as occurred in New South Wales and Victoria in late 2020. This risk will remain until a wide-scale roll out of vaccines in the second half of 2021.

There is downside risk to our forecasts should Australia be subject to a nationwide outbreak that leads to social-distancing and lockdown measures, as seen in the country's first and second waves. Alternatively, should Australia experience limited pandemic disruption in 2021, house prices and mortgage performance could be stronger than we expect, buoyed by the low interest-rate environment.

Although we expect weakened mortgage performance in 2021 to result in higher mortgage arrears and losses, we maintain a stable outlook on our RMBS ratings. All Fitch-rated transactions can withstand our additional-stress scenario analysis, which incorporates our expectation of a deterioration in mortgage performance. This supports the stable outlook. ■

COPUBLISHED Q+A

J.P.Morgan

AUSTRALIAN ISSUANCE THROUGH THE LOOKING GLASS

*Australian residential mortgage-backed securities (RMBS) issuance recovered strongly in the second half of 2020 after being in the initial eye of the COVID-19 storm. By the end of the year, nonbank borrowers were even re-engaging with offshore-currency issuance. **J.P. Morgan**'s Sydney-based executive director, securitised products group, **Stephen Magan**, discusses the trends that shaped the market.*

How do you assess Australian deal activity in 2020, especially in the early stages of COVID-19?

Australian RMBS performed well through a challenging period in 2020. Looking at the macro backdrop, house prices remained relatively stable and unemployment was at 6.8 per cent versus forecasts in April of 8-10 per cent.

J.P. Morgan had forecast unemployment to peak at 7.5 per cent by Q1 2021, broadly in line with the Reserve Bank of Australia (RBA) forecast. The lower level of unemployment is primarily due to the spread of COVID-19 being largely under control in Australia.

Moving on to primary deal flow, we saw limited activity at the height of the COVID-19 uncertainty period from late March through to June. However, from then to the end of December we have seen a significant rebound in issuance volume as borrower confidence in demand increases and investors continue to have robust interest in the asset class.

J.P. Morgan worked on some transactions in the early stages of the COVID-19 pandemic, most notably the Firstmac 1-2020 transaction priced at the end of March. While these transactions were challenging to place to investors, they were ultimately successful.

One of the factors that assisted issuers during the height of the COVID-19 pandemic was the AOFM [Australian Office of Financial Management]'s Structured Finance Support Fund, which offered support in primary and secondary markets. Fortunately, this intervention was only required for around three months – until we saw the re-emergence of strong investor interest from around late June.

What kind of demand are you seeing in Australian securitised product at present and is there a difference in demand for prime and nonconforming assets?

There has been less Australian bank participation in some of the more recent transactions we have seen. This is likely to be at least partially due to the rollback of the RBA's committed liquidity facility, for which Australian RMBS is eligible collateral.

At the same time, we have also seen a material increase in the amount of demand from offshore investors into Australian RMBS – due to two factors. First, the absolute spread on offer remains relatively robust, particularly for nonbank RMBS as these come at a significant premium to where we would see bank RMBS deals pricing.

The second factor is movement in cross-currency basis-swap spreads, which means – for the many offshore investors that hedge back to local currencies – the equivalent landed spread is substantially higher than it was previously.

Demand for nonconforming RMBS has also remained robust. This is supported by the fact that the nonconforming asset class still offers a significant spread pickup, of 10-50 basis points for the senior notes depending on the transaction, while also offering a significant buffer for credit enhancement on senior triple-A notes.

Credit enhancement is 25-30 per cent in most nonconforming RMBS versus requirements typically ranging from 8-12 per cent. This tends to look relatively attractive for investors on a risk-return basis.

Do you expect to see more Australian issuers targeting US dollar issuance? What about other currencies?

Cross-currency basis-swap costs have been steadily dropping and have been at decade-low levels in many cases, which lowers the landed cost of borrowing in other currencies for Australian issuers. It is likely that we will see more borrowers targeting US dollar issuance in either or both Reg S and 144A format. We saw the Resimac 2020-1 transaction pricing at a competitive landed cost at the end of September, for instance.

In other currencies. the recent yen issuance from Firstmac is likely to be the start of a lot more issuance in this currency – especially since we know a lot of Japanese investors have appetite for Australian RMBS. Equally, issuance in sterling and euros remains a viable option going forward.

How strong has offshore interest in Australian RMBS been recently and from where is it coming?

We can break down offshore interest into several categories. Within the 144A space, there is a substantial amount of appetite for Australian issuers offering US dollar tranches. This is a deep investor base in its own right.

J.P. Morgan was a joint lead manager and US dollar arranger on the Resimac 2020-1 deal. This transaction was very successful and should pave the way for other issuers looking to expand into this market in the months and years to come.

"Cross-currency basis-swap costs have been steadily dropping and were at decade-low levels in many cases, which lowers the landed cost of borrowing in other currencies for Australian issuers. It is likely that we will see more issuers targeting US dollar issuance in either or both Reg S and 144A format."

Separately, we have seen significant interest from Japanese investors, primarily banks. While this theme is not a new one, the level of participation in 2020 has been very healthy and we expect Japanese interest to increase as more issuers consider yen-denominated tranches in the future.

Away from Japan, we have also seen some interest from other parts of Asia including Singapore and Hong Kong, while European investors also remain active participants in Australian RMBS. Once again, while this trend is not new we have seen a lot more demand from European accounts in recent months.

How did issuance and demand break down between bank and nonbank issuance in 2020 and what were the drivers?

It was the year of the nonbanks. We saw hardly any Australian bank RMBS issuance in 2020 as these issuers have generally been beneficiaries of higher deposits, due to the increase in saving rate that has resulted from COVID-19.

In addition, the RBA's term funding facility has offered Australian ADIs [authorised deposit-taking institutions] the ability to access three-year funding from the RBA at a rate of 0.1 per cent, so there was very little incentive for banks to issue RMBS in 2020. Nonbank lenders, by contrast, have increased volume substantially over the course of the last three years and these entities have remained frequent issuers in the RMBS market.

What trends have you identified when it comes to COVID-19-related mortgage deferrals and delinquencies in Australia?

Looking at the APRA [Australian Prudential Regulation Authority] statistics, around 10 per cent of ADI-originated loans were granted payment deferrals, with the majority of these deferrals coming in May. This dropped to 3.3 per cent by the end of October.

We expected the percentage of deferrals to drop significantly in October and November because most deferrals that were granted in April and May were for a period of six months. We will likely see a further decline in the percentage of deferrals, to manageable levels, for both the banks and nonbanks.

The amount of outstanding COVID-19-affected borrowers has dropped substantially, largely thanks to government fiscal measures and the reopening of the Australian economy.

How have Australian house prices performed during the pandemic era so far? How has the story evolved later in 2020 and what is the forecast for 2021?

Australian house prices have remained relatively stable, with only a small drop in national house prices seen since March 2020. This is a good result given the significant drop in GDP and the increase in unemployment during this period.

More recently, we have started to see house prices rebound into positive territory. This is partly driven by lower mortgage rates but arguably the 'work-from-home' factor is playing a large part here too. Many homeowners are looking to upgrade due to the increased amount of time they expect to spend at home compared with the workplace.

J.P. Morgan anticipates some potential for further moderate growth, in the range 3-5 per cent in 2021, with regional areas improving more than metro areas due to a continued focus on working from home. ■

FOR MORE INFORMATION PLEASE CONTACT:

Stephen Magan
Executive Director,
Securitised Products Group
J.P. Morgan Australia and New Zealand
+61 2 9003 8362
stephen.s.magan@jpmorgan.com

MAYER | BROWN

IMPLICATIONS OF THE 2020 US ELECTION FOR STRUCTURED FINANCE

After a tumultuous year in US politics, the implications of the 2020 presidential election for structured finance are coming into focus. US economic and regulatory policy is set to shift following the election of former vice president, Joe Biden, as the next president – according to ***Mayer Brown*** *partners,* ***Amanda Baker***, ***Andrew Olmem*** *and* ***Jon Van Gorp***.

The Biden administration is expected to bring a more favourable view toward regulation of US financial markets. Where Donald Trump's administration sought to curtail what it saw as the excesses of the *Dodd-Frank Act* and other post-2008 financial crisis reforms, the Biden administration has indicated it will seek to expand on the regulatory framework established by Dodd-Frank.

Although the significance and extent of the policy shift are yet to be seen, it is clear US financial regulatory policy will be redirected by the election results.

The selection of former Federal Reserve board chair, Janet Yellen, as Biden's nominee for treasury secretary reinforces the view that financial-services policy will reflect a resumption of the Barack Obama government's approach to financial regulation.

As Fed chair, Yellen strongly supported Dodd-Frank and vigorously implemented its provisions. She has also been an outspoken opponent of many of the Trump administration's actions to ease the regulatory burden. In particular, she has stated that the Financial Stability Oversight Council (FSOC), the body of regulators charged by the Dodd-Frank Act with monitoring systemic risk, needs to be reinvigorated.

The FSOC has authority to designate nonbank firms located in the US for regulation by the Fed as well as to make recommendations to other financial regulators on where regulation needs to be enhanced. The FSOC is chaired by the treasury secretary, providing Yellen with the authority to direct its agenda going forward.

Given both the Fed and the Securities and Exchange Commission (SEC) have recently identified the reliance on short-term funding by US nonbank mortgage-finance companies as a destabilising factor during the COVID-19 economic shock, it is likely Yellen will direct the FSOC to consider the need for new prudential regulations for US nonbank mortgage lenders and servicers.

"OF PARTICULAR INTEREST TO STRUCTURED-FINANCE MARKETS IS WHETHER THE BIDEN ADMINISTRATION WILL SEEK TO ROLL BACK RECENT REFORMS AIMED AT STRENGTHENING US CAPITAL MARKETS, INCLUDING REFORMS OF THE VOLCKER RULE AND NEW "TRUE LENDER" OR "VALID WHEN MADE" RULES DESIGNED TO FACILITATE THE TRANSFER OF CONSUMER LOANS IN THE SECONDARY MARKET."

Of particular interest to structured-finance markets is whether the Biden administration will seek to roll back recent reforms aimed at strengthening US capital markets, including reforms of the Volcker rule and new "true lender" or "valid when made" rules designed to facilitate the transfer of consumer loans in the secondary market.

Under the Biden administration, the Consumer Financial Protection Agency could also impose additional regulations on consumer lending, especially with respect to private student loans. President Biden has signalled his support for addressing the rising level of student-loan debt owed by Americans.

The Biden administration has not yet indicated how, or indeed whether, it intends to address the decade-long conservatorship of government-sponsored enterprises (GSEs) such as Fannie Mae and Freddie Mac. The Trump administration had sought to return these mortgage-securitisation companies to private ownership.

The uncertainty around the future of the GSEs is heightened by an ongoing lawsuit that was recently heard by the US Supreme Court. The court has to decide both whether the director of the Federal Housing Finance Authority, which is the regulator of the GSEs, can be removed by the president at will, and whether the contractual terms of federal-government financial support for the GSEs, whereby the federal government receives all of the earnings of the companies, are valid.

A decision in the case is expected by June and, depending on how the court rules, it could prompt the Biden administration to undertake reform of the GSEs.

MAYER | BROWN

IN THE BALANCE

Control of the US Senate rested on two special elections in early January for Senate seats in the state of Georgia. Having won both these run-off contests, Democrats now control the Senate – although only because of vice president Kamala Harris's tie-breaking vote. As such, Congress will likely be very active in 2021 as Democrats may seek to use their narrow majority in the House of Representatives and control of the Senate to pass a wide range of legislation. This potentially includes efforts to reverse the Trump administration's tax cuts as well as new environmental legislation.

If Republicans had won one or both of the two Georgia Senate seats they would have continued to control the Senate and thus limit the scope of legislation that could secure passage. Either way, Congress was set to pass significant infrastructure legislation in the next year as there is bipartisan support for improvement in this area.

If such legislation is passed, it will likely include funding for renewable-energy initiatives including solar-energy adoption and research. This would spur loan-backed asset-backed securities (ABS) issuance in the US.

With respect to fiscal policy, the structured-finance market can expect that the Biden administration and Congress will continue to combat the impact of COVID-19 from a health and economic perspective with additional regulatory and spending measures.

Congress and financial regulators will likely continue to assess the need for mortgage-foreclosure moratoriums, and mortgage and student-loan forbearance programmes. Meanwhile, Congress and the Biden administration will weigh whether and how much additional economic stimulus is needed.

Both determinations will likely depend on future data on the pandemic's infection rate and the condition of the US economy. In addition, despite the US's debt-to-GDP ratio reaching a level not seen since World War II, interest rates remain low as the Fed has signaled its determination to support the economy until it recovers from the COVID-19 shock.

Although some concerns have been raised about US debt levels, the US government is unlikely to modify its accommodative fiscal policy until the economy has recovered more fully.

"WHILE THE EXPECTED INCREASED FOCUS ON CONSUMER REGULATORY PROTECTIONS FOR US CONSUMERS UNDER A BIDEN ADMINISTRATION WILL NOT EXTEND TO AUSTRALIAN CONSUMERS AND THEIR FINANCIAL OBLIGATIONS, A GENERAL FOCUS ON PROTECTING CONSUMERS FROM UNSAVOURY, UNFAIR, DECEPTIVE AND ABUSIVE PRODUCTS WILL LIKELY BE A GLOBAL REGULATORY PHENOMENON."

AUSTRALIAN CONSEQUENCES

There is always uncertainty when a new administration comes into office but, unlike the change of administration from president Bush to president Obama, structured finance is much less of a policy focus now than it was on the heels of the global financial crisis – when US subprime mortgage lending was targeted as the root cause of severe economic fallout.

This focus on regulating structured finance had a global impact. Many of the new US regulations affected Australian structured-finance issuance into the US via regulation of Australian issuers and US investors.

The expected impact of the Biden administration on the Australian structured-finance market will be more indirect. The incoming government's policies are unlikely to alter, in the near term, the global economic forces that have driven interest rates to a record low in the US and that have increased the demand for structured-finance securities more generally – as fixed-income investors hunt for yield not available from purchases of government-issued securities.

This increased demand should be favourable for Australian residential mortgage-backed securities (RMBS), which are among the best-performing ABS in the world.

While we do not anticipate credit-risk retention going away in the US, or anywhere globally for that matter, the incoming Biden administration has given no indication that it supports further expansion of these rules in the US.

Finally, while the expected increased focus on consumer regulatory protection for US consumers under a Biden administration will not extend to Australian consumers and their financial obligations, a general focus on protecting consumers from unsavoury, unfair, deceptive and abusive products will likely be a global regulatory phenomenon, especially as the evolution of financial technology rapidly develops the ways in which consumers qualify for loans and borrow money.

We live in a small world in many ways, particularly among developed countries with sophisticated financial markets. While the impact of the Biden administration on global financial markets could be more muted than past changes of administration in the US, the impact will be felt and noticed. As a result, Australian RMBS and ABS issuers and investors should keep a close eye on the development of new regulation and policy in the US. ■

FOR MORE INFORMATION PLEASE CONTACT:

Amanda Baker Partner
amanda.baker@mayerbrown.com
+1 212 506 2544

Andrew Olmem Partner
aolmem@mayerbrown.com
+1 202 263 3006

Jon Van Gorp Partner
jvangorp@mayerbrown.com
+1 312 701 7091

COPUBLISHED Q+A

NEXT GENERATION

Promoting new talent and industry diversity are among the key goals of the Australian Securitisation Forum. ***Terence Law****, vice president, asset-backed securitisation at* ***Deutsche Bank*** *in Sydney, discusses his industry experiences.*

How did you come to work in the securitisation industry, how long have you been doing it for and what has kept you interested in working in the sector?
I have been with Deutsche Bank in the asset-backed securitisation team for nearly three years, focusing on residential mortgage-backed securities. Prior to this, I had been working in Deutsche Bank's corporate-finance division for three years, covering financial institutions.

I moved into this industry as a natural crossover from my previous role in corporate finance. During my time there, I was involved in various M&A and capital-market transactions for a range of financial institutions including banks and nonbanks, and as a result had exposure to the asset-backed financing team. What attracted me to the industry is the crucial role it plays for many companies in the financial sector, particularly the nonbanks and fintechs.

What I find interesting about the industry is the amount of growth and activity we have seen over the past few years, driven by a raft of new entrants and technological change. It also helps that Deutsche Bank has a unique offering across asset-backed financing and financial advisory, and a global distribution platform that offers our clients a holistic solution as well as providing me with ample opportunities to broaden my experience.

Securitisation suffered fairly significant reputational damage in the wake of the financial crisis. How important is it for the industry to attract and retain young talent in light of this?
Despite popular culture films having a mainstream impact on the perception of the industry, Australia has been fortunate to have had a more limited fallout from the financial crisis.

Securitisation is an often-misunderstood industry due to its perceived complexity. What many newcomers do not appreciate is the importance of this funding source for much of consumer credit.

Securitisation also provides numerous and varied career opportunities across a range of financial institutions offering products that many young people in the industry can relate to. With the growing number of new players, I believe this can be a point of differentiation for the sector to attract and retain young talent.

A lot of securitisation market participants have said they addressed the COVID-19 crisis by thinking back to the 2008 financial crisis. As someone who came to the industry after the end of that crisis, how did you go about assessing and dealing with this current one?
While there are some parallels between the financial crisis and the recent COVID-19 crisis, there are also a number of differences. Some of these stem from the changes made following the 2008 financial crisis, such as improved lending practices and asset quality, as well as the immediate deployment of fiscal, monetary and regulatory support.

I am fortunate to be part of a team that includes people who came to the industry before, during and after the financial crisis. Our assessment of the COVID-19 situation was therefore informed but not dictated by the lessons of 2008.

Performance during COVID-19 has been dependent not only on the successful control of the pandemic across Australia but also on the collective response of the government, regulators and each respective issuer. Combined with the differing level of exposure to specific industries or geographies, it became increasingly apparent that this led to performance discrepancies between issuers and portfolios. Our approach was not a uniform or blanket one and, clichéd as it may sound, we

"It will be interesting to observe how competitive dynamics within the nonbank industry will evolve over the next couple of years as competitive pricing pressures in the sector grow. The impact of the RBA's term funding facility and its ultra-low funding rates for qualifying banks is likely to place increased pressure on net interest margins for the nonbanks."

assessed each of our exposures on a case-by-case basis.

Have you spent much time with investors, particularly those in offshore jurisdictions like the US, explaining how the unique support mechanisms Australia has put in place work?

Australia's experience with the pandemic, and therefore the corresponding support schemes, differed in comparison with larger markets such as the US and UK. Locally, we have seen the re-launch of direct assistance to the securitisation sector via the AOFM [Australian Office of Financial Management] as well as more than A$500 billion (US$385.1 billion) in fiscal- and monetary-policy assistance across a multitude of sectors.

Consequently, offshore investors have had to invest considerable time in understanding the support mechanisms and the issues experienced in response to the pandemic.

Fortunately, the low number of COVID-19 cases in Australia relative to offshore jurisdictions has limited the financial impact on the economy and provided a powerful contrast for investors seeking securitised products with a sound risk-reward balance compared with offshore markets.

One feature of the 2020 issuance calendar was the number of transactions launched in Q4, as the low number of COVID-19 cases, conducive market conditions and strong investor demand supported a sharp rally in the primary market. This also had the benefit of allowing issuers to demonstrate the effectiveness of support mechanisms via stable performance, declining hardship numbers and broadly positive macroeconomic data.

In my role more specifically, we have also spent considerable time with offshore investors – who understandably have a keen interest in the support mechanisms put in place in response to the pandemic. I think the scale of support has validated the Australian government's commitment to maintaining a healthy financial system and a functioning securitisation market that was well received by investors offshore.

"I am fortunate to be part of a team that includes people who came to the industry before, during and after the financial crisis. Our assessment of the COVID-19 situation was therefore informed but not dictated by the lessons of 2008."

Do you have any observations on the industry's position at the end of the year? What trends do you expect to emerge within the industry?

To date, Australia has proved to be a resilient market throughout the pandemic with the securitisation industry demonstrating a particularly strong recovery. Clearly, stakeholders will remain watchful of the sector's performance as stimulus continues to roll off and issuers begin to revert to pre-COVID-19 credit settings.

It will be interesting to observe how competitive dynamics within the nonbank industry will evolve over the next couple of years as competitive pricing pressures in the sector grow. The impact of the Reserve Bank of Australia's term funding facility and its ultra-low funding rates for qualifying banks is likely to place increased pressure on net interest margins for the nonbanks and continue to limit bank issuance over 2021.

For well-managed and established issuers, the disruptive economic conditions of 2020 offered an opportunity to demonstrate their consistent performance through the cycle and an ability to respond quickly to shocks in the market to rating agencies and investors.

The pandemic also highlighted the importance of a modern digital offering and emphasised the need for issuers to maintain extensive and flexible datasets, demonstrated by investor expectations of data availability – such as loan-level hardship data – during the pandemic.

Finally, the emergence of fintechs, neobanks and specialist service providers will, as always, be an interesting trend to watch in the coming years.

How well positioned is the Australian securitisation market for attracting and retaining young talent in the wake of the COVID-19 crisis compared with after the 2008 financial crisis?

The success of the government's fiscal and monetary response to the pandemic has dampened many of the previously expected negative outcomes for the sector. In particular, measures such as the AOFM's support of the industry during the peak of the crisis has reiterated its importance within the financial system and demonstrated the strength of industry bodies.

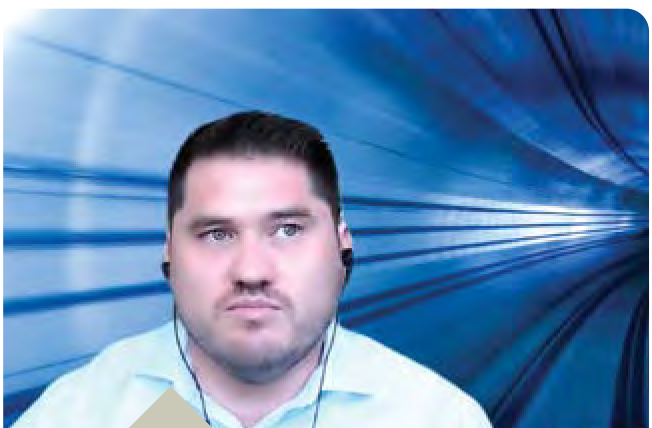
"The success of the government's fiscal and monetary response to the pandemic has dampened many of the previously expected negative outcomes for the sector. I think this leaves the industry well positioned to attract and retain young talent in the coming years."

I think this leaves the industry well positioned to attract and retain young talent in the coming years. Undoubtedly, those interested in joining the sector will ask how the industry responded to COVID-19 and I think securitisation's role in supporting the Australian economy's recovery is a significant counterbalance when compared with the 2008 financial crisis. ■

EVENT REPORT

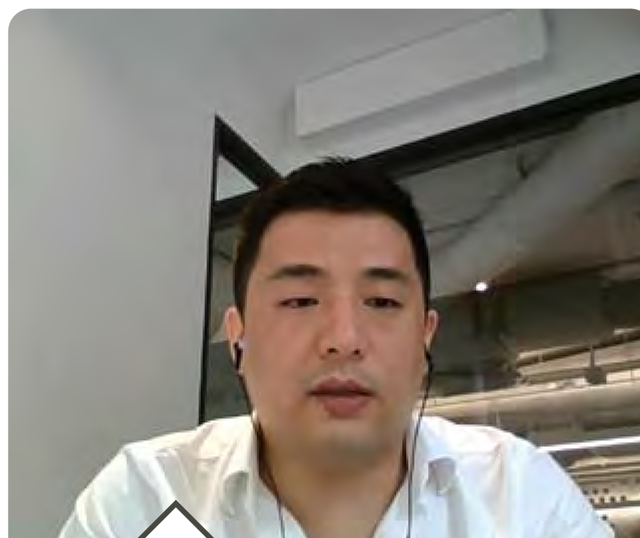
SECURITISATION INDUSTRY FACES FORWARD — PART TWO

Continuing coverage of the Australian Securitisation Forum Virtual Symposium 2020.



MATTHEW O'SULLIVAN M&G INVESTMENTS

We have seen stability in delinquencies and a move away from hardship in Australian securitisation, where the collateral performance has been strong. However, relative value is a challenge because, with the Australian market's strength and support measures, the price recovery has been sharp compared with other asset classes.



TONY SIU FWD INSURANCE

We found the market reaction to be too strong, both at the start of the crisis when the world was about to end and now when there is a lot of optimism based on vaccine hopes.

STEPHEN MAGAN J.P. MORGAN

The local housing market is rebounding at the vanguard of a wider economic recovery in Australia, while local outcomes on the virus itself have also been good. This makes for a good credit story in absolute terms and relative to offshore product.

FRASER WILSON BNZ

The New Zealand nonbank lenders we have been dealing with had strong origination levels prior to COVID-19. These took a hit during lockdown but have come back strongly since. There has been a lot of transaction enquiry across asset classes such as personal loans, SME lending and buy-now, pay-later securities. This bodes well for 2021 and beyond.

CHRISTOPHER KENT RESERVE BANK OF AUSTRALIA

Institutions that continue using LIBOR beyond the end of 2021 face significant legal, operational and reputational risks. When LIBOR ends, any firms with contracts still referencing LIBOR – and without fallbacks in place – will face contractual disputes, litigation and frustration. There is potential for this to lead to a firm facing financial and operational disruptions.

JOHN CRUIKSHANK AUSTRALIAN SECURITIES EXCHANGE

One challenge we face is turning legacy data into digital format, where even the best systems can produce errors during the conversion process. If data is originated using distributed-ledger technology you are getting it in digital format from the outset and the likelihood of error is greatly minimised. At the same time, it allows for the channelling of information in a much shorter timeframe.

Australian Securitisation Forum

LEILA DONNACHY CHALLENGER

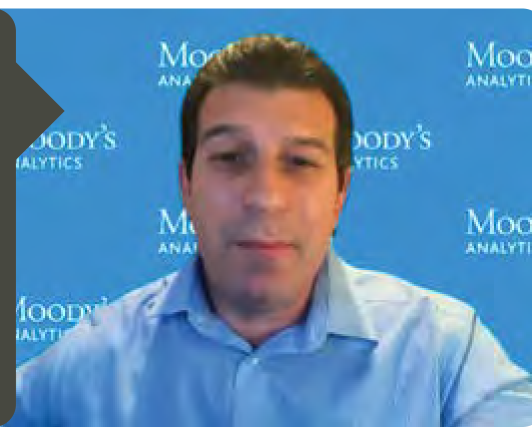
The RBNZ is delaying the start of its increased bank-capital requirements to July 2022, but the medium-to-long term direction is for rising cost of capital in the banking sector, which will make some types of lending unprofitable. This creates a real opportunity to disintermediate banks and for nonbanks to capture more market share.

ROB CAMILLERI REALM INVESTMENT HOUSE

We want to have a data advantage over our peers because, as a boutique-sized income manager, we knew we will always face questions about our resources. We can use technology and big data now to analyse a huge set of transactions and this allows us to spend more time using our skill set rather than scraping data.

MARC LEVINE MOODY'S ANALYTICS

For regulatory reasons, issuers across the world have been forced to provide more data on their securitisation transactions. This has helped with transparency in public markets but there are still challenges in private markets. These are not so much in providing data but more in consuming the data, due to the variability of form and format it is provided in.



SIMON O'CONNELL WESTPAC

There has been a change to the New Zealand domestic investor base. KiwiSaver funds have grown to the point where they are able to look beyond vanilla equities and corporate bonds, into securitisation. Several KiwiSaver accounts participated across the deals we saw in 2020.

DEEMPLE BUDHIA RUSSELL MCVEAGH

2019 was a bumper year for term securitisation in New Zealand. This new issuance environment coincided with an increase in the number of nonbank lenders in New Zealand. Market participants had predicted the growth in term securitisation would continue in 2020, but COVID-19 made the reality different.

DEBT CAPITAL MARKETS AND SECURITISATION SERVICES

WHY CHOOSE EQUITY TRUSTEES

Equity Trustees is Australia's leading specialist trustee company, with a growing business focused on debt capital markets and securitisation services. With 35 years of specialist experience in Australian and global markets, our key people bring together legal and finance industry expertise in debt capital markets/securitisation transactions, loan markets transactions and funds management.

SERVICES

Equity Trustees provides a full range of trustee services for banks, financiers, originators, lenders, borrowers, international investment managers and sponsors, for example:

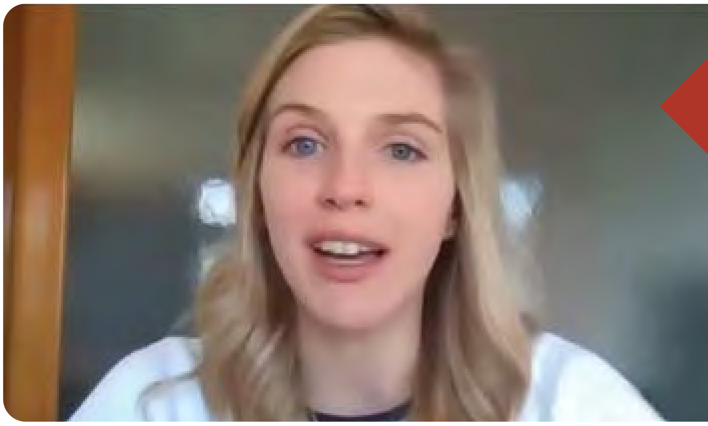
- Issuer and Security Trustee
- Backup servicer
- Document custodian
- Trust manager
- Note trustee
- Security trustee
- Issuing, calculation, paying agent and registrar

DEBT CAPITAL MARKETS & SECURITISATION TRANSACTIONS

An expert, independent trustee and agent in all types of DCM and securitisation transactions provides peace of mind to noteholders and relieves the issuer/sponsor of the administrative burden of communicating with noteholders. Furthermore, if there are events leading to a default, a specialised independent trustee will work through the process to ensure that the noteholders' best interests are protected and that any enforcement is carried out properly.

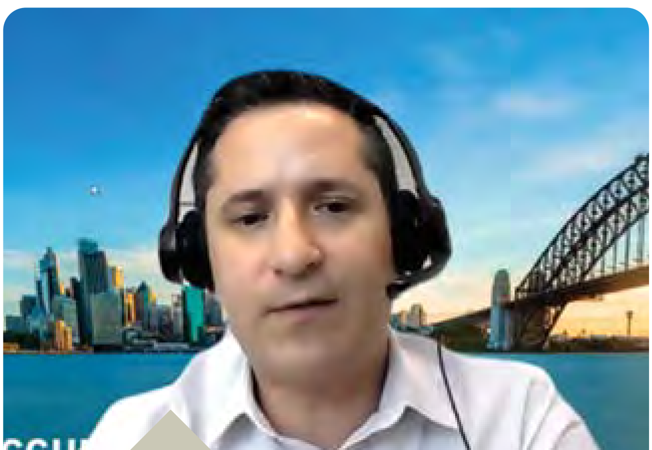
- Equity Trustees is an independent specialised fiduciary with more than 130 years' experience as a trustee
- Equity Trustees is not a financier and will not be conflicted when acting as an agent or trustee
- Equity Trustees' DCM & Securitisation team is based in Sydney
- Equity Trustees' parent company (EQT Holdings Limited) is listed on the ASX. The current Chair of the EQT Board is Carol Schwartz AO
- Equity Trustees has a well-resourced, onshore, efficient back and middle office infrastructure to administer trustee and agency roles.

For more information visit www.eqt.com.au and click on Corporate Trustee Services.



CLAUDIA KOLBE CREDABL

One of our main challenges is also one of our greatest strengths – which is the business's young age. We only have a few years of our own origination data, but the benefit is that we have been able to establish the business with a focus on data from day one.



JIM METAXAS TAO SOLUTIONS

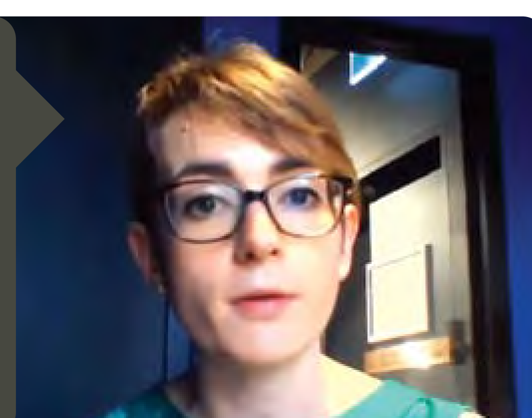
Technology allows transaction structuring and reporting flexibility, including the ability to use equivalent Excel-type formulae in waterfall modelling, eligibility criteria and portfolio parameters. Historically, restructuring deals was much more difficult and required much more specialist expertise.

GWENNETH O'SHEA AMP BANK

It has been five years since reporting with the RBA began. This standardised data allows for consistency among issuers and deals. In the current environment, the ability to report this data has improved the conversations we have with investors. I think it has brought a lot of calmness for investors because they know they can access the data and that it is standardised.

SARAH HUNTER BIS OXFORD ECONOMICS

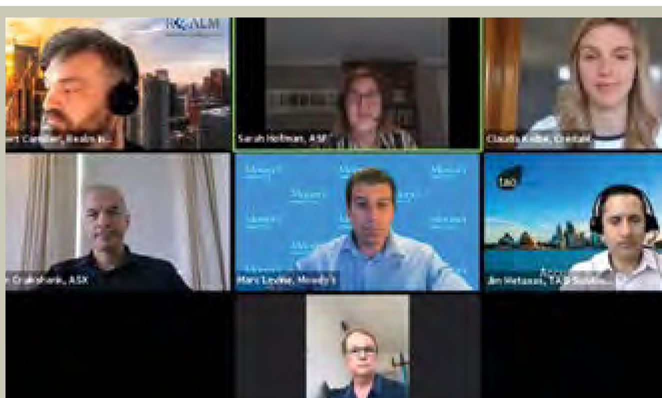
Health officials are making it very clear that having a vaccine that proves efficacious is only the first step. Production, transport and dissemination are now the biggest challenges, and it will take many months for developed-world countries to reach herd immunity. For this reason, our outlook maintains some level of economic restrictions until the second half of 2021.

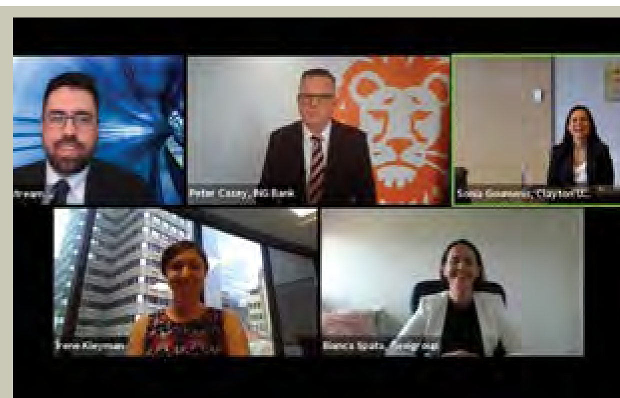


SHAUN ROACHE S&P GLOBAL RATINGS
Fiscal policy is shaping the way markets behave and how people are forecasting growth in ways it has not previously. We have been debating whether there will be a fiscal cliff in Australia in 2021 as support measures wind down.

SU-LIN ONG RBC CAPITAL MARKETS
We have seen the big central banks increase their asset-purchase programmes in response to renewed lockdowns in the UK, Europe and the US. This will weigh on the RBA and means it will need to keep the door open for more if needed. It expanded its QE purchases in November but is starting from well behind the eight ball.

DANIELLE WOOD GRATTAN INSTITUTE
Inflation is a big cyclical problem that was arguably there before the COVID-19 crisis too. There are demand issues and fiscal policy has a very important role, as do the forward expectations for fiscal policy. We are moving from a world where monetary policy was the main game in town to one where fiscal policy takes over.





STAR Bonds

powered by FLEXSTAR

CHANGING THE GAME...YET AGAIN

With more than 40 years of experience in originating premium quality assets for domestic and global RMBS investors, Flexstar's STARBond program is inherently attractive for short-term institutional investors, banks, and fund managers.

Our innovative approach and technology creates very high quality 100% LMI-insured Australian residential home loan mortgage assets, structured as traditional multi-tranched RMBS, but with just 9-12 months' maturities, providing an extremely impressive yield for short-term investment, including reverse enquiry programs to suit specific investor needs.

For all enquiries about Flexstar's innovative offerings, please contact:

Vernon Spencer | Executive Chairman
vernons@stargatefinancial.com

Scott Spencer | CEO
scott@wellhomeloans.com.au

Flexstar Mortgage Corporation Pty Ltd ABN 30 154 777 152 | Australian Credit Licence 430334

LUCA BERTALOT EUROPEAN MORTGAGE FOUNDATION

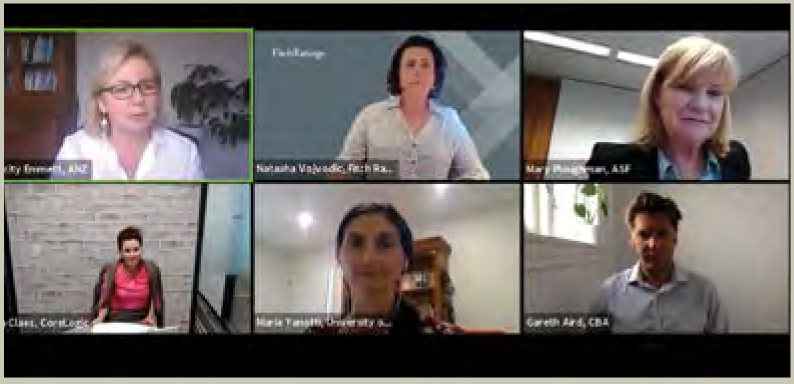
In Europe, 90 per cent of buildings were built before 2000, which means this stock needs to be retrofitted in the coming years. The European Commission has announced a "renovation wave", which has two purposes. First, for citizens in Europe to renovate their house and second to use green mortgages to support the labour market. For every €1 million of green mortgages, 18 new jobs are created in Europe.

DAVID JENKINS NATIONAL AUSTRALIA BANK

Theoretically a mortgage for an energy-efficient home should have a better risk profile, because the outgoing energy and electricity costs are lower than for a standard comparable house, mortgage serviceability is improved and consequently the probability of default improves. There is also data to suggest it is beneficial to property value, which should lead to lower loss given default.

GARETH AIRD COMMONWEALTH BANK OF AUSTRALIA

By March, if COVID-19 is not a concern and restrictions continue to be removed, the overall impact on the labour market could be negligible. The huge buffer of savings built up by households in 2020 could be drawn down and put the economy on an entrenched path to improvement with very little impact from the removal of JobKeeper.

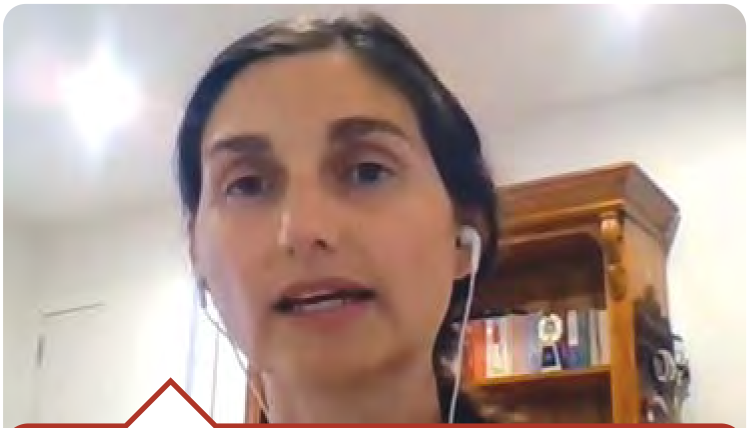


FELICITY EMMETT ANZ

There has been a lot of stimulus supporting housing and the economy more broadly, while fixed-rate mortgage costs have plummeted. There are still upside and downside risks, though. The upside revolves around better economic performance and vaccines improving sentiment. The downside would occur if the virus were to be resurgent in Australia, causing more lockdowns.

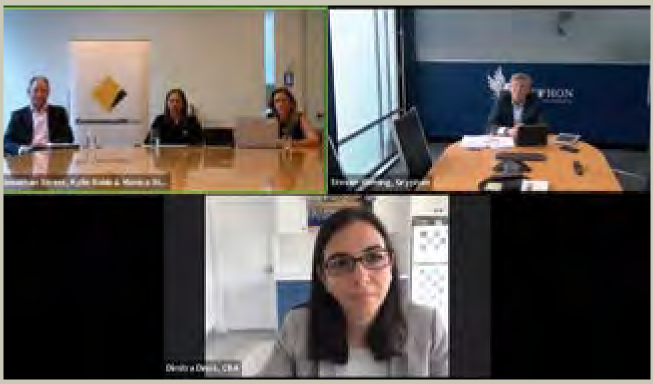
NATASHA VOJVODIC FITCH RATINGS

Higher household debt makes borrowers more sensitive to changes in interest rates, but this is likely a long way in the future. However, if prices become too misaligned with economic fundamentals it would represent spillover risk, particularly if migration has not returned.



MARIA YANOTTI UNIVERSITY OF TASMANIA

Housing demand before COVID-19 was driven by population growth, mainly fuelled by migrants and overseas buyers – and this flow has dried up. We are seeing a change in preference from domestic buyers, which may want higher-quality houses in different locations away from capital cities as a result of COVID-19. It is not clear how long this can push demand and, once it runs out, we may begin to see the results of stalled migration.



Unique A$ fixed income insights from the heart of Australia's financial markets

New ASX DataSphere offerings can help solve key business challenges for A$ fixed income market participants.

What is ASX DataSphere?

ASX's new data analytics platform, ASX DataSphere, is developing a suite of unique, data-driven fixed income market solutions for A$ fixed income market participants, including purpose-built business intelligence dashboards for decision-makers, technology-oriented solutions for data scientists, and enterprise-level capabilities.

Originally developed as an internal data science platform for complex datasets, DataSphere opened to third party data and product partners in 2020, and in 2021 will introduce key fixed income data products.

What's the significance for A$ debt markets?

DataSphere is the newest addition to ASX's extensive suite of services that enable fixed income participants to manage risk, funding, capital and costs and meet regulatory obligations. These services include:

- Deep, liquid futures markets: providing transparent and efficient risk management
- Robust and resilient benchmarks: transforming benchmark rates in line with global best practice
- OTC Clearing: delivering valuable margin and capital efficiencies
- Austraclear: registration, issuance and trade settlement for all A$ debt products
- ASX Collateral: scalable tri-party collateral management for A$ repo and securities lending.

This complementary range of services delivers unique efficiencies and connectivity for fixed income participants and a rich source of data to generate insights and accelerate your business.

Why is DataSphere's offering unique?

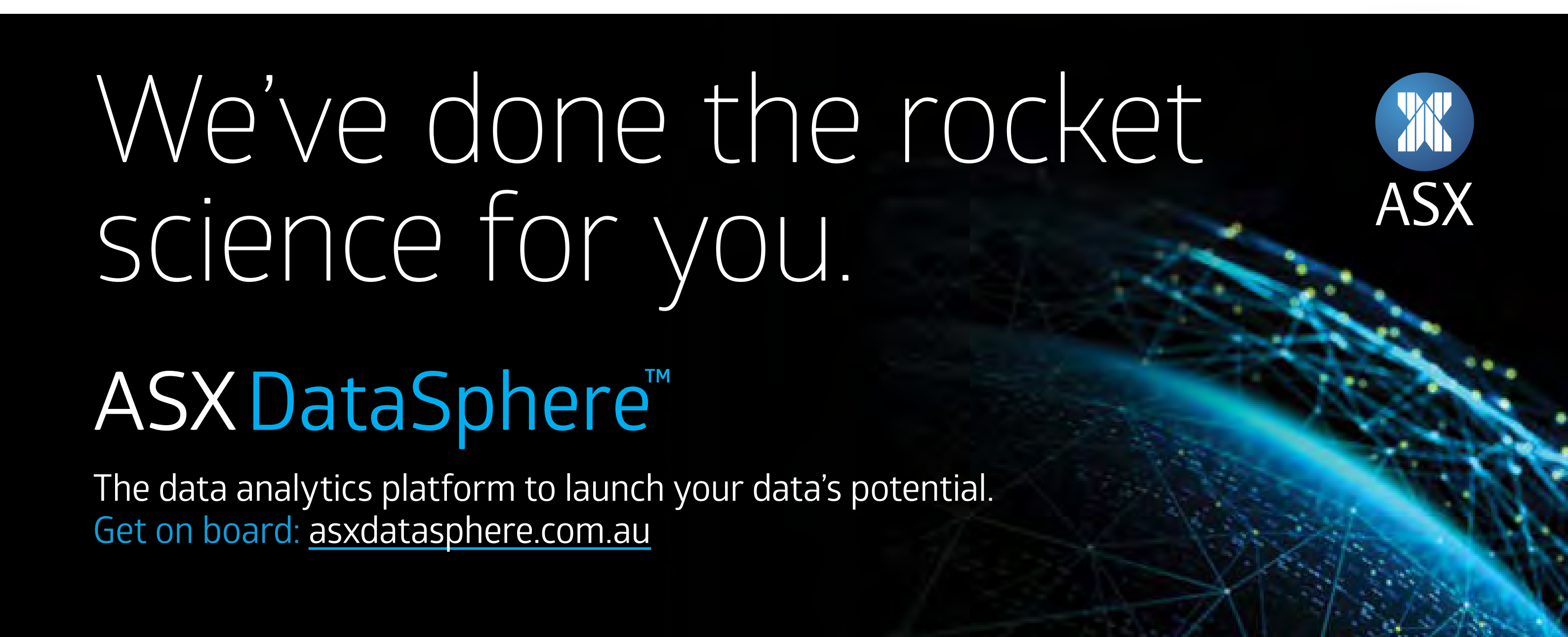
DataSphere's initial data focus is market-wide A$ bond, money market and repo transaction activity based on Austraclear settlement systems, with a strong emphasis on ensuring the confidentiality of the data is protected. Pricing, VWAP, liquidity, concentration, execution and market impact elements are being developed.

What key challenges can DataSphere help with?

- Enhanced transparency and confidence in more opaque segments and fixed income products
- Comprehensive data source for overall market activity
- Liquidity and concentration metrics offer powerful pricing inefficiency insights
- Improved understanding of market impact and behaviour for periods of elevated volatility.

Find out more

For more information go to **www.asxdatasphere.com.au**



EVENT REPORT

FRANCISCO PAEZ METLIFE INVESTMENT MANAGEMENT

When Australian issuers come to the US market there is value there for investors. The yield for this paper *vis-à-vis* the risk is very attractive. There are not a lot of investors focusing on this, although the number is growing, so there is a benefit for the investors that go in and understand the Australian RMBS market.

GRACE TAM CLEAN ENERGY FINANCE CORPORATION

Banks can create a niche and attract new customers with green home loans. It also helps banks communicate their ESG stance. There is a lack of information for consumers on green homes and green builders. Banks can step in here and offer this service.

LISA CLAES CORELOGIC

In 2015, almost half of housing demand was coming from investors. Today it is less than one quarter. The main cohort driving housing demand at the moment is owner-occupiers, especially first-home buyers where the value of mortgage commitments is tracking almost 50 per cent higher than a year ago. This demonstrates how sensitive this sector of the market is to stimulus.

COPUBLISHED Q+A

CREDIBILITY IS KEY

__Credabl__ is a relatively new lender in the Australian market but is leveraging the experience of a team that has been lending to its niche of medical professionals for decades. Credabl's chief executive, __Stafford Hamilton__, and chief operating officer, __David Salkinder__, explain the business, its client base and funding path.

Can you give an overview of the business for those who are not familiar with Credabl?

◆ **HAMILTON** We are building financial services that empower and support the growth of medical professionals – including doctors, vets, dentists and some of the allied health professions. This group has wide-ranging requirements for lending. They are time-poor, collegiate, highly trained individuals who run businesses but also usually have significant investment portfolios, high cash flow and are well ahead of the average Australian in accumulating assets.

Our team therefore offers a wide range of services even though it is a relatively small demographic. These cover everything professional practitioners need including loans for practice premises, working-capital facilities, work vehicles, equipment and practice fit outs, in addition to home and auto loans.

Credabl may be a young business but the team has been operating in this part of the lending market for more than 25 years. One of the earliest securitisation programmes, Investec's Impala book, was developed by these market leaders in early 2000.

◆ **SALKINDER** The medical professionals we support are a very reliable borrower base and the service they provide has inelastic demand. You do not consider the economic environment or sometimes even your personal financial circumstances when you are ill – you just go to the doctor.

It is also an essential service so there are support mechanisms for people to pay for it, such as Medicare and private health insurance. Our clients have a product people need and their patients have support programmes to meet the cost. This is reflected in the very low arrears and write-offs in this sector.

What makes medical professionals an industry that is ripe for lending disruption, and how is Credabl achieving it?

◆ **HAMILTON** Medical professionals are time poor so they have little patience for the traditional banking system. Every time they go to the bank they are shifted to a new relationship manager because their previous one has moved elsewhere.

Many of Credabl's front-line team have been working in medical finance for more than five years, and most for more than a decade. Their deep knowledge of our clients allows empowerment, which our clients appreciate.

We situate ourselves in all the places medical professionals congregate, such as centres of professional development and points of sale. We want to make borrowing easy and friendly.

◆ **SALKINDER** The world is going online and our niche focus also gives us an advantage on social media, where many younger doctors also congregate. We can tailor messaging on LinkedIn or Facebook specifically to our community and engage with them seamlessly. It is very difficult for our bank competitors to do this.

How quickly and consistently has Credabl's lending grown?

◆ **HAMILTON** We have been around for about three-and-a-half years and originating for almost three. In early December 2020, we passed A$1 billion (US$770.1 million) in originations. Growth numbers always look good when you are starting from scratch but our absolute volume trajectory has been very good and is validating our value proposition to our market.

◆ **SALKINDER** Importantly, we saw our trend in growth continue through the massive disruption of 2020. No-one knew what would happen when COVID-19 hit but our borrower base performed very well – Credabl has never had a loss on any loan.

Credabl's team has been in the market for a long time, during which time these borrowers have weathered the dot.com bust and the 2008 financial crisis and proven it is well insulated against macroeconomic shocks. We know this borrower base is resilient and it has now weathered COVID-19 too.

Which products account for the largest share of Credabl's lending and which have the greatest capacity for growth?

◆ **SALKINDER** Our business is stratified into home loans and tools-of-trade lending. Tools-of-trade lending is what we hold on our balance sheet and could securitise, whereas the majority of our home loans are held on other balance sheets through a white-label programme.

◆ **HAMILTON** We see our most significant lending areas as practice premises and asset finance. However, the scale is disproportionate because residential mortgages are much larger assets by dollar value.

Practice premises and our tools-of-trade assets drive turnover throughout the business life of a medical professional. They need security on their location so leasing premises is not ideal for them. We actively help them buy premises and fit them out so they feel secure to grow.

What has Credabl's funding journey looked like so far and where does term securitisation fit into future plans?

◆ **SALKINDER** We are an independent nonbank financier so securitisation and warehouse funding are essential to the way we operate. The key in this industry is to build credibility and track record, and demonstrate that our business model works and is stable.

When we started, ANZ supported the senior tranche of our warehouse. This was a huge endorsement of the team and its relationship with ANZ over many years.

As we grow in scale, term securitisation is an obvious avenue for us to explore, so we can create more lending capacity. We are approaching A$400 million of receivables in the warehouse so we are progressing toward institutional size, which will appeal to more investors.

We believe our product is attractive. The loans we originate are not generally available in the securitisation market because our main competitors are banks, which do not term out their loans in the same way. We believe there will be a lot of demand when we come to the term securitisation market based on our experience operating other medically focused securitisation vehicles.

However, we are also seeing potential to grow larger warehouses with financiers that are happy to fund a pool that does not necessarily need to be termed out.

In recent years, some newer lenders have taken an accelerated path to market in which the senior notes in their securitisation deals have been rated 'only' double-A. Does the availability of warehouse funding mean Credabl is less likely to pursue this path?

◆ **SALKINDER** Given the high quality of our borrower base, achieving a triple-A rating would make the most sense for us by realising the benefits we would like from a term-out. Given Credabl is almost into its fourth year of origination, and rating agencies typically want to see measurable track record and data over time, we expect to undertake a term securitisation in the medium term.

At the same time, we are achieving very attractive cost of funds from investors coming into our warehouse. This means the private warehouse model of funding is much more compelling than it may have been in the past.

We are at the scale now where an increasing number of mezzanine and senior investors have shown an interest in our story, which is distinguished and different from other financiers.

The key ingredient is our incredibly resilient borrower base. While the niche of medical professionals may appear undiversified, our pool of borrowers is large and spread across the country, and we have 25-30 years of track record that demonstrates that this client base delivers stable returns and is resilient to macro shocks.

◆ **HAMILTON** We describe our lending as being doubly secured because we have the cash flow and personal guarantee of the borrower, who is likely to be a high earner for life, as well as the underlying asset security.

What insights can you share about the performance of Credabl's lending portfolio through the COVID-19 crisis?

◆ **SALKINDER** We saw an influx of requests for loan deferrals at the onset of the pandemic. This was a reflex reaction to what people were hearing about the crisis rather than a cash crunch or any business issues. Our hardship book spiked between March and mid-April.

STAFFORD HAMILTON

DAVID SALKINDER

We worked with each borrower to find an appropriate deferral for them rather than applying a blanket deferral for everyone who requested one.

This included education around loan deferrals. Once it was understood that interest would still be accruing on loans, many of the applications were withdrawn. We were also only initially documenting three-month deferrals and we found most returned to normal payments after this period.

We have not had a deferral request since June, even with the second lockdown in Melbourne. Our hardship is now negligible, at around 0.1 per cent of the book.

◆ **HAMILTON** Our clients wanted to know that we had their back, so we made sure we were there for them. We always try to tell our community the truth rather than just taking the easy path.

We received some flak for this because clients were getting easy deferrals from their banks without understanding the ramifications, whereas our team worked hard to find the best way to handle the situation for each individual client.

Once clients realised there was a cost, but that we would be there if they really needed, they were more comfortable with the way we handled things – and we have been getting referrals off the back of this approach. We believe doing right by our clients is paramount, and that this approach will be rewarded by client loyalty and repeat business.

We are proud to support these essential workers, particularly during such volatile and unprecedented times when they have worked hard to look after the community. ■

COPUBLISHED Q+A

RESIMAC EYES CONSISTENCY AND GROWTH OPPORTUNITIES

***Resimac** has built a reputation for consistency and durability through more than a decade in the public securitisation market. In 2020, amid the funding challenges of the COVID-19 pandemic, Resimac was the only Australia-based nonbank to issue a US dollar tranche and it also executed deals in yen and New Zealand dollars.*

***Andrew Marsden**, Resimac's Sydney-based general manager, treasury and securitisation, discusses the importance of maintaining consistency in a foreign-currency programme even if capacity constraints in the Australian market may be easing. He also delves into the company's pursuit of digitisation and growth.*

Resimac was active in foreign currencies during the second half of 2020, being the only nonbank for the year to execute a US dollar deal and also printing in yen. What did investor engagement look like for these transactions and what were the primary factors investors in the jurisdictions Resimac visited were keen to know before participating in the deals?

◆ Our offshore issuance programmes play a vital role in our funding task and we have attempted to show consistency in what we do in these offshore markets for many years. During COVID-19, we enhanced our investor-relations function by providing regular updates on the health, macro and business situations. I would say this helped facilitate engagement with investor accounts of various stripes when we came to discussing transactions.

The last 12 months will be remembered as a time in which unconventional approaches to transaction marketing and execution paid dividends. The structured-finance industry as a whole undertook a significant amount of work to standardise surveillance and reporting of forbearance exposures, which I think was a big factor in domestic and offshore investors gaining comfort in nonbank transactions in the second half of 2020.

The Australian story in managing the pandemic has obviously been a stand-out. The global quest for low-risk credit products that has been exacerbated by the global economic response to the crisis has also supported a pronounced offshore senior bid in nonbank deal books. We expect this dynamic will continue into 2021.

The need for foreign-currency issuance in the past has historically been influenced by the capacity for Australian dollar securitisation. With bank issuers expected to be largely absent from the market in the medium term how does foreign-currency issuance factor into Resimac's funding plans for 2021?

◆ Capacity constraints have long been a factor in the domestic fixed-income market, but this is not peculiar to the securitisation sector. Resimac views its offshore issuance capabilities as a core business-risk mitigant that brings forms of diversification to our liability-management approach. We will continue to be active in the US dollar 144A and yen markets in 2021, in line with our consistency principle.

Resimac has been seeking to bring international investors into its deals for many years. Is foreign-currency issuance the primary focus for engaging with new offshore investors or are you finding new investors in your Australian dollar tranches?

"The global quest for low-risk credit products that has been exacerbated by the global economic response to the crisis has supported a pronounced offshore senior bid in nonbank deal books. We expect this dynamic will continue into 2021."

◆ We regularly state that we are currency agnostic when it comes to our senior bond programme. The manner in which we decide to fund in alternative currencies is mostly determined by a combination of cost relativity, sustainability and our longer-term investor strategy.

Australian dollars undoubtedly remain our core-currency bias and we are mindful of being consistent in supply and the frequency of that supply, as we are for our foreign-currency programmes.

As far as finding new Australian dollar buyers is concerned, we see an opportunity in distributing to annuity mandates – particularly for a very low-risk product like prime residential mortgage-backed securities (RMBS). Given the extent of growth in retirement funds we hope to see this transpire soon.

There has been a lot of speculation in recent months about the favourable position banks are in for funding compared with nonbanks, and how this could affect the growth trajectory of the nonbank sector. How is Resimac assessing its growth opportunities at the moment?

◆ The funding biases the banks presently have are influencing the ability of nonbanks to compete in the prime residential-mortgage market. However, while we see the banks benefiting from low-cost deposit funding for some time, their other funding concessions will be unwound in 2021.

We are welcoming a likely return to a more normal profile of bank wholesale funding transactions over the course of the year ahead. This should allow the market to develop a more realistic curve for senior RMBS.

While there has been a large focus on competition challenges in the prime residential-mortgage space, we still see growth opportunities even in this sector. Resimac is currently undertaking a large renewal project of its core technology and systems platforms and one of the objectives of this process is for us to be a low-cost originator of flow business, such as very low-risk prime mortgages.

“While we see the banks benefiting from low-cost deposit funding for some time, their other funding concessions will be unwound in 2021. We are welcoming a likely return to a more normal profile of bank wholesale funding transactions throughout the year ahead.”

We have seen a few entrants in this space and we are very excited about the opportunities as consumers further embrace digital platforms in financial services.

Resimac is also broadening its shop front through the acquisition of an asset-financing business. We will look to offer securitisation-friendly consumer and SME products through our distribution network. We will overlay the risk and funding approach that our bankers and investors are familiar with.

Is the plan eventually to come to the securitisation market with an asset-backed securities (ABS) transaction to fund this part of the business?

◆ Yes. We have inherited an established financing facility with Westpac Banking Corporation and have measured growth aspirations in order to establish a public ABS programme.

We are excited by the opportunity to be able to offer another asset class in our securitisation programme and will look to engage with investors to develop familiarity with the Resimac asset-finance business.

You mentioned that Resimac is undertaking a large digital transformation. Can you outline what it is you are hoping to achieve through this?

◆ We see our digitalisation strategy as an essential response to the continued integration of technology across financial services. It has been strongly supported by our shareholders and board, and has created a real buzz in the organisation. Our people can see the transformative benefits coming from a new digital platform that focuses on the consumer experience as much as operational and risk efficiencies.

The new digital platform will provide lower acquisition and origination costs, particularly in our prime residential-mortgage business. While we may initially benefit from a competitive advantage, we expect the wider industry to adopt similar technology over time.

What insights do you hope to be able to gain on your lending portfolios in the future? Is there anything that could be particularly pertinent to securitisation investors?

◆ Resimac has developed distinct servicing and funding programmes for its prime and nonconforming products. We are fortunate that we have strong investor recognition of the nuances of our Premier and Bastille issuance shelves that enables quite an efficient form of term capital and funding to support the underlying channels.

We have purposely developed our prime origination programme into one with a very low risk profile, in the sense that the Resimac prime portfolio has one of the lowest delinquency and loss rates of all securitised portfolios. This has no doubt helped us build out a reasonable group of domestic and global institutional investors that are long-term supporters of our transactions.

Conversely, our nonconforming shelf is able to fund a very broad array of nonprime mortgage collateral. Its investors understand our approach to credit risk in an origination sense, and the risk layering and mitigants within the deal structure. Quite immodestly, we are also proud that our nonconforming book has consistently printed the lowest delinquency and loss rates. ■

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, and on emerging-issuer member firms.

Pages 91-111: profiles of issuers active in public securitisation markets

91 Allied Credit
ANZ Banking Group
92 Australian Finance Group
Auswide Bank
93 Avanti Finance
Bank of Queensland
94 Beyond Bank Australia
Bluestone Group
95 Brighte
Citi Australia
96 Columbus Capital
Commonwealth Bank of Australia
97 Credit Union Australia
Eclipx Group
98 Firstmac
hummgroup
99 IMB Bank
ING Bank (Australia)
100 Latitude Financial Services
La Trobe Financial
101 Liberty Financial
102 Macquarie Group
103 ME
Metro Finance
104 Mortgage House
MTF Finance
105 MyState Bank
National Australia Bank
106 NOW Finance Group
People's Choice Credit Union
107 Pepper Group
P&N Bank
108 RedZed Lending Solutions
Resimac
109 Suncorp Group
Thinktank
110 Westpac Banking Corporation
111 ZIP

Pages 113-116: profiles of new and emerging issuers

113 Athena Home Loans
Credabl
Defence Bank
114 Greensill
Harmoney
115 Judo Bank
MoneyMe
Moula
116 OnDeck
Prime Capital
UDC Finance

ALLIED CREDIT

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	ALLIED CREDIT ABS

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	ABS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	40%
NUMBER OF SECURITISATIONS ISSUED	1
TOTAL VOLUME ISSUED	A$200M
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$189M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 14 DEC 2020	0%

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 with the individual businesses. Allied Credit brought its first term transaction to market in November 2020.

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

◆ PLEASE CONTACT:

June McFadyen Group Treasurer
+61 402 118 979 | jmcfadyen@alliedcredit.net.au

Matt Devine Chief Financial Officer
+61 451 454 144 | mdevine@alliedcredit.net.au

www.alliedcredit.net.au

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	1.5%
NUMBER OF SECURITISATIONS ISSUED	6
TOTAL VOLUME ISSUED	A$8BN*
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	57% DOMESTIC 43% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$1.8BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	NOT DISCLOSED

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

◆ PLEASE CONTACT:

Scott Gifford Head of Debt Investor Relations
+61 3 8655 568 | scott.gifford@anz.com

Mostyn Kau Head of Group Funding
+61 3 8655 3860 | mostyn.kau@anz.com

John Needham Head of Structured Funding
+61 2 8037 0670 | john.needham@anz.com

www.anz.com/shareholder/centre

AUSTRALIAN FINANCE GROUP

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	AFG

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	PRIME RMBS, NONCONFORMING RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	75%
NUMBER OF SECURITISATIONS ISSUED	10
TOTAL VOLUME ISSUED	A$4.1BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$2.2BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	NOT DISCLOSED

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 aggregators 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 70 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 better than industry average.

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.

◆ PLEASE CONTACT:

Damian Percy General Manager, AFG Securities
+61 419 818 054 | damian.percy@afgonline.com.au

Toni Blundell Manager, Securitisation
+61 404 817 417 | toni.blundell@afgonline.com.au

www.afgonline.com.au

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	41%
NUMBER OF SECURITISATIONS ISSUED	13
TOTAL VOLUME ISSUED	A$3.7BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$189M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	NOT DISCLOSED

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

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 online and digital channels – creates growth opportunities and diversifies risk. The bank's branch network covers 18 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:

Dale Hancock Group Treasurer
+61 7 4150 4025 | dhancock@auswidebank.com.au

www.auswidebank.com.au

AVANTI FINANCE

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	38%
NUMBER OF SECURITISATIONS ISSUED	3
TOTAL VOLUME ISSUED	NZ$650M
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	NZ$420M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 10 DEC 2020	0.4%

Avanti Finance has been active in New Zealand for 30 years and has assisted around 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 and these sectors are the pillars of future growth. Avanti recently won the Most Preferred Non-Bank Lender award from *Mortgage Express* for the third year running.

Through the acquisition of Branded Financial Services in 2019, Avanti now also operates in the Australian market, offering first-tier motor-vehicle financing. Avanti also provides personal loans, SME lending, and insurance-premium funding in New Zealand through its Avanti, GetCapital and Bexhill brands.

Avanti embraces corporate social responsibility and community involvement through sustainable resource-management initiatives and support for projects that are beneficial to the community, region or country as a whole.

Avanti is a regular issuer of RMBS, with its third, and upsized, structure closing in October 2020. Avanti will further enhance its investor offering by establishing a motor-vehicle ABS programme in the near future.

◆ PLEASE CONTACT:

Paul Jamieson Group Treasurer
+64 22 651 2052 | paul.jamieson@avantifinance.co.nz
www.avantifinance.co.nz

BANK OF QUEENSLAND

BOQ

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	7%
NUMBER OF SECURITISATIONS ISSUED	43
TOTAL VOLUME ISSUED	A$26.4BN EQUIVALENT
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	93% DOMESTIC 7% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$3.4BN
PROPORTION OF BOQ HOUSING PORTFOLIO IN COVID-19 PAYMENT DEFERRAL AS AT 30 NOV 2020	3%
PROPORTION OF BOQ SME PORTFOLIO IN COVID-19 PAYMENT DEFERRAL AT 30 NOV 2020	3%

*All data as at 31 August 2020 unless otherwise stated.

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 31 August 2020, BOQ had total assets of A$57 billion.

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

- Our purpose-led empathetic culture sets us apart.
- Distinctive brands serving attractive niche customer segments.
- Digital bank of the future with a personal touch.
- Simple and intuitive business with strong execution capability.
- 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 programmes, three AAA rated securitisation programmes and a A$3.25 billion AAA rated covered-bond programme.

◆ PLEASE CONTACT:

Tim Ledingham Treasurer
+61 7 3212 3342 | tim.ledingham@boq.com.au
James Shaw Head of Funding
+61 7 3212 3835 | james.shaw@boq.com.au
www.boq.com.au

BEYOND BANK AUSTRALIA

Beyond Bank AUSTRALIA

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	BARTON

USE OF SECURITISATION

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$747M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 NOV 2020	0.4%

* Excluding internal securitisation

Beyond Bank Australia is one of the largest fully 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 260,000 customers. At the end of June 2020, total assets were A$7.1 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.

◆ PLEASE CONTACT:

Tony MacGillivray Treasurer
+61 8 8205 8853 | tmacgillivray@beyondbank.com.au

Deanna Martin Senior Securitisation Analyst
+61 8 8205 8613 | demartin@beyondbank.com.au

www.beyondbank.com.au

BLUESTONE GROUP

Bluestone.

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAMES	SAPPHIRE, EMERALD

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	RMBS, REVERSE MORTGAGE
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	75%
NUMBER OF SECURITISATIONS ISSUED	31
TOTAL VOLUME ISSUED	A$9.5BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	88% DOMESTIC 12% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$2.1BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 DEC 2020	4.7%

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 31 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 toward 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 economic outlook. Bluestone has more than 220 employees across Australia, New Zealand and the Philippines.

◆ PLEASE CONTACT:

Campbell Smyth Chief Executive Officer
+61 2 8115 5167 | campbell.smyth@bluestone.com.au

Todd Lawler Managing Director, Treasury and Funding
+61 407 073 537 | todd.lawler@bluestone.com.au

www.bluestone.com.au

BRIGHTE

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	BRIGHTE GREEN TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	GREEN-CERTIFIED ABS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	~84%
NUMBER OF SECURITISATIONS ISSUED	1
TOTAL VOLUME ISSUED	A$190M
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$168.4M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 DEC 2020	<0.1%

Brighte is an Australian-owned, innovative and customer-focused fintech connecting Australian homeowners with solar, battery and home-improvement businesses by providing digital payment solutions at the point of sale.

Since 2016, Brighte has provided more than 55,000 Australians with an affordable way to make their homes more comfortable and sustainable through its national network of more than 2,000 partners.

Brighte offers customers a buy-now, pay-later product, the Brighte 0% Interest Payment Plan, as well as the Brighte Green Loan and the Brighte Personal Loan, which can be used to finance solar, battery and home-improvements purchases of A$1,000-30,000.

One in every 13 new residential solar installations in Australia choose Brighte for their purchase, resulting in the financing of more than 350MW of residential solar capacity to date.

In October 2020, Brighte issued Australia's first 100% green-certified asset-backed securitisation, receiving a Moody's Investors Service Aa2 rating for the top tranche of notes. The transaction was Brighte's debut public debt issuance.

With a growth rate of 912% over the last three years, Brighte was recently recognised as the sixth fastest-growing tech company by Deloitte's Tech Fast 50 Australia list.

PLEASE CONTACT:

John Rohl Chief Corporate Development Officer
+61 414 493 569 | john@brighte.com.au

Rachel Gatehouse Chief Operating Officer and Chief Financial Officer
+61 414 694 914 | rachel.gatehouse@brighte.com.au

www.brighte.com.au

CITI AUSTRALIA

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

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	PRIME RMBS, CREDIT CARD ABS
NUMBER OF SECURITISATIONS ISSUED	34
TOTAL VOLUME ISSUED	A$13.8BN
CURRENCIES ON ISSUE	AUD
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$4.2BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	CONTACT ISSUER

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. Recognised for its innovative range of global products and services, Citi 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. It is one of the few banking groups in Australia with a full range of services and the ability to tap capital and expertise globally.

With more than 1,500 employees based in Sydney, Melbourne, Perth and Brisbane, Citi is committed to supporting the Australian community. Its support, including Citi Foundation grants, employee volunteering and fundraising, is focused on providing pathways to progress for disadvantaged youth.

Citi Australia has been servicing and managing asset-backed portfolios since 1995. As of the end of September 2020, Citi had an A$8.5 billion portfolio of Australian mortgage assets and a A$3.7 billion portfolio of Australian credit-card assets, with around 34% 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.

PLEASE CONTACT:

Charles Finkelstein Country Treasurer
+61 2 8225 6096 | charles.finkelstein@citi.com

William Mortimer Head of Securitised Products Australia and New Zealand
+61 2 8225 2503 | william.mortimer@citi.com

www.citi.com/australia

COLUMBUS CAPITAL

ColumbusCapital

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAMES	TRITON, TRITON SMSF, VERMILION

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	PRIME RMBS, NONRESIDENT RMBS, SMSF RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	75%
NUMBER OF SECURITISATIONS ISSUED	18
TOTAL VOLUME ISSUED	A$8.6BN EQUIVALENT
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	98% DOMESTIC 2% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$4.8BN EQUIVALENT
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 DEC 2020	0.2%

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 longstanding 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$7 billion in loans under management. It uses securitisation funding through its Triton programme for prime loans, its Vermilion programme for nonresident loans and the Triton SMSF programme for self-managed superannuation fund loans.

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

PLEASE CONTACT:

Andrew Chepul Chief Executive
+61 2 9273 8102 | andrew.chepul@colcap.com.au
David Carroll Treasurer
+61 2 9273 8132 | david.carroll@colcap.com.au
www.colcap.com.au

COMMONWEALTH BANK OF AUSTRALIA

CommonwealthBank

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	MEDALLION

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	PRIME RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	8%
NUMBER OF SECURITISATIONS ISSUED	30
TOTAL VOLUME ISSUED	A$74.8BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$11.6BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 NOV 2020	1.9%

Commonwealth Bank of Australia (CBA) is one of Australia's leading providers of financial services, operating predominantly in Australia and New Zealand, with a small presence in Europe, North America and Asia. CBA's products and services include retail, private, business and institutional banking.

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.

PLEASE CONTACT:

Fergus Blackstock Head of Term Funding
+61 2 9118 1345 | +61 423 624 623
fergus.blackstock@cba.com.au
www.commbank.com.au/about-us/investors/debt-investors

CREDIT UNION AUSTRALIA

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	HARVEY

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	PRIME RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	49%
NUMBER OF SECURITISATIONS ISSUED	11
TOTAL VOLUME ISSUED	A$6.6BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$1.1BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 NOV 2020	1.4%

Credit Union Australia (CUA) is Australia's largest customer-owned banking organisation, offering responsible financial, health, and insurance solutions to around 560,000 Australians.

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

Today, CUA has consolidated assets worth more than A$16.1 billion, around 1,000 staff and close to 40 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 with CUA being represented by more than 1,300 brokers across Australia.

As a mutual, CUA was created by members for members. 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.

◆ PLEASE CONTACT:

Tim Moore Treasurer
+61 7 3552 4096 | tim.moore@cua.com.au

www.cua.com.au

ECLIPX GROUP

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	60%
NUMBER OF SECURITISATIONS ISSUED	AUSTRALIA: 5 NEW ZEALAND: 2
TOTAL VOLUME ISSUED	A$1.5BN NZ$500M
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES AT 30 SEP 2020	A$335.8M NZ$177.3M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 SEP 2020	AUSTRALIA: 0.2% NEW ZEALAND: 0.1%

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 and novated leasing through its suite of brands.

The business has more than 33 years of experience with unique credit insights through economic cycles. At 30 September 2020, Eclipx had A$2 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.

◆ PLEASE CONTACT:

Dom Di Gori Group Treasurer
+61 2 8398 8776 | dom.digori@eclipx.com

Kam Dyall Treasury Manager
+61 3 8416 5482 | kam.dyall@eclipx.com

www.eclipxgroup.com

FIRSTMAC

firstmac

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	FIRSTMAC MORTGAGE FUNDING TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	PRIME RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	78.9%
NUMBER OF SECURITISATIONS ISSUED	48
TOTAL VOLUME ISSUED	A$30.4BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	91.6% DOMESTIC 8.4% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$9.7BN
PROPORTION OF LOAN PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 NOV 2020	2.5%

Firstmac epitomises the successful impact nonbank lenders have had on the Australian home-loan market over the past two decades. Firstmac entered the market believing it could provide a better customer experience, and this belief remains central to the company's culture.

The Firstmac home-loan funding programme was established in 2002. The programme focused on innovation to provide home loans better tailored to customer needs, combined with enhanced online access to loan information and functionality, and always offered at the best price possible.

Firstmac has established itself as one of the leading prime home-loan lenders in the Australian market. Since inception it has funded more than A$40 billion in home loans. Mortgages are available through independent brokers throughout Australia, and direct to customers by way of Firstmac's online 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 leading and very highly regarded RMBS issuer, with average annual issuance of more than A$3 billion over the past five years. Firstmac RMBS transactions display benchmark loan-portfolio performance, underpinned by high-quality borrower creditworthiness and loan securities, with 92% of all loan collateral having less than 80% loan-to-value ratio.

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

◆ PLEASE CONTACT:

James Austin Chief Financial Officer
+61 7 3017 8883 | james.austin@firstmac.com.au

Paul Eagar Director, Securitisation
+61 2 8579 8403 | paul.eagar@firstmac.com.au

www.firstmac.com.au

HUMMGROUP

humm group

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

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	ABS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	48%
NUMBER OF SECURITISATIONS ISSUED	22
TOTAL VOLUME ISSUED	A$4.5BN 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 30 NOV 2020	0.4%

Hummgroup (formerly flexigroup) is an Australian company listed on the Australian Securities Exchange since 2006 with operations spanning more than 30 years. Hummgroup provides a range of finance products and payment solutions to consumers and businesses through a network of retail and business partners. This includes revolving credit, buy-now, pay-later and SME lending, serving a broad footprint of millennial spenders, through to young families and SMEs.

With operations in Australia, New Zealand and Ireland, hummgroup plays an important role facilitating payments in a range of industries in addition to traditional retail, including home improvement, solar energy, health, information technology, electrical appliances, travel and trade equipment. In addition to its 73,000 retail and commercial partners, hummgroup has more than 2.2 million customers, leading to A$2.5 billion of annual transaction volume.

In Australia, hummgroup 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. Hummgroup has since issued more than A$470 million in green ABS across six transactions.

In New Zealand, hummgroup is a frequent issuer under its Q Card Trust programme, the first revolving master-trust programme to be established in Australasia. Since 2014, more than NZ$1.1 billion of ABS has been issued under the programme with a New Zealand ABS market record NZ$300 million transaction issued in August 2019.

◆ PLEASE CONTACT:

Bianca Spata Group Treasurer
+61 416 062 039 | bianca.spata@humm-group.com

Dennis Koh Senior Securitisation Manager
+61 421 381 810 | dennis.koh@humm-group.com

www.shophumm.com/humm-group

IMB BANK

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	ILLAWARRA

USE OF SECURITISATION

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$240M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 OCT 2020	1%

Established in 1880, IMB Bank is one of the most enduring financial institutions in Australia, helping people achieve their financial goals for 140 years by offering competitive products, practical solutions and, thanks to a dual focus on person-to-person relationships and digital innovation, superior customer service.

IMB members enjoy the benefits and convenience of IMB's continued innovation leadership in the banking sector. Its renowned personal service extends to webchat, in-app messaging and social communication with members, who can also bank with IMB via internet, mobile, phone banking or through the Australia-based call centre, IMB Direct. Members also have access to digital banking options, such as secure Osko real-time payments, a range of mobile wallets and, as of 2020, an online mortgage application that reduces time and simplifies the lending process.

IMB has a retail network throughout the Illawarra, Sydney, NSW South Coast, the ACT, Melbourne and, thanks to a successful merger with Hunter United Employees' Credit Union in 2020, Newcastle and the Hunter Region.

IMB is regulated by the Australian Prudential Regulation Authority and is a member of the Customer Owned Banking Association. IMB has around 206,000 members and assets of more than A$6.7 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.

◆ PLEASE CONTACT:

Mark Workman Treasurer
+61 2 4298 0172 | mark.workman@imb.com.au

Ian Witheridge Senior Manager, Finance
+61 2 4298 0256 | ian.witheridge@imb.com.au

www.imb.com.au

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	14%
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$2.6BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 NOV 2020	1%

ING – the trading name of ING Bank Australia Limited – is part of ING Group: a Dutch multinational banking and financial-services corporation headquartered in Amsterdam.

ING changed the way Australians bank 21 years ago by launching the country's first branchless bank. ING now offers Australians award-winning home loans, transactional banking, superannuation, credit cards, personal lending, insurance and wholesale-banking services.

ING is Australia's fifth-largest main financial institution (MFI)* with 6% market share and more than two million active customers. 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 exceeds A$51 billion with its share of the broker market continuing to grow. Retail deposits and wholesale lending also continued to show strong growth during 2020.

In 2020, ING was awarded the Canstar Bank of the Year and voted most trusted bank in the RFi Group's Australian Banking Innovation Awards.

*According to RFi XPRT Survey (April-September 2020) (n=31,552). MFI is defined as the bank that the consumer says is their main financial institution.

◆ PLEASE CONTACT:

Peter Casey Deputy Treasurer
+61 2 9018 5132 | peter.casey@ing.com.au

Samuel Rodgers Treasury Dealer
+61 2 9028 4241 | samuel.rodgers@ing.com.au

Charlene Breytenbach Treasury Dealer
+61 2 9028 4137 | charlene.breytenbach@ing.com.au

www.ing.com.au

LATITUDE FINANCIAL SERVICES

LATITUDE

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$4.1BN EQUIVALENT
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$2.5BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	NOT DISCLOSED

Latitude Financial Services is a leading digital-payments, instalments and lending platform in Australia and New Zealand, with more than 2.75 million open customer accounts and A$6.9 billion of receivables at 30 June 2020. 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.

◆ PLEASE CONTACT:

Eva Zileli Group Treasurer
+61 417 327 643 | eva.zileli@latitudefinancial.com

Andrew Robinson Head of Funding
+61 434 859 275 | andrew.robinson@latitudefinancial.com

www.latitudefinancial.com.au

LA TROBE FINANCIAL

La Trobe financial

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	LA TROBE FINANCIAL CAPITAL MARKETS

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	32%
NUMBER OF SECURITISATIONS ISSUED	11
TOTAL VOLUME ISSUED	A$6.8BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$4.3BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	CONTACT ISSUER

Established in 1952 and with A$12 billion of assets under management (AUM), La Trobe Financial is one of Australia's leading diversified wealth managers. La Trobe Financial has been a proven and trusted investment partner for institutional and retail investors, operating Australia's largest retail credit fund with A$5.3 billion in AUM and 53,000 retail investors. It is 80% owned by Blackstone, one of the world's leading investment firms.

La Trobe Financial has the most diversified funding programme of all nonbanks operating in Australia, comprising a combination of bank term investment mandates, warehouses, a retail credit fund and public RMBS funding. La Trobe Financial has capacity to fund in excess of 12 months of originations at any point in time.

La Trobe Financial has issued A$6.8 billion of RMBS to a range of Australian and international investors. At the height of the pandemic, in May 2020, La Trobe Financial successfully reopened the global RMBS markets for nonbanks with a A$1.25 billion RMBS deal with no direct government support.

Critical to the success of La Trobe Financial is its combination of quality assets, which continue to improve over time with a broader market footprint, and highly disciplined management by credit analysts and portfolio managers. Dedicated credit analysts observe conservative maximum loan-to-value ratio (LVR) constraints of 80% and a weighted average LVR of 67.3%, resulting in significant levels of 'prime' credit.

◆ PLEASE CONTACT:

Martin Barry Chief Treasurer and Strategy Officer
+61 2 8046 1502 | mbarry@latrobefinancial.com.au

Richard Parry Deputy Treasurer
+61 3 8610 2847 | rparry@latrobefinancial.com.au

Paul Brown, Head of Group Portfolio Management
+61 3 8610 2397 | pbrown@latrobefinancial.com.au

www.latrobefinancial.com

LIBERTY FINANCIAL

Liberty

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	LIBERTY

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	ABS, CMBS, RMBS
NUMBER OF SECURITISATIONS ISSUED	63
TOTAL VOLUME ISSUED	>A$30BN EQUIVALENT
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	88% DOMESTIC 12% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$8.9BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	NOT DISCLOSED

Liberty Financial 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, self-managed superannuation fund and personal loans, and investment and deposit products. Liberty also offers consumer loan protection solutions via its group companies LFI Group and ALI Group.

Liberty offers products through mortgage and motor-vehicle finance brokers, financial planners and direct to consumers. Liberty also distributes products and services through three company-owned networks in Australia and New Zealand.

Liberty deploys its own capital in its operations, thereby reducing financial and operating leverage. By aligning its interests with 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 class.

Liberty has a "strong" servicer ranking from S&P Global Ratings for prime and nonprime mortgages, auto loans and commercial-mortgage servicing. Liberty is Australia's only investment-grade rated nonbank issuer, at BBB- with a stable outlook from S&P. Liberty recently listed on the Australian Securities Exchange.

Liberty has established and maintains a flexible, durable and diversified funding programme. It is the only nonbank with a senior-unsecured funding programme. Liberty's term-securitisation programme provides investors the opportunity to buy fixed-income securities in prime and nonconforming RMBS, auto ABS and SME formats.

Liberty has raised more than A$30 billion in domestic and international capital markets across 63 transactions. Liberty has an unblemished capital markets track record whereby its rated notes have never been charged off, downgraded or placed on negative watch.

◆ PLEASE CONTACT:

Peter Riedel Chief Financial Officer
+61 3 8635 8888 | priedel@liberty.com.au
www.liberty.com.au

MACQUARIE GROUP

MACQUARIE

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAMES	PUMA, SMART

Macquarie Group is a global financial group with offices in 31 markets. Founded in 1969, Macquarie now employs 16,356 people globally, including staff employed in operationally segregated subsidiaries. The group had total assets of A$230.7 billion and total equity of A$20.8 billion as at 30 September 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 30 September 2020, the group had total deposits of A$74.4 billion, a home-loan portfolio of A$57.4 billion, funds on platform of A$89.3 billion and a vehicle-finance portfolio of A$12.4 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.

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$9.8BN EQUIVALENT
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 NOV 2020	1.7%

SMART PROGRAMME

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	ABS
NUMBER OF SECURITISATIONS ISSUED	35
TOTAL VOLUME ISSUED	A$28BN EQUIVALENT
CURRENCIES ON ISSUE	AUD
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$1.1BN EQUIVALENT
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 NOV 2020	1.8%

◆ PLEASE CONTACT:

Daniel McGrath Division Director, BFS Treasury
+61 411 287 464 | daniel.mcgrath@macquarie.com

Raymond Lam Associate Director, BFS Treasury
+61 410 129 645 | raymond.lam@macquarie.com

Craig Eggleton Division Director, Group Treasury Funding
+61 439 199 102 | craig.eggleton@macquarie.com

David Tay Senior Manager, Group Treasury Funding
+61 2 8237 2747 | david.tay@macquarie.com

www.macquarie.com

ME

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	SMHL

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
NUMBER OF SECURITISATIONS ISSUED	50
TOTAL VOLUME ISSUED	A$50.5BN EQUIVALENT
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	A$32.8BN, US$10.4BN, €2.2BN
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$4BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	NOT DISCLOSED

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 50 transactions in the SMHL and Maxis programmes since 1995. ME has issued at least annually during this period.

◆ PLEASE CONTACT:

John Caelli Treasurer
+61 3 9708 3825 | john.caelli@mebank.com.au

Sid Mamgain Senior Manager, Secured Funding
+61 3 9708 3747 | sid.mamgain@mebank.com.au

Magda Aly Manager, Securitisation
+61 3 9708 3275 | magda.aly@mebank.com.au

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	64%
NUMBER OF SECURITISATIONS ISSUED	5
TOTAL VOLUME ISSUED	A$1.6BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$982M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 DEC 2020	0.3%

Metro Finance is an originator of commercial loans to prime SME clients in the auto and equipment finance market. It funds small-ticket auto and equipment capital purchases, thereby enabling 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's target market includes SMEs, partnerships, trusts, associations, government agencies and sole proprietors. Industries covered include trade, professionals, transport, manufacturing and construction.

Metro Finance's main points of differentiation are high service levels, advanced technology platforms and product innovation.

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:

George Pappas Treasury Manager
+61 2 8650 4047 | george.pappas@metrofin.com.au

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	2
TOTAL VOLUME ISSUED	A$700M
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$559M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 DEC 2020	0.6%

Mortgage House is one of Australia's leading, growing, independent retail nonbank lenders, with 25,000 customers and more than A$3.6 billion of funds under management. This comprises residential mortgage loans in its own funding programmes, white-label arrangements and loans through third parties. In 2020, Mortgage House originated A$1.3 billion 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 2020, Mortgage House originated more than A$2.3 billion of residential-mortgage loans into its own funding programme and, as at 31 December 2020, had more than A$1.5 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:

Steven Mixter Head of Securitisation and Structured Finance
+61 2 8116 1068 | stevenm@mortgagehouse.com.au

Sean Bombell General Manager
+61 2 8116 1032 | seanb@mortgagehouse.com.au

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$340M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	NOT DISCLOSED

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 company's profit 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:

Jason Hughes Securitisation Manager
+64 3 474 6381 | jhughes@mtf.co.nz

Kyle Cameron Chief Financial Officer
+64 3 474 6381 | kcameron@mtf.co.nz

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	74%
NUMBER OF SECURITISATIONS ISSUED	8
TOTAL VOLUME ISSUED	A$2.7BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	95.3% DOMESTIC 4.7% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$930M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 NOV 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 of more than A$5 billion is sourced directly through its branch network in Tasmania 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.

◆ PLEASE CONTACT:

Ryan Sharp Treasurer
+61 3 6215 9554 | ryan.sharp@mystate.com.au

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$3.1BN
TOTAL CROSS-BORDER TRANCHES ISSUED	7
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 DEC 2020	0.5%

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 nine 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:

Paul Duns Director, Group Funding
+61 3 8634 2700 | paul.duns@nab.com.au

Sarah Samson Head of Securitisation Origination
+61 3 8641 2997 | sarah.samson@nab.com.au

www.nab.com.au

NOW FINANCE

NOW FINANCE

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	NOW

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	CONSUMER RECEIVABLES
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA PUBLIC SECURITISATION	36%
NUMBER OF SECURITISATIONS ISSUED	1
TOTAL VOLUME ISSUED	A$200M
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$111.1M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 NOV 2020	2.4%

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:

James Cunningham Treasurer
+61 499 300 697 | jcunningham@nowfinance.com.au

www.nowfinance.com.au

PEOPLE'S CHOICE CREDIT UNION

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	61%
NUMBER OF SECURITISATIONS ISSUED	8
TOTAL VOLUME ISSUED	A$3.7BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$1.1BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 OCT 2020	2.2%

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 total assets of A$9.4 billion as at 30 June 2020. The credit union's origins date back to 1949. 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. It 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 and has expanded 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 and Victoria.

The Light Trust RMBS programme was 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.

◆ PLEASE CONTACT:

Paul Farmer Acting Treasurer
+61 8 8305 1898 | pfarmer@peopleschoicecu.com.au

Samuel Barnett Acting Manager, Treasury
+61 8305 1822 | sbarnett2@peopleschoicecu.com.au

www.peopleschoicecu.com.au

PEPPER GROUP

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]	28 PRS (13 OUTSTANDING, 15 CALLED), 4 PEPPER PRIME (4 CALLED), 6 PEPPER I-PRIME (6 OUTSTANDING), 3 SPARKZ (3 OUTSTANDING)
TOTAL VOLUME ISSUED[1]	A$23.3BN EQUIVALENT
TOTAL DOMESTIC VS OFFSHORE ISSUANCE[2]	~84% DOMESTIC ~16% OFFSHORE
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	CONTACT ISSUER

As at 31 December 2020.
1 Australian platform issuance only.
2 Twelve 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 a variety of tenors, currencies and repayment formats. The company 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$83.5 billion in assets under management globally as at 30 June 2020.

PLEASE CONTACT:

Andrew Twyford Treasurer
+61 401 039 700 | atwyford@pepper.com.au

Steven Fischer Deputy Australian Treasurer
+61 413 782 557 | sfischer@pepper.com.au

www.pepper.com.au

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	31%
NUMBER OF SECURITISATIONS ISSUED	2
TOTAL VOLUME ISSUED	A$650M
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$199M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	NOT DISCLOSED

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 south-east 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 160,000 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:

David Creamer Treasurer
+61 8 9219 7845 | treasury@pnbank.com.au

www.pnbank.com.au

REDZED LENDING SOLUTIONS

RedZed

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	9
TOTAL VOLUME ISSUED	A$2.5BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	94% DOMESTIC 6% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$1.3BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 26 JAN 2020	1.4%

RedZed Lending Solutions 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 A$1.8 billion in assets under management. More than 90% of its 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 A$3.9 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$2.5 billion of term debt-market securities via nine public securitisations.

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

◆ PLEASE CONTACT:

Chris Wilson Chief Financial Officer
+61 3 9605 3500 | cwilson@redzed.com

Rick Li Treasurer
+61 3 9605 3500 | rli@redzed.com

www.redzed.com

RESIMAC

resimac

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	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	55
TOTAL VOLUME ISSUED	A$35BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	55% DOMESTIC 45% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$8BN EQUIVALENT
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 DEC 2020	2%

Resimac Group is a leading nonbank residential-mortgage lender and multichannel distribution business. Resimac operates under a fully integrated business model comprising originating, servicing and funding prime and nonconforming residential mortgages, and 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$35 billion in bonds across 55 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.

◆ PLEASE CONTACT:

Andrew Marsden Treasury and Securitisation
+61 2 9248 6507 | andrew.marsden@resimac.com.au

Anny Chen Treasury and Securitisation
+61 2 9248 0373 | anny.chen@resimac.com.au

www.resimac.com.au

SUNCORP GROUP

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	APOLLO

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	PRIME RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	13.8%
NUMBER OF SECURITISATIONS ISSUED	23
TOTAL VOLUME ISSUED	A$26.5BN EQUIVALENT
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	81% DOMESTIC 19% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$2.6BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 NOV 2020	3.5%*

* Proportion by balance of loans in portfolio.

Suncorp is an Australian Securities Exchange-listed company and financial-services provider in Australia and New Zealand, and ultimate parent company of the Suncorp Group, which delivers insurance, banking and wealth products and services to customers in Australia and New Zealand and employs more than 13,500 people.

Suncorp has three core businesses: Insurance (Australia), Banking and Wealth, and Suncorp New Zealand. The operating functions are responsible for product design, manufacturing, claims management and distribution.

Suncorp Bank is focused on lending, deposit gathering and transaction-account services to personal, SME, commercial and agribusiness customers.

The Wealth portfolio manufactures, administers and distributes superannuation products.

The bank continues to assist customers through its store network during COVID 19, while balancing the safety of Suncorp's people and the wider community.

◆ PLEASE CONTACT:

Simon Lewis Treasurer
+61 7 3362 4037 | simon.lewis@suncorp.com.au

Maddalena Gowing
Manager, Securitisation and Covered Bonds
+61 7 3362 4038 | maddalena.gowing@suncorp.com.au

Christian Graham
Securitisation and Covered Bond Specialist
+61 7 3362 4032 | christian.graham@suncorp.com.au

Ally Tang Securitisation and Covered Bond Specialist
+61 7 3362 4069 | ally.tang@suncorp.com.au

www.suncorp.com.au

THINKTANK

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	THINK TANK

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	CMBS, RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	65%
NUMBER OF SECURITISATIONS ISSUED	6
TOTAL VOLUME ISSUED	A$2BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$1.3BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 DEC 2020	4.6%

Thinktank Commercial Property Finance is an independent nonbank financial institution specialising in the provision of commercial-property mortgage finance up to A$3 million and residential-property mortgage finance up to A$1.5 million in the Australian SME sector. Commencing operations in 2006, Thinktank is a programmatic issuer supported by a national distribution network and offices in Sydney, Melbourne and Brisbane.

The company's most recent term issue, of A$600 million, was completed in October 2020 and comprised a mix of 55% standard commercial and 45% ordinary residential security properties predominantly located in Sydney, Melbourne and Brisbane with an average loan size of A$580,000 and weighted average loan-to-value ratio (LVR) of 66.5%.

Early in 2021, Thinktank plans to launch a standalone RMBS programme alongside its existing small-ticket CMBS presence, with multiple intrayear issuance planned on the back of ongoing incremental growth in its core SME and self-employed borrower markets. Thinktank currently sees monthly originations exceeding A$100 million across its range of commercial, residential and SMSF loan products.

Thinktank's asset quality and performance is notable for conservative LVR, low arrears and negligible loss history. Under the continued guidance of the company's founders, growth in the loan portfolio has been measured and is strongly supported by long-term domestic and offshore institutional stakeholders.

◆ PLEASE CONTACT:

Cullen Hughes Chief Financial Officer and Treasurer
+61 2 8669 5518 | chughes@thinktank.net.au

Jonathan Street Chief Executive Officer
+61 2 8669 5505 | jstreet@thinktank.net.au

www.thinktank.net.au

WESTPAC BANKING CORPORATION

Westpac GROUP

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 sound 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 30 September 2020, Westpac had total assets of A$912 billion. Westpac's ordinary shares and certain other securities are quoted on the Australian Securities Exchange and, at 30 September 2020, the bank's market capitalisation was A$61 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.

Diversity is assessed from several 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.

In recent years, Westpac's annual term-funding volume has been A$30-35 billion equivalent, including capital. However, the introduction of the term funding facility in March 2020 has reduced the Group's needs to access wholesale markets and significantly reduced annual issuance volumes.

WST RMBS

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION[1]	3.5%
NUMBER OF SECURITISATIONS ISSUED	44
TOTAL VOLUME ISSUED	~A$84.3BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE[2]	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES[2]	~A$7BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 OCT 2020[3]	3.7%

1 Includes RMBS and ABS. As at 30 September 2020. Residual maturity basis.
2 Based on issues currently outstanding as at 31 October 2020.
3 WST only. Reported as a percentage of balance.

CRUSADE ABS

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	ABS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION[1]	3.5%
NUMBER OF SECURITISATIONS ISSUED	10
TOTAL VOLUME ISSUED[2]	~A$10.3BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE[3]	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES[3]	~A$2.2BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT END 31 OCT 2020[4]	0.8%

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

◆ PLEASE CONTACT:

Guy Volpicella Head of Structured Funding and Capital
+61 2 8254 9261 | gvolpicella@westpac.com.au

www.westpac.com.au

ZIP

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	ZIP MASTER TRUST SERIES

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	BUY-NOW, PAY-LATER
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	~63%
NUMBER OF SECURITISATIONS ISSUED	2
TOTAL VOLUME ISSUED	A$800M
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$800M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 NOV 2020	0.1%

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. It is the owner of Pocketbook, a leading personal-finance management app. Pocketbook has more than 800,000 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$2,000 with Zip Pay, and up to A$50,000 with Zip Money.

Zip now has more than 2.1 million customers and is available in more than 61,000 locations. Customers simply sign into their Zip digital wallet, either online or in store, and authenticate the transaction to complete the purchase or Tap&Zip everywhere that accepts Visa.

PLEASE CONTACT:

Akeshni Gour
Director, Treasury
+61 498 988 411 | akeshni.gour@zip.co
www.zip.co

ATHENA HOME LOANS

AUSTRALIAN ADI	NO
TYPE OF LENDING	PRIME RESIDENTIAL MORTGAGES
SIZE OF LENDING BOOK	A$1.5BN DRAWN BALANCE
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 DEC 2020	0.3% IN HARDSHIP, 0.2% IN PAYMENT MORATORIUM
YEAR OF ESTABLISHMENT	2017

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

Since public launch in February 2019, Athena has received more than A$9 billion in applications and settled A$1.9 billion in loans. The group's focus on high-quality lending and robust processes was highlighted by the COVID-19 shock, as hardship cases never exceeded 0.7% of customers – an unrivalled position in the industry.

Athena uses technology to drive origination efficiency while enhancing the customer experience. It is also innovating on the funding side, recently signing a A$300 million deal with Newcastle Permanent Building Society.

Athena 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.

PLEASE CONTACT:

Neil Murchie
Chief Investment Officer
+61 412 801 765
neil@athena.com.au

Jason Finlay
Treasurer
+61 408 243 471
jason@athena.com.au

www.athena.com.au

CREDABL

AUSTRALIAN ADI	NO
TYPES OF LENDING	SECURED ASSET-BACKED LENDING, COMMERCIAL PROPERTY MORTGAGES, HOME LOANS
SIZE OF LENDING BOOK	>$A350M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 18 JAN 2021	0.1%
YEAR OF ESTABLISHMENT	2016

Credabl is the leading independent lender for medical professionals, providing doctors, dentists and vets with loans designed for their tools-of-trade needs. Credabl has originated more than A$1 billion across its platform. For almost three decades, members of the Credabl team has been developing and innovating healthcare finance, culminating in lending standards that reflect the collective learning of the team over time.

Credabl has no current losses and has successfully navigated the COVID-19 shock, with only one loan currently in hardship. Credabl's loan book increased by more than 100% in 2020.

Credabl is niche-focused, engaging with clients digitally and providing strong relationship lending services. The firm always seeks to align with prevailing technology trends. Credabl has a national footprint and counts fixed-income funds, banks, institutional funds and the Australian Office of Financial Management among its investors.

PLEASE CONTACT:

Stafford Hamilton
Chief Executive Officer
+61 468 941 312
stafford@credabl.com.au

David Salkinder
Chief Operating Officer
+61 499 779 888
david@credabl.com.au

www.credabl.com.au

DEFENCE BANK

AUSTRALIAN ADI	YES
TYPES OF LENDING	RESIDENTIAL, AUTO, PERSONAL AND CREDIT CARD
SIZE OF LENDING BOOK	A$2.4BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 30 NOV 2020	0.5%
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$2.8 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.

Defence Bank's current product range includes home and investment mortgage loans, personal loans, credit cards, car loans, at-call and term deposits, and more.

PLEASE CONTACT:

Dean Barton
Chief Financial Officer
+61 3 8624 5876
dean.barton@defencebank.com.au

Sash Petrovski
Treasurer
+61 3 8624 5421
sash.petrovski@defencebank.com.au

www.defencebank.com.au

GREENSILL

Greensill

AUSTRALIAN ADI	NO
TYPE OF LENDING	WORKING-CAPITAL FINANCE
SIZE OF LENDING BOOK (GLOBAL)	US$27BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	N/A*
YEAR OF ESTABLISHMENT	2011

* Greenshill financing terms do not meet or require COVID-19 relief guidelines.

Greensill is a market-leading nonbank provider of working-capital finance for businesses and people globally. Greensill unlocks capital so the world can put it to work. Greensill has more than 1,000 specialists providing working-capital financing solutions around the world, but the company is about much more.

Greensill uses the power of financial markets to unlock capital on terms that fit the needs of its clients, from 20 days to 20 years and beyond. In 2020 Greensill provided US$143 billion to customers and suppliers in 175 countries.

With the acquisition of Australian fintech start-up Earnd in 2020, Greensill is applying the same revolutionary thinking to wages that it brings to working capital. The Earnd app lets employees of Greensill's clients draw down their wages as they are earned, at no cost to them. It was awarded the SCF Innovation of the year at the 2020 Supply Chain Finance Awards.

◆ PLEASE CONTACT:

Harry Charles
Managing Director
harry.charles@greensill.com
www.greensill.com

HARMONEY

Harmoney®

AUSTRALIAN ADI	NO
TYPE OF LENDING	UNSECURED CONSUMER
SIZE OF LENDING BOOK	NZ$472M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 31 OCT 2020	3.7%
YEAR OF ESTABLISHMENT	2013

Harmoney is one of the leading online direct personal lenders operating across Australia and New Zealand, providing customers with unsecured personal loans that are easy to access, competitively priced using risk-adjusted interest rates, and accessed 100% online.

Harmoney has originated more than NZ$1.8 billion in personal loans, has served more than 47,000 borrowers in Australia and New Zealand. It has grown its total loan book to NZ$472 million as at 19 November 2020.

The company's proprietary digital lending platform, Stellare, facilitates its personalised loan product with applications processed and loans typically funded within 24 hours of acceptance by the customer.

Harmoney has warehouse funding facilities with two of the Australasian big-four banks. The company is headquartered in Auckland, New Zealand. Harmoney established an office in Sydney in 2017 to support its expansion into Australia and currently employs more than 60 full-time employees across its Australian and New Zealand operations.

◆ PLEASE CONTACT:

Duncan Gross
Group Treasurer
+64 222 774 773
duncan@harmoney.co.nz
www.harmoney.co.nz

JUDO BANK

judobank

AUSTRALIAN ADI	YES
TYPES OF LENDING	BUSINESS, LINE OF CREDIT, EQUIPMENT, HOME LOANS FOR SMEs
SIZE OF LENDING BOOK	A$2.4BN
PROPORTION OF SECURITISATION PORTFOLIO 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, Brisbane, the Gold Coast, Perth and Adelaide. Judo's current loan book sits at more than A$2.4 billion.

◆ PLEASE CONTACT:

Michael Heath
Treasurer
+61 401 186 350
michael.heath@judo.bank
www.judo.bank

MONEYME

moneyme

AUSTRALIAN ADI	NO
TYPE OF LENDING	UNSECURED CONSUMER
SIZE OF LENDING BOOK	>A$145M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 14 DEC 2020	1%
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.

MoneyMe originates consumer-credit products through its algorithm-based decision platform to customers seeking convenient and simple access to credit, direct from their mobile devices. It has a diversified set of products: Freestyle (a line of credit with a Mastercard), MoneyMe+ (for point-of-sale retail), personal loans, and List-Ready and Rent-Ready (for the property sector).

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.

◆ PLEASE CONTACT:

Neal Hawkins
Chief Financial Officer
+61 427 994 397
neal@moneyme.com.au
James Diago
Head of Finance
+61 466 902 181
james@moneyme.com.au
https://investors.moneyme.com.au

MOULA

Moula

AUSTRALIAN ADI	NO
TYPE OF LENDING	UNSECURED SME
SIZE OF LENDING BOOK	>A$100M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	CONTACT ISSUER
YEAR OF ESTABLISHMENT	2013

Founded in 2013, Moula is a leading online lending platform focusing on backing good businesses. With solutions spanning unsecured lending and payments, Moula's digital platform enables the business to use cloud accounting or bank transaction data to access finance.

In 2019, the company launched Moula Pay, providing interest- and repayment-free facilities for business purchases in-store and online. During 2020, merchant onboarding for Moula Pay increased 535% year-on-year.

Since inception, the company has raised in excess of A$50 million in equity from a range of investors including Liberty Financial, Acorn Capital and Escala Partners.

◆ PLEASE CONTACT:

Ashley Miller
Chief Financial Officer
+61 417 596 459
ash.miller@moula.com.au
Andrew Watt
Chief Operating Officer
+61 448 764 444
andrew.watt@moula.com.au
www.moula.com.au

ONDECK

AUSTRALIAN ADI	NO
TYPE OF LENDING	UNSECURED SME
SIZE OF LENDING BOOK	NOT DISCLOSED
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	CONTACT ISSUER
YEAR OF ESTABLISHMENT	2015

OnDeck is the proven leader in transparent and responsible online lending to small business. Founded in the US in 2006, the company pioneered the use of data analytics and digital technology to make real-time lending decisions and deliver capital rapidly to small businesses online.

OnDeck's proprietary "Koala score" is a sixth-generation, risk-predicting lending model, which has been tailored to the Australian small-business customer using big-data machine learning, AI predictive analytics algorithms and statistical techniques to predict risk more accurately.

OnDeck is now part of Enova International and has provided more than US$13 billion in loans to more than 110,000 customers in 700 industries across the US, Canada and Australia. OnDeck commenced operations in Australia in 2015 and is headquartered in Sydney. The company has a five-star rating from Trust Pilot.

PLEASE CONTACT:

Jerry Yohananov
Chief Financial Officer
+61 404 420 637
jyohananov@ondeck.com

www.ondeck.com.au

PRIME CAPITAL

AUSTRALIAN ADI	NO
TYPE OF LENDING	COMMERCIAL MORTGAGE
SIZE OF LENDING BOOK	A$400M
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF AT 16 DEC 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, 24-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 more than 65% of the Mortgage Professional Australia Top 100. Prime Capital has offices in Sydney, Melbourne and Brisbane.

PLEASE CONTACT:

Christopher Tagle
Financial Controller
+61 2 8599 7410
cgt@primecapital.com

Linh Ngo
Communications Manager
+61 2 8599 7422
lkn@primecapital.com

www.primecapital.com

UDC FINANCE

New Zealand's Finance Company

AUSTRALIAN ADI	NO
TYPES OF LENDING	CONSUMER AUTO LOANS, SME EQUIPMENT LOANS
SIZE OF LENDING BOOK	NZ$3.3BN
PROPORTION OF SECURITISATION PORTFOLIO IN COVID-19 PAYMENT RELIEF	CONTACT ISSUER
YEAR OF ESTABLISHMENT	1937

UDC Finance is New Zealand's largest nonbank lender and has a proud, 80-year history of supporting New Zealand's productive sector as well as being the dominant finance partner for leading brands and dealer groups in the automotive-finance industry.

UDC focuses on providing asset-based, secured finance for vehicles, equipment, plant and machinery to a wide range of New Zealand businesses and consumers. UDC currently has more than 82,000 active borrowers.

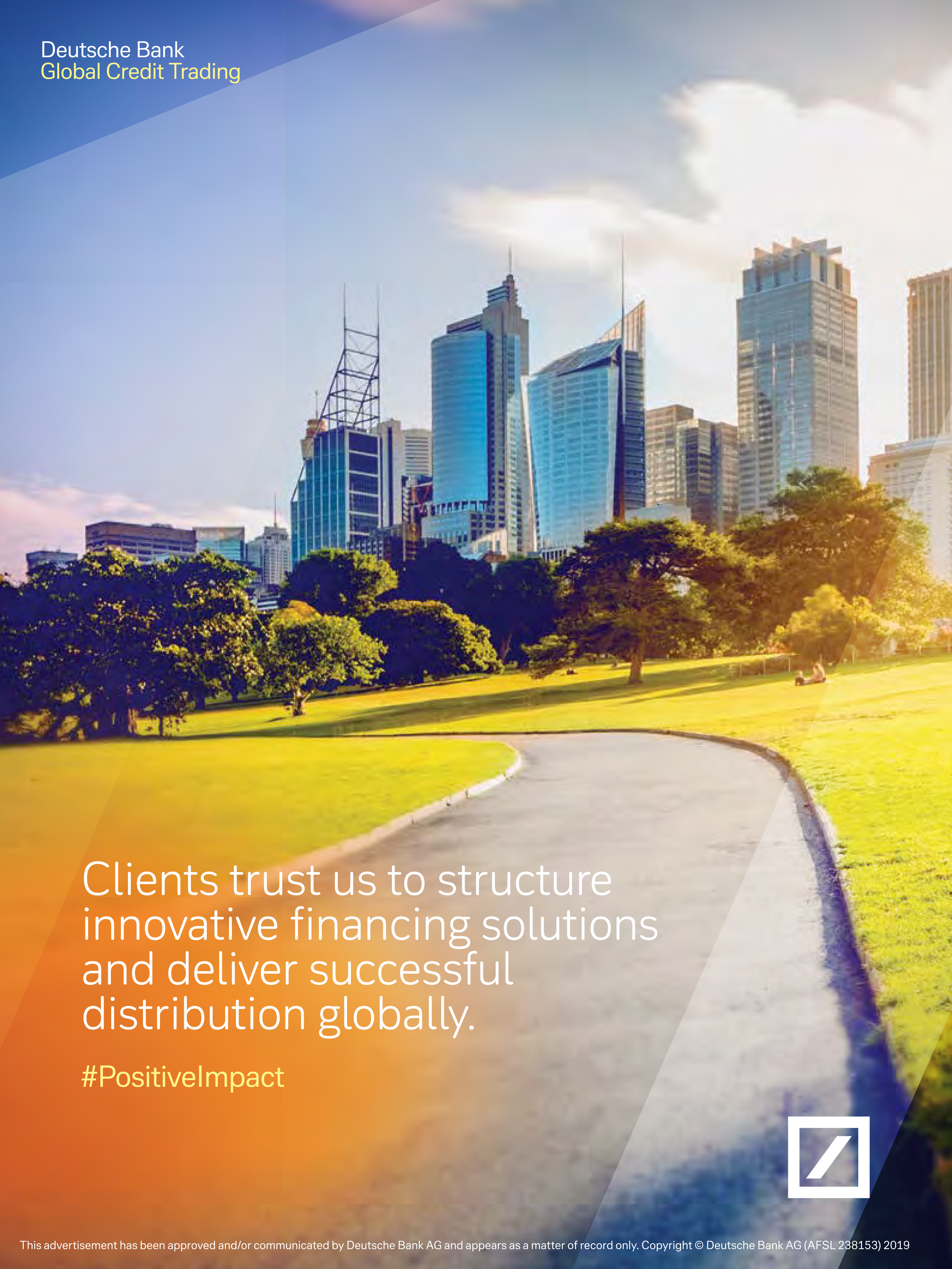
In September 2020, ANZ sold UDC to Shinsei Bank, Limited of Japan. In conjunction with the sale, UDC established two triple-A rated warehouse facilities, NZ$2.25 billion in total, for the funding of secured auto and equipment loans – a landmark transaction that created New Zealand's largest nonbank syndicated securitisation programme.

PLEASE CONTACT:

Mark de Ree
Head of Treasury
+64 9 952 7146
mark.deree@udc.co.nz

Shane Noone
Chief Financial Officer
+64 9 952 7233
shane.noone@udc.co.nz

www.udc.co.nz


Deutsche Bank
Global Credit Trading
Clients trust us to structure innovative financing solutions and deliver successful distribution globally.
#PositiveImpact
This advertisement has been approved and/or communicated by Deutsche Bank AG and appears as a matter of record only. Copyright © Deutsche Bank AG (AFSL 238153) 2019