ASJ

AUSTRALIAN SECURITISATION JOURNAL

Incorporating Australian Securitisation & Covered Bonds

>> Issue 05 • 2014

Drops in the ocean

Australian securitisers have benefited from a global bid for their local issuance. But the weight of demand for international-currency paper is likely even greater.

Australian Securitisation Forum

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Depósito Legal: B-36961-2011
Printed in Spain by CEVAGRAF, SCCL

WELCOME

The Australian securitisation market has had a fantastic year in 2013: record issuance without Australian Office of Financial Management (AOFM) support, considerable uptake from offshore and real-money investors, and increasing clarity in relation to a number of regulatory initiatives. All these should serve us well in 2014.

The Australian Securitisation Forum (ASF) itself is delighted to have played a strategic role in producing a consensus among industry participants on so many important opportunities and challenges. I am pleased to note that each year we seem to have more of the industry contributing to and benefiting from ASF initiatives.

The ASF's Education Faculty continues to focus on securitisation and covered bond training, catering for recent entrants to our industry right through to seasoned practitioners with our relatively new Applied Securitisation Programme. I encourage you all to look to identify where there might be development opportunities – and to let us know if there is something missing.

With regulatory affairs, our chief focus this year has been on the additional residential mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities repo-eligibility criteria which were announced by the Reserve Bank of Australia at the ASF annual conference in 2012 (see p10). This mammoth disclosure and reporting task will bear fruit from January 1 2015, assisting Australian banks to meet their Basel III liquidity coverage ratios.

The other major regulatory matter has been the drafting of a new prudential standard for securitisation, including provision for master trust issuance. Despite the specialist nature of the subjects, excellent progress has been made on FATCA and domestic proposals relating to thin capitalisation by special-purpose vehicles – where securitisation was, rightly, spared. We have also maintained a watching brief on credit-risk retention developments in offshore jurisdictions, including making representations to European and US regulators in a bid to ensure our product is not emasculated in offshore markets.

Speaking of offshore markets, I believe many market participants expect to see the ASF perform a supporting role in facilitating global investor outreach. Mostly, this has taken the form of conducting investor seminars in Europe, the US and Asia. Feedback and engagement at these events has been excellent, and I think this goes some way to explain why we are incrementally seeing more and more offshore accounts in our order books. For example, more than 100 investors attended our session in Tokyo in September.

The year 2014 will be a significant one for the industry. With the election of the new Australian federal government in September 2013, the ASF will work with its members to develop forward-looking policy positions, especially as an Australian financial system inquiry looms. Specifically, we wish to ensure that the roles of securitisation and covered bonds are properly understood and appropriately harnessed to deliver on public policy objectives.

Please do not hesitate to reach out to me or any other member of the ASF National Committee should you ever wish to discuss the ASF's work agenda.

TIM HUGHES
CHAIRMAN, AUSTRALIAN SECURITISATION FORUM

ASF NEWS

Securitisation's revival has gathered pace in Australia in 2013 as deals backed by both mortgages and other assets have proved popular with investors at home and abroad – providing funding and capital relief for a growing range of issuers. The work of the ***Australian Securitisation Forum*** *(ASF) has helped, but with regulatory developments and a change of government still playing a crucial role now is no time for complacency.*

BY ALEX SELL, CHIEF OPERATING OFFICER, ASF

ISSUANCE

The year has been noteworthy not just for maintaining the upward trajectory of issuance seen in 2012 but for the emergence of several first-time residential mortgage-backed securities (RMBS) issuers, which have seen spreads tighten to levels that make economic sense. Trades have been well supported, with significant upsizes from initial indications. The return of Macquarie Bank's illustrious PUMA programme was pleasing to see.

The smaller but still vibrant asset-backed securities (ABS) sector has seen an increased frequency and variety of issuance with more to follow, including new receivable types. This news vindicates the industry's supporters who believe securitisation technology is nimble and effective at diversifying balance sheets, both in terms of funding and credit.

While larger issuers are eagerly awaiting an opportunity to be allowed by the regulator to use master trust technology for their securitisations, we have already seen a continuation of features designed to amortise notes in a controlled fashion – thereby delivering on certain investors' mandate requirements.

Increased issuance has clearly been helped by the Reserve Bank of Australia (RBA) and the Australian Prudential Regulation Authority (APRA)'s joint announcement late last year that triple-A rated securitised paper would be eligible in the RBA's new committed liquidity facility. This facility will be used by local banks to bolster their portfolios of liquid assets – to meet Basel III liquidity coverage ratio standards – given Australia's relative shortage of government bonds.

In addition to the obvious pro-prudential benefit of ensuring liquidity among banks, another benefit to the RMBS market has naturally emerged in the form of strengthening issuers' funding resilience. By establishing programmes that might not otherwise exist, the issuance flurry has broadened the local market's skills base and given investors the opportunity to test new pool types.

Away from bank balance sheet liquidity, we have witnessed non-banks place massive votes of confidence in securitisation's ability to fund and manage acquisitions of small and very large portfolios, ranging from consumer finance and residential mortgages to commercial mortgages and SME business loans. We expect to see more of this activity, underpinned by banks' focus on core credits.

An example of securitisation-funded growth is Pepper Australia (Pepper). Long a stalwart in the nonconforming mortgage space – which has itself seen strong issuance conditions in 2013 – Pepper is also growing in the prime sector and has established a base in commercial and equipment leasing. The firm has engaged with US dollar securitisation investors and included a USD-denominated tranche to its first-ever prime RMBS issue, in August 2013.

While foreign currency markets have, overall, proved less economically compelling for Australian banks over 2013 – in part because of strong support for their domestic currency issuance – non-bank issuers have successfully tapped global currency markets. Resimac also placed US dollar notes during the year, while FirstMac debuted in the sterling market.

INVESTORS

The Australian investor base has responded to issuers' avidity for deal flow, recognising the increase in secondary market liquidity brought about by central bank support for securitised paper.

It has been pleasing to see critical mass established by a number of boutique asset managers. In prior years, they invested considerable resources convincing high net worth individuals, family office funds and small treasury operations that securitised paper – mostly RMBS – was an asset class well worth allocating funds to. And they have not disappointed to date, with risk-adjusted returns above competing asset classes.

Examples include the Laminar Credit Opportunities Fund, the Realm High Income Fund, the retail offering from FirstMac, High Livez, and Pepper's PIM High Income Fund. Fund managers from two of these offerings share their insights into the securitisation market in this edition of *ASJ* (see p28).

Offshore investor interest, meanwhile, has gone from strength to strength. Investors typically found in UK transactions have been curtailed due to the renewal of the Bank of England's Funding-for-Lending scheme. The scheme provides very cheap funding for UK banks in return for net lending to the real economy. It has resulted in a dearth of RMBS and ABS issuance as banks obviously prefer very cheap central bank money over conventional primary markets.

Increased regulatory oversight is also causing global banks to have more direct currency matching in their liquid assets portfolios – which, some UK-based liquidity book managers have told *ASJ*, means an increased volume of 'natural' Australian dollar holdings. The stability and yield of Australian RMBS makes it a popular buy for these portfolios, even aside from the dearth of competing supply.

Australian issuers have been the beneficiaries of these factors. Issuers such as Bank of Queensland and FirstMac have met the market by offering sterling tranches. Similarly, US and UK investors that typically flock to UK RMBS markets have been forced to look elsewhere, resulting in fantastic uptake of a number of Australian dollar issues. US interest in particular has also gone beyond the typical 2a-7 money market tranches.

"THE REVIVAL OF OFFSHORE DEMAND AGAIN PROVES THAT EVEN WHEN CERTAIN MARKETS ARE CLOSED THEY ARE ALWAYS WORTH MAINTAINING ENGAGEMENT WITH – BECAUSE EVENTS DO INDEED ALTER THE LANDSCAPE."

This is great news, especially in the context of ongoing challenges in derivatives markets which have made the pricing of cross-currency swaps – especially for amortising securities like most Australian RMBS – a tough economic conundrum for issuers. Most importantly, the revival of offshore demand again proves that even when certain markets are closed they are always worth maintaining engagement with – because events do indeed alter the landscape.

Japanese investors are another such example. We understand that some remain curtailed by regulatory resistance to securitised product – despite Japanese investors having relatively little negative exposure to the US subprime debacle. Others prefer emerging-market credit if they are

Securitisation volumes set post-crisis record

NEW ISSUANCE ACTIVITY THROUGH 2013 HAS BEEN VERY STRONG IN COMPARISON WITH 2008-2012. TOTAL PUBLIC RMBS VOLUMES TO MID-OCTOBER STOOD AT A$23.4 BILLION (US$21.9 BILLION), WELL UP ON THE A$13.4 BILLION ISSUED IN 2012, ACCORDING TO MACQUARIE BANK ANALYSIS. RECENT (BY CALENDAR YEAR) AUSTRALIAN RESIDENTIAL AND MORTGAGE-BACKED ISSUANCE IS SUMMARISED IN THE TABLE BELOW.

SECURITISATION OF AUSTRALIAN COLLATERAL (A$M)

		2007	2008	2009	2010	2011	2012	2013 YTD
AUSTRALIAN RMBS	AUD	23,905	7,289	14,047	17,915	21,145	11,970	22,720
	USD	13,678	0	0	398	390	1,121	566
	EUR	10,420	0	0	0	0	0	0
	GBP	1,050	0	0	0	0	280	150
	NZD	0	0	0	0	0	0	0
	JPY	0	0	0	0	230	0	0
NON-AUD RMBS		25,148	0	0	398	620	1,400	716
TOTAL RMBS		49,053	7,289	14,047	18,313	21,765	13,370	23,435
CMBS		909.0	0.0	265.0	370.0	160.0	0.0	0.0
ST CMBS		899.8	0.0	0.0	0.0	442.6	0.0	250.0
ABS		4,580	3,965	1,942	3,113	4,837	5,108	3,944
COVERED BONDS	AUD	0	0	0	0	0	12,300	700
	NON-AUD	0	0	0	0	2,762	28,918	12,850
TOTAL		55,442	11,254	16,253	21,796	29,966	59,696	41,180

SOURCE: MACQUARIE BANK OCTOBER 11 2013

going to veer away from Japanese government bonds or RMBS issued by the Japan Housing Finance Agency, both of which offer extremely skinny returns.

However, with some Japanese investors beginning to allocate we are witnessing a gradual warming to Australian securitised product. One key theme that emerged from ASF members' meetings in Tokyo in September was that many more are ready to invest provided the denomination is US dollars or yen, and provided the format is bullet. It is obvious to see why Australian issuers are waiting with baited breath to see if their prudential regulator will permit master trusts, so they can meet that nascent demand.

COMMITTEE WORK

Market Standards & Practices

The major piece of work occupying this subcommittee has been and continues to be the RBA's data requirements in relation to RMBS, and now ABS and commercial mortgage-backed securities (see p10).

Thank you to the various issuers and investors, as well as trustees, professional services firms and law firms, which have participated in ASF working groups. This has ensured the industry has contributed to a measured, practical and commercial outcome.

"WHILE LARGER ISSUERS ARE EAGERLY AWAITING AN OPPORTUNITY TO BE ALLOWED BY THE REGULATOR TO USE MASTER TRUST TECHNOLOGY, WE HAVE ALREADY SEEN A CONTINUATION OF FEATURES DESIGNED TO AMORTISE NOTES IN A CONTROLLED FASHION – THEREBY DELIVERING ON CERTAIN INVESTORS' MANDATE REQUIREMENTS."

Outstanding issues exist, however, mostly in relation to privacy concerns. The industry is troubled by the prospect of privacy being improperly breached, with all that entails reputationally and legally for the information providers – regardless of the steps they might take to protect borrower information.

We thank the RBA for maintaining an open mind about the industry's concerns, both practical and philosophical. We also applaud the bank for ensuring the market remained informed and empowered throughout the

consultation process. Co-chairs Vernon Spencer of Stargate and Robert Camilleri of Realm Investment House continue to provide wise counsel and investor perspectives to ensure ASF positions are credible and balanced.

Regulatory & Prudential

Prudential regulation of securitisation by banks in Australia has been the chief focus for committee co-chairs Guy Volpicella of Westpac Banking Corporation and Sarah Hofman of RBS Australia. Together with Sofie Sullivan at JPMorgan, they have made formal and informal representations to APRA in order to identify the issues that the industry believes require amending or at least clarifying going forward, as well as provision for master trusts, of course.

Warehouses, date-based calls, significant risk transfer, and tranching have all featured heavily in the ASF's various missives. The recommendations have been as much about the fabric of APRA's new APS120 as they have the supervisory process that relates to them. Certainty, consistency and clarity have been at the forefront of the industry's concerns.

> **"WE HAVE WITNESSED NON-BANKS PLACE MASSIVE VOTES OF CONFIDENCE IN SECURITISATION'S ABILITY TO FUND AND MANAGE ACQUISITIONS OF SMALL AND VERY LARGE PORTFOLIOS, RANGING FROM CONSUMER FINANCE AND RESIDENTIAL MORTGAGES TO COMMERCIAL MORTGAGES AND SME BUSINESS LOANS."**

Government & Industry Liaison – engaging governments and regulators in relation to the role of securitisation in achieving public-policy objectives, as well as economic and financial stability

Politically, the 2013 year has been relatively fallow for the industry as the official and unofficial federal election campaigns somewhat distracted Australia's politicians.

Now that the new government has been sworn in, co-chairs Mary Ploughman of Resimac and Patrick Tuttle of Pepper will marshal their committee members and the broader membership to ensure we have a plan of action that helps new ministers and advisers understand our products' various roles in aiding competition, credit, financial stability, and Australia's structural current account deficit.

Accounting & Tax – accounting standards; tax rules domestically and offshore; due diligence

Chairman Graham Mott has taken this sub-committee from strength to strength by ensuring that the practical and commercial aspects, from otherwise arcane technical accounting and tax standards, do not stand in the way of securitisation being able to flourish.

Communications – investor outreach; member and stakeholder communications and events

Liberty Financial's Peter Rollason has taken this sub-committee on to a strategic plane, ensuring that the ASF's communications are as important as its output. Without explaining it in the right way at the right time to the right audience, our message is lost or lessened.

Hopefully, stakeholders are finding that the ASF is today offering useful and timely content through a number of channels.

EDUCATION

From July 2013, the ASF brought in house its entire education mission. Led by the ASF's chief operating officer, Alex Sell, and chaired by ASF Education Faculty chairman, Robert Camilleri, the faculty is currently reviewing the structure of various pathways in a bid to ensure our offering remains relevant to members' professional development requirements.

Recent engagement with members in relation to what courses we offer – and how we offer them – has been a useful step in understanding this. Outcomes include ensuring the buy-side of our market is better catered for. Relative-value content will be included as a result. Similarly, we will be incorporating the RBA's reporting requirements into the advanced-level trustee role and responsibilities elective.

The online securitisation offering is also beginning to prove its worth, and is appealing not only to Australian market participants but offshore ones, too. This was a major motivation for taking Securitisation Fundamentals online. After all, without middle- and back-office staff offshore understanding our market, we leave a hole in potential investors' ability to support deals they bring onto their books.

You can register for the online course via the homepage of the ASF website. In particular, we encourage you to draw it to the attention of your colleagues internally working in finance, audit, risk, legal, compliance as well as graduate programmes – so that when they come in to contact with securitisation businesses they are not without foundation knowledge.

As always, we are immensely grateful to the many industry participants that give up their time to ensure the content and delivery of the ASF's curriculum is professional, extremely well-priced, up to date and relevant. Our famous adage remains as true today as it was in 1989: "For the industry, by the industry." ■

CO-PUBLISHED FEATURE

FINAL REPORTING FORMAT FOR RMBS, FROM THE RESERVE BANK

In October 2012, the Reserve Bank of Australia (RBA) announced new criteria for eligibility of residential mortgage backed securities (RMBS) in its operations. In this article, the central bank gives more detail on the changes and why they are being instituted.

The key element was that issuers of RMBS would be required to provide more detailed information on a regular basis, covering both transaction-related data and information on the underlying assets. The RBA also announced its intention to require similar information for other asset-backed securities (ABS), such as securities backed by auto loans and leases or credit card receivables, and commercial mortgage-backed securities (CMBS).

STRENGTHENING RISK MANAGEMENT AND PROMOTING CONFIDENCE

The RBA's decision to require more information has two purposes. The primary purpose is to allow the RBA to more accurately value the securities it holds under repurchase agreements.

This task will become more important for the RBA as its contingent exposure to securitisations increases significantly in coming years. To fund higher deposit balances held at the RBA as a result of the move to same-day settlement of direct-entry payments in November, for example, authorised deposit-taking institutions (ADIs) will enter into repos with the RBA. There are already more than 400 repo-eligible securitisation transactions outstanding (see table on this page).

Certain Australian Prudential Regulation Authority (APRA)-approved ADIs will also be able to deliver securities such as RMBS to the RBA to meet part of their liquidity requirements through the RBA's committed liquidity facility (CLF) from January 1 2015.

The securitisation data will allow the RBA to apply security-specific collateral haircuts in its operations based on more detailed information on the underlying assets supporting each security. For example, the RBA will be able to refine pricing where there are large geographic or borrower-type concentrations in loan pools. At the same time, details of the cash flows associated with each security will provide greater transparency to the liability side of each transaction. This information will be an important input into the RBA's pricing, especially for self-securitisations for which there are no market prices.

The requirement for issuers, or their information providers, to make the information publicly available if the securities are to remain eligible for the RBA's operations is designed to promote greater standardisation of information available on securitisations in the Australian market. There is currently no regulatory standard for RMBS and ABS reporting and disclosures.

The requirement is broadly consistent with the transparency and standardised disclosure initiatives for securitisation markets of the Australian Securitisation Forum, the International Organization of Securities Commissions and other central banks, including the European Central Bank and the Bank of England.

RBA REPO-ELIGIBLE SECURITISATIONS

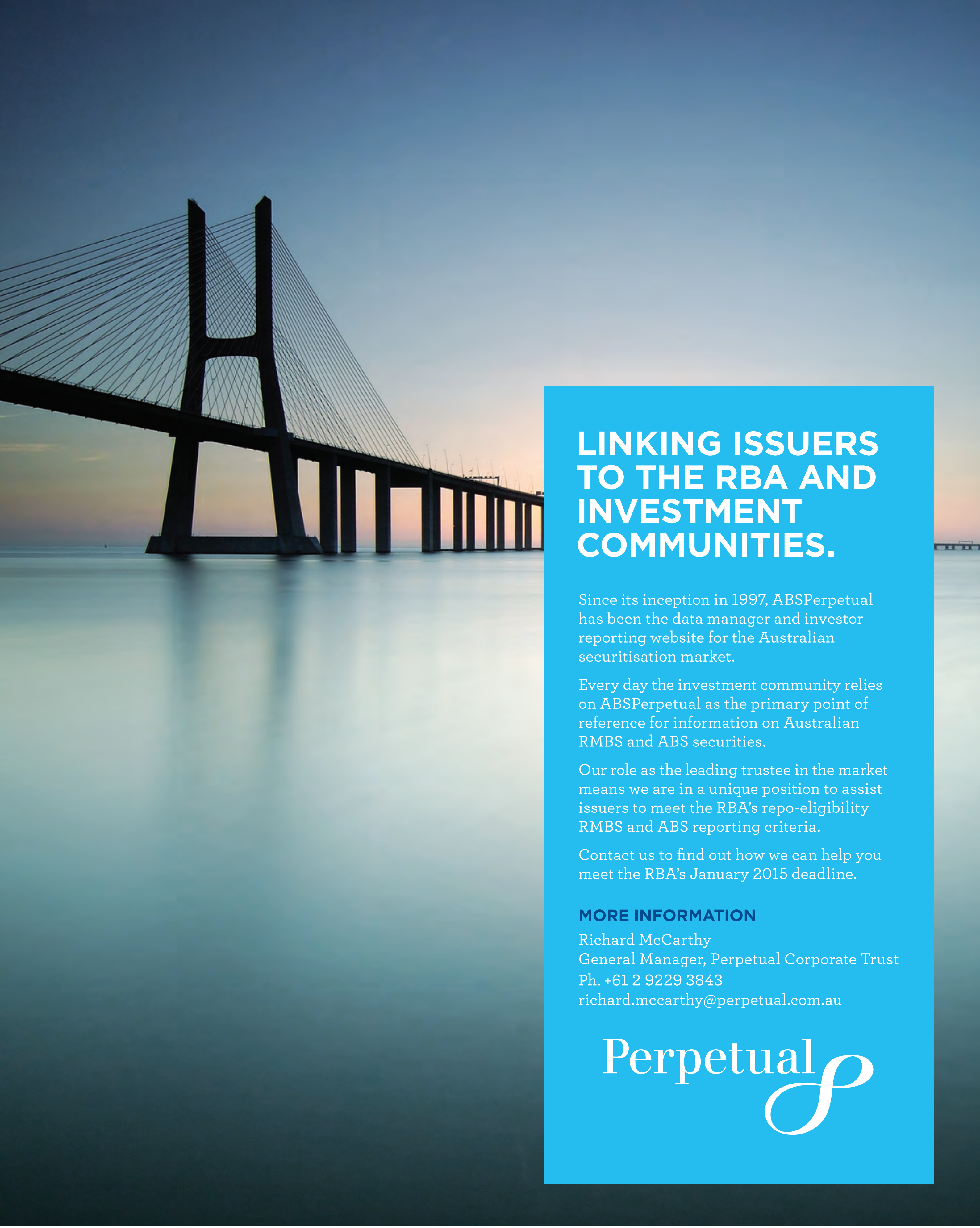
TYPE	NUMBER
RMBS	394
CMBS	3
Other ABS	25

SOURCE: RESERVE BANK OF AUSTRALIA SEPTEMBER 30 2013

THE TEMPLATES

Details of the reporting templates that the RBA will be asking issuers or their information providers to provide have now been released. After a period of consultation, three RMBS reporting templates – for loan, security and transaction – were finalised in April 2013 and a cashflow waterfall reporting template for RMBS was finalised in July 2013.

In August, the RBA released for comment draft reporting templates for other ABS, namely those backed by auto loans and leases or other receivables, and CMBS. While the security, transaction and cashflow waterfall reporting templates applicable to these securities are similar to those that apply for RMBS, loan-level information will only be required for CMBS, with pool summary data provided for other ABS. The


LINKING ISSUERS TO THE RBA AND INVESTMENT COMMUNITIES.
Since its inception in 1997, ABSPerpetual has been the data manager and investor reporting website for the Australian securitisation market.
Every day the investment community relies on ABSPerpetual as the primary point of reference for information on Australian RMBS and ABS securities.
Our role as the leading trustee in the market means we are in a unique position to assist issuers to meet the RBA's repo-eligibility RMBS and ABS reporting criteria.
Contact us to find out how we can help you meet the RBA's January 2015 deadline.
MORE INFORMATION
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Perpetual

reporting templates for these securities will be finalised before the end of 2013.

IMPLEMENTATION

In order to provide issuers or their information providers with enough time to collect the data and prepare for reporting, an implementation date of December 31 2014 will apply for all asset classes. To assist information providers, the RBA will begin publishing detailed guidance on its data-validation standards once all templates have been finalised.

The reporting requirements apply to all securitisations that are currently repo eligible, and all securitisations seeking future repo eligibility. A security-level template will also be lodged for all securities in a transaction, not just those which are repo eligible. To ensure the information is kept up to date, data will be reported no later than one week after the coupon payment date of each security.

There are a few exceptions to the reporting requirements. The loan-level and cashflow waterfall reporting requirement will be waived for currently repo eligible RMBS where, as at December 31 2014, the aggregate size of outstanding triple-A rated tranches in the transaction is less than A$100 million (US$93.7 million). Transaction- and security-level data will still be required to be reported for these RMBS.

Similarly, no loan-level data or cashflow waterfalls are required for triple-A rated self-securitisations of less than A$100 million subject to APRA's minimum liquid holdings framework. It is proposed that the pool- and loan-level reporting requirement also be waived for other ABS and CMBS where at the implementation date the combined size of the triple-A rated notes are less than A$100 million.

PUBLIC AVAILABILITY

To address concerns about privacy, a number of restrictions on public availability will apply. This reflects the need for issuers to ensure that the disclosure of loan-level information would not lead to a breach of borrowers' privacy.

The RBA is mindful that unfettered public access may present a risk that loan-level data may be used for matching with other publicly available information in an attempt to identify borrowers and access personal information. To mitigate this risk, a number of public access rules will apply.

First, information providers will not report names and addresses and will replace actual loan and borrower identification numbers with dummy identifiers. Users of the data will be limited to those with a legitimate purpose, such as potential investors and researchers. These users will need to register with the information provider to access the data and enter into a binding agreement that limits the purpose for which the data may be used to an appropriate purpose. Under this agreement, users will not be able to match or attempt to match the data against other information in order to identify an individual.

After further consideration, the reserve bank is also proposing that loan-level data not be provided publicly at the postcode level – although postcodes will be reported to the RBA. Property location will be identified in the loan template by an ABS statistically defined area, while a separate pool-level postcode summary of key variables in the loan template will be made available to the public.

The ABS defined area is large enough to obscure the property location for borrower identification – there are more than 100 of these areas in total – while retaining the analytical usefulness of the data. Certain dates will also be reported in calendar quarters, rather than exact dates. This will limit the ability to derive the property transaction date, which will hinder borrower identification.

> *"The securitisation data will allow the RBA to apply security-specific collateral haircuts in its operations based on more detailed information on the underlying assets supporting each security."*
>
> RESERVE BANK OF AUSTRALIA

WEBSITE

To assist industry with preparations for the reporting requirements, the reserve bank has launched a "Securitisations Industry Forum" page on its website. The page is designed to facilitate communication between the RBA and information providers to help ensure a smooth transition to the new repo-eligibility criteria.

The site includes all official advice in relation to the detail, a timeline for the reporting requirements, and a Q&A section providing replies to data and technical enquiries collected over the course of ongoing discussions with industry. The site is the point of contact at the RBA for all industry enquiries about the new reporting requirements, which can be sent to securitisations@rba.gov.au.

The site will be used to communicate and coordinate with industry as necessary during the implementation process. Organisations that will be submitting information under the new reporting requirements are also requested to provide periodic progress reports on their readiness to report. This will give the RBA an understanding of industry readiness ahead of the implementation date. ■

* For further information please visit www.rba.gov.au

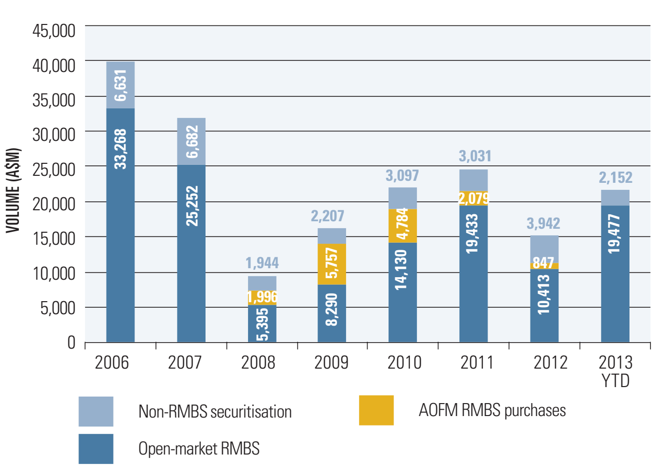
BREAKING NEW GROUND

The Australian structured finance market in 2013 has been characterised by renewed vigour in residential mortgage-backed securities (RMBS) issuance but a dearth of covered bond supply. With the market overall in a good state of health, intermediaries are eyeing new structures and opportunities.

BY KIMBERLEY GASKIN

Australia's securitisation market participants are facing the final quarter of 2013 with a well-earned sense of satisfaction. With A$21.6 billion (US$20.2 billion) of Australian dollar securitisation issued in the year to mid-September (see chart on this page), the market may well be on the way to a post-financial crisis record. Certainly issuance has outstripped the A$17.8 billion the market posted in 2012, when chunky covered bond deal flow captured a lot of demand that might otherwise have gone to the securitisation market.

AUD SECURITISATION ISSUANCE



SOURCE: KANGANEWS SEPTEMBER 26 2013

Of 2013's total securitised issuance in the year to September 26, nearly A$19.5 billion has been RMBS paper. Commonwealth Bank of Australia (CBA) has been a dominant force, issuing A$5.7 billion alone – out of its Medallion programme. "CBA really set the scene for the year early on with its A$2.535 billion Medallion Trust Series 2013-1 in March," suggests Sofie Sullivan, head of securitisation at JPMorgan in Sydney.

The market has been robust despite the vicissitudes of the year. Will Farrant, head of debt capital markets at Credit Suisse in Sydney, says the relative-value story continues to suggest RMBS is appealing, despite the fact that Australian RMBS did not sell off around the much-discussed US quantitative easing (QE) tapering hints in the middle of 2013.

"Around the world RMBS widened, but in Australia the reaction was more muted with secondaries holding their ground pretty well. That said, primary supply dried up and didn't resume until pricing was close to being back at pre-Bernanke speech levels," Farrant reveals.

Even so, market participants believe Australian securitisation proved more resilient than other local asset classes in the wake of the announcement that the US was considering a tapering programme. Other high-grade Australian-dollar asset classes – including semi-government securities and Kangaroo bonds – came under selling pressure, notably from Japanese investors.

The strong anchor for benchmark RMBS issuance that domestic bank investors provide certainly helped, as did the fact that Japanese investors – who for the first half of 2013 were net sellers of AUD product – have not traditionally been big buyers of RMBS.

"Over the mid-year period markets generally were not functioning well but the AUD RMBS market was not overly affected," comments Jacqui Fox, Melbourne-based head of securitisation origination at National Australia Bank (NAB). "There was a pull back in marketing of deals during that time – issuers sat on the sidelines and waited for improved conditions – but we didn't see a sell off of the product."

BALANCE SHEET BID

Although deal flow has been relatively consistent, the mid-year hiatus aside, what has clearly changed through the year is the buyer profile of Australian RMBS. Farrant points out that order book composition has reverted to something like the mid-2012 investor base, where some of the real-money and offshore demand has been supplanted by a balance-sheet driven investor base.

"We're not sure that we are seeing broader market-clearing levels the way we were in early 2013, but deals are being executed so although the investor base may be more narrow it must be seeing good value," he tells *ASJ*.

The fact that the Reserve Bank of Australia includes senior prime RMBS as a qualifying asset under its committed liquidity facility arrangements has solidified the consistency

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Just passing through: a new style of covered bond

IN ADDITION TO A REVIVED WILLINGNESS TO MOVE BEYOND THE VANILLA TO MORE TAILORED STRUCTURES, AUSTRALIAN MARKET PARTICIPANTS ARE EYEING ANOTHER OFFSHORE DEVELOPMENT WITH GREAT INTEREST: THE ADVENT OF THE CONDITIONAL PASS-THROUGH COVERED BOND.

In July 2013, Dutch issuer NIBC Bank (NIBC) completed a €5 billion (US$6.7 billion) programme, spurring significant interest in the structure. The bank followed with a debut public deal, for €500 million, in early October. Pass-through covereds are a blended deal which can in effect flip into a residential mortgage-backed security (RMBS) if triggered.

Under the NIBC programme the covered bonds ensure an orderly wind down in the event of issuer default, although NIBC has a hard obligation to repay any covered bond at scheduled maturity. The pass-through is triggered by an NIBC default, the passing of the maturity date or if the covered bond company is unable to repay the series, either through sale of assets or built-up cash flows from the pool.

The deal is the first-ever legislative covered bond featuring a pass-through repayment structure post issuer default – although diversification has been developing. In February, for example, Commerzbank issued a deal backed by SME loans with a partial pass-through structure.

The structure mitigates asset and liability mismatch risk following an issuer default and is supposed to deliver the benefits of rating stability and a decreased need for overcollateralisation. When an issuer is insolvent, bondholders are at the mercy of whatever cash an administrator can scrape together through a sale of assets – and, in that unfortunate scenario, asset prices are likely to plummet, making the situation worse.

In a case of default, rather than liquidate the assets via a fire sale, the conditional pass-through covered bonds turn into a pass-through RMBS while, it is hoped, retaining their triple-A ratings. There is also a potential rating uplift benefit with the structure, allowing easier access to triple-A issuance by credits which might otherwise be required to allocate uneconomical levels of overcollateralisation.

NIBC successfully tested the waters in September 2012, launching a €1 million test trade which received the desired triple-A rating from Fitch Ratings and Standard & Poor's Ratings Services. Jacqui Fox, head of securitisation origination at National Australia Bank (NAB), says the structure has been hotly debated in the European covered bond world, as was investor appetite for a product which introduces more extension risk. To get the maximum rating benefit, issuers have to extend the life of the covered bond to the life of the mortgages.

Will Farrant, head of debt capital markets at Credit Suisse, believes this kind of structure may work for lower-rated Australian issuers, though. "One of the reasons many lower-rated banks haven't issued covered bonds is that their senior-unsecured ratings are at a level that means they end up with a double-A rated covered bond, and there's considerably less depth to that market than the triple-A market," he explains. "The pass-through structure provides the potential for a higher rating, which may provide the incentive they need to issue."

And he adds: "We might also see some existing issuers flip into this structure if the market develops to allow better collateral efficiency."

Fox also believes there may be potential for Australian issuers to use the structure, adding that NAB is watching developments offshore closely. "It's not hard to structure, but we're waiting to see if the rating uplift benefit could be worthwhile from a pricing perspective," she reveals.

"One of the reasons many lower-rated banks haven't issued covered bonds is that their senior unsecured ratings are at a level that means they end up with a double-A rated covered bond. The pass-through structure provides the potential for a higher rating, which may provide the incentive they need to issue."

WILL FARRANT CREDIT SUISSE

of the bank bid for RMBS. "Higher-yielding triple-A RMBS are an attractive asset class for liquidity books, and the heavy weighting of bank balance sheets participating in domestic RMBS transactions has really reshaped the market this year," says John Claudianos, head of securitisation at Deutsche Bank in Sydney.

Intermediaries say that, over the course of the year, the RMBS buyer base has migrated from a relatively even mix of balance sheets and real money – and, even in some prime RMBS deals, at times a majority of the latter – to more like a 70:30 split between balance-sheet and real-money investors in benchmark RMBS transactions.

Non-AUD issuance takes a back seat

OVER 2013, NON-AUD SECURITISATION VOLUME FROM AUSTRALIAN ISSUERS HAS EASED, WITH THE EQUIVALENT OF A$2.2 BILLION (US$2.1 BILLION) PRICED BY MID-SEPTEMBER.

In 2012 A$3.3 billion equivalant was priced in non-AUD currencies by Australian issuers and in 2011 A$2.9 billion (see chart on this page). It is not inconceivable that 2013 may match last year's efforts, but the trend has been to issue in AUD and let investors manage any consequent currency hedging requirements themselves.

Macquarie Leasing has been the key player with US$1.25 billion coming from the issuer in 2013. However, non-bank issuers Resimac and Pepper have both issued USD tranches this year while FirstMac placed the year's only sterling tranche from an Australian name.

According to Graham Metcalf, global head of structured capital markets at ANZ in Sydney, the challenge is that issuer and deal types which work best in global markets are not the ones with the biggest impetus to pursue this avenue.

As Metcalf puts it: "To have a conversation with offshore investors about an AUD or foreign-currency tranche in an Australian asset-backed issue you need a significant issue size. This means you are usually talking about residential mortgage-backed securities, not asset-backed securities (ABS). Macquarie Leasing's SMART programme is the notable exception in the ABS space, having the volumes to merit US capital-market issuance and having made the effort to cultivate international investors."

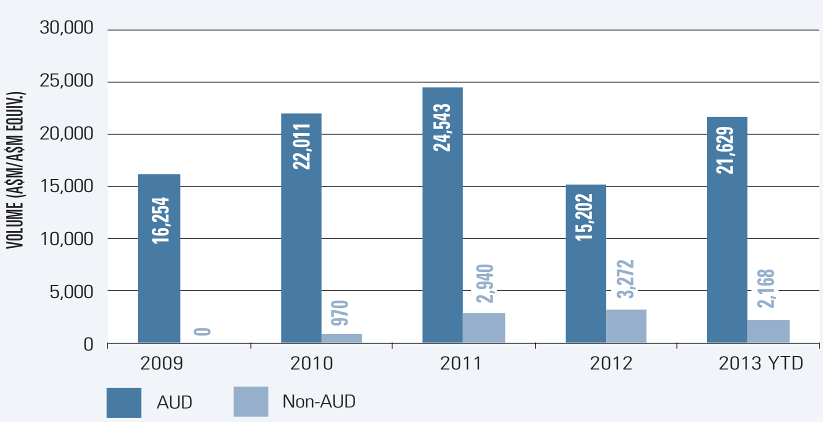
Will Farrant, head of Credit Suisse's Australian debt capital markets business, says: "There is deep demand for Aussie product denominated in these other currencies, but currently the economics don't work for issuers. This is the product of the expense of cross-currency hedging, itself driven by changes to bank regulatory and rating agency requirements."

Given cross-currency swap costs, intermediaries do not expect to see a big swell in offshore currency issuance – despite what they claim is a huge potential demand pool for Australian assets in the global investor base.

Even if the cross-currency swap costs associated with the prepaying aspect of securitisation deals were mitigated, through bullet or set amortisation notes potentially facilitated by using master-trust structures, intermediaries are not convinced the economics will work any time soon.

"The bills-Libor basis, conversion factor and one- to three-month interest basis swap are still very significant cost components of the all-in cross-currency swap cost and are associated with flows out of the control of the securitisation market. It will take more time for this dynamic to play out," says Deutsche Bank's head of securitisation, John Claudianos.

AUSTRALIAN-ORIGIN SECURITISATION ISSUANCE BY CURRENCY



SOURCE: KANGANEWS SEPTEMBER 26 2013

"To have a conversation with offshore investors about an AUD or foreign-currency tranche in an Australian asset-backed issue you need a significant issue size. This means you are usually talking about residential mortgage-backed securities, not asset-backed securities."

GRAHAM METCALF ANZ

For instance, on September 4 AMP Bank priced Progress 2013-1 Trust (Progress 2013-1) – a four-tranche RMBS with a total volume of A$650 million (US$600.5) million. Deutsche Bank arranged the deal, and Claudianos says two-thirds was bought by bank balance sheets. On September 6, Macquarie Group priced PUMA Series 2013-1, a three-tranche A$1.25 billion RMBS. Kevin Lee, division director, debt origination and structuring at Macquarie Bank in Sydney, says roughly

70 per cent was sold to bank balance sheets.

The same profile emerged in CBA's second RMBS of the year, Medallion Trust Series 2013-2, although the greatest concentration of bank demand came from offshore. According to the issuer, some 60 per cent of the A$3.2 billion transaction went to domestic investors, 75 per cent of which was taken by banks, while the offshore allocations were "predominantly" to balance sheet buyers.

"The market could easily jump from A$25 billion in annual issuance to A$40 billion and A$60 billion in a three-year period if the offshore currency bid could be economically engaged for issuers and investors."

JOHN CLAUDIANOS DEUTSCHE BANK

RELATIVE VALUE

Increased RMBS flow has not emerged in isolation, though. Intermediaries highlight a substitution effect, under which investor demand has tended to prefer RMBS over covered bonds, and the development of an international market for Australian-origin securitised product denominated in Australian dollars.

Lee says: "There's no doubt that the volume this year is in part a function of the reduced supply of AUD-denominated covered bond product. The volume issued last year was probably a one off following the introduction of Australian bank covered bonds. The banks are now much more conscious of their issuing caps."

Sullivan believes relative-value dynamics are also to some extent shaping the issuance decisions of the major banks. "The majors are keeping their powder dry on covered bonds given margins have tightened across the board. When they look at the relative value between covered bonds, senior unsecured and RMBS it makes sense to issue a relatively large amount of senior unsecured and RMBS."

With the major banks largely quiet as covered bond issuers, attention is turning to a new product which could open the covered bond door to lower-rated banks: the pass-through structure (see box on p16).

Rob Verlander, head of head of debt markets securitisation at Commonwealth Bank (CommBank) in Sydney, believes demand for covered bonds is constrained by their tight margins. But he also highlights changing perceptions around the relative liquidity of the covered product versus RMBS. "Eighteen months ago liquidity was a major reason for buying covered bonds against RMBS. To some degree this still holds true, but far less strongly. The RMBS product is proving to be more liquid in recent times," he claims.

Fox points out that the typical duration of RMBS – around three years of weighted average life – makes direct comparison harder to make, since covered bond issuance has always focused on longer tenors. "There's very little three-year domestic covered bond issuance, so to some extent it's almost irrelevant," Fox explains. "Having said this, secondary-market levels suggest that RMBS represents a good value proposition: in the secondary market three-year covered bonds are trading in the low 40s basis points over swap and senior unsecured in the low 60s, while a major bank RMBS primary would be expected to price at around 85 basis points over bank bills."

CAPITAL STRUCTURE DEMAND

While demand at the top end of town may have swung back in favour of the balance sheet sector, a crucial positive point for the Australian securitisation market is the robustness of the bid for lower-rated notes. For most of this year, subordinated tranches have routinely seen oversubscriptions of up to three or four times, and intermediaries report that the investor base is both growing and widening in terms of individual order size and new investor participation. Claudianos says: "Over 2013 alone we have seen six to 10 real-money investors regularly bidding on subordinated notes, whereas 18 months ago there was only a handful of regular buyers."

In fact, the level of oversubscription seen in mezzanine and subordinated tranches is affording intermediaries the opportunity to test price tightening even independent of clearing levels on senior notes.

"With sub tranches three to four times oversubscribed, we have on occasion been asked by issuers to request investors to consider tightening their bids by 5-10 basis points – this way we can reasonably resolve difficult scaling decisions," Claudianos tells *ASJ*.

"Over the mid-year period markets generally were not functioning well but the AUD RMBS market was not overly affected. There was a pull back in marketing of deals during that time but we didn't see a sell off of the product."

JACQUI FOX NATIONAL AUSTRALIA BANK

One-off deals shine a light on new issuance

WHILE INTERMEDIARIES HAVE A NUMBER OF STRUCTURAL VARIATIONS TO CONSIDER, THEY ARE BY NO MEANS IGNORING OPPORTUNITIES TO DEVELOP APPETITE FOR NEWER ASSET CLASSES AND DEAL STRUCTURES. IN PARTICULAR, AVENUES FOR FUNDING NON-BANK BUSINESSES ARE CAPTURING A LOT OF ATTENTION.

Of notable interest is the potential for more SME loan-backed transactions and other small-ticket securitisations. In June Liberty Financial (Liberty) priced its third SME commercial mortgage-backed securities (CMBS) deal since 2007 – the only issuer to bring this type of deal to market and the only CMBS deal in the year to mid-September.

The scope of the opportunity is clear. According to the Australian Bankers Association, at the end of March 2012 – the most recently available data – banks' business loan outstandings for loans valued under A$2 million (US$1.9 million) were A$200.2 billion.

At the even smaller end of town there has been a significant increase in the proportion of new-business lending commitments with value under A$100,000. These loans have increased to 19.2 per cent of all loans under A$2 million from 11 per cent four years ago. In dollar value terms, this is an increase of A$7.2 billion or 84 per cent over the last four years.

Rob Verlander, head of debt markets securitisation at Commonwealth Bank, is particularly interested in the SME space given the advent of so many specialist lenders in recent years. "Their ability to access capital for their business directly and to generate mezzanine and junior funding for a deal is considerable," he says.

Verlander believes that to work, pricing would need to be 30 basis points wider than prime RMBS. He says: "There's some perceived refinancing risk to overcome, but SME CMBS should price halfway between near prime and the CMBS market, and at 30 basis points back there would be a lot of interest."

The Liberty trade comprised eight tranches of notes with the largest – the A$164.5 million of class A1 notes – pricing at a margin of 150 basis points over the one-month bank bill swap rate (BBSW). This compares with pricing of 95 basis points over BBSW on the A$460 million class A tranche of prime RMBS priced by Bendigo and Adelaide Bank just four days later – easily beating Verlander's suggested minimum premium.

Ultimately, the key issue when it comes to further development of an SME securitisation market is whether the numbers will work for issuers. "The banks that are sitting on a large number of SME loans can fund themselves attractively in alternative markets. There would need to be a motivation, apart from relative funding costs, to see more securitisation of these types of loans, such as capital relief," comments JPMorgan's head of securitisation, Sofie Sullivan.

John Claudianos, head of securitisation at Deutsche Bank, believes prudential regulation may end up providing exactly the motivation which appears to be needed. "Banks

"It's not that we'll see direct replicas of the Bunnings deal, but we have had a lot of enquiry from issuers about different structures that suit their circumstances. It's fair to say that the deal has really influenced how Australian issuers look at securitised funding as a tool."

MICHAEL MOLONEY WESTPAC INSTITUTIONAL BANK

OFFSHORE BID DEVELOPS

The global relative-value equation has also spurred some of the growth in international investors' willingness to buy AUD notes, with Australian product offering such compelling value that investors have been willing to take on the cross-currency challenge themselves rather than demand issuance in their

"There's no doubt that the volume this year is in part a function of the reduced supply of AUD-denominated covered bond product. The volume that was issued last year was probably a one-off following the introduction of Australian bank covered bonds. The banks are now much more conscious of their issuing caps."

KEVIN LEE MACQUARIE BANK

will have to be more efficient with their balance sheets going forward and it is possible that they will start shedding or limiting asset growth across various classes to address leverage, risk weighting and other asset- or risk-mix constraints."

There is also some speculation about how the sale of Lloyds Banking Group (Lloyds)' Australian assets may stimulate additional activity in the small-ticket and auto space. The sale includes the Capital Finance unit and a portfolio of more than 30 corporate loans valued at in excess of A$2 billion. Farrant says: "We may well see an uptick in auto activity on the back of that sale, depending on who buys the assets."

Wesfarmers breaks through

Another innovative asset-backed deal structure priced on August 29, as Wesfarmers placed an issue of senior-secured bonds from a special-purpose vehicle (SPV) backed by payments made on 15 properties leased to Bunnings Group (Bunnings). Wesfarmers guarantees the lease payments backing the deal.

The transaction comprised two tranches: A$270.89 million of partially-amortising, floating-rate notes with a weighted average life of 10.3 years and an initial margin of 215 basis points over bank bills, and a further A$33 million of subordinated notes. The senior tranche was sold to 19 Australian and Asian accounts, according to lead managers, while the subordinated notes were sold to a single consortium of sophisticated investors.

The structure was a function of a very specific need to find new investors to fund the ongoing need for capital within the Wesfarmers property portfolio. As a result, for now the structure is likely unique to Wesfarmers' circumstances: the issuer was willing to support the lease cash flows, which is likely not a proposition possible for issuers that cannot already place own-name bonds.

There are global precedents, though. The deal is not dissimilar to the approach taken by UK supermarket firm Tesco, which has issued CMBS-type transactions backed by guaranteed store leases via six separate SPVs.

Intermediaries are talking about the Bunnings deal due to the innovation in the structure, as opposed to its specifics. In this context, it highlights a renewed level of potential investor interest in more creative structuring, including for subordinated notes. Verlander suggests: "It is encouraging to see transactions like the Bunnings deal and the zero-interest loan-backed issues by FlexiGroup because they show the ability of companies and specialist lenders to access the market in their own right."

And he adds: "We won't see dozens of them and they won't be in the billion-dollar bracket, but they show securitisation in such a positive way – as a mechanism to achieve balance sheet as well as funding outcomes."

Westpac Institutional Bank (Westpac), which worked on the Bunnings deal, says there has been considerable interest from other issuers since it priced. Michael Moloney, director, structured and asset finance at Westpac in Sydney, is expecting to see more bespoke transactions. "It's not that we'll see direct replicas of the Bunnings deal, but we have had a lot of enquiry from issuers about different structures that suit their circumstances. It's fair to say that the deal has really influenced how Australian issuers look at securitised funding as a tool."

"The banks that are sitting on a large number of SME loans can fund themselves attractively in alternative markets. There would need to be a motivation, apart from relative funding costs, to see more securitisation of these types of loans."

SOFIE SULLIVAN JPMORGAN

own currencies. As a result, issuers have been less inclined to issue in foreign currencies (see box on p18).

"Towards the end of 2012 there were big rallies in UK RMBS and in US autos and credit cards, which meant there was very good relative value between Australian product and securitisations from other jurisdictions," explains Credit Suisse's Farrant. Against this backdrop intermediaries report that accounts that had not previously favoured AUD product were picking it up and hedging it out themselves because the relative value made the economics work well.

At the same time, international liquidity book managers have reported growth in their natural AUD holdings, as they seek to better match bank activities denominated in the currency with their liquid asset holdings. "Over the last six months we've seen very high levels of engagement from offshore investors," notes CommBank's Verlander. He identifies strong interest from US investors, citing their response to Pepper's A$274.5 million A-u1 tranche, issued in August. "We saw the largest offshore interest to date for that transaction. We could easily have extended the term and size of the deal and we tapped into buyers we hadn't seen before," he says.

Nonconforming and non-mortgage deals have been strongly embraced by US investors while Europeans are more focused on prime mortgages, Verlander adds. "They want volume, simple structure and they don't want issuers with complex credit profiles."

The relative-value equation that helped enliven international demand has eased as Australian-originated securitisation prices have tightened. But Macquarie Bank's Lee believes the ongoing lack of supply in the European market is still driving interest. "It doesn't take much of an additional allocation into Australian dollars by European investors to translate into a significant amount of demand," he comments.

Macquarie Group's PUMA Series 2013-1, for example, was upsized to A$1.25 billion from A$500 million on the back of huge interest from offshore. In the end, 57 per cent of the deal was placed into Europe. "It's more typical to see 20-40 per cent placed offshore, but the fact that the issuer had not come to the public markets since 2011 made a big difference," Lee explains.

Craig Parker, head of structured and asset finance at Westpac Institutional Bank in Sydney, says he is yet to see any reduction in appetite for AUD product from offshore investors. "We are seeing key investors from the US and Europe buying large parcels of Australian dollar RMBS from major and regional banks, although as you go further down the curve to non-banks their appetite drops away," he comments.

Even that story may be changing, though – at least in foreign-currency issuance. For instance, NAB's Fox reports that non-bank issuer, Firstmac, attracted buyers to its June issue of sterling notes who had previously been restricted to bank-sponsored deals.

It seems that real-money investors with global portfolios that buy in AUD as part of their diversification programme are maintaining their allocations to AUD. "But those who buy AUD collateral on a relative-value basis to US dollar, sterling and euro product have been much less active since mid-2013," notes Farrant.

FUTURE PATH

According to Claudianos, the development of offshore demand for Australian product – across currencies – has only just started to deliver on its vast potential. He claims: "The market could easily jump from A$25 billion in annual issuance to A$40 billion and A$60 billion in a three-year period, if the offshore currency bid could be economically engaged for issuers and investors."

This would be a sea change for the market overall, at least based on Claudianos's belief that the natural domestic-currency bid is not far from being tapped out. He suggests the high point of public AUD-denominated RMBS issuance is approximately A$30 billion a year.

"The Australian banks' appetite for assets which are both high-yielding and high-quality is very large at the moment, but there is a ceiling in terms of how much senior RMBS it makes sense for the banks to hold on an annual basis – which will be dictated by prudential regulation, risk composition and relative value. I think we will see new high-point records set going forward," Claudianos comments.

The main challenge is likely to be the fact that swap-market developments are making cross-currency issuance more expensive on a systemic basis – with amortising product among the worst affected.

At the same time, the buoyancy in the market is leading Australian intermediaries to focus on the next steps in terms of products and structures. There are a number of trends and innovations emerging that have sparked considerable interest among issuers and investors alike, including the potential return of asset classes like collateralised loan obligations.

Naturally there is still deep interest in the master-trust structure, especially given the common expectation that master trusts would provide the ability to offer bullet securitisation issuance. This would at least mitigate the cost of cross-currency swaps, thus potentially opening the door to some of the vast pool of foreign-currency liquidity issuers and intermediaries covet.

While not all intermediaries see master trusts as a panacea, or even close to one, the consensus is that they will help resolve liquidity issues and pricing problems related to the high cost of swaps, and ultimately draw more international investors into Australian product. At the same time, in facilitating the issuance of hard-bullet securities, the structure has the potential to minimise extension risk and underpin the use of new underlying securities, such as credit cards. The extent to which distribution would widen and new asset pools would emerge from an Australian master-trust regime is still one of two great unknowns – along with the fact that the market was by mid-September 2013 awaiting a regulatory view on the structure. But intermediaries are not simply sitting back and waiting. They are busily considering other opportunities that could extend the Australian market.

There is a very strong focus among intermediaries on the potential for more bespoke deals, which has been enhanced by a landmark trade issued by Wesfarmers (see box on p20). ■

"Eighteen months ago liquidity was a major reason for buying covered bonds against RMBS. To some degree that still holds true, but far less strongly. The RMBS product is proving to be more liquid in recent times."

ROB VERLANDER COMMONWEALTH BANK

US CREDIT RISK RETENTION: CHAPTER 2

BY JON VAN GORP, PARTNER, MAYER BROWN

On August 28 2013, a joint task force of six US governmental agencies re-proposed credit risk-retention rules. The latest form of these rules could create significant challenges for Australian issuers seeking to tap the US market.

The US risk-retention rules apply to sponsors of securitisations regardless of whether the related asset-backed securities (ABS) or mortgage-backed securities (MBS) are offered publicly or privately to US investors. Credit risk retention is not unique to the US. EU credit risk-retention rules have been in effect for more than three years.

Because protecting the US financial system is the overall goal of the Dodd-Frank legislation, it is no surprise that the originally proposed and re-proposed risk-retention rules regulate non-US securitisation sponsors issuing in the US. The risk-retention rules apply to a foreign sponsor if 10 per cent or more of the dollar value – or its equivalent in the currency in which the ABS is denominated – of all classes of ABS issued in a securitisation are sold to US investors.

Once these rules apply, they do so regardless of other risk-retention rules. The originally proposed rules contained no exemptions for securitisation sponsors already subject to regulation in their local jurisdiction, and the re-proposal made no further accommodations on this point.

OBLIGATION SCOPE

For any securitisation that is scoped into the US risk-retention rules, unless an exemption applies the sponsor of the securitisation is required to maintain a 5 per cent interest in the ABS or MBS through a vertical retention interest, horizontal retention interest or some combination of the two.

The re-proposal eliminated representative-sample retention, which would have allowed the sponsor to satisfy risk-retention requirements by retaining a parallel pool of unsecuritised assets having similar characteristics to the securitised pool.

A sponsor's risk-retention obligation for all securitisations but residential mortgage-backed securities (RMBS) expires on the latest of two years after closing, when the principal balance of the securitised pool is 33 per cent or less than the original balance, or when the unpaid balance of the related ABS interests is 33 per cent or less than the original unpaid balance.

For RMBS, the rules are slightly different and require the sponsor to retain risk for five years after closing or until the principal balance of securitised assets or securities is reduced to 25 per cent of its original balance, subject to a cap of seven years.

AUSTRALIAN IMPACT

The re-proposal does little to improve the position of Australian securitisation sponsors. For example, while sponsors that securitise pools of high credit-quality mortgage and auto loans are exempt from the risk retention rules, it is not clear that high credit-quality Australian assets will meet the technical requirements of these rules. No general accommodations were made in the re-proposal to accommodate local product variations that do not affect credit quality.

The re-proposal also did not liberalise the definition of horizontal retention enough to clearly accommodate local differences among deal structures. As a result, without modification, the current structure of the residual interest in Australian housing and auto-loan securitisations will likely not qualify as horizontal retention. As a consequence, unless further accommodations are made in the final rules, Australian sponsors issuing into the US will probably need to retain 5 per cent of the offered securities in order to comply with the vertical-retention requirements.

The cumulative effect of the lack of exemptions for Australian securitisations in the US market, and the possible result that only vertical retention can be used to satisfy the rules, creates significant challenges for future issuances targeted at US investors.

It is unclear whether the final rules will make the changes necessary to definitively extend the asset-based exemptions and horizontal retention options to Australian issues. Some commentators in the US believe that the agencies ran out of time to address all possible comments before issuing the re-proposal, and that further accommodations will be forthcoming. Let's hope that this is the case.

US sponsors were surprised by the elimination of representative-sample retention in part because it is a feature of current risk-retention rules that apply to US banks and is a key feature of article 122a in Europe. Restoring that option would provide all sponsors with a potentially more economic option for complying with the US risk-retention rules.

There is no known deadline for finalising the rules although it is possible that final rules could be issued as early as the end of 2013 if another re-proposal is not issued – which is unlikely but not impossible. Once final rules are published, the compliance deadline will be one year later for RMBS and two years later in all other cases. ■

SPONSORED Q+A

NAB STAYS ON TOP OF SECURITISATION TRENDS

The securitisation team at ***National Australia Bank*** *(NAB) has created a new setup that will allow the bank to continue pursuing its market-leading coverage of structured finance clients, in a market which key executives say continues to show a broad set of positive signs.*

PARTICIPANTS

◆ **Jacqui Fox** Head of Securitisation Origination
◆ **Lionel Koe** Director, Securitisation
◆ **Sarah Samson** Director, Securitisation

There have been a number of changes within the NAB securitisation team. What are the key moves, and what will they allow you to offer clients?

◆ FOX The product and markets division within NAB was created to ensure the business is best positioned to deliver the product needs of our clients. To do this, NAB's securitisation team was separated into origination, headed by myself, and asset transformation, headed by John Barry. In practice we tend to operate on a blended basis with the two teams working very closely together. We are both very committed to the business's success and share a common view on how to best serve our clients.

The primary driver of change within our business was the desire to bring securitisation together with other debt products – senior unsecured, covered bonds and hybrids, for instance. This allows NAB as an institution to be more product agnostic, which is particularly relevant to clients with multiple funding programmes.

In terms of my team specifically, the new structure facilitates a greater focus on exploring new origination opportunities, and working with our clients to deliver the best funding solutions to meet their needs.

The securitisation market has been quite dynamic in 2013. Which deals that you have worked on this year would you highlight as being particularly reflective of market trends?

◆ FOX Of course we think all the deals we work on are significant! But we have highlighted three transactions in particular, the first of which is Resimac's Premier Series 2013-1 in March.

◆ SAMSON This was the largest non-bank deal completed since the financial crisis, at A$750 million (US$702.8 million). We think this was possible because of the inclusion of a US dollar tranche in 144A, 2a7 format, which made up almost half the total deal structure. That tranche alone attracted five new investors, which allowed for an oversubscription and certainly helped price tension.

The inclusion of US dollar notes also had positive implications for the Australian dollar notes, by allowing their volume to be capped and thus promoting oversubscription and price tension there too.

◆ KOE The second transaction is Firstmac's Mortgage Funding Trust Series 1E-2013 issued in June. Firstmac was the first non-bank issuer since the financial crisis to include a non-USD foreign-currency tranche in a residential mortgage-backed securities (RMBS) issue – in this case, in sterling. These notes were also oversubscribed, by two times offer size.

The use of a three-year, soft-bullet structure for the GBP tranche helped to contain the cost of the basis swap for the issuer, and limited the weighted average life of the AUD notes to 2.7 years.

◆ FOX Capturing sterling demand was very significant. Some buyers of prime RMBS in sterling have been limited to bank issuers, so it was a positive development for the non-bank sector to see this demand broaden.

◆ KOE Finally, we'd like to highlight ING Bank Australia's IDOL Trust Series 2013-2. This was the first time a bank outside the big four had issued an RMBS based on a pool that did not contain 100 per cent lender's mortgage insurance (LMI). The IDOL pool mitigated this by ensuring there was LMI coverage of any loans with loan-to-value ratios of more than 75 per cent. This is particularly significant because it allows issuers that use securitisation for funding – rather than capital relief – to explore the extent to which they really need LMI to support RMBS deals.

How have you seen demand for Australian securitised product develop through the year – especially in terms of the bid from offshore?

◆ FOX An offshore bid for Australian dollar product, which we were starting to see emerge in 2012, carried over into 2013. This has been a fantastic development, especially because the cost of the basis swap has made it uneconomic for many issuers to bring foreign currency-denominated deals.

We continue to see a strong offshore bid in deals, across the capital structure. We are also still aware of new investors considering coming into the market, and we are certainly keen to continue to be at the forefront of the education process in this respect. That said, given the strong supply of paper through the year we have to be mindful that some offshore investors may be getting close to limit restrictions in AUD – which might make them, at least, less able to cornerstone transactions in 2014. But overall, we are quite positive on the offshore bid.

What do you see as the prospects for foreign-currency issuance – especially given the cost of the basis swap?

◆ FOX The swap is definitely a limiting factor but there have still been foreign-currency tranches priced, especially from non-bank issuers. Those names may have additional business reasons for tapping those investors, but the deals they have done have largely been successful.

There is certainly a willingness to do foreign-currency deals among the wider issuer base, if it makes economic sense to do so. We watch the basis very closely and we are very aware that if it moves more favourably – especially in Europe – there is a very large pool of demand that could be accessed.

Securitisation of assets other than prime mortgages has offered some good opportunities for funding in 2013. Where has demand come from, and do you see that market continuing to grow?

◆ FOX There has definitely been demand for securitisation beyond the prime-mortgage sector, which has itself been very strong. The market could take more issuance, including both asset-backed securities and nonconforming RMBS – and we believe there will be further deal flow. It's interesting to note that international investors are becoming more comfortable with the nonconforming product, too.

◆ KOE The more familiar issuers in the ABS space continue to be prolific and to be well supported by both domestic and offshore investors. We are also seeing other asset classes securitised, for instance in the recent FlexiGroup transaction which was very well received by the investor base and was oversubscribed. We expect to see more ABS, including non-auto deals, coming to market.

◆ SAMSON On the nonconforming RMBS side, the transactions we have seen over 2013 have tended to be well bid and to tighten in the secondary market. Investors are increasingly recognising the strong performance of the nonconforming asset class: nonconforming loans have been performing almost as well as prime.

How confident are you about the sustainability of the revived bid for mezzanine and subordinated RMBS tranches?

◆ FOX Over 2013 we really have seen the benefit of a lot of earlier educative work on the value and risk-return equation of notes further down the capital structure. Oversubscription levels of three or four times have come through consistently in deal, and we are certainly not hearing any noises suggesting this is likely to change. We feel that the mezzanine and subordinated sector will remain very robust.

Demand continues to come from traditional domestic buyers but also boutique credit funds and offshore investors who have a strong understanding of the Australian securitisation product. All three discreet parts of the investor base understand the higher risk inherent to these tranches, and provided the return continues to match their expectations we expect demand will continue.

How would you compare the health of the Australian securitisation market today with the record issuance years of 2005 and 2006?

◆ FOX As a credit sector I think the Australian securitisation market can be considered to be in much better health than it was in those years, despite their record issuance volumes. Underwriting criteria have been tightened since the financial crisis, including higher levels of credit enhancement, while LMI payout ratios remain very strong. The LMI providers are running larger capital bases, while issuers themselves have strengthened their balance sheets substantially.

We continue to work very hard to increase the market's investor base, and we have been rewarded by a steady and ongoing flow of buyers returning to the market.

I don't think we will see issuance levels reach those of 2005 or 2006, because demand has reduced with the demise of the structured investment vehicles and credit growth is relatively subdued. However, it's worth noting the jumbo-sized deals printed by the major banks in recent times. These say a lot about both the health of the market and the scale of potential demand for the RMBS product. ■

"We are still aware of new investors considering coming into the market, and we are certainly keen to continue to be at the forefront of the education process in that respect. Overall, we are quite positive on the offshore bid."

JACQUI FOX NATIONAL AUSTRALIA BANK

CO-PUBLISHED FEATURE

WHY AUSTRALIAN SECURITISATION NEEDS MORE OFFSHORE INVESTORS

In most of the Asia Pacific region securitisation has been slow to pick up since the financial crisis. But Australia's sophisticated residential mortgage-backed securities (RMBS) market is looking farther afield for new investors.

BY ASHLEY LEE, ASIA REPORTER
INTERNATIONAL FINANCIAL LAW REVIEW

Australia's RMBS market was largely unscathed throughout the financial crisis due to the implementation of the Australian Office of Financial Management's RMBS purchasing programme to support competition in the markets. While there is a strong domestic market, issuers are looking to add foreign-currency tranches and develop relationships with offshore investors to diversify their funding base.

As part of this drive, the Australian Securitisation Forum (ASF) held investor seminars in Hong Kong, Singapore and Tokyo in September to discuss Australia's securitisation market and trends across products. Panelists representing a wide range of issuers agreed that they are seeing international investors return to the RMBS market. Several said that the 2013 year marked the return of offshore investors that they have not seen since the 2008 financial crisis.

OFFSHORE ISSUANCE

Suncorp's head of funding, Simon Lewis, noted that the bank's APOLLO Series 2013-1 RMBS issuance in May 2013 saw a material bid from offshore investors for the first time since 2007. The participating investors were based in Asia and in the UK, but also represented one or two accounts in the US buying out of their US offices.“ Of the A$1.15 billion (US$1.08 billion) we securitised, A$440 million went to offshore investors," said Lewis. "This is the largest international investor participation we have seen since 2007."

Firstmac also tapped offshore investors in 2013 with its first dual-currency RMBS transaction: Firstmac Mortgage Funding Trust Series 1E-2013 Prime RMBS. This was Firstmac's first offshore issuance since 2007 and was well received, said James Austin, Firstmac's chief financial officer. "We would have liked to have done more overseas deals over time but we have been limited by the cost of the swap in bringing them back to Australian dollars," he added.

As US RMBS returns, Australian issuers are also looking to investors in that market. In August 2013, Pepper structured a US$300 million hard-bullet tranche under Rule 2a-7 in its Pepper Prime 2013-1 trust RMBS issuance. This was chosen because it offered the cheapest cost of swap, said Pepper treasurer, Todd Lawler.

But he added that the main reason Pepper looked overseas was that it wanted diversity of funding. Lawler also that Pepper found that, for its relatively small trades by US standards, 2a-7 was a fairly easy way to get into the market and get its name known. "In this instance it was a little cheaper than the Australian dollar tranche for us, due to the price of the swap," he said. "But, as it was a funding diversity trade, we would still look overseas even if the costs were about the same as Australian dollar tranches."

MASTER TRUSTS

Lewis noted that he had seen demand for Australian collateral in foreign currencies, from euros to US dollars and yen. "If we can construct tranches in an economic way that foreign investors can access in their own currencies, I believe we will see Australian RMBS continue to grow," he said.

Panelists said they believed some foreign investors are even willing to make Australian dollar-denominated investments. Despite this positive development, it was thought that the introduction of master trusts into the Australian market would facilitate offshore participation.

This is because master trusts would alleviate swap costs, which have deterred issuers from offering foreign-currency denominated tranches in the past. While structures have been created to address the swap cost issue, master trusts would represent a more efficient way to price these transactions.

But the introduction of master trusts would require changes in the prudential standard that governs securitisation in the Australian market, APS 120. The prudential regulator, the Australian Prudential Regulation Authority, is expected to make an announcement in this regard in the next few months. Conference attendees noted that the regulator often makes significant securitisation announcements at ASF's annual conference in November and therefore they expect developments around that time.

RISKIER TRANCHES

While Australian residential mortgage-backed securities (RMBS) issuers are attracting offshore investors to diversify their funding sources, investors are looking farther down the capital structures to increase their yields. Discussions related to the hunt for yield died down on the global stage following the rumoured tapering of the US's asset purchase programme earlier this year. But such conversations continued in the Australian RMBS market.

As issuers look abroad for RMBS buyers, investors seem to be looking down the yield curve for riskier tranches that might provide better returns. Speaking at the ASF's investor seminars, panelists agreed that investors now seem interested in single-B, nonconforming and mezzanine tranches that would have not garnered interest in the past.

The lower-rated tranches of Firstmac's dual-currency deal were heavily oversubscribed, said Austin. This is quite the opposite of what was going on a year or two ago, he added, when there were only one or two investors in Australia that were focused on the lower tranches.

Lawler agreed with this assessment. He added that in the past, it would be hard work to make sure the mezzanine tranches were placed prior to launching a transaction. But he said that it was the exact opposite at the beginning of 2013 when all of them – even single-B and nonconforming – were very highly subscribed, and likewise with the mezzanine tranches in Pepper's prime deal.

Lawler suggested that the interest farther down the capital structure was due to a real push for yield in the market. "From our programmes, as a non-bank and a nonconforming issuer, we're seeing a lot of investors come to our trades because there is a little bit of extra yield even in the triple-A rated notes, but also all the way down the capital structure," he explained.

ABS AVENUES

Although RMBS has traditionally dominated Australia's securitisation market, asset-backed securities (ABS) are becoming increasingly prominent. But market participants have warned that the market needs offshore participation to develop.

Speakers at the ASF Asian investor seminars agreed that ABS issuance is set to grow in Australia. "The product has a small investor universe," said Gary Sly, executive director of structured capital markets at ANZ. "At this stage it doesn't attract the banks, which prefer to stick with RMBS, an asset class they understand well and which their credit processes are geared towards."

To get the volumes they need, issuers have looked overseas, he added. He cited names such as Bank of Queensland, which has added sterling tranches to its trades. Macquarie Group's SMART is another example. It has gone into the US with securitisation transactions, gradually expanding to a full public offering under regulation AB.

A presentation by Westpac Institutional Bank's David Goodman, executive director of ABS strategy, noted that while other markets have contracted post-financial crisis, the number of issuers in the Australian ABS space had increased.

In an unusual trend, RMBS spreads have been tighter than other ABS. "It's a bizarre phenomenon in Australia that ABS prices wider than RMBS," said Sarah Hofman, executive director and head of APAC securitisation at RBS Australia. "But Westpac's St.George Crusade ABS deal in December 2012 broke that nexus. We hope to see this continue."

ABS prices fall inside RMBS in the rest of the world because they have less extension risk, fixed-rate contracts, a shorter weighted-average life and more predictable cash flows, Hofman explained.

But market participants were optimistic that pricing conditions would improve. "Like most offshore markets, we believe there is the potential for ABS to trade through RMBS again, or at least compress," said Goodman in his presentation.

In order for ABS pricing to become more consistent with the market globally, greater offshore participation might be required. Australian issuers are always looking at different markets, said Hofman. But if issuers are issuing in foreign currencies, they must add in swap costs, which has been a concern. However, she added, the Australian market is relatively small compared with EMEA and the US, so it is very important for participants to expand their investor base. ■

* This content in this article was originally published in a series in the *International Financial Law Review*.

Q+A

SEEKING VALUE IN THE SECURITISATION CAPITAL STRUCTURE

In September, the ASJ asked Australian domestic real-money investors to share their views on the relative appeal of Australia's structured finance market. Managers of large institutional funds and of boutique investment houses discuss their views on a positive year for the market.

PARTICIPANTS

◆ **Jeff Brunton** Head of Credit Markets, Fixed Income AMP CAPITAL
◆ **Robert Camilleri** Investment Manager REALM INVESTMENT HOUSE
◆ **Patrick Holt** Head of PEPPER INVESTMENT MANAGEMENT
◆ **Tim van Klaveren** Head of Credit UBS GLOBAL ASSET MANAGEMENT

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◆ **Helen Craig** Senior Staff Writer KANGANEWS

RETURNING CONFIDENCE

How have increased securitisation primary issuance volumes – which passed A$23 billion (US$21.6 billion) in 2013 with more than a quarter of the year still to go – altered the buying attraction of Australian asset- and mortgage-backed bonds?

◆ **VAN KLAVEREN** Residential mortgage-backed securities (RMBS) were unattractive for a number of years after the financial crisis but heightened levels of primary issuance during 2012 and 2013 have improved liquidity and enabled investors to access new bonds.

The end of the Australian Office of Financial Management (AOFM)'s investment programme has improved secondary market liquidity as well. The involvement of the agency in the securitisation market had brought uncertainty around secondary-market pricing, and therefore had reduced real-money investors' appetite for primary issuance. With an overall improvement in the RMBS market and also the departure of the AOFM from the primary market, confidence and liquidity have returned.

We have seen new issuance levels tighten to 85-100 basis points over swap during 2013, from levels of 120-150 basis points during 2012, and we view current pricing levels as fair compared with where senior unsecured and covered bonds are trading. Earlier in the 2013 year we saw spreads on senior unsecured and covered bonds contract substantially, which made RMBS look exceptionally cheap. Although given the low probability of default some market participants might say 85 basis points over swap is still cheap.

◆ **CAMILLERI** In comparing 2013 volumes with 2012 there needs to be an adjustment for covered bonds in the sense that, while RMBS volumes on a standalone basis are higher, 2013 aggregate volumes are currently behind 2012. Including covered bonds 2012 supply was around A$30 billion. But larger RMBS volumes are always positive and demonstrate that the market is healthy.

Realm Investment House assesses each asset class on its own merits so market volumes alone do not influence buying attraction. In recent years, securitised paper has been highly attractive and we have been an ongoing investor in this environment. However,

"I don't see oversupply yet – the best measure being that spreads are still tightening. I also believe there is a wall of money from overseas that can eventually allocate to this asset class."

PATRICK HOLT PEPPER INVESTMENT MANAGEMENT

Waiting for master trusts

THE USE OF MASTER TRUSTS FOR SECURITISATION ISSUANCE IN AUSTRALIA DEPENDS ON THE VIEW OF THE LOCAL REGULATOR. DOMESTIC INVESTORS SAY THE STRUCTURE WOULD OFFER SOME OBVIOUS POTENTIAL BENEFITS.

If the Australian Prudential Regulation Authority allows the use of master trust structures, how will you view the new asset class? Would it be a constructive development?

VAN KLAVEREN Historically, floating-rate assets were purchased by enhanced cash funds. That market is now somewhat smaller than it used to be. Most of our funds are managed against a fixed-rate benchmark. These funds typically do not have a big appetite for floating-rate securities.

Master-trust structures may facilitate the issuance of hard bullets and other investor-friendly note styles. Because our interest is for fixed-rate paper, if master trusts enable deals to come in a fixed-rate format, these bonds will fit more naturally with our portfolios.

CAMILLERI The master trust might alter the style of securities to make them more 'bond-like', in the sense that the master trust would provide a redemption facility. Additionally, issuers would be able to tap the market more frequently without having to build the cost of swap transactions into amortising structures.

The positive side is that issuers will likely find a new pool of investors, as these investors will have access to larger and ongoing issuance in this asset class.

However, non-bank issuers will not be able to employ a master trust structure, unless supported by a third-party bank.

This type of structure would be driven by authorised deposit-taking institutions (ADIs). Further, it would probably be limited only to the larger ADIs – which have both the balance sheet to build a master trust and the loan balances to support the master trust structures.

BRUNTON At AMP Capital we are broadly constructive on the development of the master trust structure. The creation of a type of bullet securities that would enable more investors to participate in Australian dollar RMBS would benefit all market participants through increased liquidity and transparency.

"The creation of a type of bullet securities that would enable more investors to participate in Australian dollar RMBS would benefit all market participants through increased liquidity and transparency."
JEFF BRUNTON AMP CAPITAL

breaking down the capital structure from senior to subordinated means the relative value of some issuance becomes less attractive as the regulated capital which authorised deposit-taking institutions (ADIs) can allocate to this sector increases.

There are a few clouds on the horizon, without which current volumes would likely be larger still. For example, we continue to await the revisions from the Australian Prudential Regulation Authority (APRA) on Australian prudential standard APS120. The buy side is also cautious around the prospect of quantitative easing (QE) tapering and there is further uncertainty around the Australian property market.

There has been limited foreign-currency issuance, and uncertainty and cost around cross-currency swaps is making it difficult for foreign investors to participate in Australian dollar-denominated deals. However, there is an increased level of interest from Japan and other parts of Asia, which is in itself very positive.

It has been suggested in some quarters that heightened issuance volumes mean some investors either have reached or are approaching limits, at least for RMBS paper. Do you see oversupply in the market – and if so might this cause digestion issues?

◆ *CAMILLERI* We don't necessarily see oversupply in the market. However, it could be said that underinvestment from real-money investors is being balanced out by overinvestment from bank balance sheets. Bank balance sheets continue fundamentally to act as cornerstones in nearly all the deals that come to market, and this phenomenon appears unlikely to change soon.

In the last six months there have been deals which have been distinct in terms of the quality of the collateral but each has had pricing huddled around the same benchmarks, so this issuance has offered little value for the associated risk. Broadly, the better-collateralised deals have been well supported by real-

"The strong underlying credit performance of RMBS paper in Australia is appealing to international investors who are increasingly beginning to participate in Australian domestic transactions as a way to pick up additional yield."

JEFF BRUNTON AMP CAPITAL

money accounts with the lesser quality absorbed by bank balance sheets.

Therefore, for real-money investors, there is probably better value to be found elsewhere in the market. From a senior perspective, the differential between RMBS, covered bond and senior unsecured spreads is narrowing – bringing the issue of liquidity into instrument selection.

◆ *BRUNTON* Our demand for RMBS paper has diminished throughout 2013 as spreads have tightened and the attractiveness of the paper has reduced relative to other asset classes. It is always a decision to allocate capital across different sectors or industries and in order for us to buy RMBS it needs to stand out against what we would consider to be similar or adjacent paper, for instance for bank credit.

However, the recent placement of some sizeable transactions in the market demonstrates that it is soaking up this supply reasonably well. Commonwealth Bank of Australia (CBA) brought a A$3.2 billion transaction in August with pricing at the tight end of guidance, for example, and this was followed closely by a A$2.25 billion Westpac Banking Corporation (Westpac) RMBS which priced at similar levels.

There appears to be a buying preference for RMBS by investors in Europe, which has suffered from a shortage of domestic issuance recently. The strong underlying credit performance of Australian-origin paper is appealing to international investors, who are increasingly beginning to participate in Australian domestic transactions as a way to pick up additional yield.

◆ *VAN KLAVEREN* We bought a lot of primary RMBS during 2012 – when spreads were wide and the sector was attractive. Since then, spreads have come in and we also agree that paper is somewhat less attractive. However, we do not have huge appetite for floating-rate RMBS. Our appetite is more in the fixed-rate space.

For us, oversupply isn't really an issue because we are relative-value driven. If 'oversupply' meant that prices moved wider, this paper would become more attractive to us.

◆ *HOLT* I don't see oversupply yet – the best measure being that spreads are still tightening. I also believe there is a wall of money from overseas that can eventually allocate to this asset class. An interesting development from the three months to mid-September 2013 is that there has been a big pricing correction in some offshore credit markets, most dramatically in emerging-market debt. So while domestic RMBS looked cheap to global credit in April it will likely appear less so in September.

One of the overriding factors we have learned as we have launched funds and gone out to market them is that there continues to be a core investor base which, although not as large as it was prior to the financial crisis, continues to support transactions as long as the credit profile stacks up.

European investors are coming back to the domestic market. However, they are not doing so to the same depth they were prior to the financial crisis. Having said this, the next big weight of investment capital dedicated to this asset class is likely to be driven by the offshore investor base. As long as the cross-currency swap allows, we may see an increase in euro, sterling and US dollar tranches in deals.

Domestically, there still seems to be a barbell in high net worth investment portfolios, focusing on cash and equity. Therefore, as we approach non-dedicated fixed-income investors on the merits of RMBS as an asset class, we have to play a part in an ongoing process of educating investors.

Investors are beginning to understand the low correlation of RMBS with other asset classes and to see the benefit of it in a tapering environment. This is mainly because RMBS does not have interest-rate duration risk due to the floating-rate nature of the securities. I think going forward we ought to see a larger allocation to it in portfolios given these factors.

DEVELOPING DOMESTIC DEMAND

There seems to have been solid real-money demand for RMBS earlier in 2013, but the market weighted back in favour of the balance-sheet bid in H2. How would you characterise the way your demand for RMBS has developed through 2013 – and why?

◆ *VAN KLAVEREN* In early 2013, when senior unsecured and covered bond spreads contracted quite substantially and RMBS didn't, RMBS became attractive from a relative-value perspective. But from our perspective,

Covered bonds bedded in

AUSTRALIA'S COVERED BOND MARKET – FOR DOMESTIC BANKS AT LEAST – IS LESS THAN TWO YEARS OLD. THE SIGNS ARE THAT THE ASSET CLASS HAS ALREADY ESTABLISHED ITSELF AS AN ACCEPTED PART OF THE LANDSCAPE.

How much natural demand do investors have for covered bonds? Does this change in the context of less frequent types of covered-bond issuance, such as long-dated or from smaller or offshore names?

VAN KLAVEREN We like covered bonds and have been relatively-large buyers of covered product. We bought Westpac Banking Corporation and Commonwealth Bank of Australia covered paper in reasonable volumes when these issuers came to the market in early 2012, at attractive levels. We also participated in the Suncorp-Metway deals, also at attractive levels.

The buying decision, both now and then, is based on how covered bonds trade in relation to swap and other available assets.

We look for value across a full spectrum of assets. Now that covered bond spreads have come in they are potentially less attractive. Australian bank covered bonds are cheap compared with senior unsecured bank bonds. Therefore on a relative basis we are underweight in senior unsecured Australian bank bonds and overweight in covered bonds.

BRUNTON Covered bonds fill a need for some of our clients who have particularly strong credit-quality criteria within their mandates. However, for the majority of our clients the spreads at which covered bonds have traded in to are pretty tight and so they are viewed as unattractive at current levels.

VAN KLAVEREN ANZ Banking Group (ANZ) brought a 10-year covered bond recently which seems to have been well received. For us, timing plays a key part in our decision on whether to participate in a transaction. It depends very much on the credit cycle – that is, if it is the right time to be buying long-dated credit and if it is the correct price to be paying for it.

BRUNTON We participate in some long-dated covered bonds – for example, the recent ANZ 10-year – but only in small amounts and only on behalf of a small subset of our client base. However, in the context of other less-frequent types of issuance, for instance smaller deals or offshore names, our demand for covereds does not change.

CAMILLERI Our portfolio is managed on a relative-value basis so we do not have a specific allocation to covered bonds. If these instruments represented themselves as cheap relative to other parts of the market, our demand would increase.

That aside, in Australia we have seen less issuance of covered bonds relative to other jurisdictions. In fact, there is a demand-supply dispersion because there has been little covered-bond issuance in Australia in 2013 compared with 2012. In our opinion the better performance of this asset class has already passed, so we would require a significant change in the relativities of the market in order for covered bonds to present themselves as better value than senior unsecured or residential mortgage-backed securities.

Hence we currently have little natural demand for covered bonds. On a risk-reward basis, we see RMBS as better value than covered bonds and, being off balance sheet, they offer some immunity from corporate downgrade for the same types of assets. Further, they are comparatively more likely to retain their credit-enhancement profile.

"Australian bank covered bonds are cheap compared with senior unsecured bank bonds. Therefore on a relative basis we are underweight in senior unsecured Australian bank bonds and overweight in covered bonds."

TIM VAN KLAVEREN UBS GLOBAL ASSET MANAGEMENT

now that RMBS spreads have contracted too, the bonds looks less attractive in a relative-value sense.

◆ *BRUNTON* As I mentioned before, our demand patterns for RMBS paper have diminished throughout the year too, also primarily because spreads have compressed relative to bank paper. In order for us to participate more frequently in RMBS it needs to offer a reasonable premium above bank assets and, for us, this is a premium that is not currently there in this sector.

◆ *HOLT* Our subscriptions are still growing and hence our demand for RMBS is growing too. Large amounts of term deposits are rolling off from 2012 and will release fresh cash. This cash will need to find a home.

I think there has likely been a greater allocation to equities from cash as we

Stepping down a notch

IN THE LOW INTEREST-RATE ENVIRONMENT INVESTORS ARE EXPLORING HIGHER-YIELDING ASSETS FOR THEIR PORTFOLIOS. WHILE NOTES FROM FURTHER DOWN THE CAPITAL STRUCTURE ARE DEEMED AS ILLIQUID FOR SOME, FOR OTHERS THEY ARE AN UNMISSABLE OPPORTUNITY.

How has your appetite for lower-rated notes shifted, if at all, during 2013?

CAMILLERI We are unchanged in 2013. We have an allocation to sub-investment grade which includes anything below the senior note from residential mortgage-backed securities (RMBS) transactions or a corporate or bank balance sheet.

It is only a smaller group of investors and balance sheets that are able to participate further down the credit spectrum. There continue to be areas of risk where these investors can help issuers to fund programmes into the market.

VAN KLAVEREN I would tend to agree that market participants in the lower-rated space are few and far between, and for us this paper is largely illiquid. At UBS Global Asset Management our appetite for these notes has not shifted at all during 2013. We tend to buy prime triple-A tranches to match the liquidity requirements of the majority of our funds.

HOLT Our demand is still very solid for these types of notes. In fact, if it has changed at all during 2013, our appetite has actually increased.

One of the areas that we have been keeping a close eye on is the standard of underwriting in the newly securitised notes we are buying. Obviously there has been a pickup in issuance in the prime and nonconforming markets in 2013 and there has been a broader and deeper market from which to choose. There have been some differences in relative value in terms of the underwriting and the different configurations of the pools, but generally I believe lower-rated assets are extraordinarily cheap in respect of rating and also credit risk profile.

Where, like now, the market backdrop has been positive with spreads tightening, there has been liquidity and we have been able to trade quite easily. We are a buy-and-hold investor, so this is generally quite a small part of the portfolio – but sometimes we find assets we like more so we will switch.

"There have been some differences in relative value in terms of the underwriting and the different configurations of the pools, but generally I believe lower-rated assets are extraordinarily cheap in respect of rating and also risk profile."
PATRICK HOLT PEPPER INVESTMENT MANAGEMENT

There is a certain amount of due diligence that is required from looking at the underwriting and the history of the originator and servicer of a transaction, and also the profile of the types of loans. Historic losses, demographics, geographical diversification, excess spread and loan-to-value (LTV) ratios are vital to our assessment of these notes. However, in general, underwriting practices through 2013 have stayed very credit positive for noteholders and the vintage of 2011, 2012 and 2013 has been very strong in terms of credit quality in the nonconforming space.

LTV and seasoning have been exceptional in the prime market too. There was a blip in spreads in May and June from tapering discussions and related volatility, which led to a significant blowout in high-yield and emerging-market debt – although this was actually an opportunity for us to add some more prime mortgages to our pool. Our portfolio weighting is now quite evenly split between prime and nonconforming paper.

BRUNTON The lower-rated notes discussion is an interesting one for us. We don't really place any benefit on the mortgage insurance component at the deeply subordinated level because it will prove problematic in a stress test, so we tend to view that part of the securitisation structure as high yield or junk rated.

But if an asset is not investment-grade quality it requires a reasonable return for the risk. At the moment there are enough other investors in the marketplace who have a different view on that, and they price those instruments at much tighter spreads than we would.

have progressed through 2013 but, from a fixed-interest perspective and in light of tapering, those investors who did not like duration at the beginning of the year will be confused as what to do now given the recent statements from the Fed. Allocation to RMBS will allow those investors to still achieve returns despite an anticipated volatile duration market.

◆ *CAMILLERI* We have noticed a distinct difference in the quality of the collateral behind deals since the start of the

> *"Underinvestment from real-money investors is being balanced out by overinvestment from bank balance sheets. Bank balance sheets continue fundamentally to act as cornerstones in nearly all the deals that come to the market, and this phenomenon appears unlikely to change."*
>
> **ROBERT CAMILLERI** REALM INVESTMENT HOUSE

year, particularly on the part of repeat issuers. As demand increased, we noticed deterioration in quality creeping in at the margin.

For instance we saw 'collateral creep', whereby noticeable differentials appeared in the loan-to-value ratio buckets, net-interest margins (NIMs) and interest-only exposures, which reduced the attractiveness of these transactions compared with their predecessors.

In a low credit-growth environment deal quality becomes more important, and is often the only basis for comparison. Even APRA and the Reserve Bank of Australia (RBA) have expressed concerns about a slippage in these underlying standards.

This disparity grows even further once you take into account how the balance-sheet buyers have driven in spreads, due to regulatory effects. Asset managers are risk takers but if they are not adequately rewarded for risk they will divert capital elsewhere. They cannot assign value to either repo access or cost-of-capital hurdles, which are vital components for balance-sheet buyers.

We continue to see value outside the ADI sector. We have seen some non-bank issuers, in particular a couple of regular issuers in that space, bringing deals without the same deterioration of quality across the collateral spectrum in the deals they regularly originate.

LIQUIDITY ISSUES

How tradable are the securitised notes investors have purchased in 2013? How does RMBS liquidity stack up relative to comparable asset types?

◆ *CAMILLERI* This depends on how you classify liquidity. Increased turnover and larger issuance volumes have driven activity and confidence. Our real-money peers would likely argue that there is currently very little liquidity in the market as they are crowded out of many deals in volume and the transactional costs of holding small parcels is larger from a liquidity perspective.

◆ *BRUNTON* Liquidity in securitised paper is always going to be behind that of bank bonds. That said, we have recently seen more attempts by dealers to show prices in RMBS.

But at times it is still challenging to transact at near rate sheet levels or where intermediaries have instruments notionally marked. There is still a reasonable gap between the indicative and the traded levels.

◆ *VAN KLAVEREN* In 2012 it was extremely difficult to trade any RMBS that was not issued by a top-tier institution. However, in 2013 we have seen a substantial improvement in secondary-market RMBS liquidity. With this improvement it has become possible to trade RMBS bonds issued by any institution.

◆ *CAMILLERI* I believe the market will move to absorb any instrument, at a price, at any given point in time – taking into account the prevailing environment. For example, RMBS spreads widened from the mid-teens to several hundred basis points between 2008 and 2010. While some would have said those bonds were illiquid, I believe the levels landed where the market needed to reprice in order to attract the liquidity required at that point in time.

◆ *HOLT* Our base case when we talk to investors is that if we had to liquidate our portfolio we could do it comfortably in current markets. We would have to pay a bid-offer spread, and in certain markets it would be wider than others.

But, because much of the paper we hold is publicly issued, there is generally a market price and a committed investor community. It may not offer us the ideal price but in a time of crisis there are securities out there that would have no bid at all.

◆ *CAMILLERI* The RMBS market is comprised of differently-motivated entities and individuals. Bank balance sheets don't manage against a benchmark and can find natural liquidity from the RBA's committed liquidity facility. However, real-money investors have different liquidity requirements from bank balance sheets. Fund managers cannot directly access the RBA window so they need to be able to access the market through an intermediary. How that intermediary can access its own liquidity is an even bigger issue.

I would not say the cost of RMBS relative to other asset types – for instance, covered bonds – is overly exorbitant. They are both liquid instruments. Nevertheless, it is necessary to manage the bid-offer spread differential in the cycle at any point in time.

A whole new world

DESPITE A SURPRISE DECISION TO FOREGO A WIDELY-ANTICIPATED SEPTEMBER WINDOW TO START TAPERING, THE US FEDERAL RESERVE (FED) IS EDGING EVER CLOSER TO SWITCHING OFF THE LIQUIDITY TAPS.

There is some expectation that residential mortgage-backed securities (RMBS) spreads will reprice as and when tapering begins. What impact on liquidity do investors foresee?

BRUNTON From its actions in September the Fed has shown it has a very strong growth bias, so tapering will happen at a rate that is slow enough to prevent a meaningful rise in interest rates that could otherwise potentially harm growth.

Because the Fed's strategy is much clearer now – in September 2013 – than it was in the middle of the year, we don't think there will be a repeat of the liquidity issues we saw then. We were surprised that the Fed didn't start a programme of tapering in September but, in showing its hand, its actions will likely lessen the risk of a market reduction in liquidity on tapering fears.

CAMILLERI I think the effects of tapering on market liquidity will very much depend on whether the Fed reduces its asset purchases by a defined overall sum, or by a defined sum from a specific sector, for example from mortgage-backed securities (MBS), or from US Treasury (UST) securities, or indeed from both.

It is likely the market has already adjusted for the impact of UST asset purchases ceasing. But credit spreads are much more likely to widen in the event that the Fed starts tapering its purchases of MBS first. Increased supply of US-origin MBS paper may restrict the ability for Australian or foreign issuers to come to that market on a competitive basis. This does not mean there will be no new primary issuance but it may impede the process and become more expensive.

HOLT The tapering conversation is an interesting one and it is at the forefront of many investors' minds. Many assets that we buy have very little interest-rate duration in them. There is spread duration, of course, but as an asset through a tapering profile, given where spreads are, I think RMBS is a pretty compelling hold.

I would describe the tapering-induced weakness of RMBS during May, June and July as a minor blip seen more in the bid-offer spread differential than as a decline of credit. Bank funding spreads widened and I believe RMBS moved in sympathy.

There was still some primary issuance in June. Bank of Queensland, for example brought a REDS transaction during that period. It is fair to say the timing was not ideal and the spread was wider than the borrower's previous issue from April, but conditions were not so volatile that the borrower elected to hold off altogether.

Even now prices are fair to cheap on a credit-adjusted basis. One unit holder in our fund is a large offshore institutional manager and was extraordinarily impressed at how our fund had performed through those market events compared with other global asset classes they held.

The next challenge for investors will be to assess the material effect that higher interest rates in the US and an anticipated China slowdown could have on the Australian economy. Then it becomes a deeper credit question about the quality of pools we hold, and how they perform in these scenarios.

In our base-case scenario we think unemployment will not trend too significantly, though it will be a little higher. We think we are fully provided for in terms of the underlying subordination below the tranches we hold and the strong excess spread in the structures.

"It is likely the market has already adjusted for UST asset purchases ceasing but credit spreads are much more likely to widen in the event that the Fed starts tapering its purchases of MBS first."
ROBERT CAMILLERI REALM INVESTMENT HOUSE

◆ ***HOLT*** Generally for B1 and AB tranches of prime issuance there is a fairly liquid profile. As you move further down the capital structure into the double-B rated category – which is where we see fantastic value in the notes we hold comparative to the rating – liquidity is mixed. We have been able to sell some double-B notes within an hour, others not for a day or so, but always at a fair price and generally higher than where we bought them.

Banks don't seem to hold large inventories or run large books given the existing exposure they have to mortgages on their balance sheets. But if the current environment were like that of 2009 and 2010 it would be a longer process to liquidate notes.

RELATIVE VALUE

Taking into consideration liquidity, credit quality and tenor, how do asset-backed securities (ABS) and

"In a world where all asset markets have a solid bid to them spread contraction in 2013 is partly due to a reduction in the required liquidity and volatility premium. The uncertainty is around where the spreads on RMBS reprice, once the Fed stops QE and the liquidity and volatility premium is repriced for all asset markets."

TIM VAN KLAVEREN UBS GLOBAL ASSET MANAGEMENT

RMBS compare, on a relative-value basis, to senior unsecured and covered bond paper?

◆ *CAMILLERI* On a senior basis the RMBS market represents better value than covered due to the risk-return trade off. Further, in the new Basel III world, senior unsecured and even covered bonds might be negatively affected by the impact of loss absorption and capital-issuance regulation on bank balance sheets. As RMBS is off balance sheet it is more likely to be immune from this risk.

In 2012, subordinated debt in RMBS stood out as an attractive asset class against senior tranches and even other unsecured debt. However, more recently we have seen a pricing discrepancy between bank-issued capital notes, which have seen these regulated issuers able to retain RMBS and subordinated tranches on balance sheet at spreads inside this issuance and still remain Basel III-compliant. One is driving the other, and this is leading to a difference in relative value.

◆ *VAN KLAVEREN* With current primary RMBS deals pricing at 85-100 basis points over swap, I would say RMBS pricing is fair to slightly attractive. However, in a world where all asset markets have a solid bid to them because of QE, part of the spread contraction over 2013 is due to a reduction in the required liquidity and volatility premium. The uncertainty is around where the spreads on RMBS reprice, once the Federal Reserve stops QE and the liquidity and volatility premium is repriced for all asset markets. Historically, liquidity on covered bonds and senior unsecured bank debt has been reasonably robust.

Overall, we remain positive on credit, including ABS and RMBS. However, timing and price are critical for all investors when deciding to put more risk into their portfolios. Currently all market participants are trying to gauge where prices will settle once the stimulus is taken away.

ALTERNATIVE MARKETS

How much interest do you have in non-mortgage securitisation? How do you assess relative value between different types of underlying assets?

◆ *CAMILLERI* Assessing credit value for ABS and RMBS issuance is quite different. Although the former appears to offer little or no security this is partly offset by potentially accelerated cash flows and higher NIM.

Each asset class may have a different feature which would make it more or less attractive than another. For example, some pools might offer a combination of assets, or diversity, or short tenors, while others may offer weak or even no collateral, or limited insurance. Relative-value assessments vary depending on where you invest across the capital structure.

We try to differentiate by collateral. However, a distinct driver of the credit enhancement in an ABS structure is the NIM. This is generally larger on nonconforming loans – which are 'good' risk for us. 'Bad' risk would include small- to mid-sized ticket consumer-finance receivable obligations which have no collateral.

◆ *HOLT* We do not currently own any ABS in our portfolio. We have in the past, and we will in the future, but we have found that the junior notes in the ABS transactions that have recently come to market have tended to be held by the issuer and there is quite a tight market if they are sold to third parties. We have not been as successful at securing that part of the capital structure as we'd have liked, but we continue to discuss.

The triple-A and double-A rated notes offered do not meet our mandate in this sector but we continue to monitor their issuance. ABS has a different profile to RMBS because it pays down much faster and has different loss assumptions. But, in the simplest form, we like ABS. There just hasn't been enough issuance yet, for us to allocate to it in our portfolio.

We particularly like the medical equipment and auto sectors. Autos comprise the majority of the deal flow of course, but when a medical equipment-sector deal comes out it spikes our interest. The comparative spreads we are achieving in RMBS have made it difficult to allocate to ABS. This may change in the coming year.

◆ *VAN KLAVEREN* We have an interest in non-mortgage securitisation assets, however we have not been active in this space. As alluded to earlier, the majority of our assets have a fixed-rate benchmark so, as most of these deals have been floating-rate in structure, we have tended not to participate. However, the concept of the master trust structure would be more attractive, and would allow our funds to participate in greater size and in greater frequency. ■

AUSTRALIAN FINANCE GROUP

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	AFG TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	PRIME RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	29%
NUMBER OF SECURITISATIONS ISSUED	1
TOTAL VOLUME ISSUED	A$275M
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$247M

Australian Finance Group (AFG) is one of Australia's leading financial services companies. It is an independently owned, public unlisted financial services company, headquartered in West Perth.

AFG is the largest independent provider of mortgage broking services in the country. It processes over A$3 billion of mortgage finance every month, representing a loan book of more than A$80 billion and over 870,000 customers. One in 10 home loans written in Australia is sourced through its 1,800 strong broker network.

AFG leverages its tier-one technology platform to proactively manage its relationship with lenders, brokers and customers. AFG commenced offering its own securitisable home loans in 2007. These home loans are primarily funded by existing warehouses. ■

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AIMS HOME LOANS

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	AIMS TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	100%
TOTAL VOLUME ISSUED	A$2.18BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$130M

AIMS Homes Loans (AIMS) is a leading Australian non-bank mortgage lender. As an industry leader, AIMS has won more than 30 nationally recognised industry awards. AIMS provides innovative, flexible loans at competitive rates. The company has originated more than A$5 billion in residential mortgage loans. ■

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AMP BANK

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	PROGRESS TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	PRIME RMBS
PROPORTION OF OUTSTANDING FUNDING SOURCED VIA SECURITISATION	23%
NUMBER OF SECURITISATIONS ISSUED	16
TOTAL VOLUME ISSUED	A$14BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	69% DOMESTIC, 31% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$3BN & US$200M

AMP is Australia and New Zealand's leading independent wealth-management company, with a retail banking business in Australia and a growing international investment-management business.

AMP Bank is a wholly owned subsidiary of AMP, and part of AMP Financial Services. AMP Bank is an authorised deposit-taking institution operating as a specialised home loan lender and loan servicer.

AMP Bank continued to grow in H1 2013 with the mortgage book growing by A$372 million, or 3%, to A$12.8 billion. ■

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ANZ BANKING GROUP

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	KINGFISHER

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	INTERNAL (FOR RBA REPO PURPOSES)
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	NIL
NUMBER OF SECURITISATIONS ISSUED*	4
TOTAL VOLUME ISSUED*	A$4.45BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE*	24% DOMESTIC, 76% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES*	NIL

* Excluding internal securitisation transaction.

ANZ Banking Group (ANZ) 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 is one of only a small number of banks globally which have maintained a double-A rating from all three main credit ratings agencies. It is a true global issuer with a wholesale funding portfolio which is well diversified by currency, product and tenor. ■

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BANK OF QUEENSLAND

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAMES	REDS (RMBS) & REDS EHP (ABS)

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	RMBS, ABS
NUMBER OF SECURITISATIONS ISSUED	31
TOTAL VOLUME ISSUED	APPROX. A$18.6BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	APPROX. 90% DOMESTIC, 10% OFFSHORE*
OUTSTANDING VOLUME OF SECURITISED ISSUES	APPROX. A$5.2BN

All data as at 31 August 2013.

* RMBS and ABS in euro and sterling.

Bank of Queensland (BoQ) is a public company incorporated with limited liability under the laws of Australia. The bank is domiciled in Australia, listed on the Australian Securities Exchange, is regulated by the Australian Prudential Regulation Authority as an authorised deposit-taking institution, and has total assets under management of A$34.8 billion as at February 28 2013.

BoQ's loans under management total A$34.8 billion, of which residential property loans account for A$26 billion, SME and commercial loans account for A$5.2 billion, and leasing accounts for A$3.6 billion – reflecting the bank's focus on well-secured housing and SME lending. ■

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CAPITAL FINANCE AUS.

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	BELLA TRUST

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	AUTO & EQUIPMENT RECEIVABLES ABS
NUMBER OF SECURITISATIONS ISSUED	7
TOTAL VOLUME ISSUED	A$4.2BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	84% DOMESTIC, 16% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$1.135BN

Capital Finance Australia (Capital Finance) is one of Australia's leading asset-finance companies, providing asset funding to all types of businesses and individuals. Its focus is on partnering with customers and offering the right asset-finance solutions for their unique needs.

Capital Finance is a wholly owned subsidiary of Lloyds International (ultimate parent, Lloyds Banking Group plc). Capital Finance provides finance via four major channels: motor dealers (motor vehicle wholesale funding for dealers and retail finance for individuals through those dealers), finance brokers (motor and equipment finance for businesses), vendors (equipment finance for businesses) and corporate asset finance (high-value and specialist assets for large corporate and government clients). ■

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COMMONWEALTH BANK OF AUSTRALIA

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	MEDALLION TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	4%
NUMBER OF RMBS OUTSTANDING	14
TOTAL VOLUME ISSUED	A$43.7BN
OUTSTANDING VOLUME OF RMBS	A$12.9BN

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

The bank's approach to wholesale funding is to remain diversified across markets and to maintain a degree of flexibility in terms of timing of transactions. Wholesale funding is complemented by securitisation issues through the Medallion programme. ■

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CREDIT UNION AUSTRALIA

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	HARVEY TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	70%
NUMBER OF SECURITISATIONS ISSUED	9
TOTAL VOLUME ISSUED	A$4.7BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$1.7BN

Credit Union Australia (CUA) has a long and proud history providing banking and financial services to Australians. CUA is Australia's largest customer-owned financial institution with nationwide representation through more than 70 branches in Queensland, New South Wales, Victoria and Western Australia. CUA is an authorised deposit-taking institution and is regulated by the Australian Prudential Regulation Authority. ■

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FIRSTMAC

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	FIRSTMAC MORTGAGE FUNDING PROGRAMME

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	80%
NUMBER OF SECURITISATIONS ISSUED	25
TOTAL VOLUME ISSUED	A$11.25BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	87% DOMESTIC, 13% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$3.7BN

Firstmac is a major non-bank issuer that has been issuing RMBS in both the Australian and offshore markets since 2003. The RMBS assets comprise prime residential mortgages only, that have been originated by Firstmac through its own leading online retail business and through an Australian-wide wholesale third-party distribution network. Firstmac has a "strong" servicer rating assigned by Standard & Poor's Ratings Services. ■

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FLEXIGROUP

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	FLEXI ABS TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	ABS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	26%
NUMBER OF SECURITISATIONS ISSUED	5
TOTAL VOLUME ISSUED	A$898M
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	>90% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$270M

All data as at August 31 2013.

An ASX200-listed Australian public company, FlexiGroup is a leading provider of vendor and retail point-of-sale finance. FlexiGroup's diversified business streams offer a broad set of products and services that can adapt to the specific needs of vendor partners. These include leasing, interest-free cards, no-interest payment plans, cheque guarantee and lay-by. ■

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HERITAGE BANK

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	HBS TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	PRIME RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	APPROX. 50%
NUMBER OF SECURITISATIONS ISSUED	10 PUBLIC DEALS, 3 AUD WAREHOUSE ARRANGEMENTS, 1 AUD INTERNAL SECURITISATION ARRANGEMENT, 1 AUD PRIVATE DEAL
TOTAL VOLUME ISSUED (PUBLIC)	APPROX. A$5.7BN EQUIV.
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	(APPROX.) 57% DOMESTIC, 43% OFFSHORE
TOTAL OUTSTANDING VOLUME (PUBLIC)	APPROX. A$735M EQUIV.

Heritage Bank (Heritage) is Australia's largest mutual bank, with approximately A$8.5 billion in total consolidated assets as at June 30 2013. The mutual business structure is an integral component of Heritage's operating philosophy. It is a public company, limited by shares and guarantee, that operates as a mutual organisation. Heritage is an authorised deposit-taking institution and as such is regulated by the Australian Prudential Regulation Authority. Heritage's head office is in Toowoomba, Queensland. ■

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IMB

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	ILLAWARRA TRUST

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	RMBS/CMBS (SMALL TICKET)
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	82%
NUMBER OF SECURITISATIONS ISSUED	RMBS: 6 CMBS: 3
TOTAL VOLUME ISSUED	A$3.3BN
CURRENT FUNDING TOTAL	A$929M
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC

IMB is one of Australia's largest building societies, with assets of more than A$4.8 billion and approximately 180,000 members. Established in 1880, it is also the longest-standing building society in New South Wales. IMB is regulated by the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission, and is a member of the Customer Owned Banking Association, an independent organisation representing building societies and credit unions. ■

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ING BANK (AUSTRALIA)

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	IDOL TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
WHOLE SALE FUNDING VOLUME	A$16.1BN
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	26%
NUMBER OF SECURITISATIONS ISSUED	7
TOTAL VOLUME ISSUED	A$6.25BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	96% AUD, 4% USD
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$4.2BN

ING DIRECT – the trading name of ING Bank Australia – is a branchless retail bank. It offers customer-focused products in retail mortgages, transactional banking, retail savings, specialised commercial property markets and retail superannuation. With more than A$30 billion in deposits, A$37 billion in mortgages and 1.4 million customers in Australia, ING DIRECT is the fifth-largest home lender in the country. ■

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INVESTEC GROUP

AUSTRALIAN AUTHORISED DEPOSIT-TAKING INSTITUTION	YES
COMPANY'S SECURITISATION PROGRAMME NAME	IMPALA TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	ABS
WHOLESALE FUNDING TOTAL*	A$1.589BN
NUMBER OF SECURITISATIONS ISSUED	4
TOTAL VOLUME ISSUED TO DATE	A$966.2M
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$533.2M

As at September 23 2013, except for wholesale funding which is as at March 31 2013.

* Excludes securitisation but includes warehouse funding and bank programme issuance.

Investec Group (Investec) is an international specialist bank and asset manager which provides a diverse range of financial products and services to a niche client base across three principal markets: South Africa, the UK and Australia.

Investec Bank Australia Limited was established in 1997 and today has approximately 400 employees, with offices in Sydney, Melbourne, Brisbane, Adelaide and Perth. Its businesses includes private banking, corporate and institutional banking, corporate advisory and property investments. ■

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LIBERTY FINANCIAL

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAME	LIBERTY

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	ABS, CMBS, RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	65%*
NUMBER OF SECURITISATIONS ISSUED	30
TOTAL VOLUME ISSUED	APPROX. A$12BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	82% DOMESTIC, 18% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$1.7BN

All data as at August 31 2013.

* Term securitisation.

Liberty Financial (Liberty) is one of Australasia's leading speciality finance groups. Its businesses include residential and commercial mortgages, motor vehicle and equipment finance, and investments in Australia and New Zealand. It employs approximately 200 professionals and has issued approximately A$12 billion in domestic and international capital markets.

Since 1997, Liberty has helped more than 150,000 customers achieve their financial goals. Liberty is one of the few lenders in Australasia with an unblemished capital markets record with no ratings downgrades or charge-offs ever experienced by its originated securities or programmes. ■

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MACQUARIE GROUP (PUMA & SMART)

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAMES	SMART, PUMA, MEF

Macquarie Securitisation (manager of the PUMA RMBS programme) and Macquarie Securities Management (manager of the SMART auto- and equipment-lease programme) are wholly owned subsidiaries of Macquarie Bank, which is a regulated authorised deposit-taking institution and part of Macquarie Group (Macquarie).

Macquarie Group

Macquarie is a global financial services provider. It acts primarily as an investment intermediary for institutional, corporate and retail clients and counterparties around the world. Founded in 1969, Macquarie employs more than 13,600 people in 28 countries. At March 31 2013, Macquarie had assets under management of A$347 billion.

Macquarie Group Limited is listed in Australia (ASX:MQG; ADR:MQBKY) and is regulated by the Australian Prudential Regulation Authority, the Australian banking regulator, as the owner of Macquarie Bank Limited, an authorised deposit taker. Macquarie also owns a bank in the UK, Macquarie Bank International Limited, which is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. ■

SMART PROGRAMME

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	ABS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	58% (MACQUARIE LEASING PORTFOLIO)
NUMBER OF SECURITISATIONS ISSUED	19
TOTAL VOLUME ISSUED	A$13.5BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	41% DOMESTIC, 59% OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	12 ISSUES: A$4.2BN A$0.7BN DOMESTIC, A$3.5BN EQUIV. OFFSHORE

PUMA PROGRAMME

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	55% OF AUSTRALIAN MORTGAGE BOOK
NUMBER OF SECURITISATIONS ISSUED	52
TOTAL VOLUME ISSUED	A$44BN
TOTAL OUTSTANDINGS DOMESTIC VS OFFSHORE	A$4.1BN DOMESTIC, A$431M OFFSHORE
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$5.6BN VIA 22 ISSUES

*Excluding internal securitisation transaction.

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ME BANK

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAMES	MAXIS LOANS SECURITISATION FUND, SMHL GLOBAL FUND, SMHL SECURITISATION FUND, SMHL TRUST, SMHL SERIES SECURITISATION FUND

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
WHOLESALE FUNDING VOLUME	A$8.9BN
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION (ME BANK PTY LIMITED)	31%
WHOLESALE FUNDING VOLUME[1]	A$4.9BN
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION[1]	100%
NUMBER OF SECURITISATIONS ISSUED[2]	42
TOTAL VOLUME ISSUED	A$39BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	A$20BN, US$10.42BN, €2.2BN
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$8.5BN, US$475M, €198M

1. Historical mortgage origination business.
2. Combined ME Bank Pty Limited and historical mortgage origination business.

ME Bank is owned by 32 industry superannuation funds. It provides low-cost home loans and banking products to its membership base. ME Bank was created in 1999, although its origins date back to 1994 when, as an initiative of the Australian Council of Trade Unions, National Mutual launched Super Member Home Loans.

ME Bank's goal is to give members better value banking and better service, with a no-nonsense approach to borrowing and with products that are simple, straightforward and offer value for money to working Australians. ■

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MYSTATE FINANCIAL

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAMES	CONQUEST TRUST, CONQUEST SECURITIES, RBS TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
WHOLESALE FUNDING VOLUME	A$1BN
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	64.72%
NUMBER OF SECURITISATIONS ISSUED	3
TOTAL VOLUME ISSUED	A$1BN*
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$666.1M

* Includes the joint securitisation undertaken by MyState Financial and Queenslanders Credit Union in 2007.

MyState Financial (MyState) along with The Rock Building Society (Rock) are wholly owned authorised deposit-taking institution subsidiaries of MyState Limited, which is a non-operating holding company approved by the Australian Prudential Regulation Authority and listed on the Australian Securities Exchange.

MyState operates predominantly in Tasmania (10 branches) and provides services to 117,000 customers state-wide. Rock operates in Central Queensland (seven branches) to 40,000 customers, as well as providing lending services throughout Australia via indirect channels. ■

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NATIONAL AUSTRALIA BANK

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	NATIONAL RMBS TRUST

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	RMBS & ABS
OUTSTANDING SECURITISATIONS ISSUED	4 EXTERNAL RMBS, 1 EXTERNAL ABS
TOTAL VOLUME ISSUED	APPROX. A$12BN (EXCLUDES RETAINED DEALS)
TOTAL DOMESTIC ISSUES	6
TOTAL CROSS-BORDER TRANCHES	7

National Australia Bank (NAB) is a public company incorporated in Australia with limited liability. NAB is regulated by the Australian Prudential Regulation Authority as an authorised deposit-taking institution and is listed on the Australian Securities Exchange. The principal activities of the NAB Group are banking services, credit and access card facilities, leasing, housing and general finance, international banking, investment banking, wealth management, funds management, life insurance, and custodian, trustee and nominee services. ■

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PEOPLE'S CHOICE CREDIT UNION

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	LIGHT TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	48%
NUMBER OF SECURITISATIONS ISSUED	4
TOTAL VOLUME ISSUED	A$1.59BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$814M

People's Choice Credit Union (People's Choice) is Australia's second-largest credit union by total assets, with A$8 billion of total assets under advice and management. People's Choice has approximately 352,000 members serviced through 61 branches in South Australia, Northern Territory, Victoria, Western Australia, Australian Capital Territory and New South Wales.

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

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PEPPER

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAMES	PEPPER RESIDENTIAL SECURITIES (PRS), PEPPER PRIME

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
NUMBER OF SECURITISATIONS ISSUED	10 PRS, 2 PEPPER PRIME
TOTAL VOLUME ISSUED	A$4BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC[1]
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$1.6BN[2]

1. Both issues in the Pepper Prime series have included a USD 2a7 tranche, with the balance of the notes in AUD.

2. A further A$2BN is outstanding across various warehouse trusts

Established in 2001, Pepper is a leading Australian specialist financial services group, with businesses in Australasia and Europe encompassing lending, asset servicing and management, and corporate real estate advisory. Pepper has been a leading nonconforming residential mortgage lender for over a decade, and a highly rated third-party servicer and asset manager across a range of asset classes, including residential and commercial mortgages, auto loans, equipment leases and unsecured small business loans.

Historically, Pepper RMBS issues have been supported by Australian domestic and international fixed-income investors. ■

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RESIMAC

AUSTRALIAN ADI	NO
SECURITISATION PROGRAMME NAMES	RESIMAC PREMIER, RESIMAC BASTILLE, RESIMAC NIM

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	RMBS, NIM BOND
WHOLESALE FUNDING VOLUME FY12	A$3.1BN
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	80%
NUMBER OF SECURITISATIONS ISSUED	25
TOTAL VOLUME ISSUED	A$14.4BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	49% DOMESTIC, 51% OFFSHORE
CURRENCY BREAKDOWN OF OUTSTANDINGS	85% AUD, 15% USD

Resimac was formed as a non-bank lender in 1985. It offers a suite of prime and specialist-lending products tailored to the residential market sourced from a distribution network of aggregators, mortgage managers and retail channels. Resimac is Australian-owned and headquartered in Sydney.

Resimac was the first Australian RMBS issuer, debuting in the market in 1988. Since then it has completed over A$14 billion equivalent through 25 domestic and offshore RMBS issues. Resimac's capital-markets activities are core to its enterprise strategy and it remains one of the most prolific non-bank issuers in the domestic market. ■

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SUNCORP

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	APOLLO

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	20%
NUMBER OF SECURITISATIONS ISSUED	19
TOTAL VOLUME ISSUED	A$21.3BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	77% DOMESTIC, 23% OFFSHORE*
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$5.106BN €240.9M

* Based on notes only.

Suncorp Group is a unique, diversified financial services group with well-known businesses in general insurance, banking and life. Suncorp Group is a top 20 Australian Securities Exchange-listed company with assets of A$96 billion. It has around 13,000 employees and relationships with approximately nine million customers. Suncorp Bank is Australia's fifth-largest listed bank and Australia's largest regional bank. ■

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WESTPAC BANKING CORPORATION

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAMES	WESTPAC SECURITISATION TRUST (WST), CRUSADE

USE OF SECURITISATION

TYPES OF SECURITISATION ISSUED	RMBS, ABS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	5.6%
NUMBER OF SECURITISATIONS ISSUED	38 RMBS, 4 ABS
TOTAL VOLUME ISSUED	WST (RMBS): APPROX. A$29.4BN CRUSADE (RMBS): APPROX. A$39.6BN CRUSADE (ABS): APPROX. A$ 3.2 BN
TOTAL DOMESTIC VS OFFSHORE ISSUANCE*	A$21.6 BN, US$9.4BN, €4.1BN
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$9.6BN, US$1.4BN, €700M

* Based on issues currently outstanding.

Westpac Banking Corporation (Westpac) is Australia's second-largest banking organisation and one of the largest banking organisations in New Zealand. The bank provides a broad range of banking and financial services in these markets, including retail, business and institutional banking, and wealth management services. As at March 31 2013, Westpac had total assets of A677.5 billion. Westpac's ordinary shares and certain other securities are quoted on the Australian Securities Exchange and, as at September 18 2013, its market capitalisation was A$101 billion. ■

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WIDE BAY AUSTRALIA

AUSTRALIAN ADI	YES
SECURITISATION PROGRAMME NAME	WB TRUST

USE OF SECURITISATION

TYPE OF SECURITISATION ISSUED	RMBS
PROPORTION OF OUTSTANDING WHOLESALE FUNDING SOURCED VIA SECURITISATION	86%
NUMBER OF SECURITISATIONS ISSUED	10
TOTAL VOLUME ISSUED	A$3BN+
TOTAL DOMESTIC VS OFFSHORE ISSUANCE	100% DOMESTIC
OUTSTANDING VOLUME OF SECURITISED ISSUES	A$634M

Wide Bay Australia (Wide Bay) is the largest financial institution in Australia based north of Brisbane, with assets in excess of A$2.7 billion. With its head office in Bundaberg, Wide Bay has a retail branch network consisting of 37 branches in Queensland – extending from Robina on the Gold Coast to Cairns. It also has a branch in both Sydney and Melbourne. Approximately 75% of loans originate through retail branches using Wide Bay's own lending consultants. ■

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ASF 2014 EDUCATION DATES

Month	Date	Course	Location
February	17	APPLIED SECURITISATION: STRUCTURING, CASH FLOW AND WATERFALL MODELLING	Sydney
February	18	APPLIED SECURITISATION: CREDIT ANALYSIS	Sydney
February	19&20	SECURITISATION PROFESSIONALS	Sydney
February	20	SECURITISATION FUNDAMENTALS	Sydney
April	28	APPLIED SECURITISATION: STRUCTURING, CASH FLOW AND WATERFALL MODELLING	Sydney
April	29	APPLIED SECURITISATION: CREDIT ANALYSIS	Sydney
April	30	APPLIED: CONTEMPORARY LEGAL & REGULATORY DEVELOPMENTS	Sydney
April	30	APPLIED: ACCOUNTING & TAX	Sydney
April	30	SECURITISATION FUNDAMENTALS	Sydney
May	1	APPLIED: TRUSTEE ROLE, RESPONSIBILITIES & RELATIONSHIPS	Sydney
May	13	COVERED BONDS	Sydney
May	14&15	SECURITISATION PROFESSIONALS	Sydney
June	2	SECURITISATION FUNDAMENTALS	Melbourne
June	3	APPLIED SECURITISATION: STRUCTURING, CASH FLOW AND WATERFALL MODELLING	Melbourne
June	4	APPLIED SECURITISATION: CREDIT ANALYSIS	Melbourne

Australian Securitisation Forum

Detailed course information and registration is available on our website:
www.securitisation.com.au

Only a strong bank can be a strong partner.

Passion to Perform

Secured Funding – RMBS

Bendigo and Adelaide Bank TORRENS Series 2013-1 Trust Prime RMBS AUD 850 million Joint Arranger Joint Lead Manager Joint Bookrunner February 2013	Liberty Funding Liberty Series 2013-2 RMBS AUD 500 million Sole Arranger Sole Lead Manager Sole Bookrunner April 2013	Suncorp Bank APOLLO Series 2013-1 Trust Prime RMBS AUD 1.15 billion Sole Arranger Joint Lead Manager Joint Bookrunner May 2013	Credit Union Australia Series 2013-1 Harvey Trust Prime RMBS AUD 675 million Sole Arranger Joint Lead Manager Joint Bookrunner June 2013
Bendigo and Adelaide Bank TORRENS Series 2013-2 Trust Prime RMBS AUD 500 million Sole Arranger Joint Lead Manager Joint Bookrunner June 2013	Bank of Queensland Series 2013-1 REDS Trust Prime RMBS AUD 850 million Sole Arranger Joint Lead Manager Joint Bookrunner July 2013	AMP Bank PROGRESS 2013-1 Trust Prime RMBS AUD 650 million Sole Arranger Joint Lead Manager Joint Bookrunner September 2013	

Secured Funding – Covered Bonds

Australia & New Zealand Banking Group Limited Covered Bond EUR 1.0 billion Joint Bookrunner May 2013	Westpac Banking Corporation Covered Bond USD 1.25 billion Joint Bookrunner May 2013

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