

An aerial photograph of a coastal swimming area. A large, light-colored concrete deck with yellow safety railings runs along the edge of the water. The water is a vibrant turquoise color, and several people are visible swimming. The deck is bordered by a rocky shoreline on the left and a dark, rocky area on the right. The overall scene is bright and sunny.

ASF INVESTOR SEMINAR

Australian Securitisation Market Update

21 July 2020

Australia – A long and uncertain recovery

Royal Bank of Canada, RBC Capital Markets

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This report is priced as of market close 20 July 2020

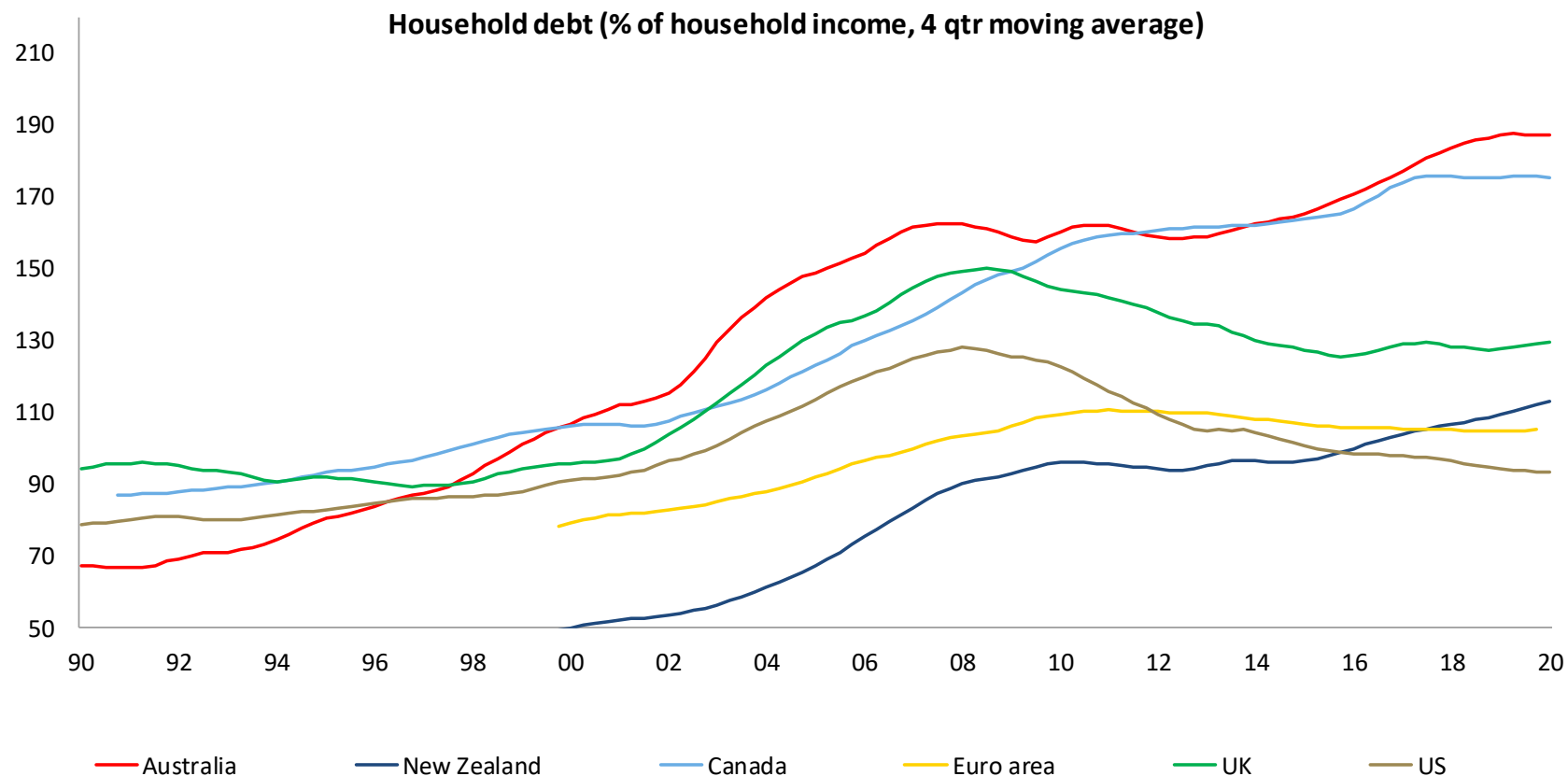
July 2020

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RBC Capital Markets

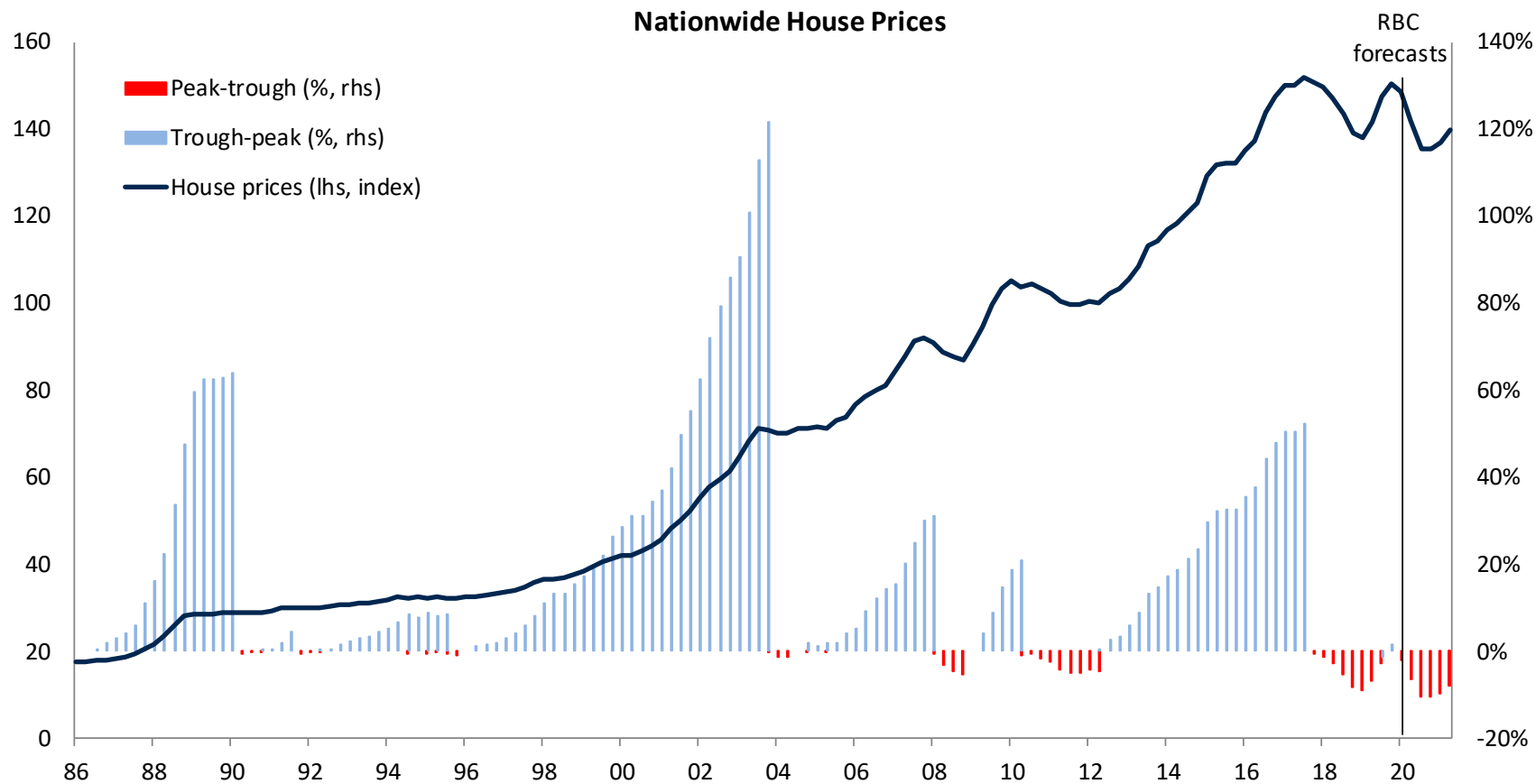
Elevated household debt a likely headwind to consumption in the recovery



Source: IMF, Haver, RBC Capital Markets

Will household behaviour change permanently post COVID-19?

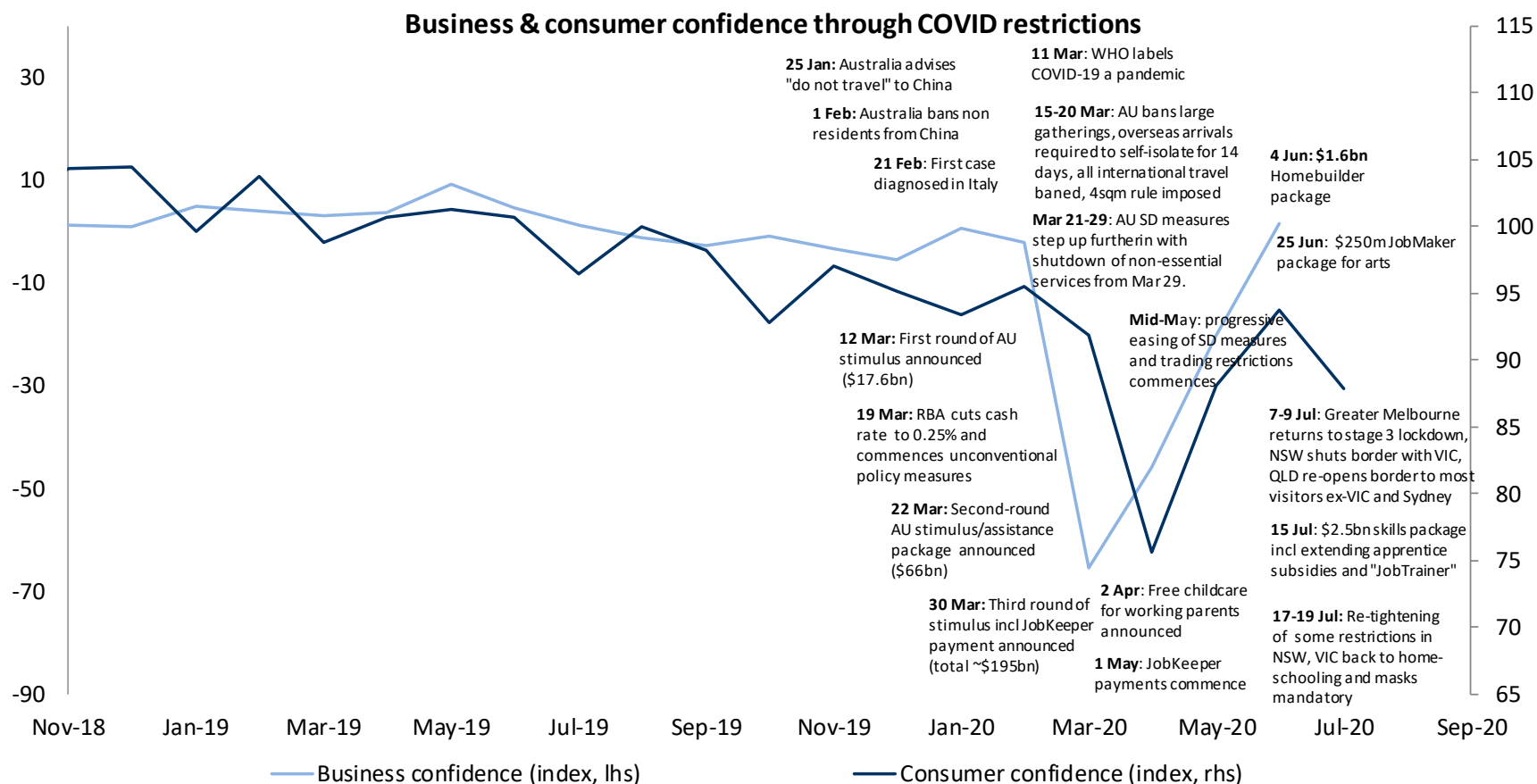
House prices proving resilient....for now



Source: ABS, CoreLogic, Haver, RBC Capital Markets

A rise in arrears appears inevitable

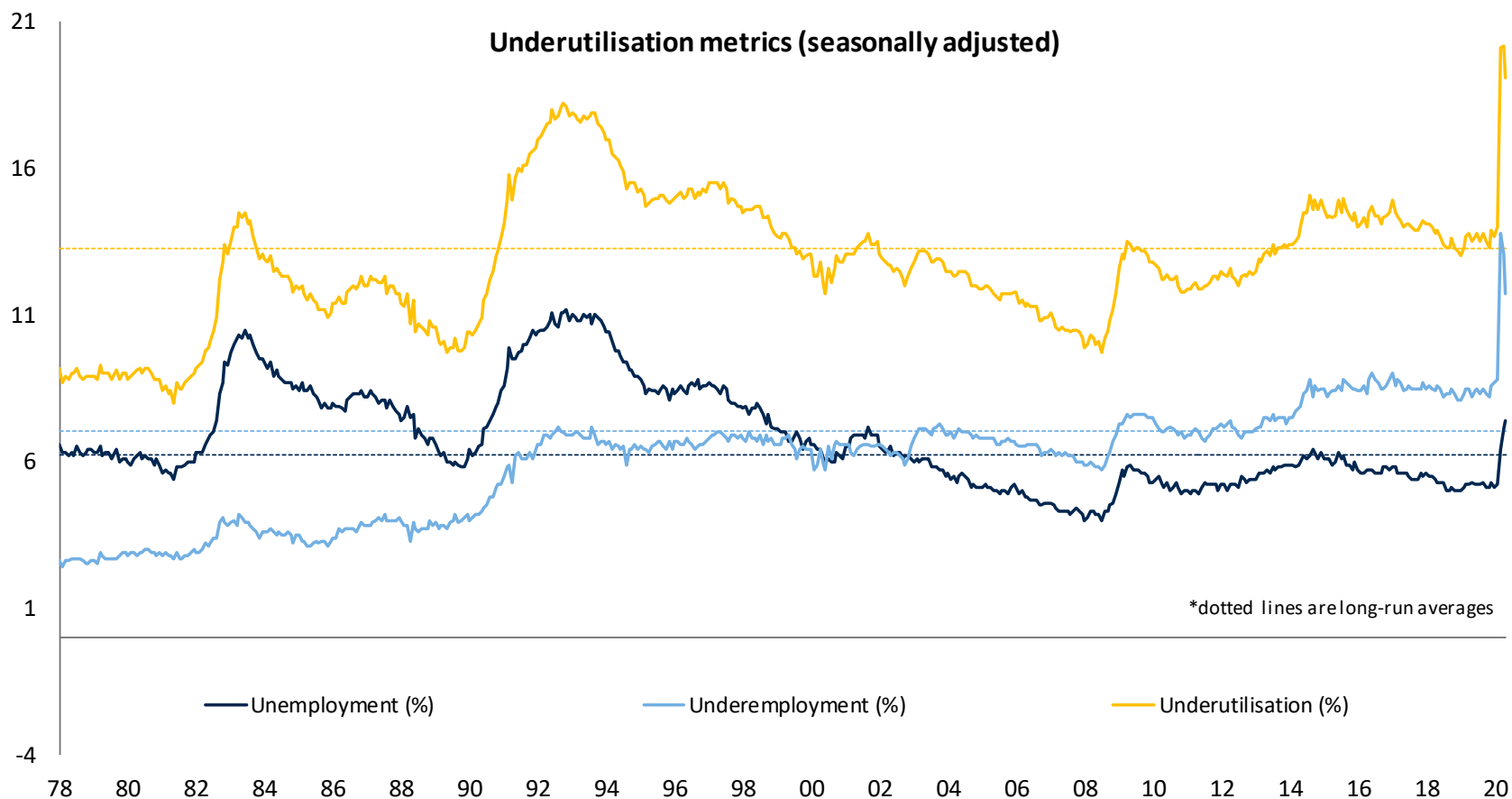
Confidence is key and will take another set back



Source: NAB, Westpac, Haver, RBC Capital Markets

Will the hit from renewed lockdown prove more enduring this time?

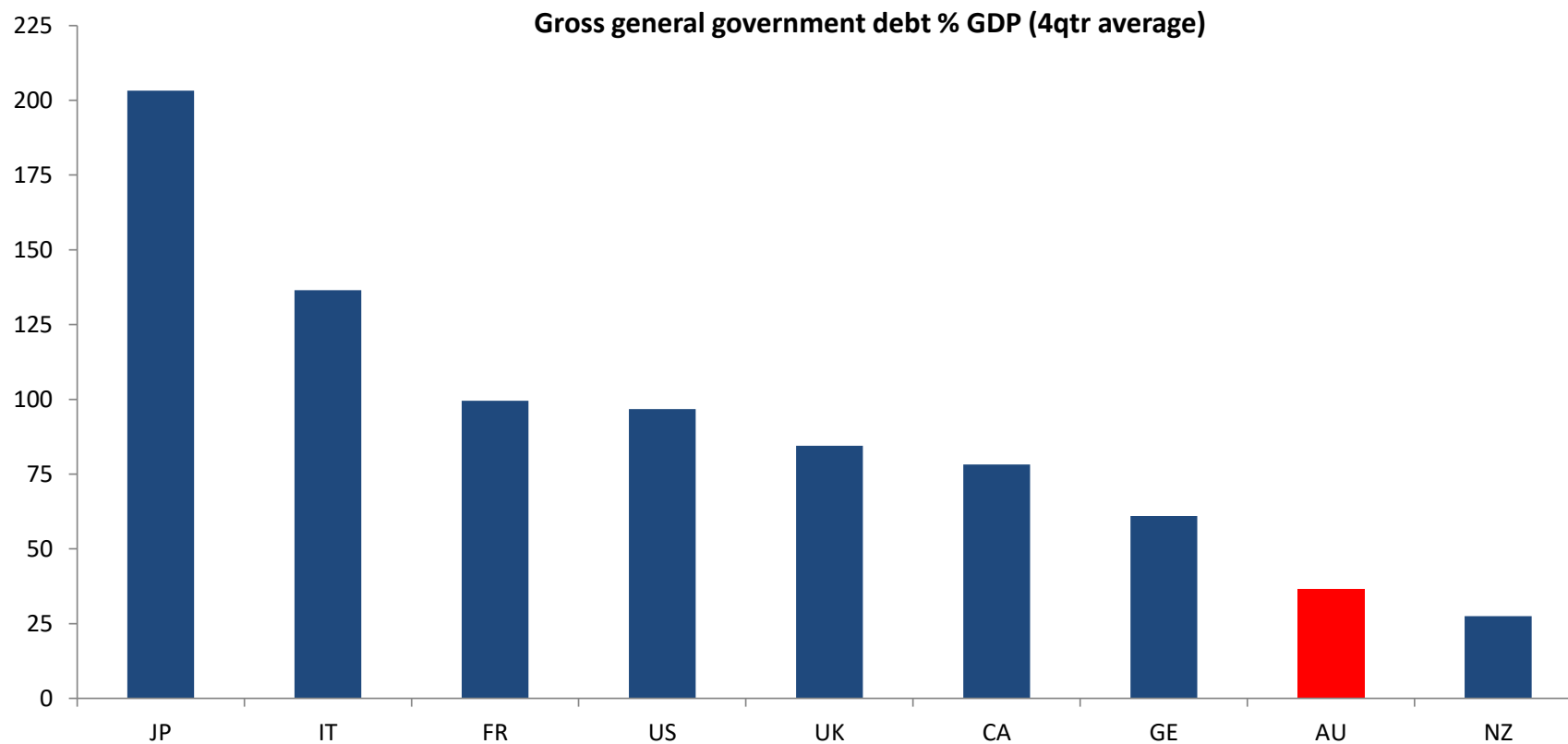
The unemployment rate only tells part of the labour market story



Source: ABS, Haver, RBC Capital Markets

Other measures are more insightful and suggest greater weakness

Scope for more fiscal support, debt metrics enviable by international standards



Source: IMF, Haver, RBA Capital Markets

Fiscal policy needs to do the heavy lifting

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Australian Government
Australian Office of Financial Management

AOFM

AUSTRALIAN SECURITISATION MARKET SUPPORT – AOFM UPDATE

ROB NICHOLL – CEO, Australian Office of Financial Management

21 July 2020



TWO GOVERNMENT PROGRAMS TO SUPPORT SECURITISATION

The Australian Government has two programs to support the securitisation market:

1. ABSF – develop market through supporting a broader range of collateral
2. SFSF – maintain capital flow to smaller lenders during COVID-19 pandemic

Australian Business Securitisation Fund

- **\$2 billion becoming available over 5 years**
- **AOFM has identified parts of the market which are underserved by lenders and where lenders struggle with term funding**
- **A distinguishing feature between RMBS and other parts of the securitisation market is the lack of relevant data for borrowers using less 'mainstream' collateral**
- **AOFM believes that a lack of uniform information on loan characteristics, performance and credit risk is a hindrance to wider investor interest**
- **The fund will invest in a way that will encourage lenders to provide 'industry standardised data' which ratings agencies and investors can use more generally**
- **Data aggregation, transparency, accessibility and an understanding of investor needs will promote a deeper and more efficient market**

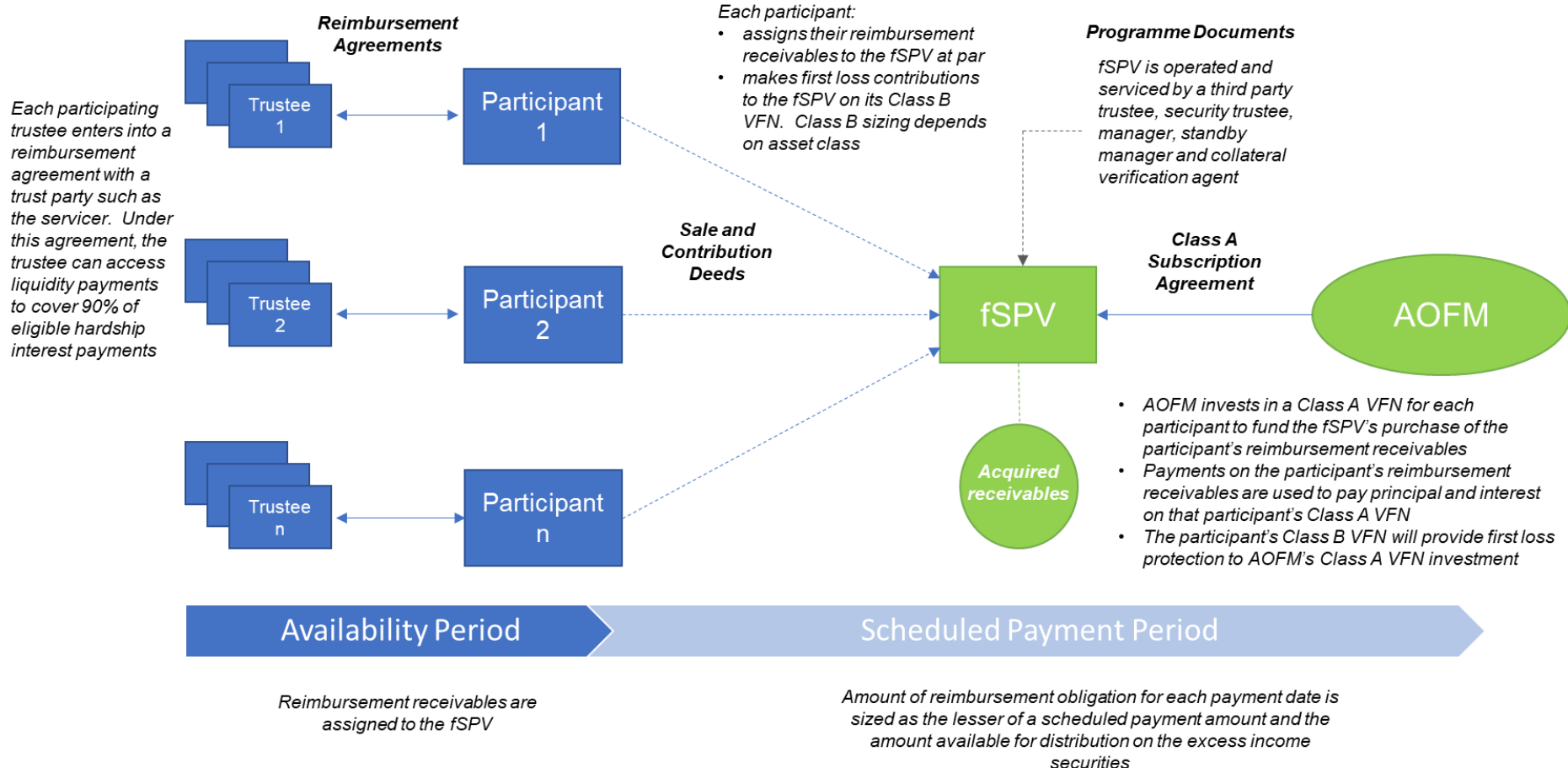
Structured Finance Support Fund

- **Key objective is to support the flow of credit to the economy during the COVID-19 pandemic. Other measures include the Government providing SME loan guarantees, and the RBA's Term Funding Facility.**
- **SFSF has three streams:**
 1. **AOFM support for primary market deals (either by direct investment and/or by investing in secondary market to 'release' capital);**
 2. **AOFM investing in existing warehouses to replace withdrawn investor support and/or to provide credit enhancement for increased exposure from senior financiers; and**
 3. **A 'Forbearance SPV' that will allow originators to access temporary liquidity support for missed COVID-19 interest payments on assets in Trusts and repaying the support from future Trust residual income**

AOFM website has more detailed information

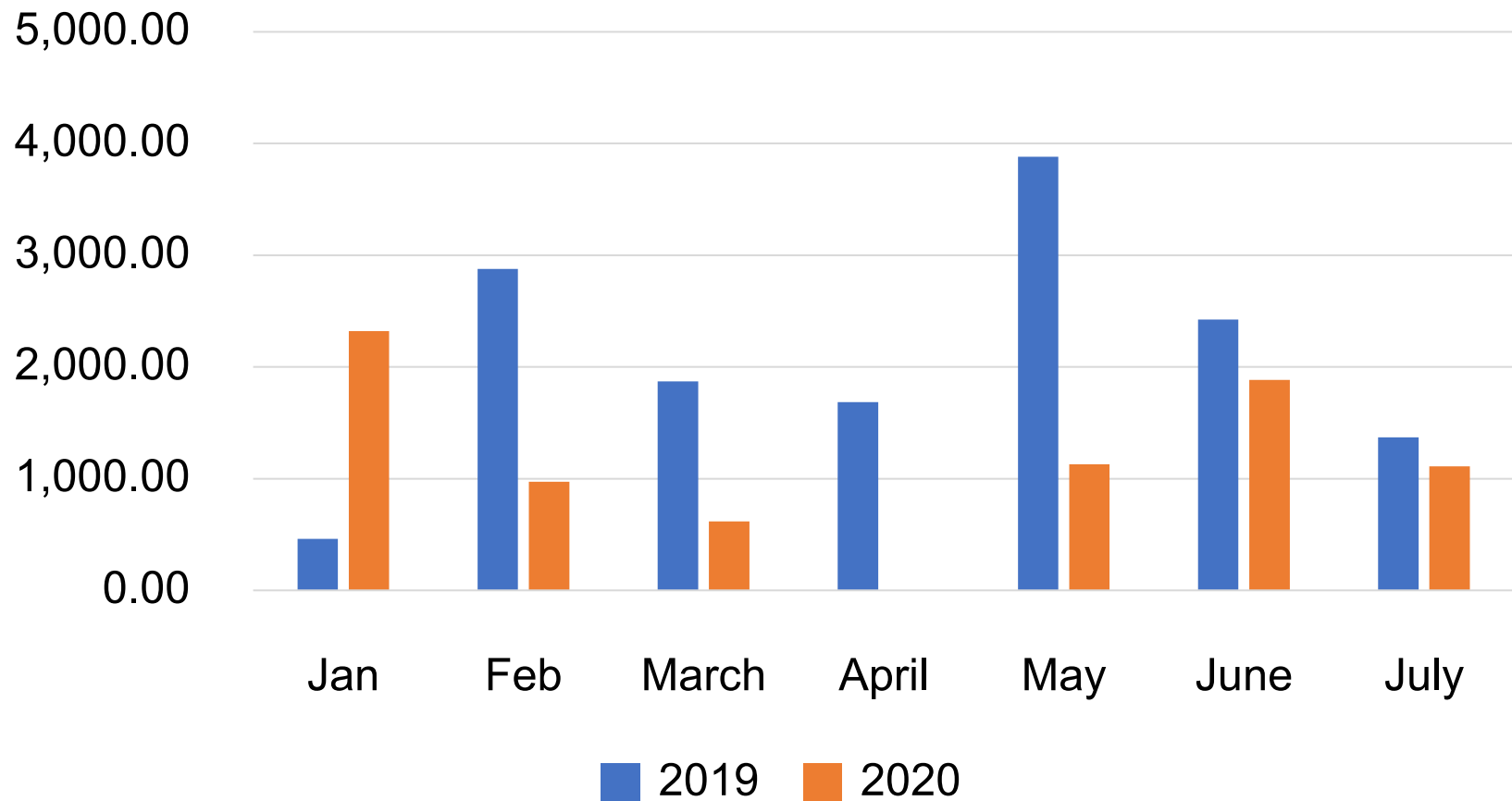
- There is a range of supporting information about both programs on the AOFM website at:
 - **aofm.gov.au/absf**
 - **aofm.gov.au/sfsf**

AOFM Forbearance SPV – simplified structure

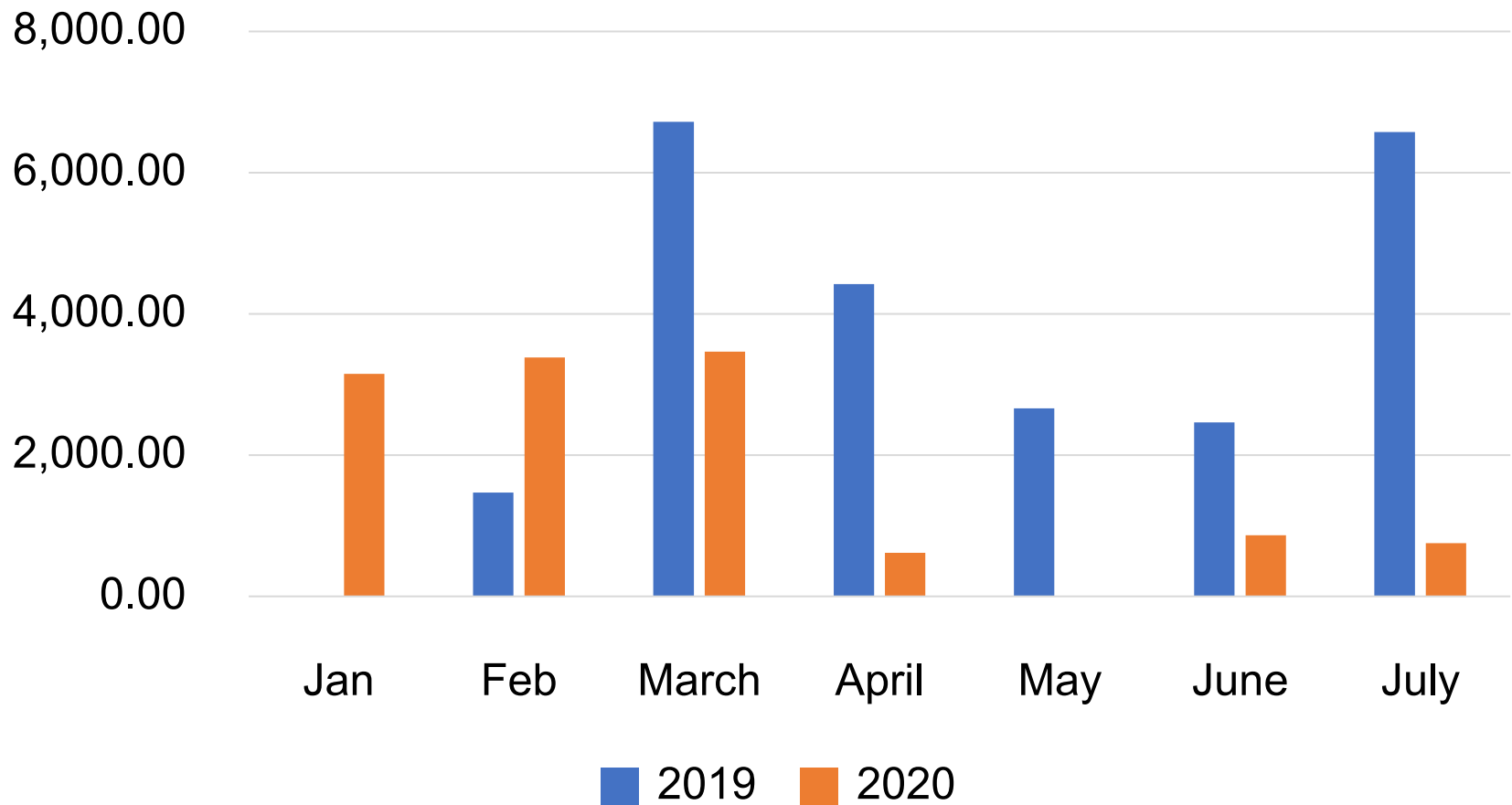


Anne-Marie Neagle
Partner | King and Wood Malletsons

RMBS/ABS Issuance (USD mm) - Australia



RMBS/ABS Issuance (USD mm) - UK





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