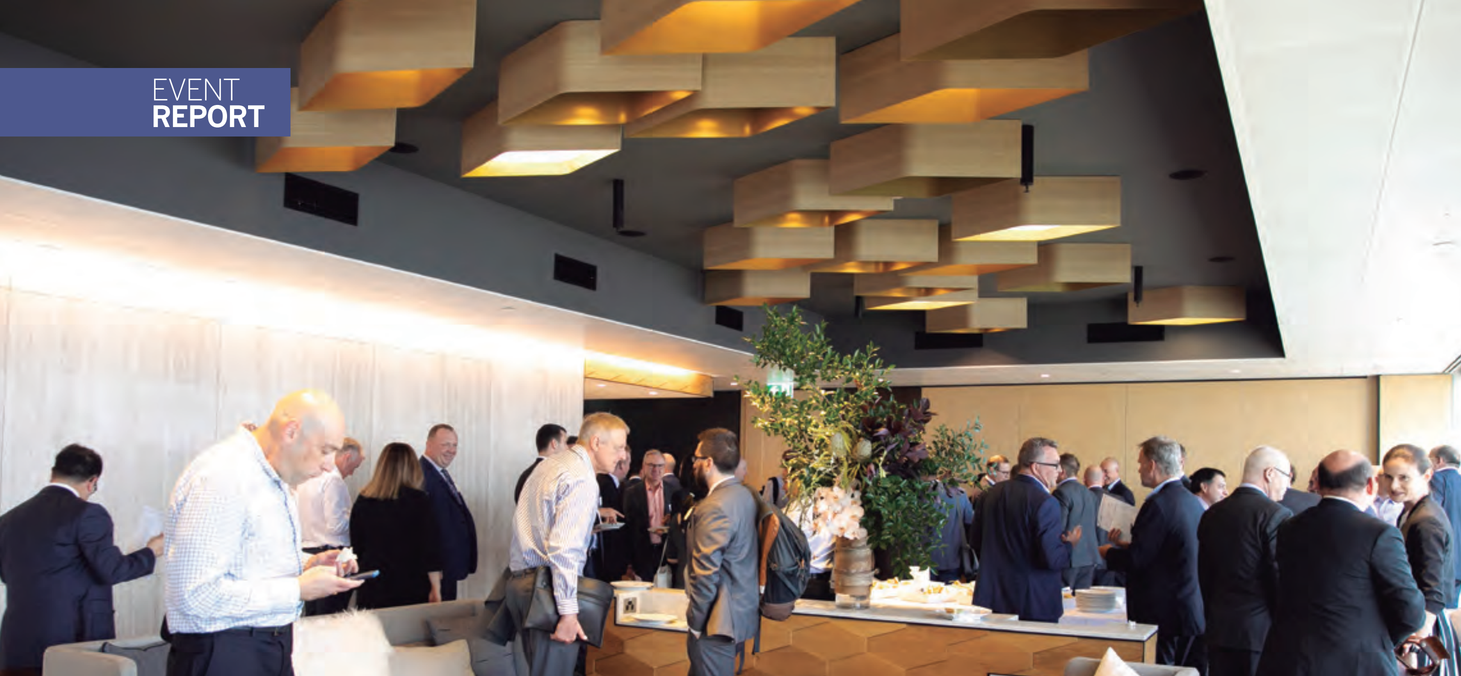
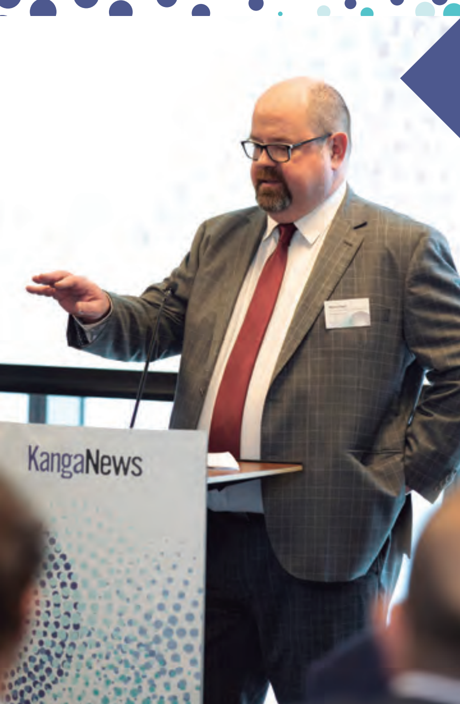


Across the mutual sector

The first-ever **KangaNews Mutual Sector Wholesale Funding Seminar** took place in Sydney on 13 February 2019. As well as an in-depth exploration of the present and future of mutual funding strategy (see p51), the seminar covered a range of themes relevant to the sector including securitisation, the Australian housing market, investor relations and the forthcoming, federal-government backed, Australian Business Securitisation Fund.



MICHAEL BATH AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

Discussing often-competing perspectives with market participants has also assisted the AOFM with its own deliberations with regards to how the Australian Business Securitisation Fund can be used to incentivise them to become aligned in developing the markets that finance SME lending in the long term.

A priority has been, and will continue to be, to identify barriers to entry for new investors with a view to addressing these, while keeping existing investors engaged with the market. In other words, crowding out non-government investment activity would not be viewed as an indicator of success.

CHRIS DALTON AUSTRALIAN SECURITISATION FORUM

Mutuals' use of securitisation is not a new phenomenon though issuance levels have fluctuated. We have also seen some internal securitisation programmes being established in the sector in recent years, and we are aware of ongoing discussions within a number of entities about the costs and benefits of additional funding via securitisation.

MATTHEW FINDLAY LAMINAR CAPITAL

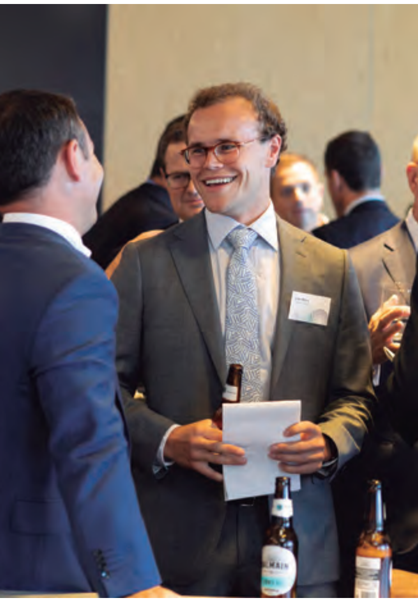
If a mutual issues a funding-only securitisation transaction it automatically has to allocate 10-15 per cent into its liquids book to cover the balance-sheet liability. On the other hand, the numbers we run when we do modelling for mutual-sector clients suggest to me that capital-relief securitisation continues to be the most cost-effective, matched-term-funded capital and liquidity solution for mutual ADIs.

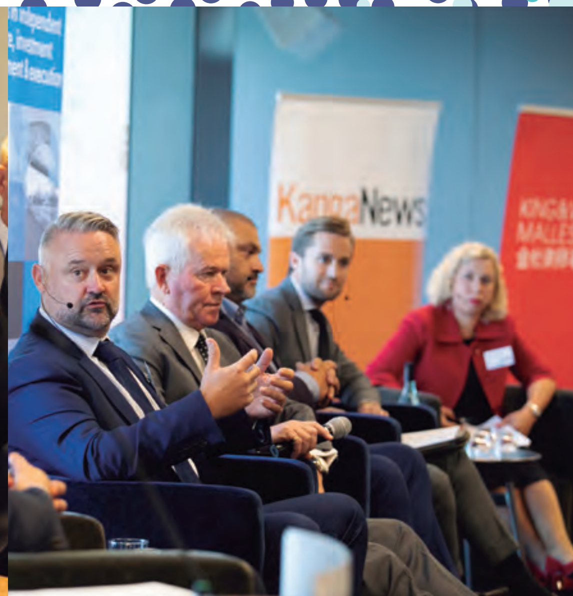
PHIL WEBSTER P&N BANK

I don't think any of the mutuals have loan books big enough to support securitisation of nonmortgage assets. But I do believe the mutual sector as a whole is interested in getting into the SME lending space in a bigger way. Any funding avenue available to support this would be of interest, and that's why I'm always interested in what dollar size securitisation deals need to be.

DANIEL BRAGG KING & WOOD MALLESONS

Anecdotally, we are getting more enquiry from the mutual sector about securitisation. Some of these entities may have a warehouse or an internal repo facility and are now starting to think about the steps needed to progress to a first public transaction.



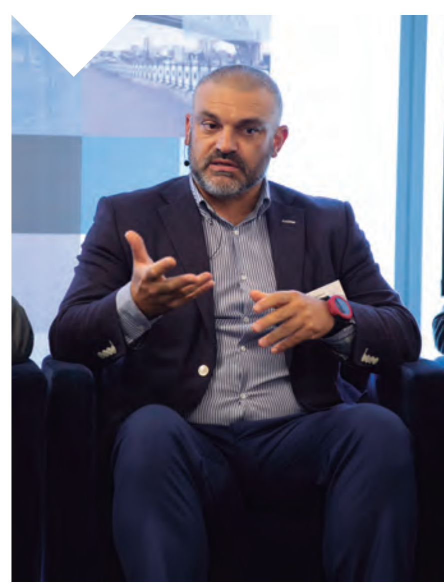


RICHARD MCCARTHY PERPETUAL CORPORATE TRUST

We are very focused on the importance of trusted counterparties across capital markets – which has only increased in the royal commission era. For instance, we are working towards completely secure data exchanges for capital-markets transactions, to negate the cyber-security concerns that come from a market that is still too reliant on spreadsheets and email.

ROB CAMILLERI REALM INVESTMENT HOUSE

When it comes to scale in securitisation, you have to start somewhere. Potential issuers shouldn't be afraid to engage investors – whatever size they think they can bring. We're willing to work with any issuer that offers us good risk, and some of the best risk in Australia comes from the mutual sector.



MARK NGUYEN CUSTOMER OWNED BANKING ASSOCIATION

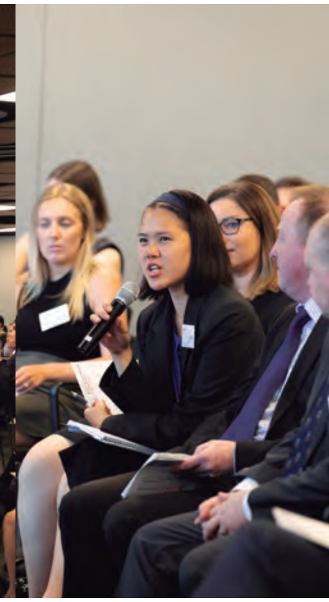
We know that wholesale funding requires building relationships for the long term. Mutual banks need to be clear about the business case for putting resources into building a wholesale capacity, taking into account there will be periods of reduced funding needs.

KING&WOOD MALLESONS 金杜律师事务所

LAMINAR CAPITAL

Perpetual

S&P Global Ratings

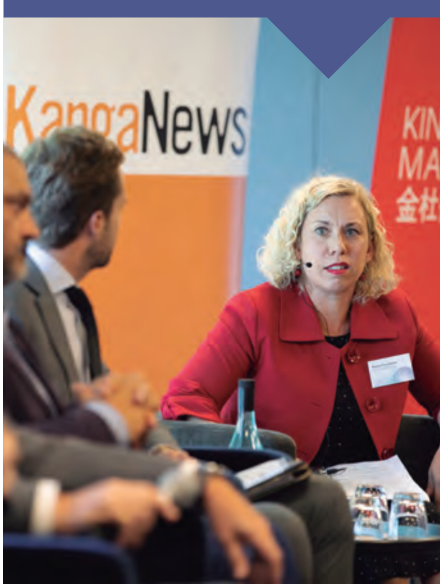


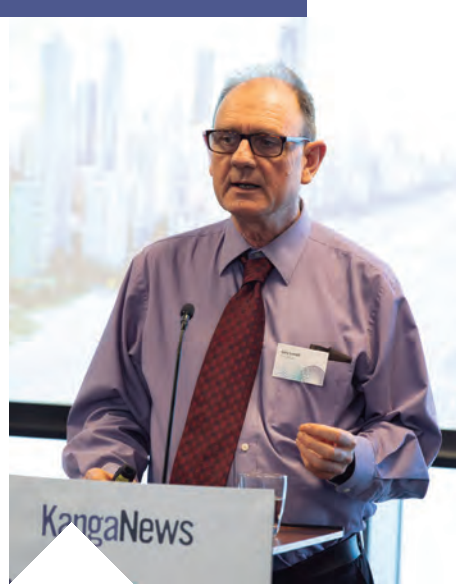
NARELLE CONEYBEARE S&P GLOBAL RATINGS

Mutuals would fall into our "other bank" and "nonbank financial institution" categories, which have always provided relatively good – and stable – arrears performance on the home loans they write. Major-bank arrears have actually gone up in recent years, and this has changed the relative performance outcome given the stability of the "other bank" group.

JONATHAN ROCHFORD NARROW ROAD CAPITAL

Arrears performance by sector is informative and it belies the claim that smaller loan originators don't have sufficiently good credit processes or don't get access to the best loans. Mutuals and nonbanks have historically better arrears performance than the majors, which I believe is based on a naturally lower risk appetite.





GARY LEMBIT PERPETUAL CORPORATE TRUST

The hunger for data and the level of analysis investors apply mean issuers can assume that when they put together a securitisation pool, investors will look at every line. Very few will just look at a credit rating and say "that's good enough for me".