



RBC Australia | Securitisation Monthly

- Public securitisation issuance reached a record level in 2024 with A\$74.55 billion printed across 97 transactions. Issuance was led by the RMBS market which totalled A\$56.35 billion (60 transactions), representing 75% of overall volume.
- RMBS issuance was supported by the return of the banks to the market due in part to the final maturity of the RBA's Term Funding Facility ("TFF") which gave rise to a ~A\$104bn refinancing task over the first half of 2024. Further impetus came from sustained margin compression which saw the pricing relativity on RMBS against other formats available to ADIs (namely senior unsecured and covered bonds) improve. Additionally, the product may tap a different universe of investors, is an amortising product which supplements bank maturity profiles and can provide capital relief. These factors combined to increase the attractiveness of RMBS as a funding tool for both major banks and regional/tier 2 banks through the year, resulting in bank RMBS issuance increasing 66% (A\$8.91 billion) from 2023 levels with Westpac and NAB making up much of the incremental volume (A\$4.75 billion).
- Notwithstanding increased bank RMBS activity, non-bank RMBS issuance hit a record level in 2024 as 41 transactions priced A\$33.89 billion across 21 issuers, representing a 45% increase in volume from the prior year. Average RMBS transaction sizes also increased to A\$939 million (▲ 10% YoY) while the average upsize ratio increased to 1.45x from 1.33x in 2023.

Economic Indicators	Current	Next Release	RBC Forecast
GDP (y/y)	0.80% (Q3 24)	5-Mar-25	1.20%
Unemployment Rate	4.00% (Dec 24)	20-Feb-25	4.50% ¹
Headline CPI (y/y)	2.40% (Q4 24)	30-Apr-25	2.80%
RBA Target Cash Rate	4.35% (Dec 24)	18-Feb-25	4.35%/3.60% ²

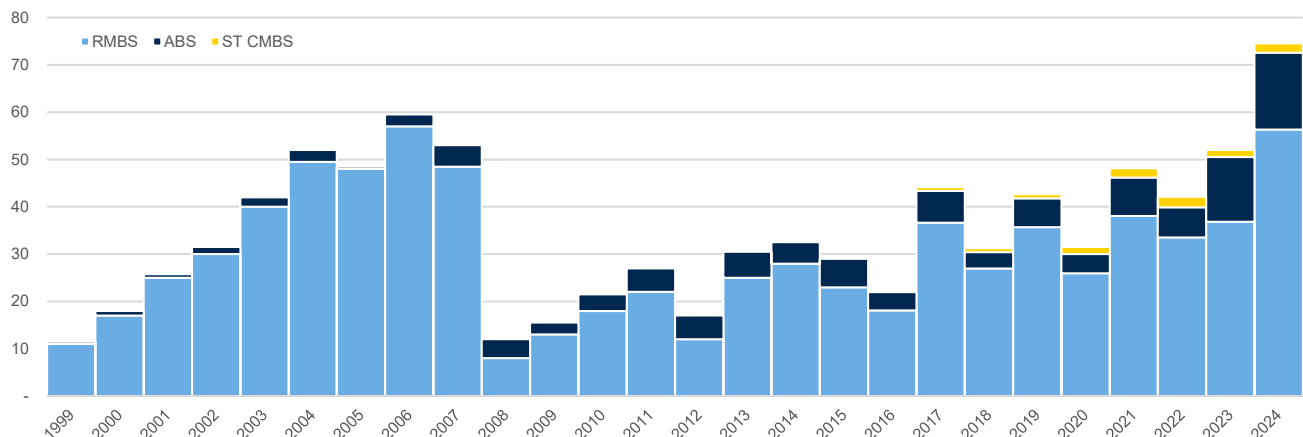
¹ CY2025 end

² Terminal Cash Rate Forecast

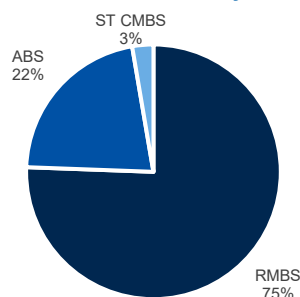
Issuance (A\$m) ³	2022	2023	2024
Asset Class			
RMBS	33,544	36,849	56,347
ABS	6,354	13,679	16,206
CMBS	2,250	1,500	2,000
Currency			
AUD	41,842	51,547	74,298
YEN	-	150	-
USD	306	-	-
GBP	-	331	255
Issuer Type			
Major Bank	1,500	2,000	6,750
Other ADI	6,364	12,050	15,707
Non-Bank	34,284	37,978	52,096
Total	42,148	52,028	74,553

³ Excludes private placements and refinances

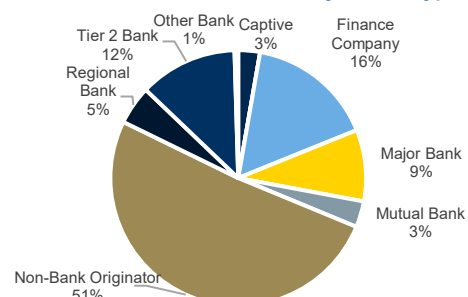
Annual Public Securitisation Issuance 1999-2024 (A\$bn)



2024 Public Securitisation Issuance by Asset Type

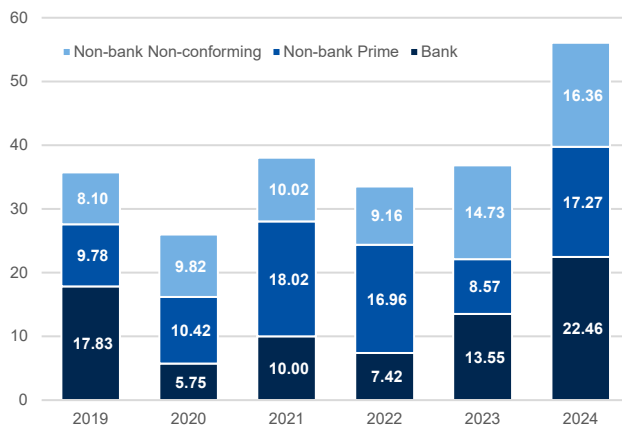


2024 Public Securitisation Issuance by Issuer Type

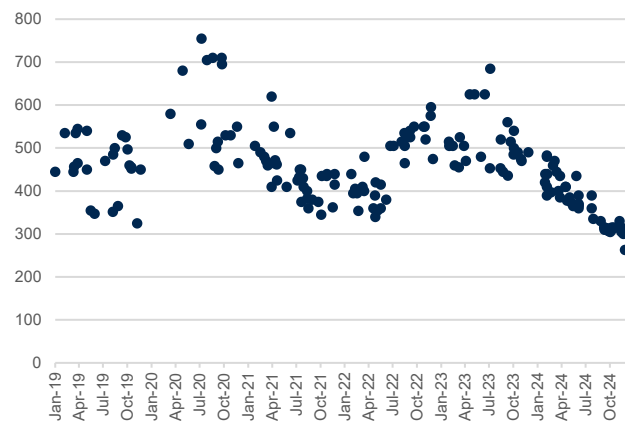


- A sustained focus by non-bank originators on more niche prime loan products as well as some relief from the intense mortgage competition from banks seen during 2023, in the form of low interest rates and cashback offers, resulted in **non-bank prime issuance increasing to 51% of total non-bank RMBS volumes**, up from 37% in 2023 and in line with historical levels. Non-conforming issuance was also up 13% to A\$16.70 billion, a new high for the market as non-banks continued their focus on offering product solutions to borrowers that fall outside traditional bank lending standards.
- Issuers took advantage of strong market conditions with increased issuance activity** as robust offshore and domestic investor demand caused pricing across the capital stack to compress, particularly through the first half of the year. Margins on senior AAA rated non-conforming notes tightened from ~140bps in January to ~125bps in December while senior margins on prime transactions fell from ~120bps to ~110bps across the same period.
- Pricing on mezzanine tranches moved significantly** with BBB rated notes of non-conforming and non-bank prime transactions tightening ~140bps (to ~200bps) and ~115bps (to ~185bps) over the year, respectively. The strength of credit markets, resilient collateral performance and increasing mezzanine investor base has seen demand for sub-investment grade notes steadily climb with the spread differential between BB rated notes and AAA rated notes of RMBS compressing to ~300bps from ~480bps in December 2023, below 2021 lows.

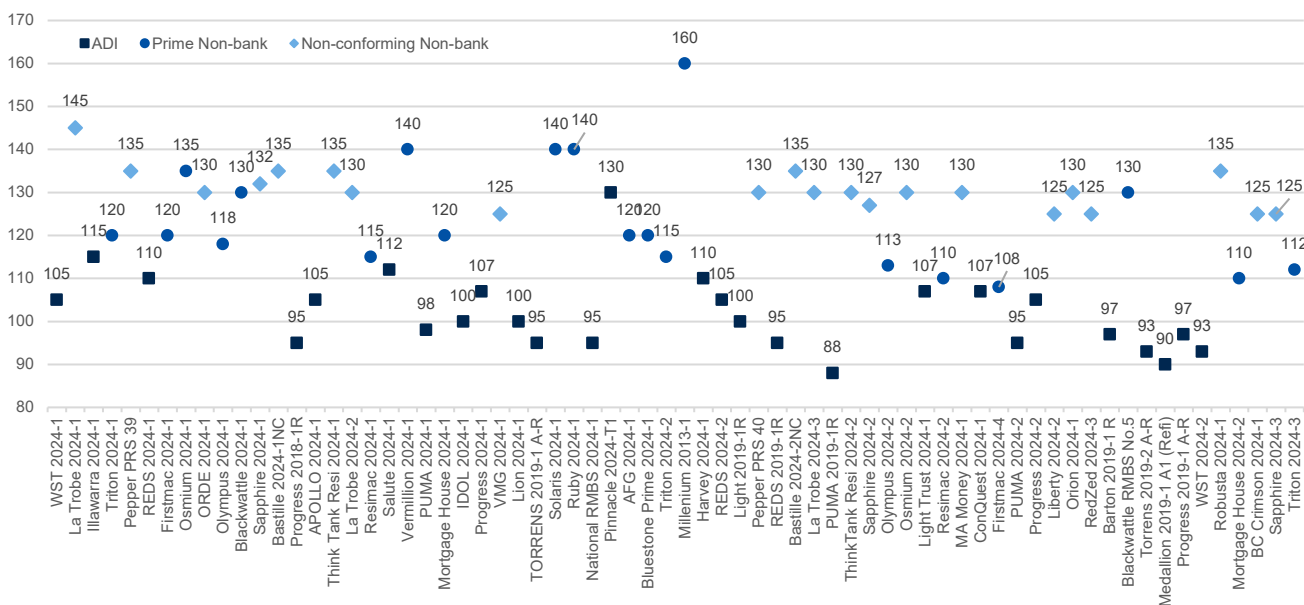
2019-2024 RMBS Issuance by Collateral Type (A\$bn)



2019-2024 RMBS Senior AAA-BB Spread Differential (bps)



2024 RMBS Senior Issue Margins (bps) (AUD Tranches, WAL > 1 year)

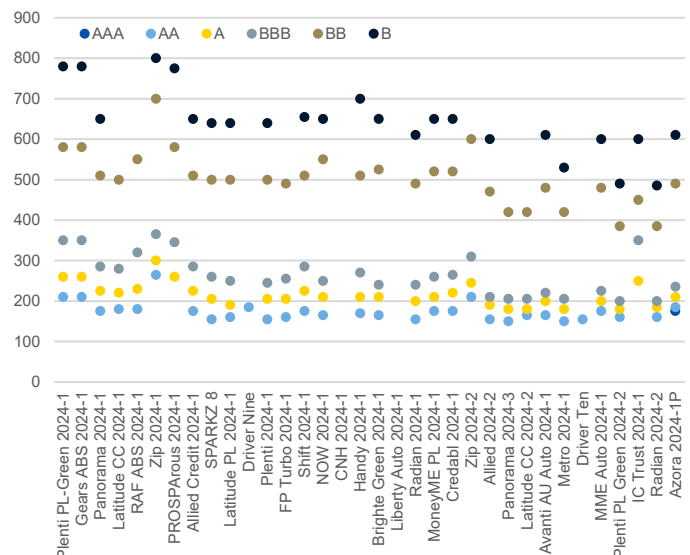


- The **ABS market tallied a second consecutive record year** with A\$16.21 billion in public issuance, up A\$2.53 billion on the previous 2023 record (▲18%) and representing 22% of overall securitisation volume. Auto and equipment transactions were the largest contributor, comprising 75% (A\$12.12 billion) of total ABS issuance while consumer receivables represented A\$3.88 billion (▲69% YoY) across 11 transactions. In total, 24 different issuers accessed the ABS market, including six inaugural public issuance programs from Azora, Credabl, Finance One, Our Money Market, Resimac Asset Finance and ScotPac. The market has also **expanded in diversity with the reemergence of additional asset classes** through the year including reverse mortgage RMBS from Household Capital and ABS backed by specialised healthcare professional receivables from Credabl.
- ABS issuance has been supported by the shedding of non-core bank assets** following the sale of the Macquarie and Westpac auto businesses in 2021 to non-banks Allied Credit and Angle Auto, respectively. Collectively, these two non-banks issued A\$3.98 billion in 2024, representing 25% of total public ABS volume. The exit by the banks has created a gap in the market which an increasing number of

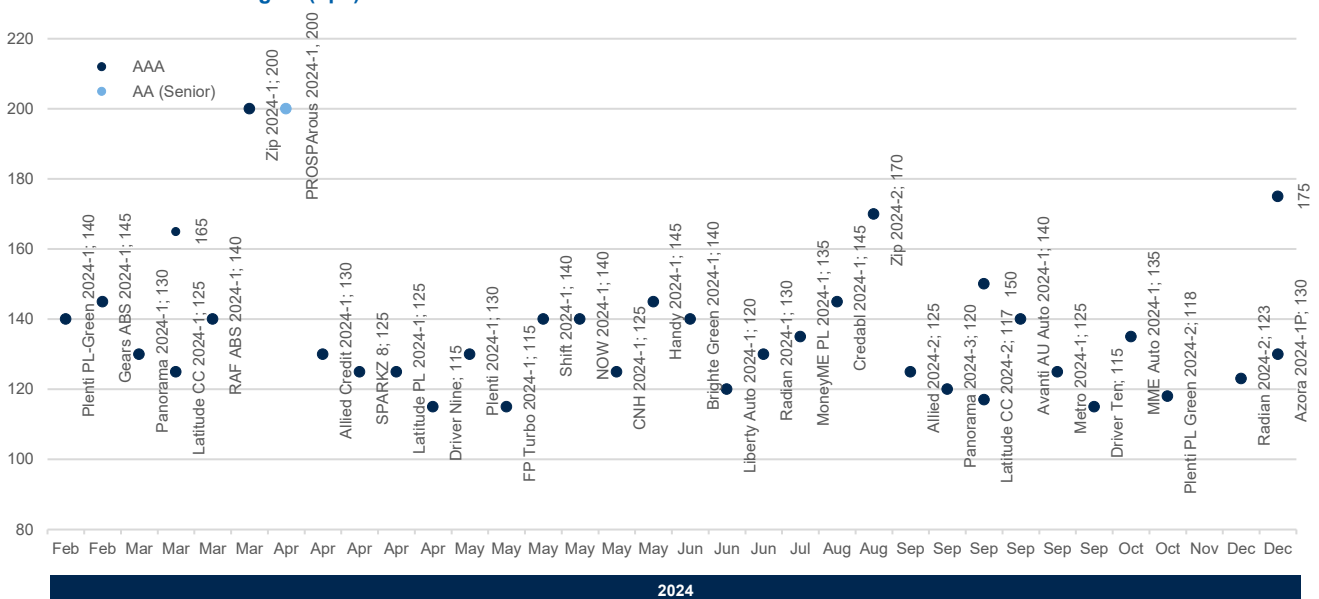
newer non-bank originators, which rely primarily on securitisation funding, have filled. Many of these issuers have now reached sufficient scale to programmatically issue larger transactions which, alongside Allied Credit and Angle Auto, has seen the average ABS deal size rise to A\$477 million (▲12% YoY), supporting offshore investor participation.

- Even as the ABS market reaches record volumes, the **increased supply has been more than met by increased investor demand**, both from a domestic and offshore perspective, allowing issuers to place transactions at significantly lower spreads. To illustrate, the weighted average margin over time ("WAMOT") of the rated notes on Angle Asset's Radian transactions tightened 44bps from 207bps in December 2023 to 163bps in December 2024, a trend that has been realised by most regular ABS issuers throughout the year albeit to varying degrees.
- **Margins on senior AAA rated notes of auto and equipment ABS transactions tightened** from ~140bps at the end of 2023 to ~120-125bps in December 2024, while margins on mezzanine investment grade tranches tightened between ~30-150bps. Sub-investment grade notes were in high demand with many lower rated tranches significantly oversubscribed which saw spreads steadily compress after ending 2023 relatively flat at ~630bps and ~800bps for BB and B rated notes, respectively. Pricing subsequently moved considerably tighter over the year to end at ~385bps and ~485bps. Senior note margins on consumer receivables transactions also tightened ~20bps to ~120bps.
- The **positive relative value of Australian ABS and RMBS** to comparable European, UK and Japanese transactions has seen offshore investors continue to be active in both senior and mezzanine tranches. While this relative value has narrowed through the year with spread compression, the strength of collateral performance, increased volumes and transactions sizes, and conservative credit culture of Australia has supported continued participation through 2024.

2024 ABS Mezzanine Issue Margins (bps)



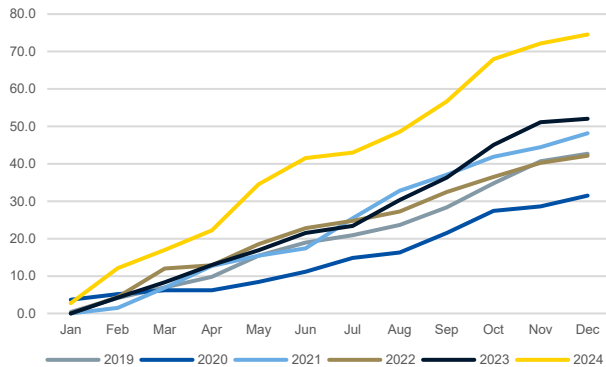
2024 ABS Senior Issue Margins (bps)



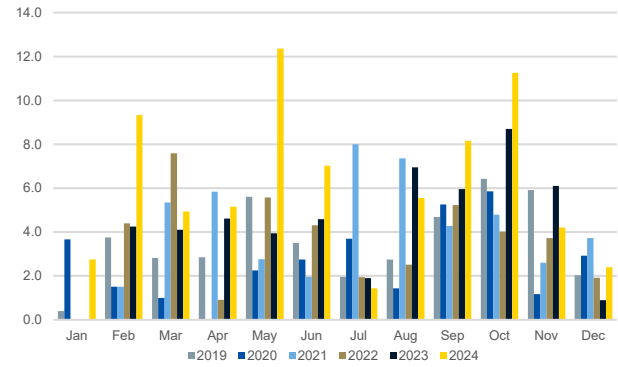
- **With increased issuance in traditional public markets, issuers have proactively sought alternative funding arrangements** to diversify funding sources, access different pools of investor capital and take advantage of the heightened demand from private credit. Structures that have taken some volume out of public markets in 2024 include whole-loan sales, forward-flow arrangements and private placements. These tools have largely been utilised by more established issuers that, while not necessarily at capacity in traditional markets, are looking to also diversify revenue sources away from more volatile net interest margin income to capital-lite fee income. This trend was somewhat counterbalanced by the strength of the public securitisation market with some issuers instead opting to issue additional public transactions at comparably lower cost of funds.
- **Underlying collateral performance continued its resilience** with the S&P SPIN (30+ arrears) index for prime RMBS falling from 1% in January to 0.87% in October while non-conforming arrears fell from 4.43% to 3.89%, largely in line with pre-COVID levels. The strength in performance has been supported by falling, albeit sticky, inflation, and a robust labour market which has seen the unemployment rate steady at 3.90% (November 2024). While the market expectation at the beginning of the year for multiple cash rate cuts did not eventuate, the pause of interest rate hikes since November 2023 has allowed households to adjust discretionary spending to manage the higher for longer interest rates. Part of the improved performance is also due to the dilutive effect of increased public issuance.
- **ABS collateral has exhibited similarly sound performance** with the Australian Securitisation Forum and Moody's Auto ABS Performance Tracker indicating 30+ arrears at 1.54% as of September, largely in line with September 2023 levels.

Further Charts

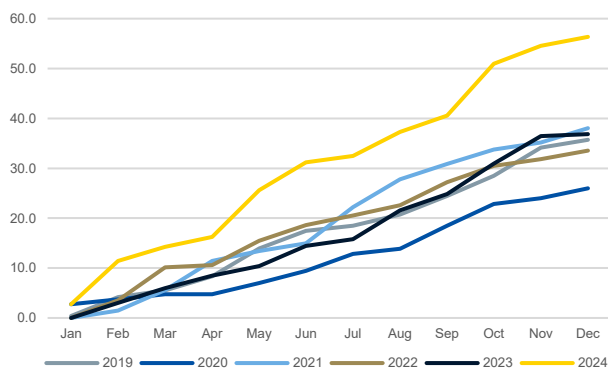
Cumulative Monthly Public Securitisation Issuance (A\$bn)



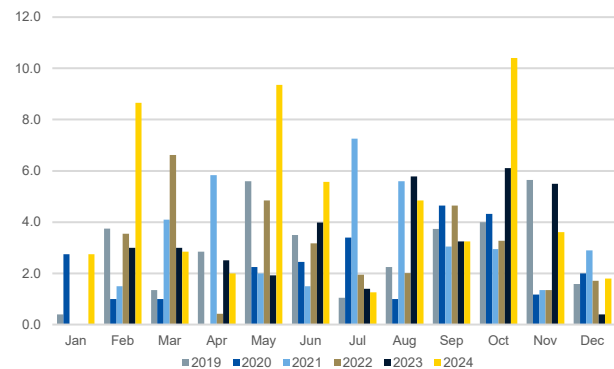
Monthly Public Securitisation Issuance (A\$bn)



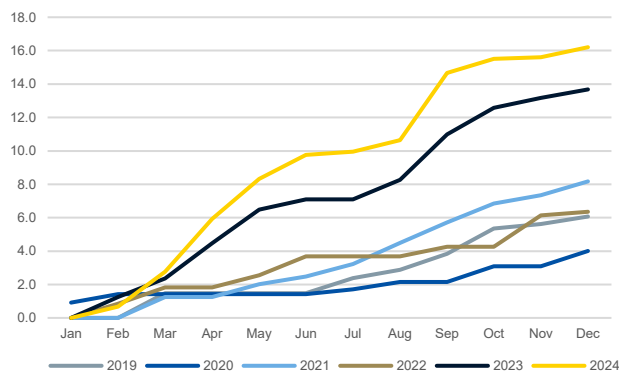
Cumulative Monthly RMBS Issuance (A\$bn)



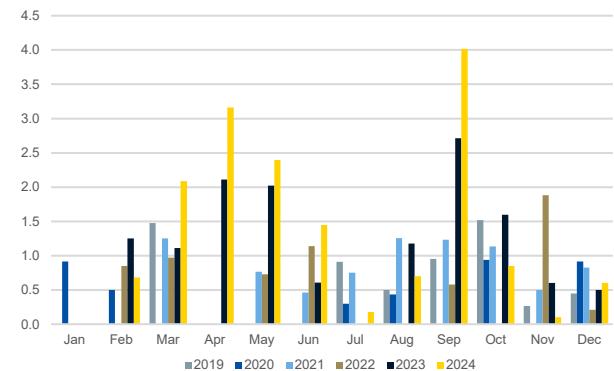
Monthly RMBS Issuance (A\$bn)



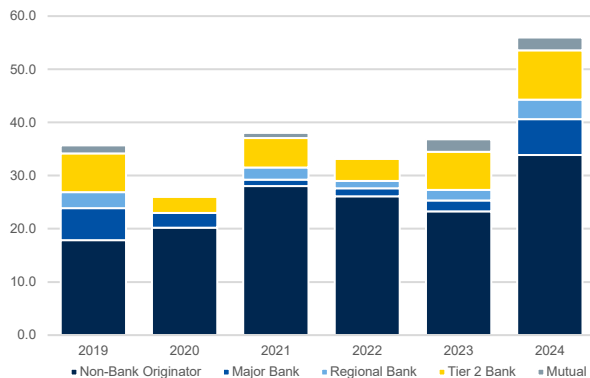
Cumulative Monthly ABS Issuance (A\$bn)



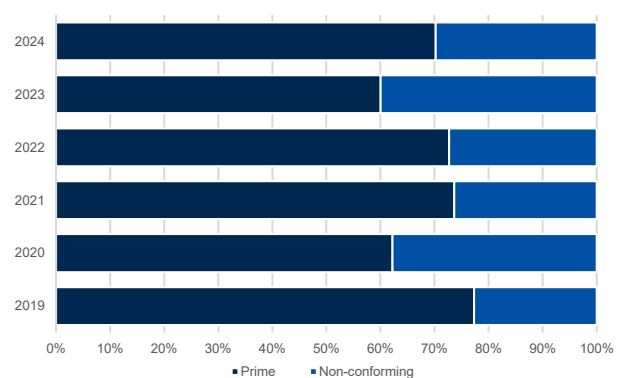
Monthly ABS Issuance (A\$bn)



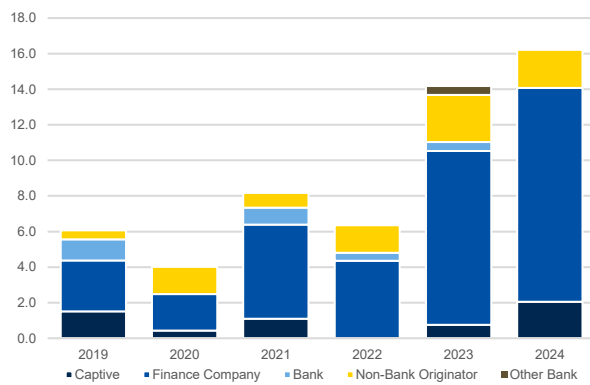
RMBS Issuance by Issuer Type (A\$bn)



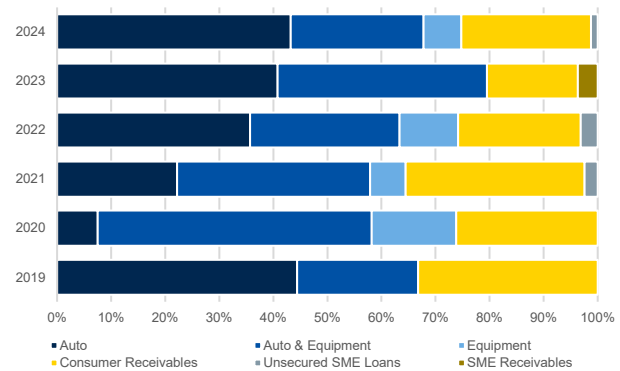
RMBS Issuance by Collateral Type (%)



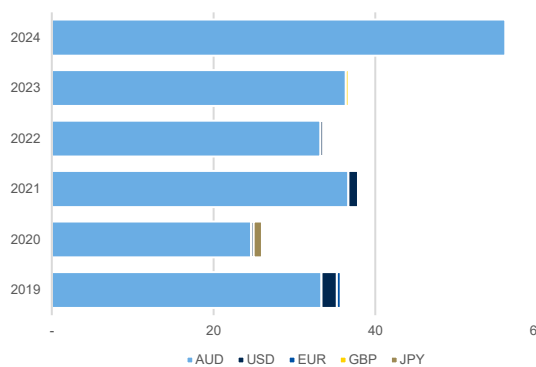
ABS Issuance by Issuer Type (A\$bn)



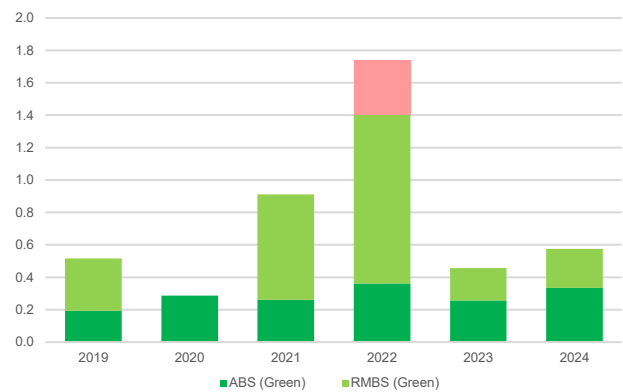
ABS Issuance by Collateral Type (%)



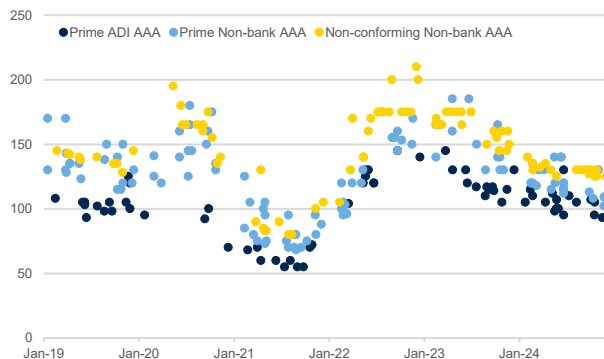
RMBS Issuance by Currency (A\$bn)



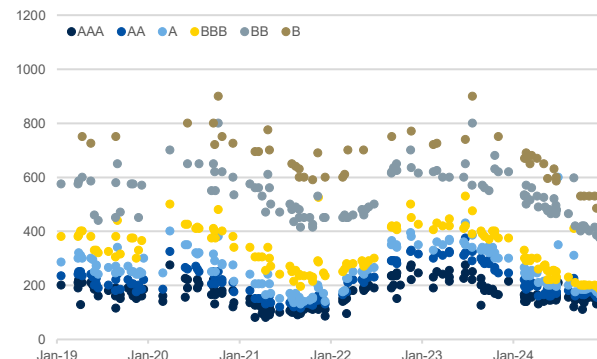
ESG Issuance (A\$bn)



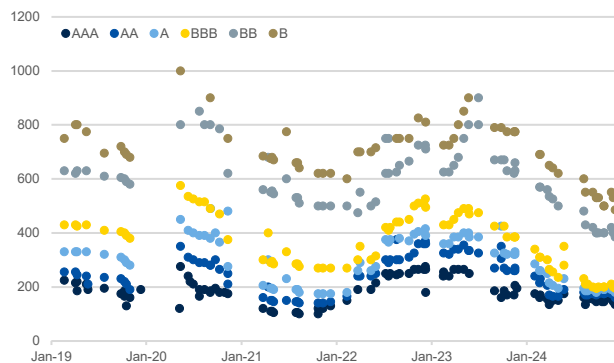
Australian RMBS Senior Issue Margins (bps) (WAL > 1 year)



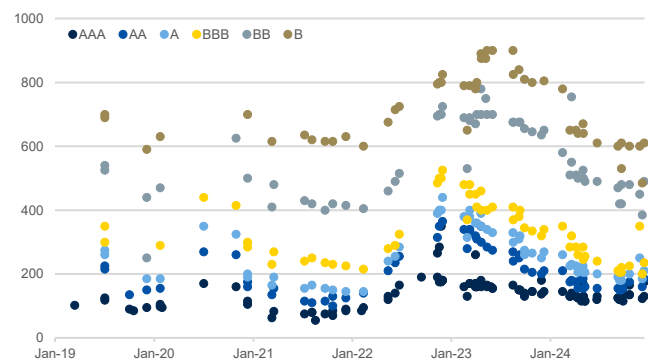
Australian RMBS Prime Non-Senior Issue Margins (bps)



Australian RMBS Non-conforming Non-Senior Issue Margins (bps)



Australian Auto and Equipment ABS Issue Margins (bps)



Pricing Table – December 2024

Transaction Name	Tranche Name	Pricing Date	Volume (A\$m)	Rating (S&P/Moody's/Fitch)	IOI Guidance	Launch Guidance	Pricing Margin	Initial WAL (years)	Credit Support	Asset Class
Radian Trust 2024-2	Class A	05-Dec-24	256.55	NR / Aaa (sf) / NR	N/A	125	123	1.7	26.70%	ABS
	Class B	05-Dec-24	30.80	NR / Aa2 (sf) / NR	N/A	165	160	2.4	17.90%	ABS
	Class C	05-Dec-24	16.45	NR / A2 (sf) / NR	N/A	190	185	2.4	13.20%	ABS
	Class D	05-Dec-24	8.75	NR / Baa2 (sf) / NR	N/A	210	200	2.4	10.70%	ABS
	Class E	05-Dec-24	16.80	NR / Ba2 (sf) / NR	N/A	400	385	2.4	5.90%	ABS
	Class F	05-Dec-24	9.10	NR / B3 (sf) / NR	N/A	500	485	2.4	3.30%	ABS
	Class G1	05-Dec-24	5.77	NR / NR / NR	N/A	ND	ND	3	1.65%	ABS
	Class G2	05-Dec-24	5.78	NR / NR / NR	N/A	ND	ND	3	N/A	ABS
Sapphire 2024-3	Class A1S	06-Dec-24	168.00	AAA (sf) / Aaa (sf) / NR	N/A	N/A	85	0.5	22.00%	RMBS
	Class A1L	06-Dec-24	300.00	AAA (sf) / Aaa (sf) / NR	N/A	N/A	125	2.8	22.00%	RMBS
	Class A2	06-Dec-24	63.00	AAA (sf) / Aaa (sf) / NR	N/A	N/A	135	2.8	11.50%	RMBS
	Class B	06-Dec-24	33.12	AA (sf) / NR / NR	N/A	N/A	160	3.5	5.98%	RMBS
	Class C	06-Dec-24	12.48	A (sf) / NR / NR	N/A	N/A	180	3.5	3.90%	RMBS
	Class D	06-Dec-24	10.80	BBB (sf) / NR / NR	N/A	N/A	195	3.5	2.10%	RMBS
	Class E	06-Dec-24	8.10	BB (sf) / NR / NR	N/A	N/A	385	3.4	0.75%	RMBS
	Class F	06-Dec-24	2.10	B (sf) / NR / NR	N/A	N/A	485	1.7	0.40%	RMBS
	Class G1	06-Dec-24	1.20	NR / NR / NR	N/A	N/A	ND	4	0.20%	RMBS
	Class G2	06-Dec-24	1.20	NR / NR / NR	N/A	N/A	ND	4	N/A	RMBS
Columbus Capital Triton 2024-3	Class A1-AU	12-Dec-24	670.00	AAA (sf) / NR / AAAsf	N/A	N/A	112	2.7	15.00%	RMBS
	Class A1-AU-G	12-Dec-24	350.00	AAA (sf) / NR / AAAsf	N/A	N/A	112	2.7	15.00%	RMBS
	Class A2	12-Dec-24	108.00	AAA (sf) / NR / AAAsf	N/A	N/A	130	4.6	6.00%	RMBS
	Class AB	12-Dec-24	28.44	AAA (sf) / NR / NR	N/A	N/A	140	4.6	3.63%	RMBS
	Class B	12-Dec-24	18.00	AA (sf) / NR / NR	N/A	N/A	150	4.6	2.13%	RMBS
	Class C	12-Dec-24	12.00	A (sf) / NR / NR	N/A	N/A	165	4.6	1.13%	RMBS
	Class D	12-Dec-24	4.80	BBB (sf) / NR / NR	N/A	N/A	185	4.6	0.73%	RMBS
	Class E	12-Dec-24	4.56	BB (sf) / NR / NR	N/A	N/A	375	4.6	0.35%	RMBS
	Class F	12-Dec-24	1.20	B (sf) / NR / NR	N/A	N/A	485	4.6	0.25%	RMBS
	Class G	12-Dec-24	3.00	NR / NR / NR	N/A	N/A	ND	4.9	0.00%	RMBS
Azora ABS 2024-1P Trust	Class A1	12-Dec-24	125.00	NR / Aaa (sf) / NR	N/A	N/A	130	1.6	50.00%	ABS
	Class A2	12-Dec-24	50.50	NR / Aaa (sf) / NR	N/A	N/A	175	1.6	29.80%	ABS
	Class B	12-Dec-24	27.50	NR / Aa2 (sf) / NR	N/A	N/A	185	2.2	18.80%	ABS
	Class C	12-Dec-24	11.00	NR / A2 (sf) / NR	N/A	N/A	210	2.2	14.40%	ABS
	Class D	12-Dec-24	10.00	NR / Baa2 (sf) / NR	N/A	N/A	235	2.2	10.40%	ABS
	Class E	12-Dec-24	13.50	NR / Ba2 (sf) / NR	N/A	N/A	490	2.2	5.00%	ABS
	Class F	12-Dec-24	4.00	NR / B2 (sf) / NR	N/A	N/A	610	2.2	3.40%	ABS
	Class G1	12-Dec-24	4.25	NR / NR / NR	N/A	N/A	ND	3	1.70%	ABS
	Class G2	12-Dec-24	4.25	NR / NR / NR	N/A	N/A	ND	3	N/A	ABS

Sources: RBC Capital Markets, KangaNews, S&P, Moody's

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