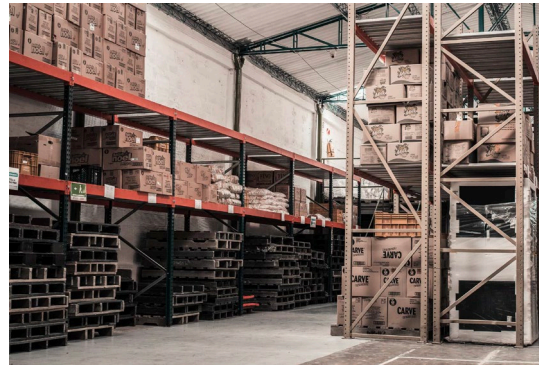


Australian Private Credit

A primer

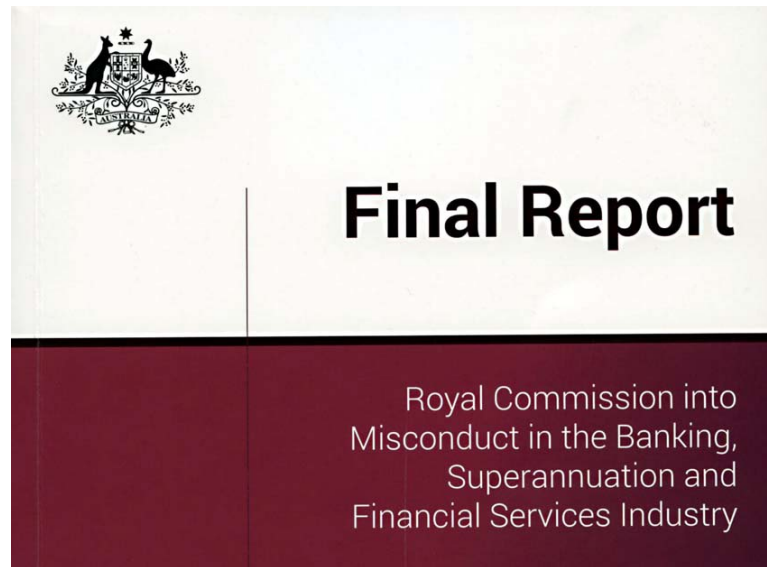
Bank finance



Non-bank lending



Hayne Royal Commission



Hayne Royal Commission



APRA Capital Adequacy Ratio

REGULATORY CAPITAL:		
Common Equity Tier 1 (CET 1):	\$ 90.0	\$ 115.0
(+) Preferred Stock ¹	50.0	50.0
Tier 1 Capital:	140.0	165.0
Tier 2 Capital:		
(+) Convertible Bonds:	20.0	20.0
(+) Subordinated Notes:	50.0	50.0
(+) Qualifying Allowance for LLS:	25.0	27.5
Total Tier 2 Capital:	95.0	97.5
Total Capital:	\$ 235.0	\$ 262.5
Total Risk-Weighted Assets:	1,325.0	1,415.0
Total Tangible Assets:	1,390.0	1,415.0
Tangible Common Equity Ratio:	6.5%	8.1%
Common Equity Tier 1 Ratio:	6.8%	8.1%
Tier 1 Capital Ratio:	10.6%	11.7%
Total Capital Ratio:	17.7%	18.6%
Tier 1 Leverage Ratio:	10.1%	11.7%

Bank finance

Private credit

✓ **Certainty of outcome**

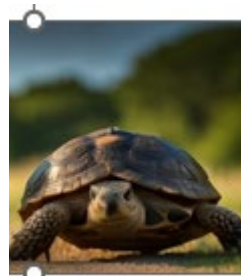


“Close to the money”




✓ **Structured finance**



✓ **Efficiency**



Key players in the domestic private credit market

Property	SME / Corporate	Small-to-mid SME
 	 	
	 	
	 	
	 	
 	 	
	 	

← Number of players

Barriers to entry →



Unbiased opinion

Preparing for a process

Competitive tension



Unbiased opinion

Preparing for a process

Competitive tension

You don't get a second chance

"We've seen this one before..."



1



3



2



4



X AFSL

No excuse for not being licensed !

X Upfront fees

"All the risk, part of the reward"

X Flexible mandate

"Fixed return, variable risk"

X Related party trustee

No independent oversight

X Related party lending



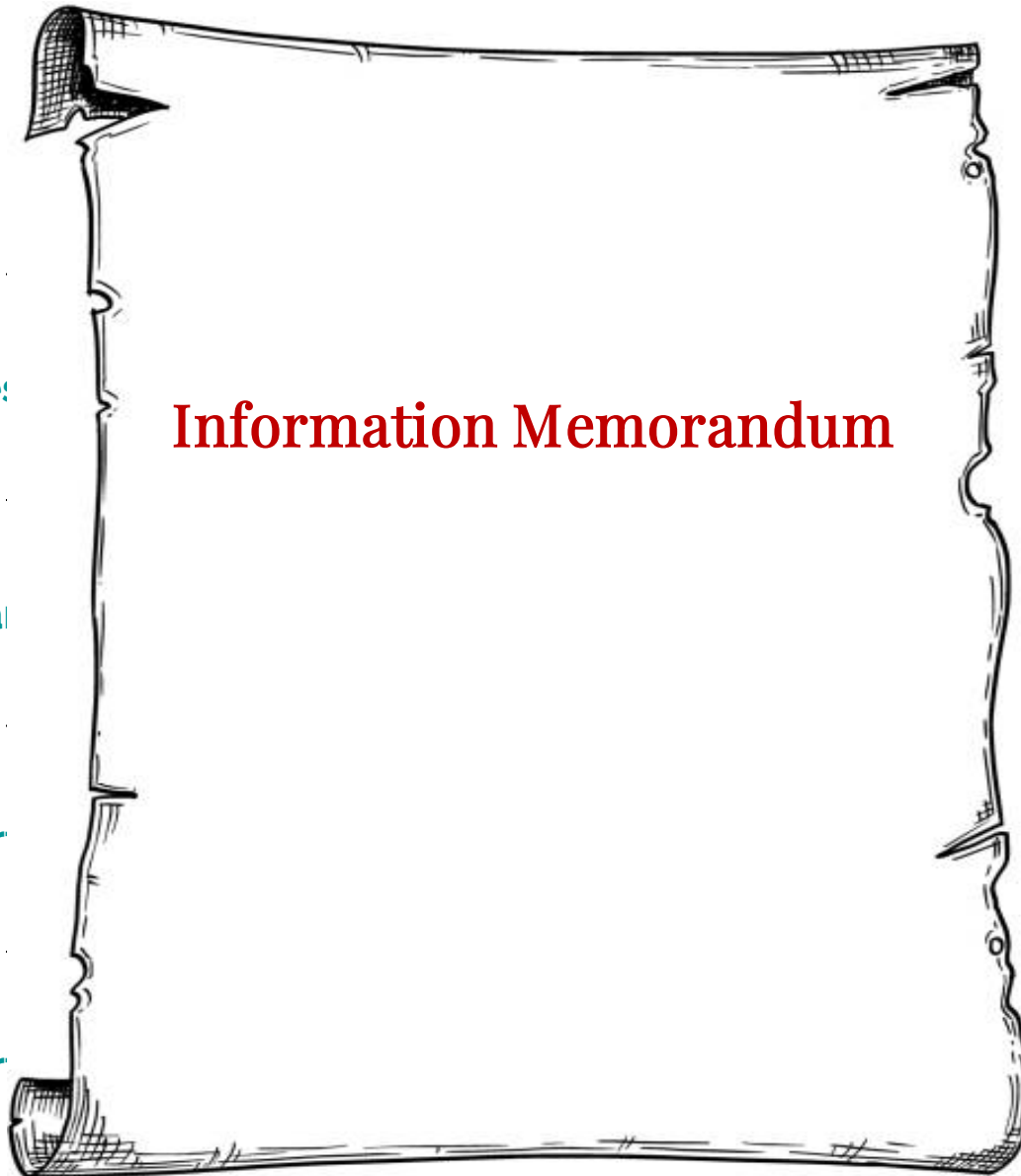
X AFSL

X Upfront fees

X Flexible ma

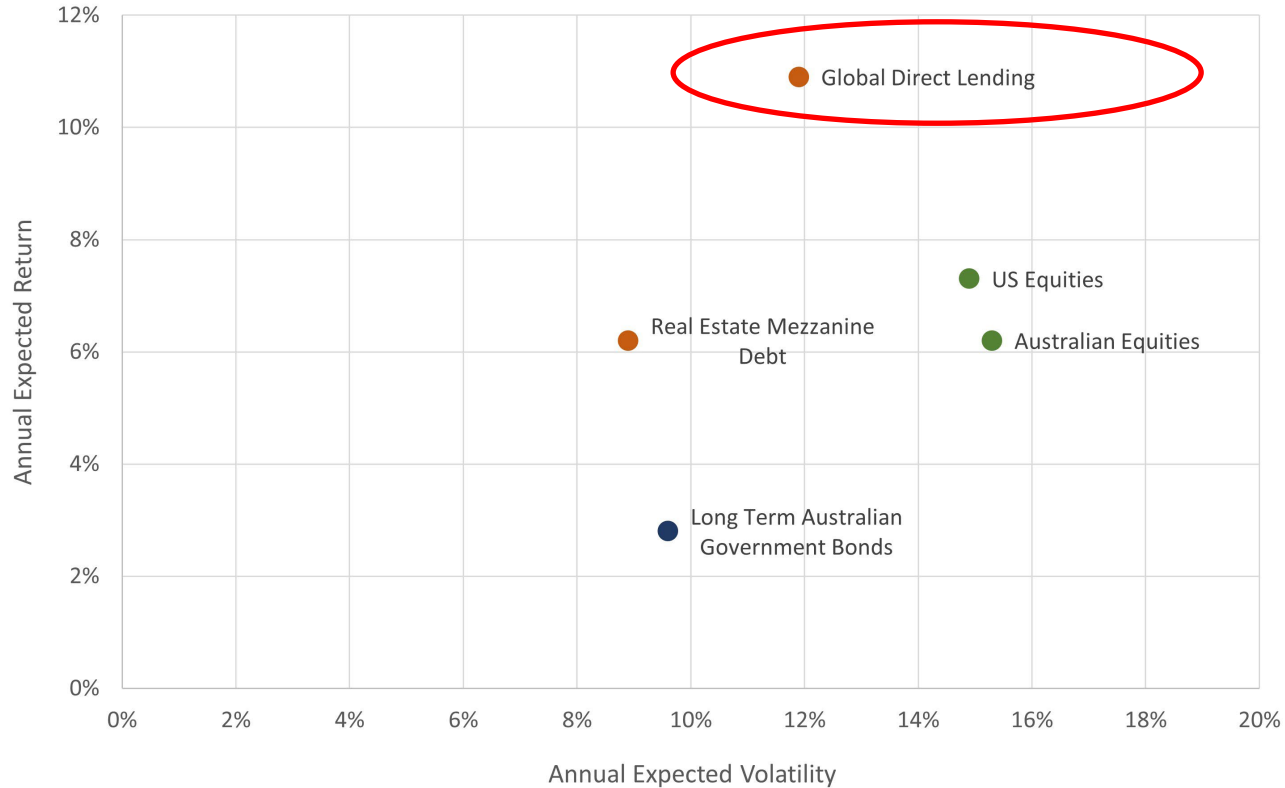
X Related par

X Related par



Investors | why an allocation to private credit?

Asset Class Return and Volatility Expectations



STABLE INCOME	DIVERSIFIED EXPOSURE	A LOW BETA INVESTMENT	STRUCTURAL PROTECTION	INFLATION HEDGE
Consistent and liquid income stream	Exposure to difficult-to-access markets	Low volatility investment	Mitigation of downside risks	Defensive protection from inflation

Sources:
 BlackRock Investment Institute, May 2023
 FS Super (2018), Australian Private Debt (Part One). The Journal of Superannuation Management.



General

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