

# MOODY'S

## INVESTORS SERVICE

### **Announcement: Moody's: Credit quality of APAC covered bonds will stay strong in 2017**

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Global Credit Research - 05 Dec 2016

Sydney, December 05, 2016 -- Moody's Investors Service says that the credit quality of Australian, New Zealand, Korean and Singaporean covered bonds will remain strong in 2017, underpinned by the credit quality of their issuers and sovereigns.

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In terms of the quality of the mortgage collateral in cover pools, Moody's says it will be good in the case of Australia and New Zealand, but will also weaken slightly, owing to the inclusion of a greater proportion of riskier loans originated over the past three to four years.

In Korea and Singapore, the credit quality of residential mortgage collateral in both markets will be good in 2017.

Moody's conclusions were contained in its just-released report, "Covered Bonds - Asia Pacific: 2017 Outlook - Credit Quality of APAC Covered Bonds Will Remain Strong". The report was authored by Jennifer Wu, a Moody's Associate Managing Director, and Yian Ning Loh, a Moody's Senior Vice President.

"Specifically, the credit quality of Australian and New Zealand covered bonds will remain strong in 2017, underpinned by the high sovereign credit quality of the two countries, and the credit quality of bank issuers, which remains high despite our negative outlooks on the four major Australian banks and their New Zealand subsidiaries," says Wu. Both countries are rated Aaa with stable outlooks.

"The quality of the mortgage collateral in cover pools will weaken slightly with the inclusion of a greater proportion of riskier loans originated over the past three to four years," says Wu.

"These mortgages are more vulnerable to economic or housing market shocks because of rapid property price appreciation and rising household debt over this period," says Wu.

"In Korea, the credit quality of covered bonds will be strong and stable in 2017, supported by the high credit quality of the issuers and the country's sovereign strength," says Loh. Moody's rates Korea at Aa2 with a stable outlook.

"Furthermore, the credit quality of the residential mortgage collateral in Korean cover pools will be good in 2017. Such mortgages have low average loan-to-value (LTV) ratios of 40%- 65%, below the 70% maximum required under Korean regulations," adds Loh.

Finally, as indicated, the credit quality of Singapore covered bonds will be strong and stable in 2017, supported by the high credit quality of the issuers and the country's sovereign strength. Moody's rates Singapore at Aaa with a stable outlook.

The credit quality of the residential mortgage collateral in Singapore cover pools will be good in 2017 and such mortgages have low average LTV ratios of 50%-60%.

Subscribers can read the full report at

[http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBS\\_1049348](http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBS_1049348)

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