



DEVELOPMENT AND DIVERSITY:

US\$ REG S COMES OF AGE IN ASIA PACIFIC (VIDEO SCRIPT)

Hello, I'm Lorna Greene, Director of Debt Syndicate and Origination Asia at National Australia Bank, and I'm here to talk about why the regional US\$ Reg S bond market has become one of the fastest growing debt capital markets worldwide.

Unlike Rule 144A issuances, US\$-denominated Regulation S bonds are only available for subscription by investors outside of the US. While once seen as a way to raise some supplemental funding, with issuance volumes achievable being smaller, the increase in the depth of liquidity in the Asia region over recent years has resulted in the strong growth of the US\$ Reg S market. This market has emerged as a key funding source in its own right, with year on year issuance having grown 43% as more issuers continue to recognise the benefits of issuing in this market.

While it's likely the growth rate normalise, we anticipate annual growth of 20% in the near term as more regional corporates, not predominantly just those domiciled in China, take advantage of the diversification benefit, lower funding cost and lighter documentation requirements for US\$ Reg S bond issues.

This also presents a great opportunity to expand the pool of investible assets for investors across the APAC region, and we expect Australian issuers to double their market share from 1.4% to around 2-3% over the course of the next 12 to 18 months as demand for Australian and New Zealand credit remains strong.

Issuers will not only benefit from the deep, liquid and stable US\$ market, plus flexible issuance size and duration achievable, but more importantly: the growing and diversified Asian investor base. In return, investors will build up their US\$ denominated assets and achieve diversification through buying into quality Australian credits.

While financial institutions and real estate companies are the major US\$ issuers in the region, we see more opportunities from the infrastructure, renewable energy and sustainable asset sectors, with the need to fund Australia's infrastructure and China's Belt and Road Initiative acting as key drivers. This is also likely to include more green and social bond issues to meet rising appetite for sustainable assets.

To get more insight into the market's potential, read the latest expert findings in our thought leadership series: Development and diversity: US\$ Reg S comes of age in Asia Pacific. Thank you.



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