

# *GLOBAL TRENDS IN DEBT*

## *The Challenge for Australia*

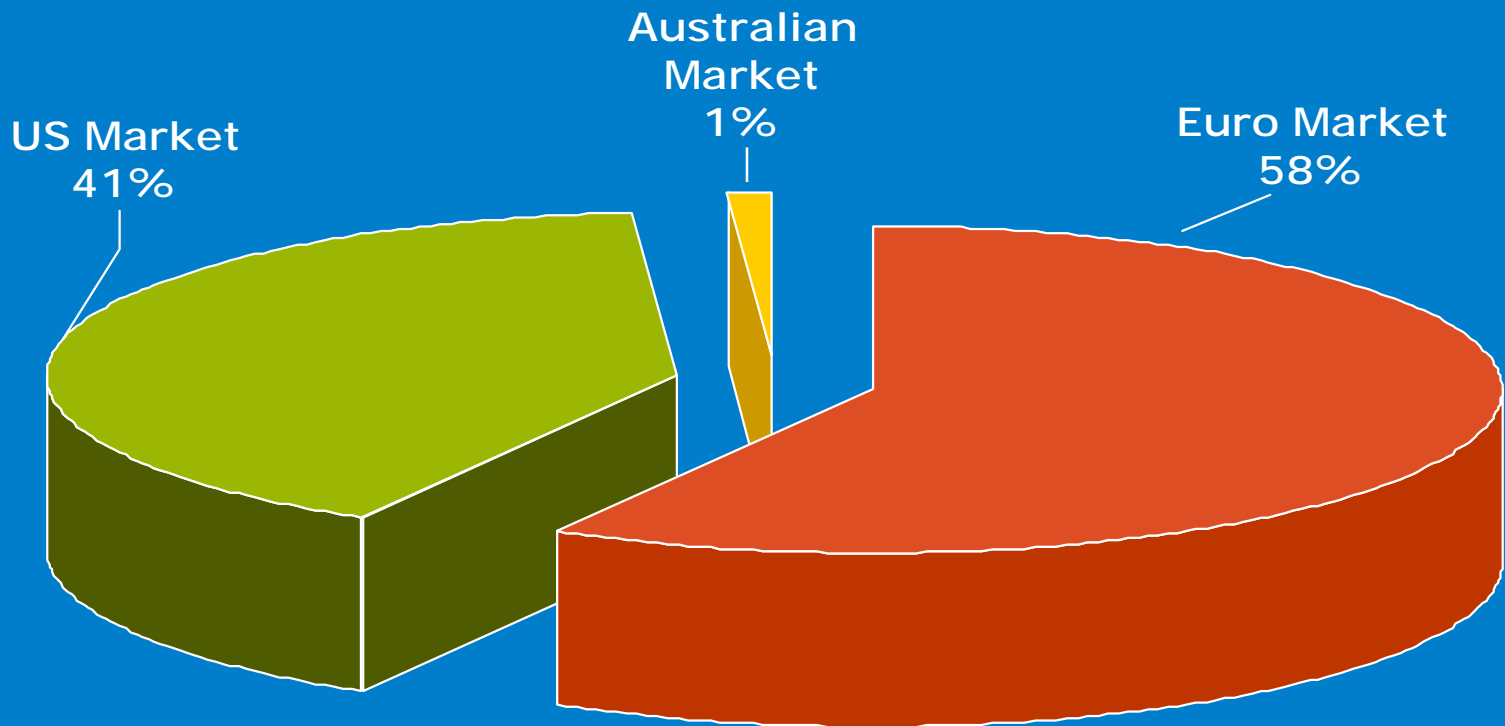
Peter Marriott  
Chief Financial Officer

INSTO Conference  
19 March, 2002

# Today's Presentation

- Global Market
- Debt Issuing Trends
- European Market Changes
- ANZ's Approach
- Challenge for Australia

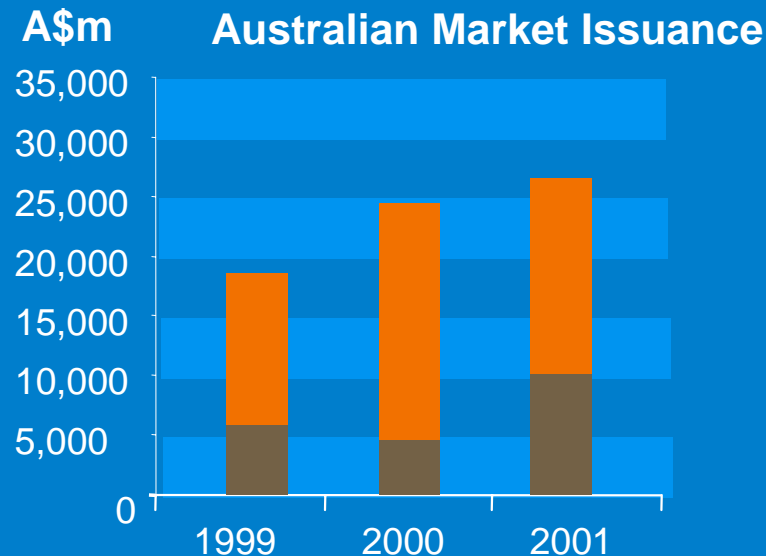
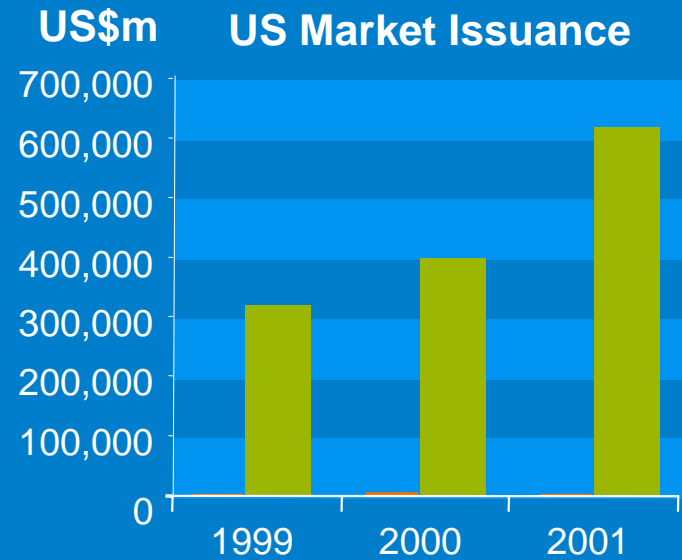
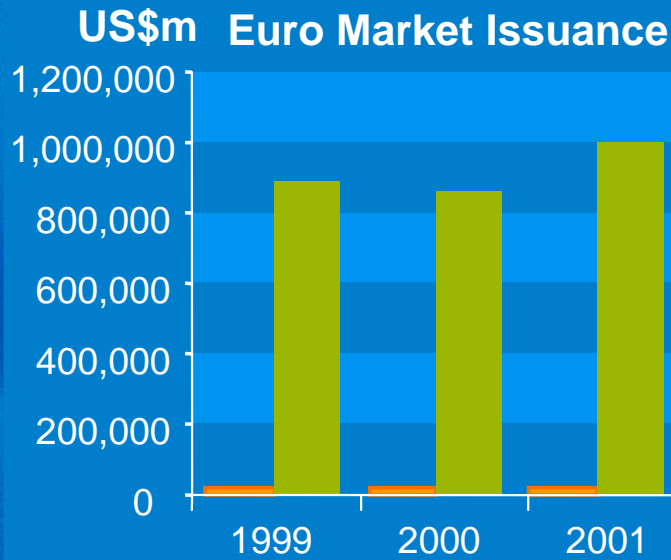
# Global Capital Markets: Total Issuing Volumes 2001



Source - CapitalData Bondware

# Global Market Issuance

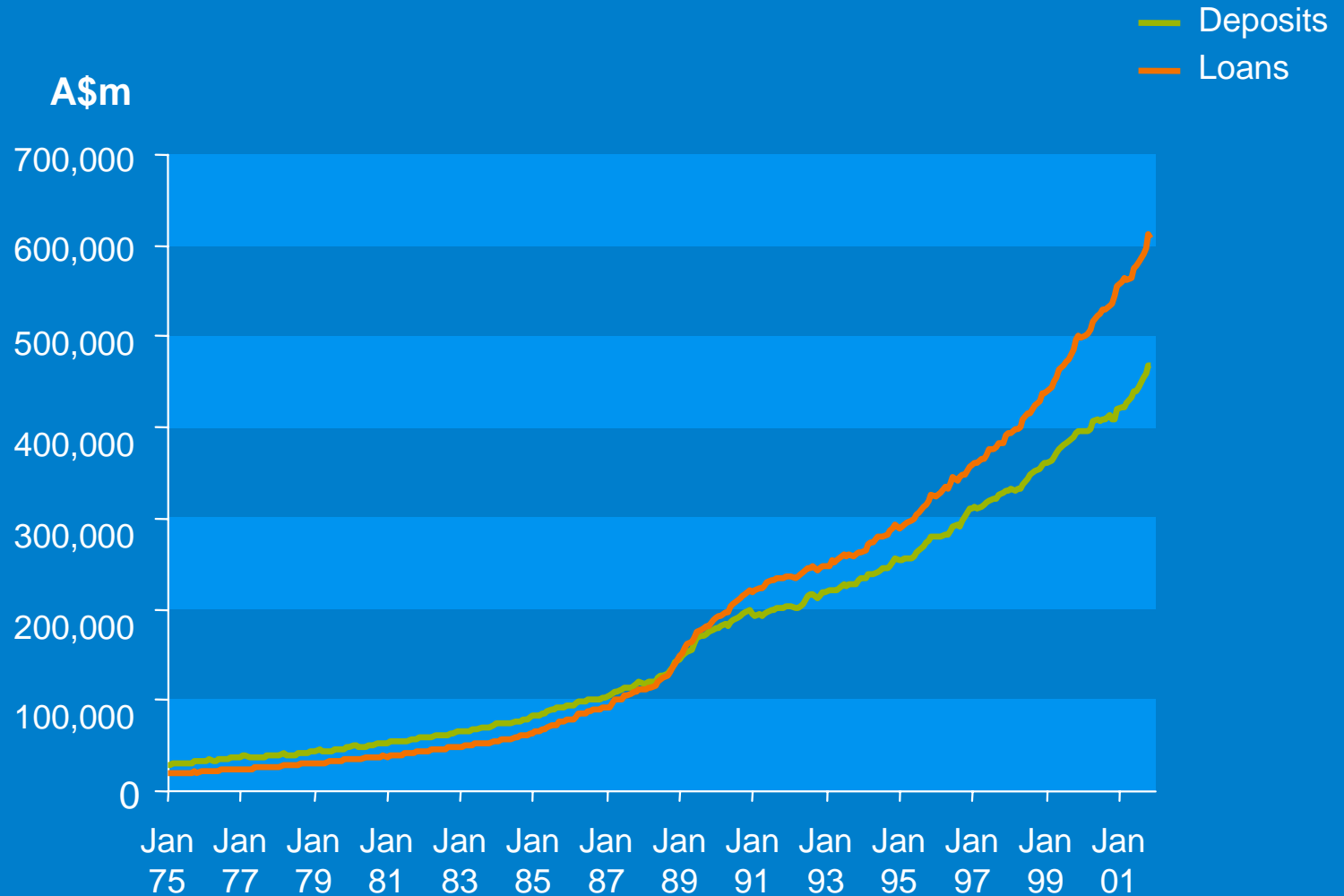
- Australian Issuance
- Total Issuance
- Kangaroo Issuance



Source - Deutsche Bank & USB Warburg

# The Driving Force...

## Loan vs. Deposit Growth in Australia



Source - APRA

# Trends in Debt Issuing

	Then	⇒	Now
Issuers	Novice	⇒	Seasoned
Liquidity	Not Valued	⇒	Paramount
Wholesale Funding Gap	Negligible	⇒	Widening
Documentation	Prepared Ahead of Issue (30-50 Pages)	⇒	After Issue Supplement (1 Page)
Issuance	Stand Alone Bonds	⇒	Established Programs
Settlements	T + 30 days	⇒	T + 3-10 days

# Changing European Capital Markets

## ◆ Change in market structure

**Then** Predominantly syndicated lending market

**Now** Huge growth in securities market

## ◆ Change in credit reliance

**Then** Indigenous sovereign bond buyers (prior to advent of €)

**Now** Relies heavily on credit ratings & internal credit assessment

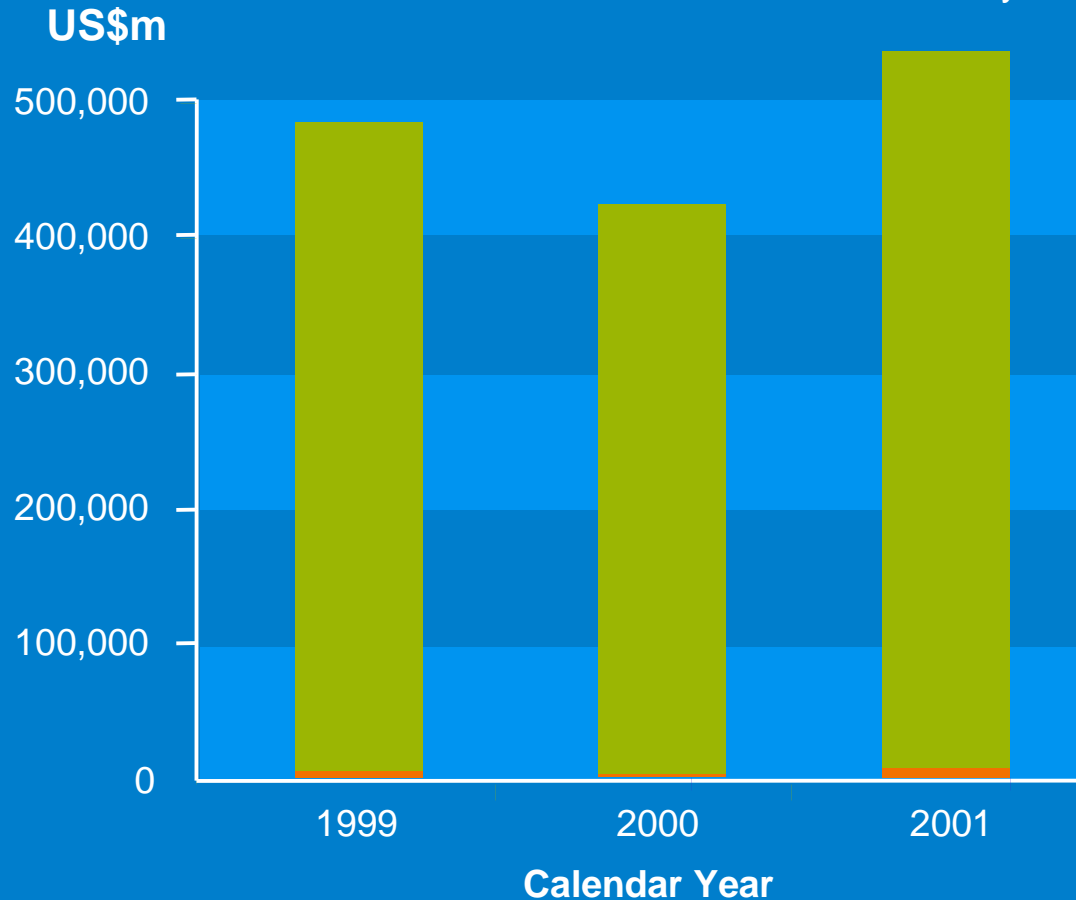
## ◆ Change in currency

**Then** Euro dollar dominated

**Now** Almost any currency (USD, GBP, EUR)

# Australian Issuance in the Euro Currency Market

- Total Euro Currency Issuance
- Euro Currency Issuance by Australian issuers

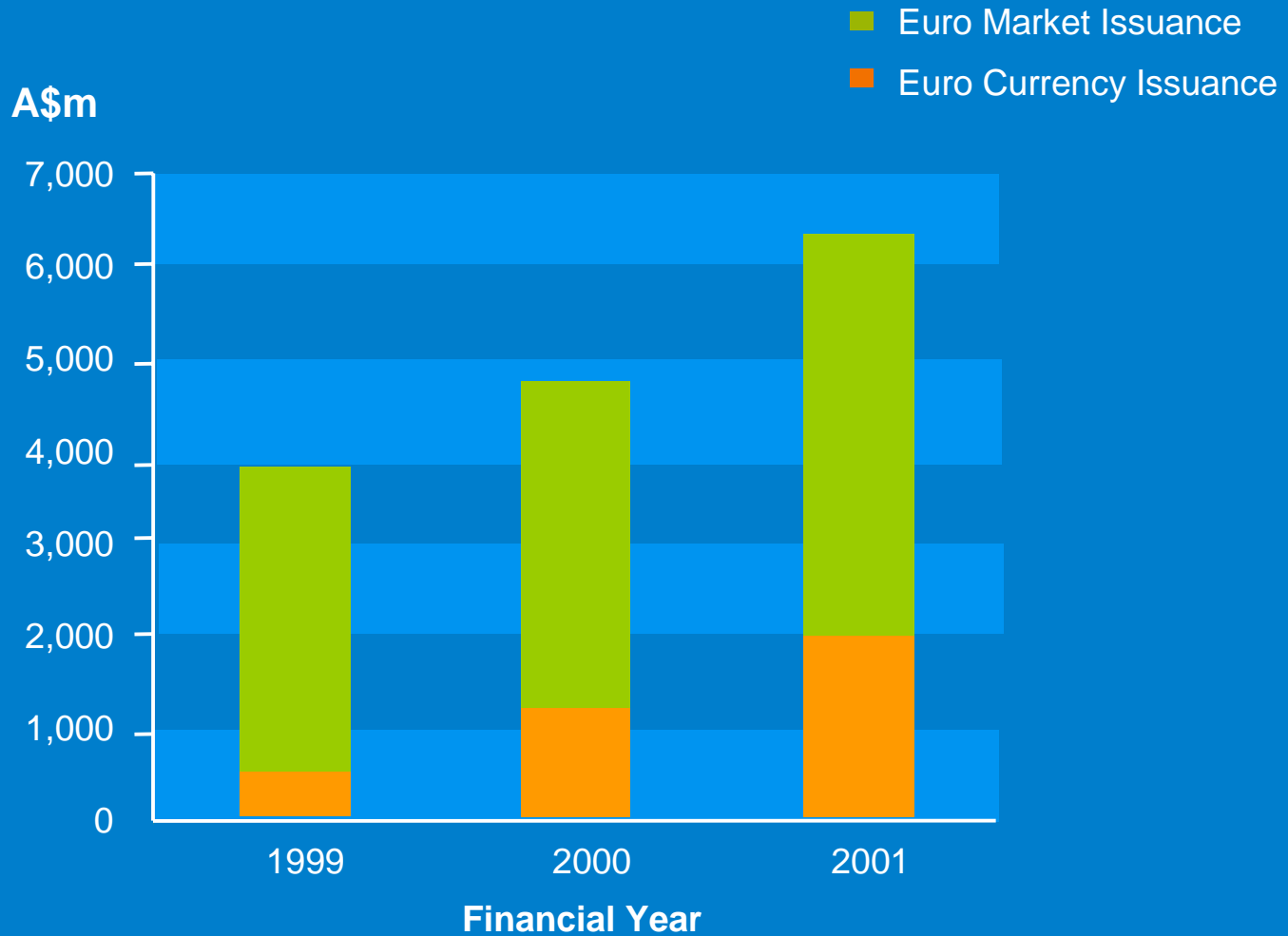


Source - Deutsche Bank

# ANZ Positioning for European Market

- ◆ Broadened our investor base
  - €750mio due 2005
  - €750mio due 2006
  - €500mio due 2007
- ◆ Approximately 75 new investors across these issues
- ◆ 2000 & 2001 issues were supplemented by Floating Rate Notes (FRNs) issues resulting in >AUD2bio on each occasion
- ◆ Now a well known name
- ◆ Market anticipates our arrival in the New Year

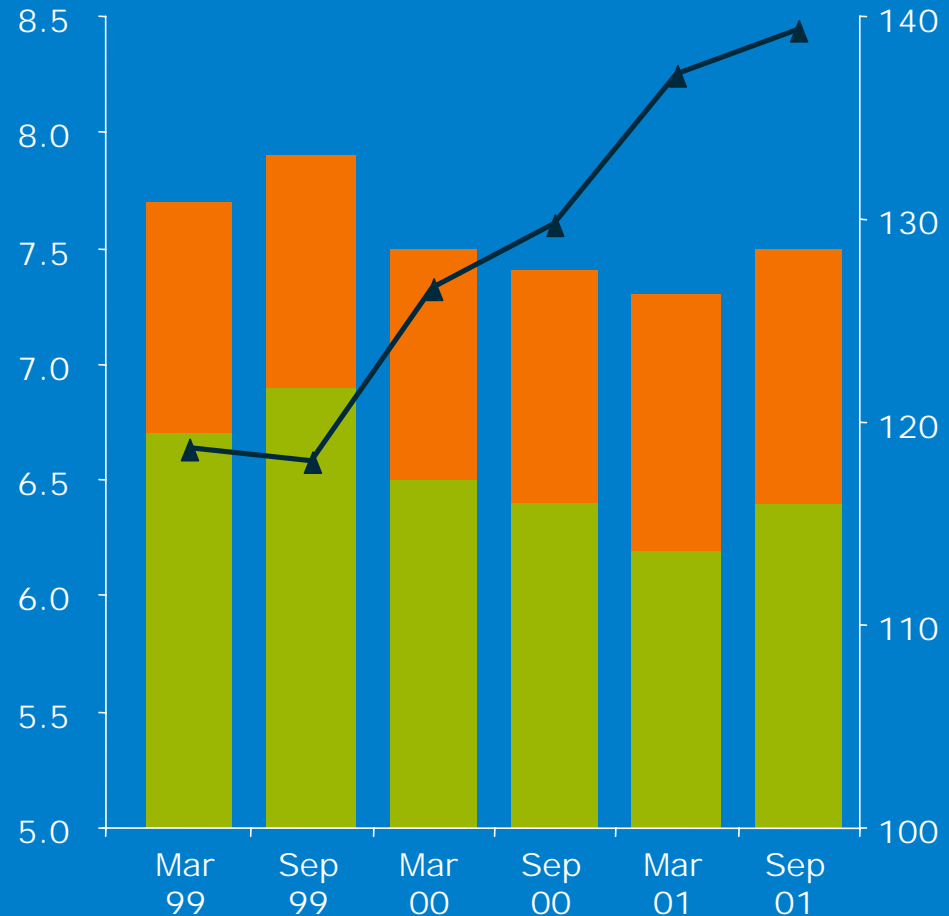
# ANZ Euro Market Debt Issuance



# Capital Management Philosophy

■ Tier 1  
■ Inner Tier 1  
▲ RWA's

- ◆ **Credit Rating -**  
Commitment to maintaining AA-/Aa3 credit rating
- ◆ **Rating Agencies -**  
Maintain close dialogue with rating agencies
- ◆ **Ratios –**  
Tier 1 - 6.5%/7%  
Inner Tier - 6.0%/6.5%



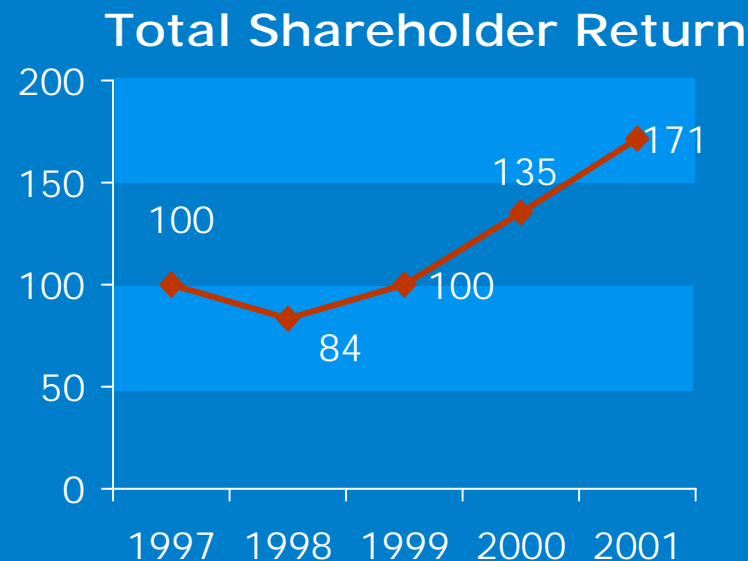
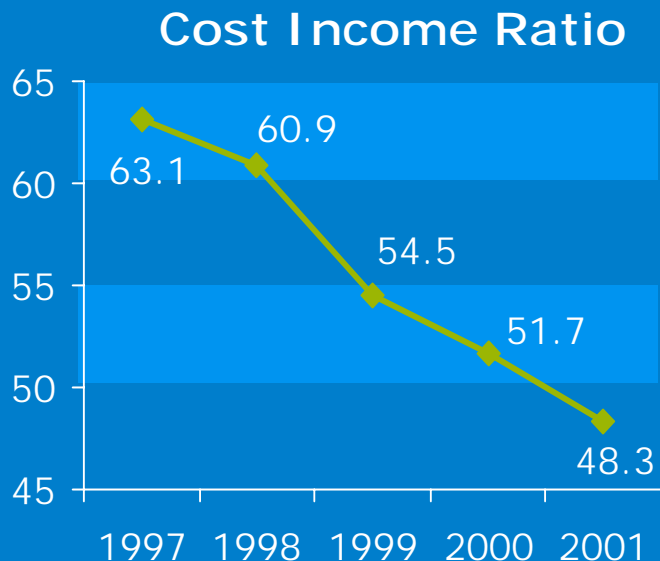
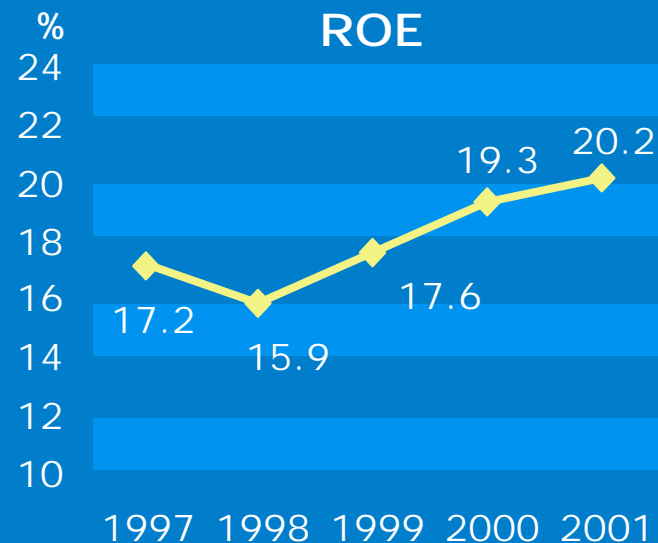
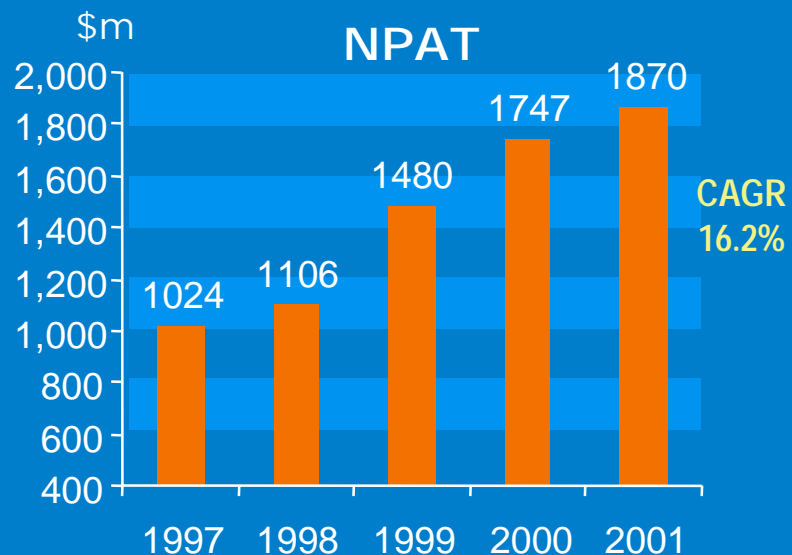
# ANZ's Balance Sheet Discipline

- ◆ Acknowledged importance of stable funding base
- ◆ Introduced funding related constraints on balance sheet growth
- ◆ Introduced retail and wholesale funding ratios
- ◆ Introduced securitisation as a balance sheet management tool
- ◆ Altering balance sheet mix towards lower risk consumer assets

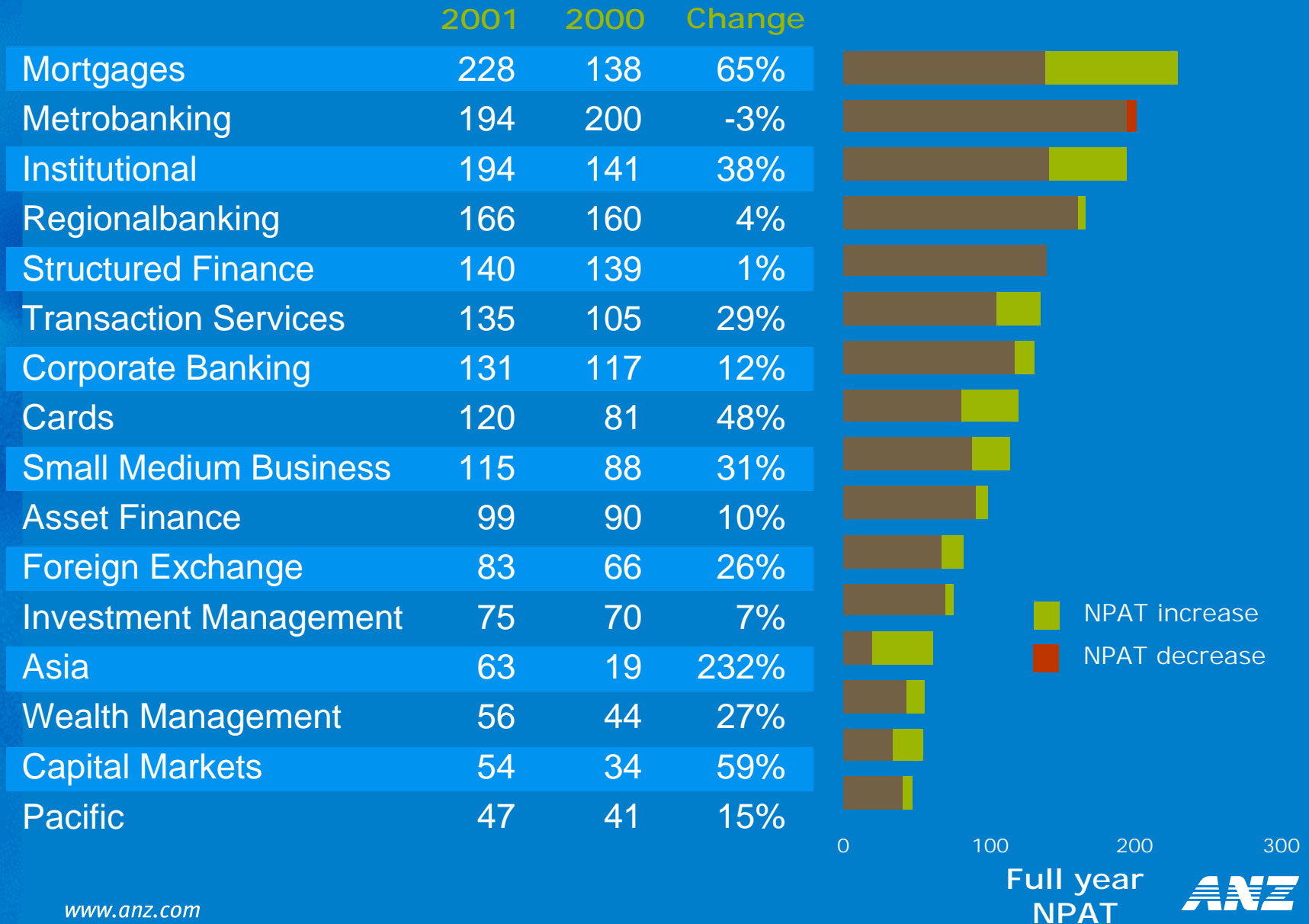
# Customer Funding Base

- ◆ Analysed the behaviour of individual customer deposit products
- ◆ Identified stable nature of various product segments
- ◆ Required businesses to meet self-funding ratios
- ◆ Analysed competitor balance sheets (at home & abroad)
- ◆ Recognised rating agency concerns about financial institutions' reliance on wholesale markets

# Financial Performance - Strong



# Portfolio – Diversified & Performing Well



# ANZ Commitment to Transparency - Open, Accountable, Well Managed



## METROBANKING

Elizabeth Proust

*Comprises specialised retail banking sales and servicing devoted to metropolitan customers. Also encompassing retail on-line banking services*

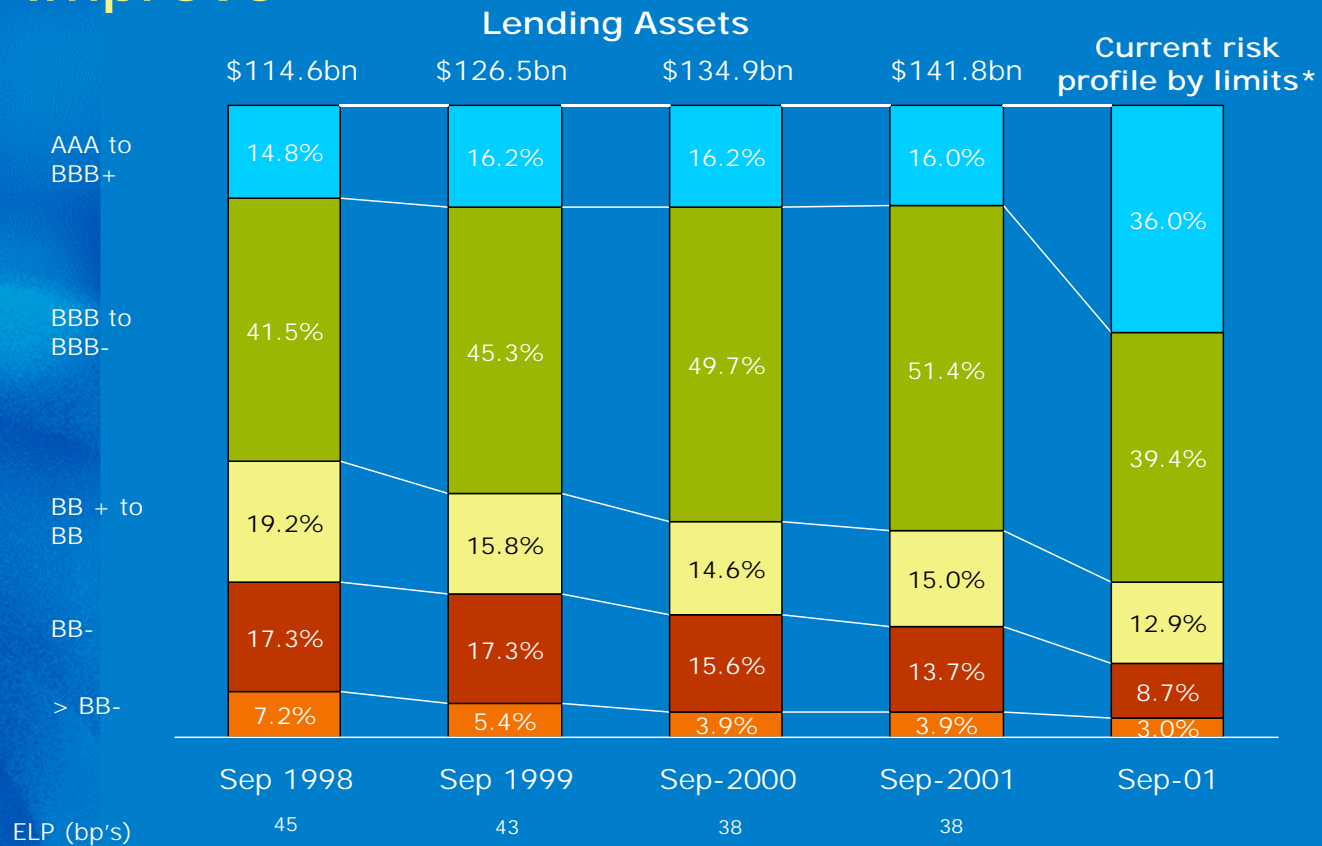
	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Ft ye Sep 1 \$		
<b>Personal</b>						
Metrobanking	101	93	9%	19		
Regionalbanking	86	80	8%	16		
Small to Medium Business	61	54	13%	11		
Wealth Management	32	24	33%	5		
Cards and ePayments	65	55	18%	12		
Mortgages	116	112	4%	22		
<b>Segment total</b>	<b>461</b>	<b>418</b>	<b>10%</b>	<b>87</b>		
<b>Corporate</b>						
Corporate Banking	67	64	5%	131	117	12%
Institutional Banking	105	89	18%	194	141	38%
Global Capital Markets	30	24	25%	54	34	59%
Global Foreign Exchange	43	40	8%	83	66	26%
Global Structured Finance	66	74	-11%	140	139	1%
Global Transaction Services	70	65	8%	135	105	28%
<b>Segment total</b>	<b>381</b>	<b>356</b>	<b>7%</b>	<b>717</b>	<b>602</b>	<b>22%</b>
<b>International and Subsidiaries</b>						
Asset Finance	52	47	11%	99	90	10%
Investment Management	41	34	21%	75	70	7%
Asia	32	31	3%	63	19	large
Pacific	26	21	24%	47	41	15%

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	214	220	-3%	434	441	-2%
Other external operating income	122	112	9%	234	228	3%
Net inter business unit fees	109	109	-	218	250	-13%
<b>Operating income</b>	<b>445</b>	<b>441</b>	<b>1%</b>	<b>886</b>	<b>919</b>	<b>-4%</b>
External operating expenses	(211)	(225)	-6%	(436)	(447)	-2%
Net inter business unit expenses	(80)	(74)	8%	(154)	(152)	1%
<b>Operating expenses</b>	<b>(291)</b>	<b>(299)</b>	<b>-3%</b>	<b>(590)</b>	<b>(599)</b>	<b>-2%</b>
<b>Profit before debt provision</b>	<b>154</b>	<b>142</b>	<b>8%</b>	<b>296</b>	<b>320</b>	<b>-8%</b>
Provision for doubtful debts	(3)	(2)	50%	(5)	(4)	25%
Income tax expense and outside equity interests	(50)	(47)	6%	(97)	(116)	-16%
<b>Net profit attributable to members of the Company</b>	<b>101</b>	<b>93</b>	<b>9%</b>	<b>194</b>	<b>200</b>	<b>-3%</b>
Operating expenses to operating income	65.4%	67.8%	-4%	66.6%	65.2%	2%
Net specific provisions	6	2	large	8	5	60%
Net non-accrual loans	3	4	-25%	3	3	-
Total employees	4,300	4,293	-	4,300	4,478	-4%

# World Leading Disclosure

Example of a slide from our full year results presentation

## Group risk grade profile continues to improve



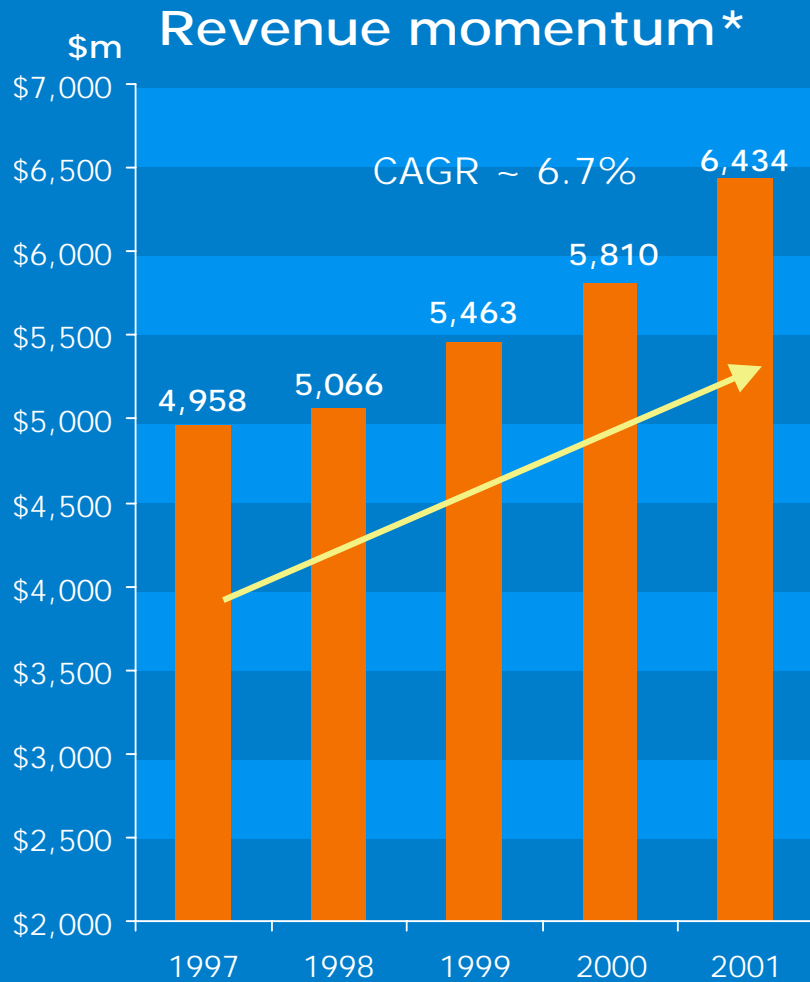
>BB- = B+ B, B-, CCC & non-accrual

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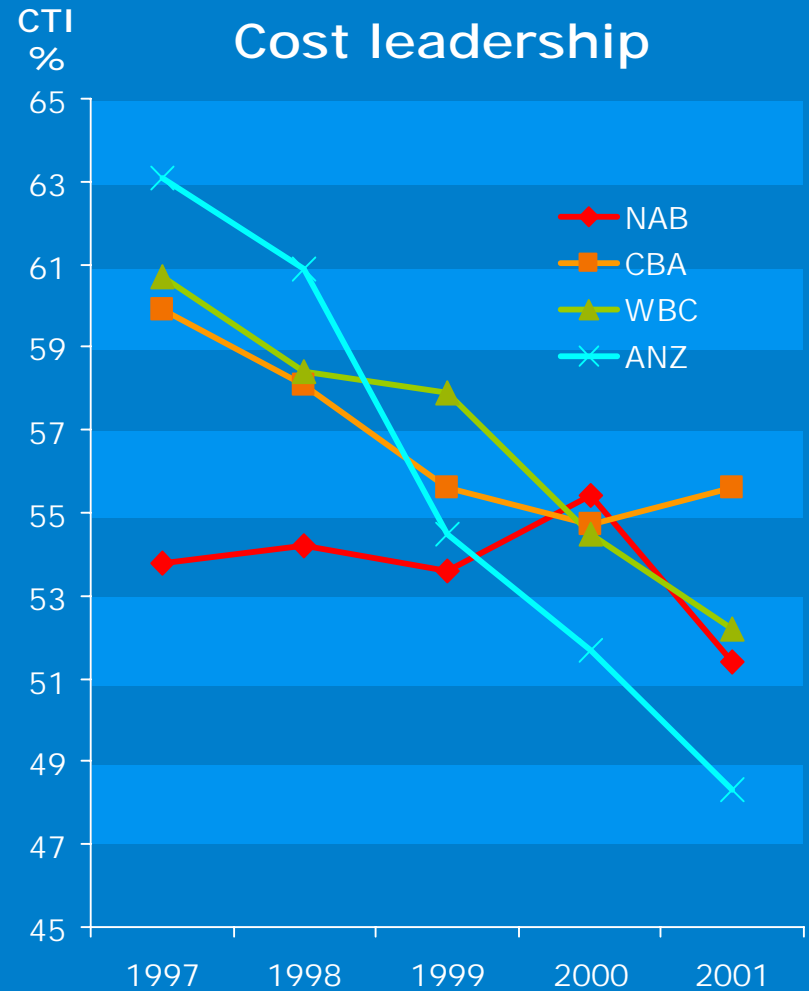
\* Excluding bank limits



# Revenue Growth & Cost Control Strong Track Record



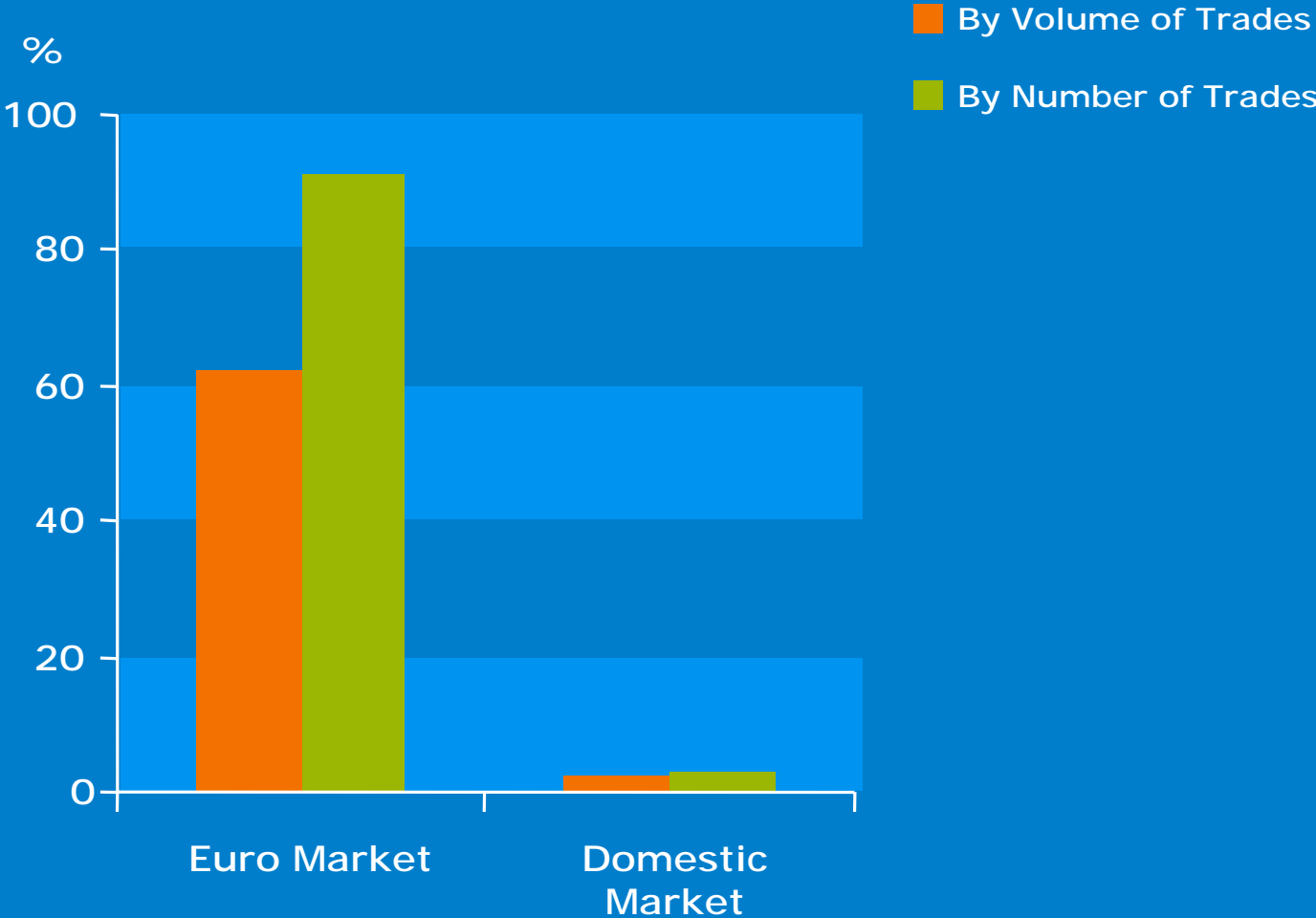
\* Continuing operations



# Wholesale Funding Strategy '01/02

- Initially planned to issue A\$4-\$5 billion
- Ideally sourced 15% domestic and 85% offshore
- Now more likely to be \$4 billion (mitigating factors include growth in retail deposits and slower than expected asset growth)
- Completed 60%
- Reverse enquiry accounts for A\$1.5 billion to date
- Securitisation unlikely this year

# ANZ Reverse Inquiry Funding 01/02

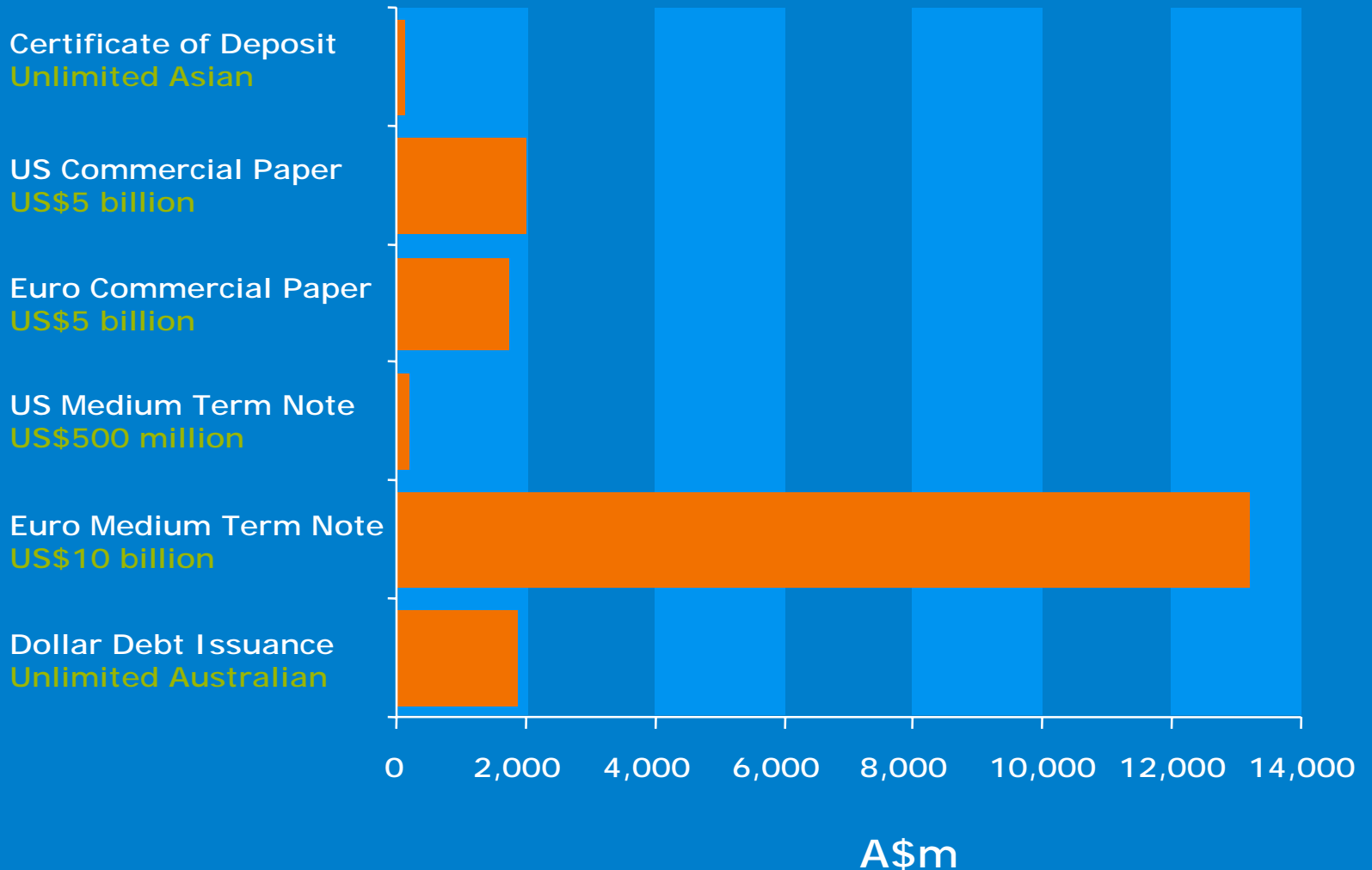


# Wholesale Funding Ratio

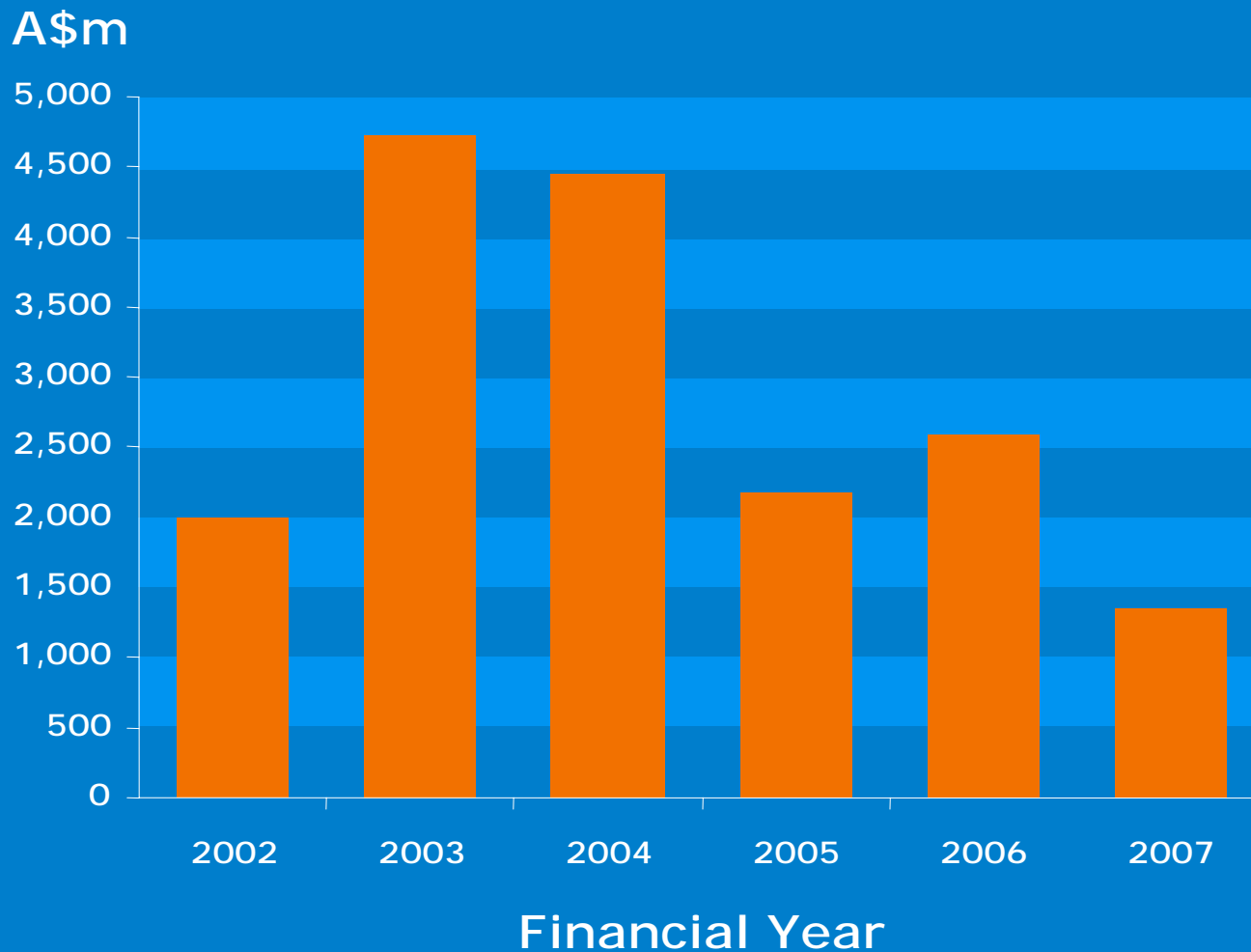
- ◆ We fund 10%/15% of Term Assets with Term Wholesale Funding
- ◆ Closely monitor maturity bunching and our capacity to fund
- ◆ Our average weighted maturity is approximately 3 years
- ◆ Diverse range of investors (by geography and industry)
- ◆ Wide range of currencies

# ANZ Debt Programmes & Outstandings

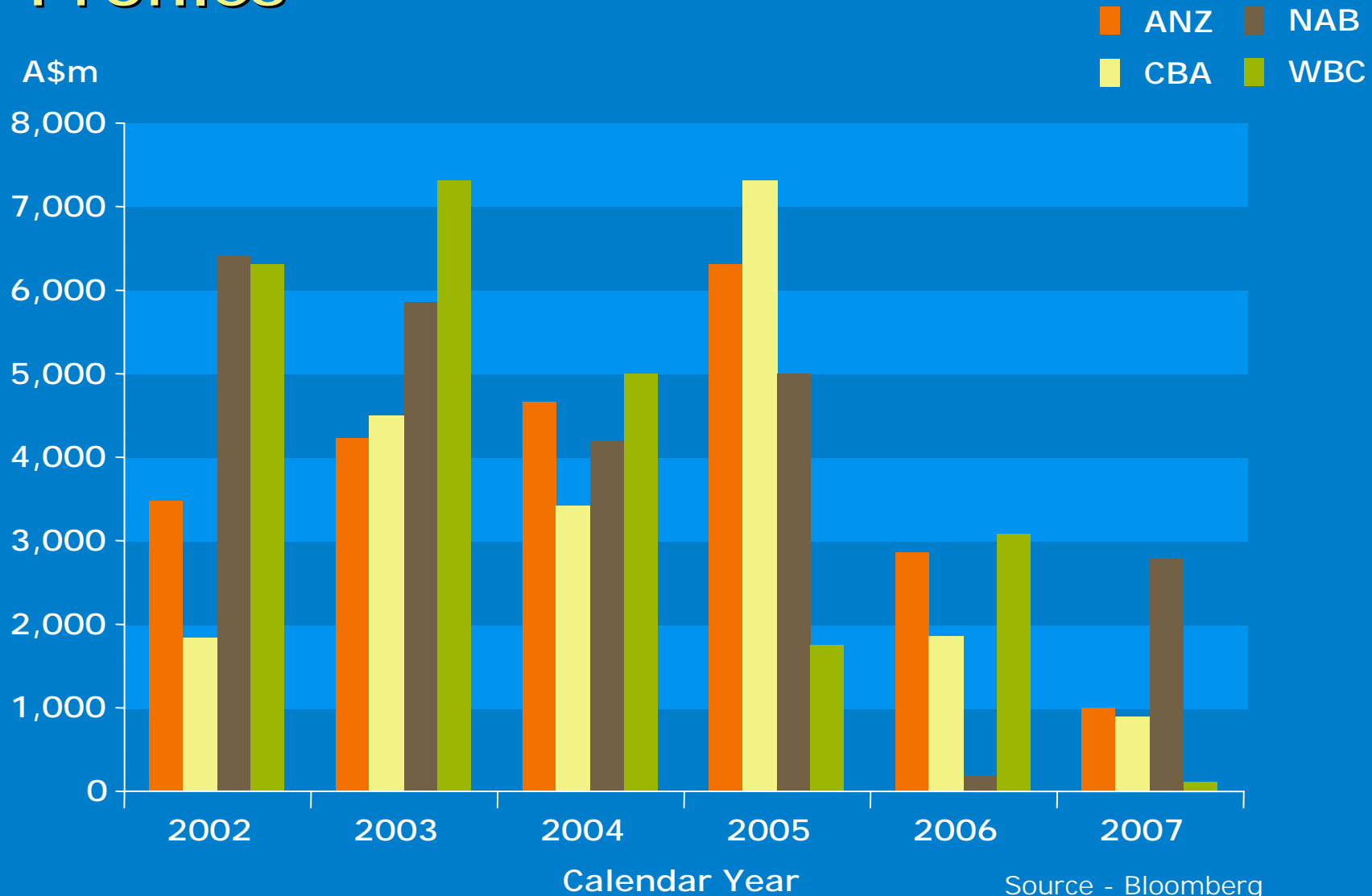
## Type & limit



# ANZ Group Debt Maturity Profile

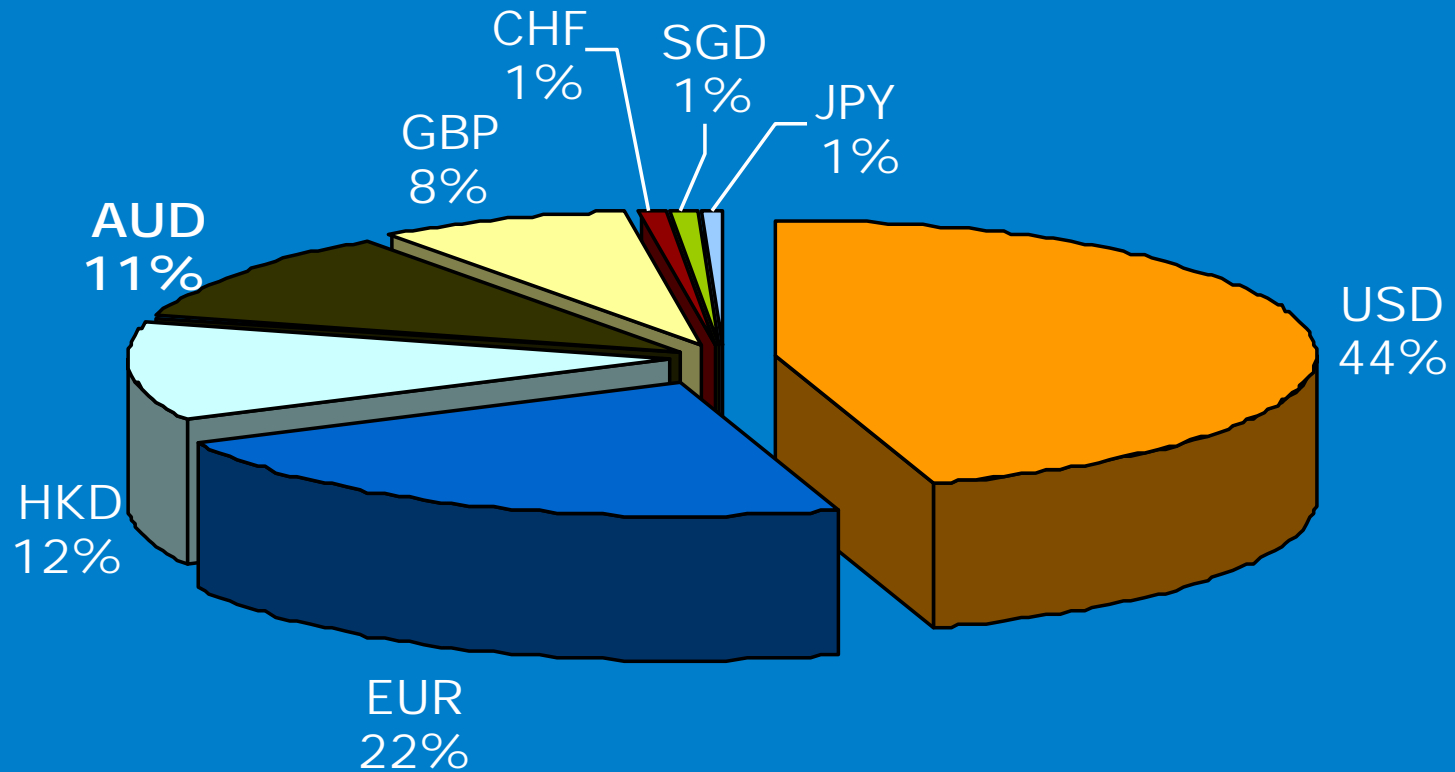


# Australian Major Bank Debt Maturity Profiles



Source - Bloomberg

# ANZ Debt Maturity Profile by Currency as at 03/02



# Position in Domestic Market

- ◆ ANZ helped pioneer the domestic market (1988)
- ◆ Supportive of the market (\$1.4 bio outstanding)
- ◆ Commitment to use more frequently
- ◆ Limited by relatively small investor base & volume capacity
- ◆ Acknowledge competition from diverse range of issuers (including “kangaroo” issues)

# Challenge for Australia

- ◆ Section 128(F) of the Tax Act must be clarified to eliminate current ambiguity on “associates” test
- ◆ Lack of depth
- ◆ Need to develop more maturity
  - efficient market
  - pricing in Europe V. Domestic

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