ANZ Commercial Origination Bulletin

www.anz-originator.com.au

Issue 3 · April 2008

Your one stop shop

Ross MacPherson
Head of ANZ Commercial Origination

With the current uncertainty of the economic market, including the shortage of equity in the marketplace, asset caps and classes, now is the time to start thinking about your clients needs heading towards the end of the financial year.

This is the time to talk to your clients about the effect interest rate rises may have on their business. A large part of risk management is to consider how to best weather the storm.

Talking to your customers now about their banking and who they are transacting with, can give you an indication of whether this is the time to negotiate a better rate for them.

Also, just as banks are reviewing their policies more frequently, so should you. Rather than reviewing your customer's financials on an annual basis – why not arrange a review every 6 months? This will give you a greater understanding of their changing needs and how the ANZ Tailored Business Facility may help better protect them from any further interest rate rises.

Never before has the need to implement strategies to protect your clients businesses been so important. This allows your customers to be in control of their finances so they can spend more time running their business and less time worrying about it.

I hope that you enjoy this edition of our bulletin and find some of the solutions you're looking for right here. If you have any feedback, please contact me on 0421 098 184 or ross.macpherson@anz.com. As always, I welcome your thoughts.

Ross MacPherson

The best in Commercial lending

Colin Robinson joined ANZ as National Manager of Property Finance six months ago and as he points out, with the current change of economic conditions, the market has changed considerably.

"Today, the overseas liquidity market is in an extremely volatile state and a knock-on effect is being felt in the property finance sector. With so much market uncertainty it is crucial that customers be more considered about who they transact with."

Highlighting the need for a more focused approach to property finance, Colin outlines the efforts ANZ is undertaking.

"We have appointed specialist teams with experience in property lending and resourced ANZ with dedicated Business Banking Property Risk Managers and Property Technical Support people, so the end-to-end process is simple, smooth and a better experience for both Brokers and their customers."

ANZ is focusing on consistency of relationships to ensure a level of trust and confidence in being able to deliver.

For more information please contact your ANZ State Origination Manager

An exciting new face

We're delighted to announce the recent appointment of Heather Noonan as our new ANZ Commercial Origination Manager, and the latest addition to the ANZ Commercial Origination team in Victoria.

Heather brings with her a wealth of experience in business development and relationship management most recently with Ashe Morgan Winthrop and earlier with St George Bank.

In speaking about the current economic environment and the general shift back to the stability of banks, Heather is excited by the opportunity her new role presents and she believes that ANZ Commercial Origination's approach to Commercial Lending and Business Banking solutions offers brokers a dedicated service and style to banking. "We're able to offer more than just one solution to our customers. By taking into account their business and personal goals, we can match their needs with the right product, from business banking through to equipment finance."

ANZ Commercial Origination provides the opportunity to develop strong relationships between brokers, their customers and the ANZ. "With our focus on relationships, each Broker is assigned their own business banker to work with, giving one point of contact, ensuring a greater understanding of what they require for their customer and what ANZ Commercial Origination can do to meet these requirements."

Heather can be contacted on 0403 466 706 or Heather.Noonan@anz.com

Economic Update

› Sub-prime crisis.

With the price of risk increasing dramatically there has been a loss of confidence in credit ratings and in the ability to assess risk and price accurately. For a very large category of borrowers, the securities markets have restricted their credit while for those to whom credit is still available through the securities markets credit criteria has now tightened.

As a result, the cost of credit is rising at the same time as its availability is being constrained, which is having a wide range of implications on economic activities around the world.

› Domestic economy

Locally the biggest risk is that of ongoing stresses and strains in the banking system. Australia has the fourth largest current account deficit in the world, predominantly financed through the overseas borrowings of the major Australian banks. If credit continues to become more expensive and difficult to obtain globally, Australia will find it much more expensive and difficult to finance its current account deficit. This will flow through to the Australian economy and business borrowers in the form of higher interest rates, and tighter conditions on the availability of finance.

› International economy

Businesses whose primary markets are in the United States or Europe will find it tough as these economies are experiencing sharp slowdowns. Japan is also facing a fairly fragile business outlook.

Conditions for businesses that predominantly export to developing countries such as China or India will remain fairly good - although in the short-term, some of these businesses may suffer an adverse impact on revenues and competitiveness due to the rising Australian dollar.

› Interest rates

Australia's interest rates are much higher than in many comparable countries. In the middle of 2007, Australia's cash rate of six per cent was less than a percentage point above America's cash rate. Today Australia's cash rate is five percentage points higher than America's, a margin which is likely to wident to 5.5 percentage points by the middle of the year. This, combined with high commodity prices is continuing to put upward pressure on the Australian dollar.

Interest rates may now have reached a level at which they are beginning to exert some dampening influence on household and business spending – although this is yet to be confirmed by 'hard' statistical evidence. However if the increasing amount of anecdotal and survey evidence is correct, then official interest rates may now have peaked, and the next movement in interest rates could be down – although it will probably not occur until some time in 2009.

› Credit crunch

The impact of the credit crisis has largely offset the positive effects of ongoing increases in commodity prices and that will continue through 2008-09.

Australia is unique among developed economies as it stands at the intersection of two very powerful global forces. Like the advanced economies of the United States and Europe, Australia is feeling the pinch from the unfolding credit market crisis. By contrast, ongoing industrialisation and the rapid growth of developing countries such as China is putting upward pressure on the prices of commodities we export and boosting our economic growth.

The present crisis is likely to get worse before it gets better. We still don't know the full extent of the losses that are likely to be incurred on various credit market instruments and I think that the crisis and its consequences will be around for somewhere between one and three years.

› Investment markets

Businesses and investors should continue to expect volatility around a declining trend in the short-term and probably continuing uncertainty beyond the next three to six months. With the volatility in financial markets looking like it is here to stay for a while, it is now the time to put in place strategies to protect your business if you haven't already.

Saul Eslake
Chief Economist

Managing the risk of volatile interest rates.

The ANZ Tailored Business Facility™ may assist your customers in managing their risk against the volatility and increase of interest rates.

The facility allows your clients to choose a combination of up to 5 different risk management tools and be debited with only one interest charge each month or quarter, calculated on their weighted average rate.

Risk management can go beyond the traditional use of fixed or variable interest rates. The ANZ Tailored Business Facility™ includes choices such as capped rates which enable your clients to secure a known maximum interest rate and, in the case of range rates, also with the ability to participate if interest rates fall. Clients can also choose to fix for an initial period such as 3 years, with the option to continue the same interest rate for an additional period (such as a further 2 years).

The Tailored Business Facility™ can be customised to cover seasonal or irregular repayments, principal reductions or interest-only, balloon repayments, progressive drawdowns, early repayment flexibility or a combination. Each month the interest can be debited from a nominated bank account. In short, it's a flexible lending solution developed to satisfy the risk management needs of your clients allowing your customers to be in control of their finances so they can spend more time running their business and less time worrying about it.

For more on how the new ANZ Tailored Business Facility™ can help your customers please contact your ANZ Commercial Origination Manager.