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Planning counts in turbulent times

Few of us have experienced anything like the extent of the current economic turmoil and it is small consolation that we are unlikely to see a repeat in our lifetimes.

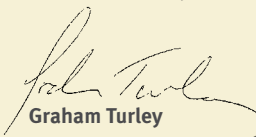
This deep cycle will come to an end – though it still may be too early to forecast when. Even so, the current conditions are opening opportunities for some businesses to strengthen their market position or prepare the foundations for future growth.

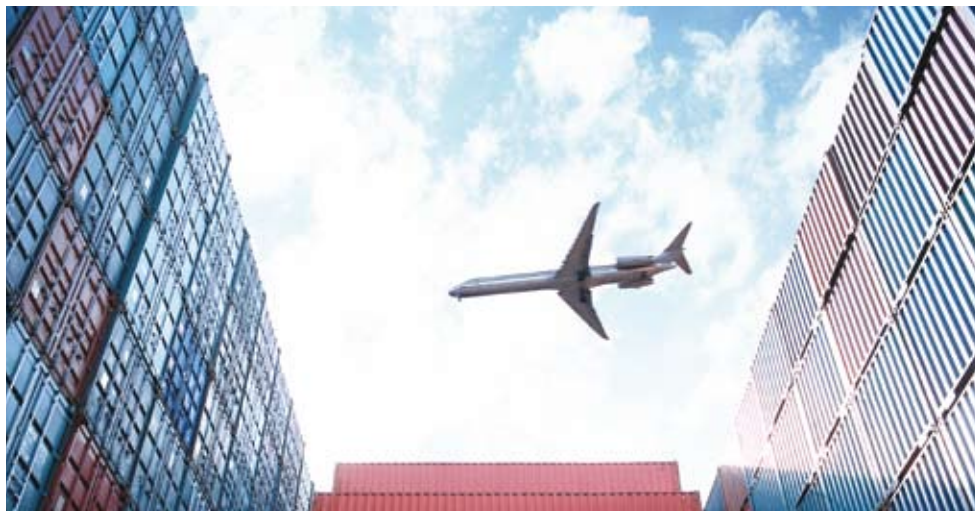
We recommend to all our customers the need to identify the crucial factors for now and for long term success. Our recent survey of business owners (see page 4) highlights the importance of robust planning. Careful analysis of the risks and mitigation of the potential dangers are essential. What would happen to your business if a creditor defaulted on a payment?

Maintaining conversations with your Relationship Manager is essential. Many customers already do this and are drawing on the extensive expertise of ANZ to mitigate risk now and position for the future.

Risk management is the core function of the Trade and Supply Chain Management team whose services are detailed on this page. Managing currency risk is important for many companies and an area where we can help as well. Our Foreign Exchange team talks about our approach on page 2.

We are always keen to talk about what you can do to get your business in the best position. If you would like to discuss your plans, please get in touch with your Relationship Manager or refer to the back page for contact details.


Graham Turley
Managing Director Commercial



Managing trade risk: plot a cautious course

International trade is the life-blood of the New Zealand economy but the whiff of toxic assets in the northern hemisphere has considerably raised the risk of doing business for our importers and exporters.

Not even long standing relationships are immune from the upheaval caused by the volatility in international markets that has governments rushing to underpin financial systems to restore order.

“You need to know who you’re dealing with. Know your customer today, not yesterday,” says Iain Leech, ANZ Head of Trade and Supply Chain Management.

International finance markets, while showing signs of stabilising, still remain fragile and declines in benchmark interest rates are being offset by increases in risk margins for individual industries and nations. The turmoil has also seen the withdrawal or downsizing of operations by some international trade facilitators.

Further pressure has come from tightening terms of trade, with exporters facing demands to extend payment times and importers finding terms are being shortened. The consequence is a requirement for more working capital at a time when the cost of sourcing capital is high.

ANZ is urging customers involved in international trade to focus on solutions to minimise risk in their businesses.

“The essence of many conversations is ensuring firms understand all the risks associated with non-payment by their trading partners and providing solutions to mitigate those risks,” Mr Leech says.

“Customers who are unconsciously unaware of the pressures on liquidity in international markets are introducing incredible risk into their businesses in today’s volatile and uncertain times. Cash is king.”

One of the steps companies are adopting is to move away from the fragility of dealing on trust with open account trading, towards the more robust security offered by letters of credit.

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“Letters of credit are the safest way for buyers and sellers to transact because they are a well established document governed by globally accepted principles,” Mr Leech says. “There are further benefits from the range of trade financing options letters of credit offer to smooth working capital needs.”

One facet that has changed in the current environment is that the number of banks providing recognised letters of credit has declined.

To relieve the pressure on exporters and facilitate trade, the New Zealand Export Credit Office has extended its support programme until June 2011. Through a range of products, the office assumes risk and assures exporters’ bankers that payments will be received. “We’re observing all these trends. What worked yesterday will not work now and may not work tomorrow. But our customers can be assured that ANZ is always working closely with them to identify solutions,” Mr Leech says.

Staying nimble



Scott Technology is a provider of customised automation solutions for the whiteware and meat processing industries in particular. The company is a major exporter as well as an importer of some materials.

Scott Technology Managing Director, Chris Hopkins, says the changed environment has created particular pressures for the multi-million dollar orders it has to fulfil.

“Scott Technology works closely with ANZ to devise solutions that maximise our cashflow and mitigate our risks in the current environment. We also draw on the expertise of the FX team to monitor trends and take the appropriate positions to protect our foreign exchange exposure.”

**For more information, contact
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Introducing ANZ foreign exchange services

ANZ Head of Global Markets Andrew Allan says understanding the needs of customers is essential in the current market environment.

“In these volatile times it’s more important than ever to understand our customers’ business and help them effectively manage their exposures.”

Head of Foreign Exchange Sales Auckland Penny Ford says the volatility in foreign exchange markets means timeliness of information flows is also critical:

“We are responding to the rapid movements in markets by getting information quickly to our customers so they can make decisions in a timely manner. We work closely with our Economics team to help customers gain an understanding of the global situation and how it might impact on their business.”

The Global Markets team operates three desks to closely align with their customer requirements.

Brad Martin, Senior Manager Wholesale Foreign Exchange heads the Institutional desk dealing with large corporates and institutions in Auckland.

“Our customers typically have relatively large and sometimes complex FX exposures to manage. For them it’s critical that we have an in-depth knowledge of what is driving the markets, the various products that can be used to manage risk and the best method of execution.”

Covering mid-size enterprises, the Corporate and Commercial desk is led by Darian Chu, Senior Manager Foreign Exchange Corporate Sales. Darian and his team work with customers examining the FX risks in their business and coming up with solutions.

“We’re finding people are more open in this environment and frank about their outlook. That’s important because naturally we want all our customers to do well and the more we know, the better we can anticipate their needs,” Mr Chu says.

Small to medium size businesses form a large portion of the ANZ customer base. To better meet the requirements of this particular segment Global Markets has created a third desk led by Nikki Jacobson.



FOREIGN EXCHANGE SALES AUCKLAND TEAM: NIKKI JACOBSON, DARIAN CHU, BRAD MARTIN AND PENNY FORD

“In smaller businesses, there usually isn’t a dedicated treasurer, so the people responsible for managing the FX exposures want to access the expertise, service levels, security and products that ANZ can provide.”

The foreign exchange service desks work closely with customers and their ANZ Relationship Managers. For more information about our foreign exchange and economics services, please contact your Relationship Manager or Nikki Jacobson on 0800 933 001.

Successful exporting: a matter of doing the job better, says United Fisheries

Record oil prices and a soaring currency have so far proved to be the toughest challenges for leading seafood exporter United Fisheries.

ANZ Senior Relationship Manager, Sam McCully, says the seafood industry is showing strong resilience because companies like United Fisheries respond quickly to the changing environment.

The company is benefiting from an easing of the credit storm that impacted on international trade late last year and the fall in oil prices to a third of their peak.

Even so, United Fisheries Chief Executive, Andre Kotzikas, says the last two years have been far from easy.

“We’re still in a state of survival. When fuel prices soared we found ourselves facing a general set of increased costs that we weren’t able to pass on to our customers.”

The company has tackled those changes as it always has.

“We’re always looking at ways to do the job better through challenging what we’re doing and looking at the net return on all processes.”

Tightening finance markets has caused a review of the credit arrangements extended to customers and improvements in stock-turn for the seafood business United Fisheries has been expanding over the last ten years.

“Where we were perhaps dealing on an open account basis with customers we have moved to more formal terms with a degree of protection from the bank.”

Customers, recognising the changed environment, have accepted the revised terms, Mr Kotzikas says.

“The protection of working relationships with our customers is the most significant aspect of the business. The stronger you build those relationships through good and bad times, the more you reap the benefits of the effort made. Those customers become the base for alternative markets we try to grow.”

ANZ is working closely with United Fisheries to increase the certainty of getting paid by new customers in both existing and new markets.

With support from ANZ, and its own relationship building, United Fisheries has



“WE’RE ALWAYS LOOKING AT WAYS TO DO THE JOB BETTER THROUGH CHALLENGING WHAT WE ARE DOING.” UNITED FISHERIES CHIEF EXECUTIVE ANDRE KOTZIKAS WITH ANZ RELATIONSHIP MANAGER SAM MCCULLY.

resumed sales with customers in developing countries hit hardest by the squeeze on credit last year. And while many other markets are not experiencing growth, the company is maintaining its sales volumes.

“It’s a win-win situation for us and our customers around the globe; prices are down but the lower currency means there’s a net increase in export returns.”

United Fisheries sees huge potential in China.

“It’s an untapped market and the closer we get to the working relationships we have, and those from ANZ’s network in China, the more opportunity we see,” Mr Kotzikas says.

Long standing relationships in Japan and South Korea are also standing up against the financial pressures in those markets.

The company is now positioning to take advantage of opportunities as they arise in offshore markets and for the further consolidation of quota access to its main ingredient, seafood.

Seafood industry no shrimp

The seafood industry is one of New Zealand’s largest export earners, worth NZD1.35 billion of export sales in 2008. The humble mussel leads the charge – favoured in Europe and Asia, the shellfish industry was responsible for 15 percent of export seafood sales last year.

The success of New Zealand’s commercial fishing industry has been building over three decades, starting with the introduction of the 200 nautical mile Exclusive Economic Zone in the 1970s and reinforced by the introduction of the Quota Management System in the 1980s.

ANZ is a strong supporter of the industry through banking relationships with many of the thousands of New Zealand enterprises involved and next year will celebrate ten years as the principal sponsor of the annual Seafood Industry Conference.

The ANZ Privately-Owned Business Barometer 2009

We know what's keeping you awake at night. Because you told us.

The ANZ Privately-Owned Business Barometer is the most in-depth survey into the attitudes and behaviours of New Zealand's business owners.

Find out how business owners are responding to the economic crisis and see what you can do to help strengthen your business. See our insert for a snapshot of the issues or download a full copy of the ANZ Privately-Owned Business Barometer at anzbarometer.co.nz.



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“Please send money – now!”



Whether your children are travelling abroad and need an immediate cash bailout, or you have overseas suppliers to pay, ANZ International Funds Transfer via Internet Banking is a convenient way to send money overseas.

ANZ's International Funds Transfer via Internet Banking allows the transfer of up to the equivalent of NZ\$10,000 daily to overseas accounts and costs \$25 per transfer (overseas bank charges may also apply).

Funds generally arrive in the overseas account within 48 hours of delivery.

To find out more about transferring money overseas, talk to your Relationship Manager or phone 0800 863 863.

ANZ International Funds Transfer via Internet Banking is only available to customers with ANZ Internet Banking and when payment is from a New Zealand dollar account. A fee of \$25 applies to each transaction made using ANZ International Funds Transfer via Internet Banking.

Tell us what you think

We'd love to know what you think of Viewpoint – what you find useful and relevant, and what you'd be interested in hearing about. Please email us at viewpoint@anz.com