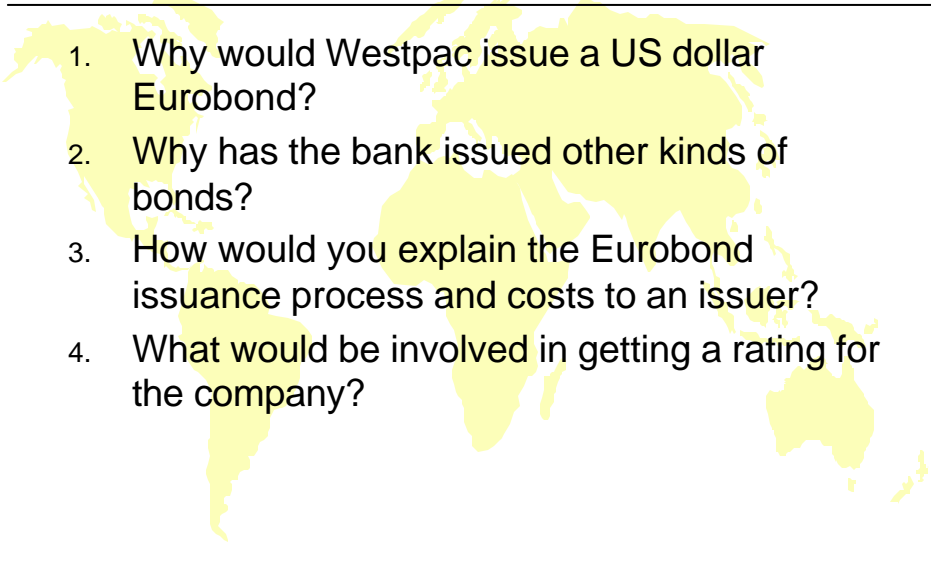


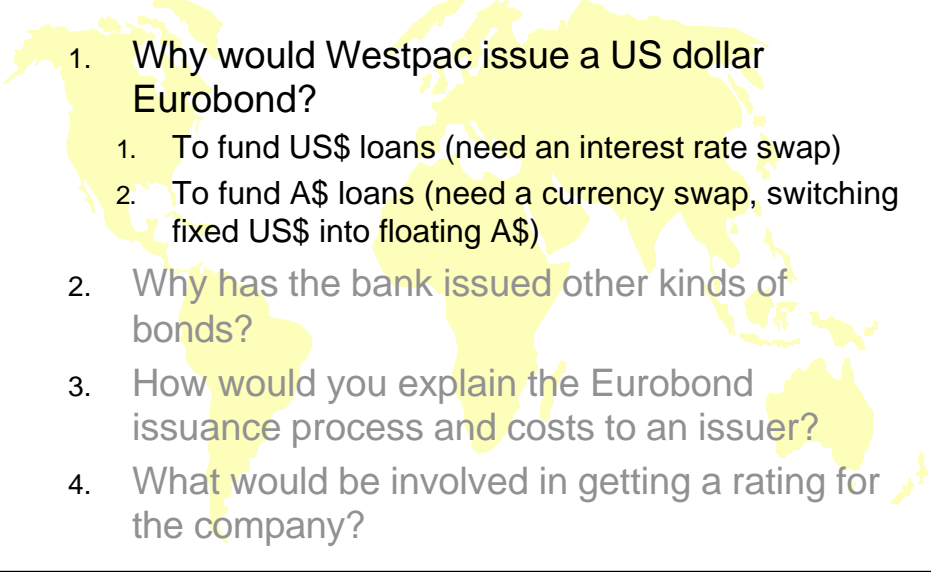
Case Study: Westpac Bond Financing

- 
1. Why would Westpac issue a US dollar Eurobond?
 2. Why has the bank issued other kinds of bonds?
 3. How would you explain the Eurobond issuance process and costs to an issuer?
 4. What would be involved in getting a rating for the company?

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Case Study: Westpac Bond Financing

- 
1. Why would Westpac issue a US dollar Eurobond?
 1. To fund US\$ loans (need an interest rate swap)
 2. To fund A\$ loans (need a currency swap, switching fixed US\$ into floating A\$)
 2. Why has the bank issued other kinds of bonds?
 3. How would you explain the Eurobond issuance process and costs to an issuer?
 4. What would be involved in getting a rating for the company?

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Case Study: Westpac Bond Financing

Why has the bank issued other kinds of bonds?

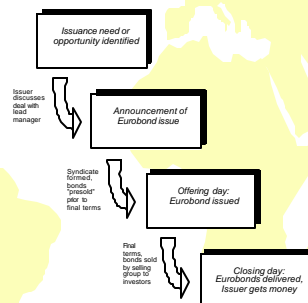
1. Sub notes: offers investors a higher yield, and gives the bank “regulatory capital”
2. A\$ “Uridashi” retail bond: give Japanese investors a higher yield (5.5%) than they could earn at home (but they take currency risk)
3. GBP FRN: tap British banks, money market funds, and other floating-rate investors, giving them diversification into a good Australian name
4. € FRN: tap European banks, etc, taking advantage of a “window”

Any swaps with these?

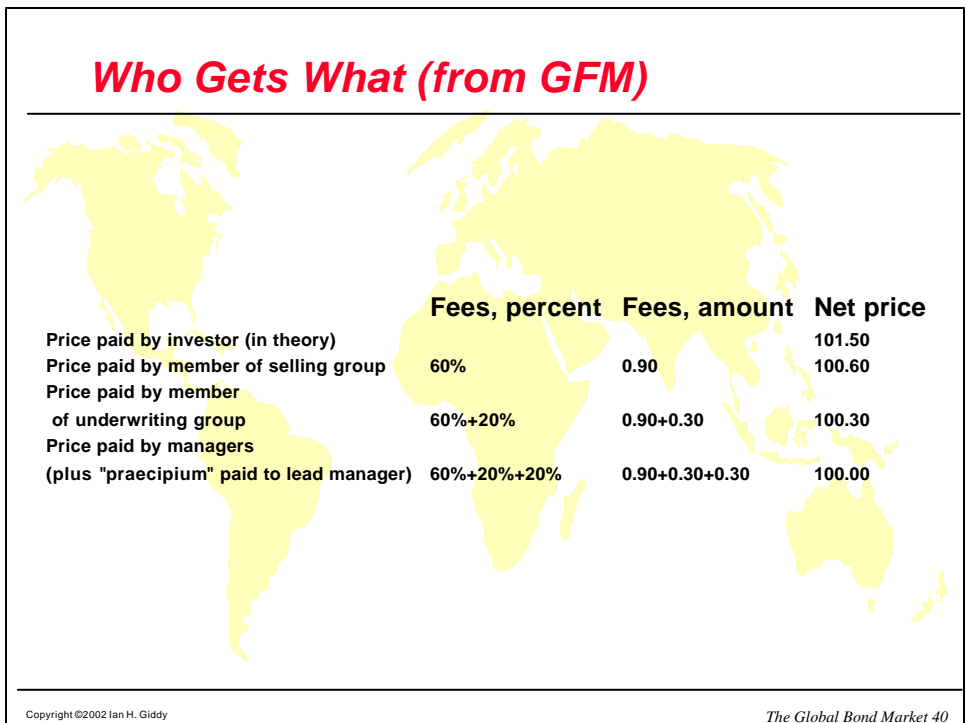
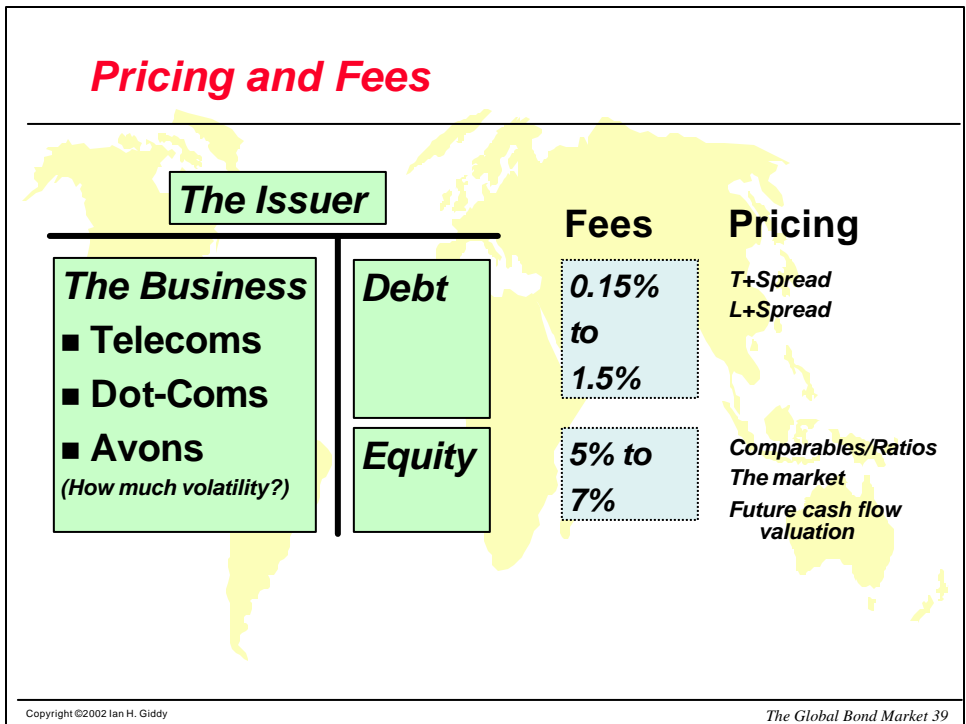
Case Study: Westpac Bond Financing

How would you explain the Eurobond issuance process and costs to an issuer?

Process:

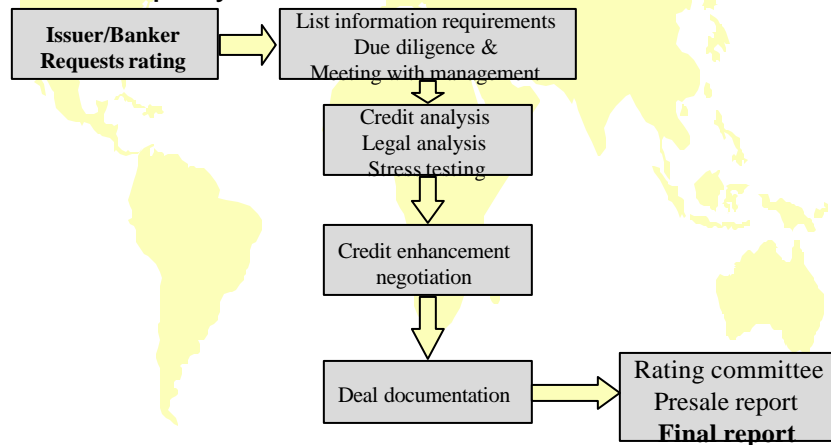


Cost: How fees are determined and paid; other costs (see examples in FT)



Case Study: Westpac Bond Financing

What would be involved in getting a rating for the company?



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Ratings and Spreads

Corporate bond spreads: basis points over Treasury curve

Rating	1 year	2 year	3 year	5 year	7 year	10 year	30 year
Aaa/AAA	40	45	50	60	74	85	96
Aa1/AA+	45	55	60	70	84	95	106
Aa2/AA	55	60	65	75	89	105	116
Aa3/AA-	60	65	70	85	99	117	136
A1/A+	70	80	90	105	119	142	159
A2/A	80	90	105	120	140	157	179
A3/A-	90	100	110	130	150	176	196
Baa1/BBB	105	115	128	145	165	186	208
Baa2/BBB	120	130	140	160	180	201	221
Baa3/BBB	140	145	155	172	193	210	232
Ba1/BB+	225	250	275	300	325	350	440
Ba2/BB	250	275	300	325	350	385	540
Ba3/BB-	300	350	375	425	445	460	665
B1/B+	375	400	425	500	550	610	765
B2/B	450	500	550	625	670	710	890
B3/B-	500	550	650	750	875	975	1075
Caa/CCC	600	650	800	900	1025	1150	1300

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***The IPO of Deutsche Telekom (group hand-
in April 3)***

Question: Specify the roles of different banks in the pricing and distribution of DT's share offering.