



# BANK

## Global X Australian Bank Credit ETF



### Getting More Bank for Your Buck.

#### Income — Fixed Income

#### FUND DETAILS

ASX Code	BANK
Bloomberg Code	BANK AU Equity
IRESS Code	BANK.AXW
Benchmark	Solactive Australian Bank Credit Index
Mgt. Fee (% p.a.)*	0.25
Rebalance Frequency	Monthly
Distribution Frequency	Monthly
W-8 BEN Form Required	No

#### INTRODUCING BANK

BANK is an index-based ETF that invests in a diversified portfolio of Australian banking debt across the full capital structure excluding shares. It comprises fixed and floating-rate bonds, senior and subordinated debt (Tier 2 Capital), and hybrid securities (Additional Tier 1 Capital).

#### DID YOU KNOW?

- The Australian banks are some of the highest-quality financial institutions in the world. While most Australians access bank securities through shares and term deposits, they may be missing out on the broader capital structure investable universe.
- Investing in securities such as senior bank bonds, subordinated debt and hybrids may present an attractive yield for investors whilst not taking excessive duration or credit risk. While BANK may have some concentration risk as it only holds credit securities issued by Australian banks, it is well diversified across the capital structure.
- BANK provides a first-to-market diversified solution enabling investors to combine three different fixed income security types dedicated to Australian banks into one index-based tradable product at a cost-effective rate

#### KEY FEATURES



##### Attractive Yield

BANK expects to pay monthly income and its index has historically offered higher yields than term deposits, government bonds and corporate bonds.



##### Convenient and Cost-Effective

A cost-effective package that holds three types of fixed income securities across the banking capital structure (senior bonds, subordinated bonds and hybrid securities) that can be used for income enhancement, capital preservation, and broader diversification.



##### Trusted Source of Income

Australian banks are known for being some of the most credible and robust financial institutions in the world. BANK is the only index-based ETF offering exposure to the broader capital stack of Australia's banks in one diversified solution.

#### WHAT ARE SENIOR BONDS?

Senior bonds take priority over most other fixed income securities within a bank's capital structure, and therefore take precedence in the event that the issuer is wound up or forced into liquidation. Because senior bonds offer lower credit risk due to their seniority in the capital structure, they typically pay lower rates of interest than subordinated bonds and hybrids.

#### WHAT ARE SUBORDINATED BONDS?

Subordinated bonds are bonds which the holder's claim to the issuer's assets ranks behind senior bond holders but before hybrid holders within a bank's capital structure in the event that the issuer is wound up or forced into liquidation. Subordinated bonds have higher credit risk than senior bonds due to their ranking in the capital structure, and therefore pay higher rates of interest than senior bonds.

#### WHAT ARE HYBRIDS?

'Hybrid' is a generic term used to describe a security that combines elements of debt securities and equity securities. They include subordinated notes, convertible preference shares, capital notes issued by banks, insurance companies, and other companies.

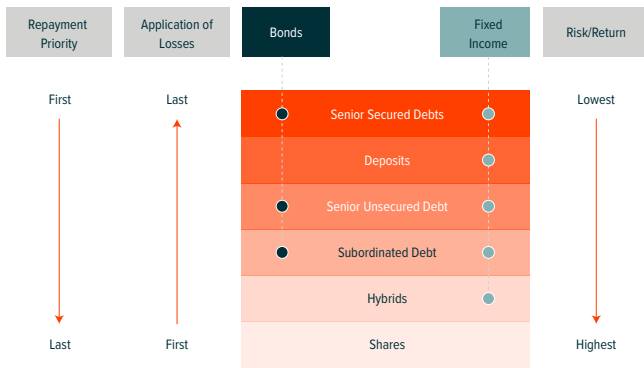


Typically, hybrids promise to pay a rate of return (fixed or floating) until a defined date in the future, similar to debt securities. However, they also have equity-like features meaning they can potentially provide a higher rate of return compared to other regular debt securities, due to the higher inherent risk associated with their equity-like features. These features may include reduced certainty as to the timing and amount of income generated from holding the security, the potential for the security to be converted into equity, early redemption by the issuer at a time not beneficial to the holder, and the holder being lower-ranked than other creditors in the event of insolvency.

**UNDERSTANDING THE CAPITAL STRUCTURE OF BANKS**

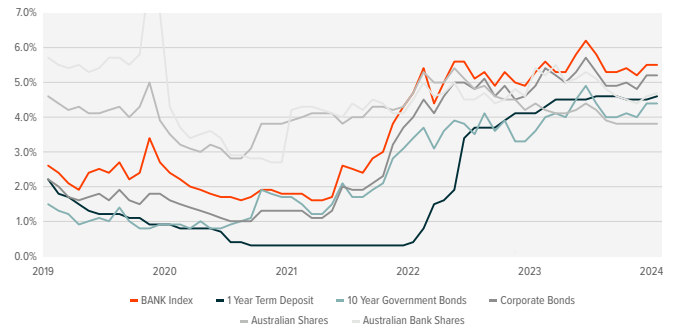
A bank’s capital structure refers to the mix of equity and debt on its balance sheet. In the event of bankruptcy, the capital structure dictates the order of payment and who gets priority. Bondholders, as creditors, have priority over shareholders and are paid first, ensuring they recover their investment before any residual value is distributed to shareholders. Conversely, when losses occur, equity absorbs them first, protecting bondholders. This hierarchy means bondholders have a higher claim on the bank’s assets.

**CORPORATE CAPITAL STRUCTURE**



**HISTORICAL ASSET CLASS YIELDS**

Source: Data as of June 2024 using underlying indices/data: Solactive Australian Bank Credit Index, RBA 1-Year Term Deposit Rate, Australia 10 Year Government Bond Yield, Bloomberg AusBond Credit 0+ Year Index, S&P/ASX 200 Index and S&P/ASX 200 Financials Ex-A-REIT Index.



**HOW BANK WORKS**

- BANK tracks the Solactive Australian Bank Credit Index.
- The index provides exposure to AUD-denominated Australian senior and subordinated bonds and hybrids issued by APRA-regulated Authorised Deposit-Taking Institutions.
- To qualify for inclusion corporate bonds must be rated at least investment grade.
- Bonds and hybrids must have at least \$500 million outstanding in value, and have a minimum of one year to call/maturity at each rebalance.
- The Index weighs the fixed income security components using a 40/30/30 portfolio weighting allocation between senior bonds, subordinated bonds and hybrids.
- The Index is rebalanced monthly.

**HOW TO USE BANK IN A PORTFOLIO**

- As a core portfolio holding to diversify an investor’s fixed income pillar.
- To provide attractive regular income from trusted Australian banks.
- To delegate decisions on allocations such as fixed vs. floating, senior vs. subordinated, and corporate vs. hybrid using a rules-based approach.



For more information on Global X Australian Bank Credit ETF (ASX Code: BANK), please speak to Global X ETFs.

### Client Services

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