

Top 500 businesses' appetite for debt falls

(3 December 2009 – Australia) Australia's top 500 companies' demand for bank debt has become a causality of the march to recovery during the second half of 2009.

This is one of the highlights from East & Partners' October 2009 Institutional Banking Markets report, based on direct interviews with 453 of Australia's top 500 businesses by revenue.

"Our latest report shows a visible drop in the top 500 businesses' appetite for bank debt," said East & Partners' financial markets analyst Zoran Knezevic.

"Fewer than one in three of these businesses will be looking to raise more debt in the next six months and the engagement of all core debt products has plunged compared to the highs we saw at the start of 2009," he said.

East's report also shows that the top 500 companies are increasingly talking to their banks about equity raisings, showing early evidence of a shift to equity funding.

"Rising cost of debt and tougher credit criteria have clearly contributed to the cooling appetite for bank debt in this part of the lending market, with even the big businesses rarely granted a reprieve on rate rises and stricter credit terms," Mr Knezevic said.

The latest Institutional Banking Markets research results reveal a more challenging environment for the Big Four banks which dominate the top 500 business lending market.

"Earlier in the year, the Big Four banks were seeing an increase in the lending rates and the volume of lending. As the year draws to a close, they are now looking at the prospect of declining volumes in this important lending market," Mr Knezevic concluded.

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About East & Partners' Australian Institutional Banking Markets Program

Australian Institutional Banking Markets is an ongoing six-monthly research program delivering detailed analysis of the demand for debt, treasury and corporate advisory banking services among Australia's top 500 companies by revenue. The program is based on structured interviews with some +/-450 enterprises every six months and includes a range of analytics such as product engagement, market share, wallet share, mind share and panel positioning. The program also monitors customer satisfaction experiences across a range of product and relationship banking attributes.

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