

Growing dominance of the big 4 in the Institutional Debt market

(3 June 2011 – Australia) The demand for debt among Australia's Top 500 enterprises who bank with one of the Australia's big four banks is growing steadily, business banking firm East & Partners' latest Institutional Banking Markets (IB) report has found.

Following the GFC-induced balance sheet restructuring that took place across the institutional segment with significant equity placements, large corporates are back on the borrowing path. Growth in uptake of Long Term Domestic Debt by this segment has jumped from 88.2 percent in April 2010 to 94.5 percent April 2011 – a relative climb of 6.8 percent. This is very different growth in debt demand to that being witnessed in the middle market and SME business markets where demand remains flat.

Over this same period the Big Four domestic banks have increased their collective ownership of this balance sheet lending by 3 percent and now account for 89.6 percent of all primary lending relationships with institutional customers.

Paul Dowling, Principal Analyst from East & Partners said that "Debt is clearly back for the top end of town who are showing a bullish outlook for their businesses and looking to fund much of this growth with vanilla debt. We are witnessing an intense market share war occurring amongst the banks for this business."

"This is in stark contrast to the rest of the business banking market where demand for borrowings remains very subdued. Indeed East is forecasting a sub 2 percent growth in business lending for the coming year outside this institutional segment," Mr Dowling noted.

About East & Partners' Australian Institutional Banking Markets report

East & Partners' Institutional Banking Markets report is an ongoing six-monthly research service designed to deliver bank market share, wallet share, customer satisfaction, mind share, engagement and churn analysis for banking products among institutional enterprises turning over A\$540 million + per annum. The report is based on interviews with the top 500 businesses in Australia.

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