

## Institutional Transaction Banking Foreign Raiders

(2 December 2013 – Australia) The Big Four banks are losing out to international rivals in servicing the transaction banking needs of Australia's Top 500 businesses, according to the latest research from industry analysts East & Partners.

East & Partners Institutional Transaction Banking report identifies the findings of direct, in depth interviews with CFO's and treasurers from Australia's Top 500 enterprises by revenue.

The latest November release indicates that CBA has consolidated its position as the largest Primary Transaction Banker to institutional businesses, ahead of NAB, ANZ and Westpac.

The pecking order has not changed since 2008, yet the number of institutional sized businesses allocating their primary transaction banking services to international providers continues to grow.

In 2008 the Big Four represented 58.1 percent combined market share in international transaction banking, ahead of the 33.6 percent of primary relationships foreign banks accounted for.

East's latest research reveals that the number of primary relationships for international banks has almost doubled to 62.0 percent.

Comparatively the Big Four has lost nearly half of its market share, with a current 34.8 percent of primary International transaction banking relationships.

### Full Service International Transaction Banking - Market Share

	2008 (N:441)	2013 (N:316)
Big Four Banks	58.1	34.8
International Banks	33.6	62.0
Other Banks	8.3	3.2
TOTAL	100.0	100.0

Source: East & Partners Institutional Transaction Banking Program

These results clearly indicate a changing of the guard as multinational super banks such as HSBC, Citi, JP Morgan and Deutsche drive into select transaction banking product lines.

Wallet share, or how much business an organisation devotes to their primary transaction banker, is also on the decline for the Big Four in Full Service International Transaction Banking.

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International banking heavy weights are not only winning more business, but securing more of their own 'home banked' transaction banking business.

The Big Four have traditionally exhibited below average wallet share, dropping from 71.2 percent to 66.6 percent since 2008. Average wallet share for the market as a whole has increased in this same period, from 83.1 percent to 86.8 percent. The spread between the market average and the Big Four has widened from 11.9 points to a current 20.2 points.

International banks individually achieved widely varying wallet shares between 30 to 100 percent in 2008, yet combined were only 5.8 points below the market average. They now exceed the market average by 5.5 points, with a jump from 77.3 percent in 2008 to 92.3 percent in 2013.

Senior Markets Analyst Martin Smith observes falling wallet share in any product category is a cause for concern for the Big Four positioning themselves as 'full service providers'

"An increased 8.8 percent of institutions say they will definitely be making a change of primary banker within the next six months, in addition to 19.4 percent who say a change is highly probable"

"Coupled with lower transaction banking account lives, institutional banking teams are facing sterner competition for maintaining current business and attaining new business"

"The Big Four are witnessing more of their customers 'bank away' particular transaction banking products across the institutional segment as the Big Four focus heavily on their core strengths in products such as Account Services and Cash Management. International banks are yet to develop a larger presence within these core products...yet"

#### **About the East & Partners Institutional Transaction Banking Report**

The Institutional Transaction Banking report identifies the most powerful gauges of Transaction Banking service and capabilities among Australia's top 500 enterprises by revenue. This includes Market Share, Wallet Share, Bank Positioning, Operational Importance and overall Customer Satisfaction Ratings. Primary and Secondary relationships are presented against findings for Account Manager Satisfaction Ratings, Churn Levels and Bank Mind Share for the Institutional Market.

Released: May and November

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