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Media Release

Regional Trade Finance Strategy – Stay or Go?

(14 July 2014 – Australia) The strategic dilemma of how best to service trade finance needs of upwardly mobile Australian corporates is shaping to be more than just a matter of bank balance sheets being available, research from banking analysts East & Partners shows.

Many Australian banks actively move abroad with their customers, providing on the ground service and support to leverage their growing regional presence and maintain a close core primary relationship.

Other banks seek to partner with local providers in order to deliver home grown talent, insight and pricing competitiveness, arguing diverse trade finance market characteristics do not lend themselves to a 'one size fits all' policy.

The contrasting strategic initiatives engaged by both outgoing Australian banks and incoming international banks creates a fascinating market dynamic. CFO's and treasurers from 1,859 surveyed enterprises across institutional, corporate and SME segments in East's latest trade markets research, report improved satisfaction from the enhanced focus on better terms, emerging product solutions and dedicated service standards.

Continuous market share data over the last ten years shows rising fortunes for ANZ and HSBC, trending steadily higher in 2014 and building upon their ability to bank over 80 percent of their primary customer's trade finance wallets – well above the market average of 68.6 percent. This is a direct reflection of leading customer satisfaction ratings, particularly for ANZ. International trade offerings from Citi, Bank of America Merrill Lynch and JPMorgan have also made sizeable market share gains in the last year in key segments.

NAB's strong small business market leadership is also reflected in trade, where the bank holds a market leading market share position in corporate and SME segments but faces stiff competition from ANZ, CBA and Westpac. Westpac unit St George is increasingly active among SME's as a primary trade finance provider, improving relationship share and positioning the Westpac group as the main challenger to the NAB trade brand. CBA is gaining ground quickly albeit from a lower primary market share base and is being viewed, interestingly, as a serious "challenger" brand in trade.

"Winning new trade business is becoming increasingly difficult, but it also emphasises the importance of securing existing trade relationships through a dedicated, defined service offering," Martin Smith, East & Partners Senior Markets Analyst quoted.

"Secondary wallet share has fallen considerably across all segments, highlighting the 'sticker' nature of trade products and heightened competition both at home and abroad."

"The just approved Japan FTA is an excellent example of growing, closer ties in the Asia Pacific region, opening new opportunities for trade and supply chain financing that importantly incorporates small business growth aspirations", he added.

The key drivers to winning customer trade business vary significantly by business size, further complicating the cost and execution of regional trade finance expansion. Where a knowledgeable trade account officer may be the priority for large corporates, improving trade loan facilities and conditions remain the focus for small business owners

Top Three Key Bank Initiatives in Winning Customer's Trade Business

% of Trade Finance Customers

	Institutional	Corporate	SME
	(N: 362)	(N: 699)	(N: 798)
Give us a Knowledgeable Trade Account Officer	37.8	12.6	23.3
Improve Trade Loan Facilities and Conditions	8.8	15.9	41.1
Provide Open Account Financing	23.8	49.5	20.5

Source: East & Partners Trade Finance Program - February 2014

About the East & Partners Trade Finance Program

Reliable and cost effective Trade Finance solutions are of strategic importance and are directly attributable to Relationship Positioning across differing Trade Customer market segments. The sixmonthly Trade Finance Markets report forecasts demand for trade and supply chain related banking services and products and monitors competitive positioning in Market Share, Service Factor and Product Customer Satisfaction performance, Mind Share and Trade Customer Churn between banks.

Business Segments according to annual revenue:

- > Institutional A\$725 million plus
- > Corporate A\$20-725 million
- > SME A\$5-20 million

For more information or for further interview based insights from East & Partners on the Trade Finance Program, please contact:

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