

Media Release

Competition hotting up in Australia's Trade Finance markets

(Australia – 19 February 2004) Australia's Trade Finance markets are set to grow 8.4 percent in fiscal year 2004 with bank fees and transaction charges reaching A\$840 million, according to new research by East & Partners.

East's inaugural Trade Finance report also forecasts Australia's Trade Finance markets – commercial and corporate – will grow 9.3 percent in FY2004/05 with market value reaching A\$915.6 million net of financing revenues.

The report shows National Australia Bank (NAB), ANZ and Westpac to be the clear leaders in terms of share of primary Trade Finance relationships in both the commercial and corporate market segments.

ANZ is the standout banker among the Top 500, owning almost a quarter of relationships in this market yet trailing NAB in the commercial sector – a clear indication of the different demands of each market, as well as the segmentation focus individual banks have been adopting.

“Large internationals, such as HSBC, Citigroup, and ABN Amro, expectedly show up strongly in the market and are helping drive a lot of new product deployment, especially e-Trade platforms over the coming 18 months or so,” East & Partners principal analyst Paul Dowling said.

“Trade Finance is well and truly back on the radar for the major domestic banks and we are seeing renewed vigour from all banks to improve their performance in this area. The recent US-Australia free trade agreement has only added extra impetus and incentive for banks to get it right,” he said.

“Our findings have reinforced the view that customer service is the key to market success. Many trade customers feel as though they have been left alone and ignored for far too long.

“Ordinary service performance by banks is reflected in a relatively low wallet share held by primary trade financiers [see Table on next page] in their customer relationships. Not owning more of their customers' trade business is the penalty for banks that under-deliver in these markets,” Dowling said.

Share of Primary Trade Customers' Wallets

	Average % Share of Business Per Own Customer	
	Commercial Market	Corporate Market
ABN Amro	40.8	77.3
ANZ	76.6	89.2
Arab Bank	29.8	30.2
Bank of America	—	57.5
Bank of Queensland	19.6	—
BankWest	59.5	50.5
BNP Paribas	—	88.0
CBA	43.1	75.0
Citigroup	69.2	94.2
HSBC	73.0	74.8
JPMorgan	19.5	85.5
NAB	54.3	74.4
St George	24.6	75.5
Suncorp Metway	28.8	31.6
Westpac	55.1	66.9
Other	52.3	69.8
TOTAL	51.4	79.6

Source: East & Partners Trade Finance Markets Report February 2004

NOTE: The full analysis report contains complete market share profiles on this growing market.

East's report shows that large corporate clients are increasingly putting their Trade Finance requirements out to tender, often through third party consultants, in order to drive price down and make sustainable selections.

"This has traditionally made it a difficult market for international banks to generate sustained profits, with some large deals going sour, such as Pan International in the 1990s," Dowling said.

“As a result, there has been a significant shift by banks to utilise insurers in covering customer/country trade risk rather than carrying such exposures on their own books; the two major players being Altradius and QBE/Trade Indemnity Australia,” he said.

According to East’s report, the three worst areas of trade financier performance against customer expectations are:

Commercial Market	Top 500 Corporates
Structured Trade Finance Products	e-Trade Solutions
e-Trade Solutions	Global Representation
Value for Money	Structured Trade Finance Products

The three best performing areas are:

Commercial Market	Top 500 Corporates
General Trade Advice	Trade Loans
Professional Competence	Processing Accuracy
Processing Accuracy	Professional Competence

The full analysis report and further information is available by contacting:

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