

Giants awake in Transaction Banking

(26 July 2004 – Australia) The restructuring that has taken place within the corporate and institutional divisions of Commonwealth Bank and National Australia Bank appears to have paid off with both banks improving their share of the corporate transaction banking market, according to East & Partners.

East's latest Corporate Transaction Banking Report shows that CBA and NAB have both boosted their share of Top 500 Corporate relationships: CBA now holds 20.9 percent of primary transaction banking relationships compared with 18.1 percent a year earlier; NAB has turned a big corner and improved its share from 13.5 in May 2003 to 14.9 percent in this current report.

Westpac, which is in the process of restructuring its institutional bank, is still the largest transaction banker to corporates with 24.5 percent of primary relationships, despite dropping more than three percent over the past 12 months.

“Assuming good execution here, there is every reason to pick similar follow through in Westpac's corporate transaction business in six to nine months time,” East & Partners principal analyst Paul Dowling said.

ANZ's share of transaction banking relationships is also decreasing, from 26.0 percent in May 2003 down to 23.9 percent currently.

St George is steadily making inroads into the big end of town, easing its share up to 4.7 percent from 4.4 percent a year earlier.

Mr Dowling said transaction banking was one area where small improvements in customer service could add significant value to the customer relationship.

“Corporate CFOs want to deepen the relationships they have with their banks so the banks understand their business and industry and can help them unlock value,” he said.

“Getting closer to the customer and delivering better service has to be the absolute focus and aim of any internal restructure or “transformation” plan.

“Commonwealth Bank and the National are clearly gaining traction in transaction services from their internal changes in their corporate and institutional divisions,” Mr Dowling said.

“In the case of Commonwealth Bank, this performance reflects new account wins with negligible attrition; in the case of the National, customer attrition over recent years has been stemmed and accompanied by new corporate relationship wins,” he said.

“The importance of relative competitive performance in transaction services has been highlighted in separate research recently released on the merchant acquiring markets in Australia, dramatically identifying the new aggression with which merchants are looking to improve their single biggest area of transaction costs – card transacting.”

Top 5 Customer Satisfaction Services to Corporates

- 1 Credit Rating of Bank
- 2 Transaction Processing Speed
- 3 Settlement Performance / Professional Competence
- 4 Electronic Service Delivery
- 5 Bank’s Account Officer

Top 5 Service Attribute Importance ratings to Corporates

- 1 Understanding of Customer’s Business
- 2 Quality of Transaction Execution
- 3 Professional Competence
- 4 Quality of Advice / Bank’s Account Officer
- 5 Overall Quality of Service Delivery

Source: East & Partners Corporate Transaction Banking Report – May 2004

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