

## **Price war looming in business banking markets**

(31 August 2004 – Australia) A price war could be about to break out in Australia's commercial banking markets as some banks cut prices and offer more service at no extra cost in a bid to protect and win market share, East & Partners has found.

East's latest Commercial Treasury Banking Markets report, which researches companies turning over A\$20 to 340 million, shows customer satisfaction levels with the Value for Money banks are providing have jumped significantly since the previous report.

Concern over a looming price war has been reinforced by companies saying they have been approached over the past few months by both their incumbent lenders and rival banks pitching for their business.

*Have you experienced either re-pricing of your existing credit lines or been approached for your business at more favourable rates over the past three months?*

### **% of Commercial Enterprises**

	<b>Existing Lines Re-Priced</b>	<b>Attractive Competitive Pitches</b>
Yes	18.2	13.6
Westpac	6.5	4.0
NAB	6.1	2.4
CBA	2.9	3.8
BankWest	1.8	1.9
Others	0.9	1.5

East & Partners Commercial Treasury Report: Proprietary Question – July 2004

Customers of Westpac and National Australia Bank in particular, as well as Commonwealth Bank and BankWest, are reporting sudden jumps in Value for Money ratings compared to six months ago.

By contrast, ANZ and HSBC's Value for Money customer satisfaction ratings have deteriorated slightly, while St George is gradually improving its performance in this area.

"It appears that stronger efforts on the part of several banks to deliver value into their existing customer bases are underway, partly by way of price reductions and partly by way of greater levels of service for the money – and it's happening particularly in business lending," East & Partners principal analyst Paul Dowling said.

"There is anecdotal concern in the market that the National is starting to reprice its existing client base and finely price new business as it looks to lift near term market performance.

"This supports what may be pre-emptive defensive moves on the part of those banks registering big "Value for Money" jumps over the past six months," Mr Dowling said.

"There's a lot of finger pointing taking place among the major banks, and everyone's denying they're participating but customers are starting to report almost ubiquitous interest in their lending business at increasingly attractive rates," Mr Dowling said.

"One of the risks in aggressively chasing middle-market business by banks and over-pitching to these customers is that such behaviour raises expectations," he said.

The report shows CBA has 22.6 percent of primary transaction banking relationships in the commercial segment, up from 22.1 percent in the previous report. NAB's share of relationships has slipped from 19.8 percent in January to 19.1 percent in this latest report.

Westpac has improved its market share from 18.7 percent in January 2004 to 19 percent in the latest report; St George has 5.2 percent compared with five percent six months before; but ANZ has slipped to 18 percent from 18.4 percent in the January report.

**A\$ Term Loans Performance Ratings – Value for Money**

N: 591

**Average Rating Reported**  
**1 — 2 — 3 — 4 — 5**  
(satisfied) (dissatisfied)

	<b>July 2004</b>	<b>January 2004</b>
BankWest	1.88	2.03
CBA	1.90	2.02
St George	2.13	2.16
Westpac	2.21	2.30
HSBC	2.26	2.22
NAB	2.30	2.32
Citigroup	2.37	2.35
Deutsche	2.40	2.44
ANZ	2.41	2.35
JPMorgan	—	—
Other	2.27	2.34
TOTAL	2.21	2.27

East & Partners Commercial Treasury Report – July 2004

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