



## Media Release

### **Top 500 market offering slim pickings for banks, report finds**

(3 February 2005 – Australia) Banks are struggling to significantly grow their market share in Australia's Top 500 Corporate transaction banking market with new customer and product opportunities proving few and far between, according to East & Partners.

East's latest Corporate Account Penetration report shows the big end of town is becoming increasingly saturated with product and that although corporates are steadily engaging secondary bankers, they are not providing them with large chunks of business.

"We've definitely seen a drift towards consolidation of service providers in the corporate market over the past 18 months. Secondary bankers are getting a foot in the door but they're finding it tough to cross sell other products into the corporate and turn them into a larger client," East & Partners principal analyst Paul Dowling said.

"In general, the corporate sector is not as volatile as the commercial or small business sectors, the margins are slimmer and the deals are more visible with banks increasingly having to tender for what business becomes available. It's not surprising that banks are restructuring to focus more of their effort on commercial, SME and micro-business customers," Mr Dowling said.

The report shows that demand for lending among the Top 500 is falling with 77.9 percent of corporates using Long Term Domestic Debt compared with 80.5 percent in the previous study six months earlier. Likewise, the number of corporates using Long Term FX Debt has dropped to 31.9 percent compared with 33.4 percent six months before.

On the other hand, demand for corporate finance and advisory products is growing with Merger & Acquisition Advice jumping to 61.9 percent of corporates compared with 54.6 percent six months before. Capital Structuring has increased to 58.9 percent in this latest report from 56 percent last time around.

"The lack of appetite for borrowing is symptomatic of a market segment that is going through a conservative phase in terms of appetite for debt, with strong balance sheets," Mr Dowling said.

"It does, however, underpin what we see as another strong year for M&A activity."

The report shows that Westpac is the leading A\$ term lender to corporates in Australia with 19.1 percent of primary relationships, followed by ANZ with 18.8 percent, Commonwealth Bank with 18 percent and National Australia Bank with 12.4 percent.

The Big 4 commercial banks also participate in syndicated term deals which account for 11 percent. The international banks continue to gain ground in the domestic debt markets.

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