

## Multiple Providers the Norm in Australia's Trade Finance Market

(Australia – 27 February 2008) Engagement of multiple trade financiers is fast becoming the norm in Australia's competitive Trade Finance markets, according to East & Partners' latest Australian Trade Finance Markets Report.

East's Trade Finance Markets Report for February 2008, part of an ongoing six-monthly market research service primarily focused on Institutional (Top 500) and Corporate (A\$20-340 million annual turnover) segments, finds that about two out of every three businesses now engage a secondary trade financier, an indication of a strong competitive dynamic.

Much of the competition in the Australian trade finance market is on the back of the growth in underlying trade activity. Competition is also originating from overseas based banks – HSBC and Citigroup in particular – keen to capitalise on the growing opportunities in the Australian market.

HSBC is the number one secondary provider of trade finance, with more than 20 percent of secondary relationships in both Corporate and Institutional markets. The bank also has a growing footprint in terms of primary trade finance relationships, with a market share of 12.9 percent in the Corporate and 11.3 percent in the Institutional segment.

Citigroup has continued to find success as a primary trade finance provider in both markets and accounts for a large share of secondary trade relationships with Australian businesses.

However ANZ and National Australia Bank remain the biggest trade financiers. ANZ has a strong lead in the Institutional segment with 25.7 percent of primary relationships while NAB places first in the Corporate segment with 21.1 percent of primary relationships.

The trend towards engagement of multiple trade finance providers is further reinforced by the steady decline in primary financiers' wallet share, or the percent of customers' trade needs serviced by the main provider. In the Corporate market the main trade financier typically services no more than 50 percent of a customer's overall trade business. In the Institutional segment about one third of a customer's trade finance needs are met by secondary provider(s).

There are, however, large differences in wallet share across different providers. HSBC and ANZ are stand out performers in this respect, commanding wallet shares well above the market average in Corporate and Institutional segments.

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“Propped by strong regional and domestic economies, Australian businesses are becoming more active in international trade. The associated increase in the demand for trade finance and growth in the market size have not gone unnoticed,” said East & Partners financial market analyst Zoran Knezevic.

“The incumbent trade financiers are facing strong pressure from a range of international players looking to leverage their trade expertise to capture a larger slice of the Australian market,” Mr Knezevic added.

“Trade customers appear to be reacting to this increased choice by sampling alternative propositions; potentially using these secondary relationships to keep the main provider honest or to test other providers ahead of a deeper engagement,” he said.

#### **About East & Partners’ Australian Trade Finance Markets Program**

Australian Trade Finance Markets is East's ongoing six-monthly research service focusing on the Top 500 institutions and a structured sample of the Corporate businesses with annual turnover between A\$20 and 340 million. Each market analysis report covers a range of metrics including market share, share of wallet, product penetration, export/import regions, supplier share of mind and customer satisfaction with service performance. The program also includes a nominal coverage of the SME (\$A5 to 20 million annual turnover) market segment.

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