

Big Four responding to boutique FX providers

(30 May 2012 – Australia) Despite the market share gains in the retail space of boutique FX providers such as Western Union and Ozforex, recent data by industry consultants East & Partners has shown, in the business market at least, the Big Four domestic providers still account for the majority of market share.

Western Union now has the majority of primary relationship share in both the SME and Micro business segments in Spot FX, with a substantial 20.6 percent and 21.6 percent respectively, based around its challenger acquisition strategy. It is still, however, well behind the combined positioning of Australia's Big Four domestic banks. Over the last four years the Big Four banks have increased their primary relationship share in Spot FX across the Lower Corporate, SME and Micro segments, with gains of 9.3 percent, 6 percent and 3.6 percent respectively.

Spot FX Market Share

| | % of Primary Relationship | | | |
|------------------------|---------------------------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 |
| Lower Corporate | | | | |
| Big Four | 60.3 | 62.9 | 65.5 | 69.6 |
| Other | 39.7 | 37.1 | 34.5 | 30.4 |
| SME | | | | |
| Big Four | 58.6 | 62.1 | 63.2 | 64.6 |
| Other | 41.4 | 37.9 | 36.8 | 35.4 |
| Micro | | | | |
| Big Four | 57.1 | 56.9 | 60.4 | 60.7 |
| Other | 42.9 | 43.1 | 39.6 | 39.3 |

Source: East & Partners' Australian Business Foreign Exchange Markets report – May 2012

The Micro segment seems the most open out of the three segments to banking their FX products with a 'challenger' brand, with 39.3 percent of Micro companies saying their primary provider is a provider other than the Big Four. This number is down from 42.9 percent in 2009 but recent macroeconomic events often result in companies taking short term shelter with the financial institutions they perceive as the most stable.

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Further highlights of the report covering Spot FX, FX Options and Forward FX markets include:

- Share of mind across the three segments, by bank
- Share of product wallet across the three segments, by individual providers
- Competitive customer satisfaction performance
- Primary and secondary relationship share across the three segments, by bank and against market-wide performance

Paul Dowling, East & Partners' Principal Analyst commented. "Specialist FX providers have been active and very successful in acquiring share in the Australian business markets but are having to respond to two key themes now confronting them – one is the fightback by the major commercial banks that has been underway for some time as they have deployed cross sell and customer retention strategies; the second is the natural flight to "safety" many businesses have initiated in response to the credit conditions around them."

"FX remains, however, the most banked-away from main bank product market of all and is a hugely competitive space" Mr Dowling added.

About East & Partners' Australian Business Foreign Exchange Markets report

This ongoing six-monthly market monitor provides benchmarks against which FX providers can measure the success of their service proposition. This standalone report addresses the FX markets across the Micro, SME and Lower Corporate segments.

The program monitors product engagement, performance and behaviours across these core markets, and provides market share and wallet share being achieved by individual providers against market-wide performance.

Note: Market Segments:

- › Lower Corporate – A\$20-100 million
- › SME – A\$5-20 million
- › Micro – A\$1-5 million

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