

Media Release

Trade Finance Gain causing Transactional Banking Pain

(10 March 2014 – Asia) Asia’s ‘Big Three’ banks face declining trade finance market share due to heightened competitiveness from international banks, which are also increasing their share of transaction banking business among the region’s top corporates.

Presenting research at the Singapore and Hong Kong Open Markets Briefings last week, East & Partners Asia revealed that the “Big Three” of HSBC, Standard Chartered and Citi hold a much smaller percentage of primary trade finance relationships than primary transaction banking relationships.

The insights come from comparing East’s long running Asian Transactional Banking (ATB) program with the inaugural Asian Trade Finance (ATF) program, both of which look at the banking relationships of Asia’s Top 1000 corporates by revenue in 10 Asian markets ex Japan.

Where the Big Three enjoy 51.8 percent of primary transactional banking relationships, they hold a lesser 47.7 percent of primary trade finance relationships with the same corporates.

International banks, a grouping which includes Australia’s ANZ, hold 21.4 percent of primary transactional relationships but 24.6 percent of primary trade relationships.

More evidence of the increased traction of these international banks comes from comparing the most recent ATB results with those from the same program in 2009. The comparison shows that primary TB market share for these banks has increased from 18.7 percent in 2009 to the current 24.6 percent.

Lachlan Colquhoun, Head of Markets’ Analysis at East, said the comparison supported anecdotal evidence that international banks were using their trade offering to build business in Asia, and were then using those relationships to build transactional banking market share.

“We also see that, over the period from 2009, the Big Three have seen their secondary market shares improve as their primary shares have declined,” said Colquhoun.

“The research suggests that the other international banks have benefitted from that switch, and that the banks which have built transactional banking market share have also been the ones to do well as providers of trade services.

“The second round of the ATF program will give us some further evidence on whether this is a continuing trend.”

The briefing was also presented with research which showed that Asia's Top 1000 corporates were much less likely to change trade financier than their transaction bank.

Almost half of all institutional enterprises are 'very likely' or 'possibly' changing their primary transaction banker within the next six months, yet half that number are intending on changing their primary trade financier.

Change in Primary Provider in the Next Six Months

% of Total

	Very Likely	Possible
Asian Transaction Banking	21.0	25.6
Asian Trade Finance	6.6	20.9

Source: East & Partners Asia Trade Finance and Asia Transaction Banking Programs

This relationship clearly illustrates the inherently 'sticky' nature of trade relationships, while also revealing the strategic importance of developing stronger wallet share and customer satisfaction among transaction banking products susceptible to higher churn.

About the East & Partners Open Markets Briefing

East & Partners hosts Open Markets Briefing sessions in Hong Kong and Singapore twice a year, highlighting key changes in the business banking landscape based on the firms' comprehensive market research programs across the Asia Pacific.

Attended by representatives from over 60 different local and international banks, financial service institutions and a number of local and international media houses, East & Partners' Open Markets Briefings are fast becoming a feature of the financial calendar.

Other Open Markets Briefing Locations:

- › Singapore
- › Hong Kong
- › Sydney

Sian Dowling
Marcomms & Client Services
East & Partners
t: 02 9004 7848
m: 0420 583 553
e: sian.d@east.com.au