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Media Release

Market Share Concentrating…but less borrowing by the Top 500

(15 January 2013 – Australia) Australia's largest enterprises continue to allocate more of their primary lending business to the Big Four, yet planned borrowing intentions are falling, research from East & Partners latest Institutional Banking report reveals.

The Big Four are currently nominated as primary lender to an overwhelming 83 percent of Australia's Top 500 enterprises by revenue. This represents an increase of 20 percent since the onset of the GFC in 2007 where the collective lending market share of the Big Four totalled 69.4 percent. CBA and NAB lead ANZ and Westpac as main primary lenders to the segment, with larger businesses citing a reduction in debt refinancing and borrowing for capital expenditure as key reasons for borrowing, balanced by growing debt funding being applied to working capital and balance sheet requirements.

International banks such as Deutsche, HSBC and JP Morgan had been facing increased lending competition from other domestic banks outside of the Big Four pre-GFC, however in the last three years they have successfully reclaimed primary lending market share directly from smaller lenders.

As the Big Four and International banks contend for greater lending market share, smaller lenders have effectively been priced out of the Institutional market. Since attaining a lending market share high of 5.2 percent in 2009 non-Big 4 Australian banks have seen their collective market share slashed by 85 percent to a mere 0.8 percent.

Primary Lending Market Share – Institutional Segment

	% of Total		
	2009 (N: 453)	2011 (N: 447)	2013 (N: 443)
Big Four	77.5	81.4	83.0
Internationals	13.3	16.2	16.2
Other	5.2	2.4	0.8
None	4.0	—	—
TOTAL	100.0	100.0	100.0

Source: East & Partners Australian Institutional Banking Program

Adding extra competitive fire to competition for primary lending market share is the steady decline in borrowing intentions of businesses turning over more than $725 million per annum. Planned borrowing in the next six months has declined sharply, from a high of 46.1 percent in 2011 to a current low of 31.3 percent.

East & Partners Senior Markets Analyst Martin Smith observes the Top 500's suppressed borrowing intentions and higher intention to switch provider as contrasting improving business sentiment and an expanding borrowing appetite among small businesses.

"East & Partners forecasted a reduction in Institutional business borrowing in 2012, and we are now witnessing reduced borrowing activity by Australia's largest businesses. This is attributed to an adjustment in the major reasons for planned borrowing over the first half of 2014."

"Business banking markets are becoming more concentrated at the top end of town, yet the Institutional banking teams of the Big Four and International banks are challenging historically high customer retention rates within the segment. Better pricing and improved customer support remain the two main reasons for bank churn among the Top 500."

"The length of primary lending relationships is falling rapidly, currently averaging less than 0 – 2 years. 17.5 percent of Institutional businesses maintained a lending relationship of 6 – 10 years in 2009. This figure has dropped to only 2.2 percent."

About the East & Partners Institutional Banking Report

East & Partners Institutional Banking Markets report delivers leading research and analysis of strategic product and service performance by banks active across Australia's Top 500 corporations with annual turnover above A$725 million. These metrics include Bank Mind Share Ratings, Relationship Positioning, Market Importance, Customer Service Performance and Bank Satisfaction Rankings. The report's in-depth findings provide detailed analytics of Individual Relationship Manager Performance, Borrowing Intentions, Panel Positioning and Customer Churn.

For more information or for further interview based insights from East & Partners on the Institutional Banking Report, please contact:

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