

## Media Release

# FSI sparking Syndicate Lending Growth

(11 August 2014 – Australia) The Big Four banks have further increased their dominant market share in business banking in the last five years, presenting challenges to David Murray's Financial Services Inquiry as it seeks to balance financial stability with competition.

Research from East & Partners, presented at the firm's Open Markets Briefing in Sydney on August 7, shows that the Big Four have lifted their collective market share as primary lender and primary transaction bank to Australian businesses to over 80 percent in the last five years.

The Q3 business banking update applied the firm's extensive research and analysis programs to David Murray's unenviable task of levelling the Australian banking playing field while maintaining capital market stability for the Financial Services Inquiry (FSI).

These issues include how changes can be conducted without detracting from recent Big Four success, which areas of the banking industry are susceptible and where the most lucrative opportunities exist.

East's research programs looking at the Institutional market, of businesses turning over A\$725 million plus, shows that the Big Four's market share as primary lender has increased from 69.6 percent in 2008 to 82.9 percent in 2014. In transaction banking, the Big Four share has jumped from 79.8 percent to 84.5 percent in the same period.

East also researches the corporate market, of businesses turning over A\$20- A\$725 million. Among corporates, Big Four share as primary lender has increased from 74.2 percent to 82.5 percent while transaction banking share expanded from 73.6 percent to 82.2 percent in the last five years.

One sign of renewed competition, however, comes from a resurgence of syndicate lending. Syndicate lending is on the comeback in institutional credit markets, with David Murray's Financial Services Inquiry set to prompt greater market share gains in 2015.

East's Institutional Banking program compares market share outcomes of the Big Four directly against Syndicate lending market share growth.

Trending data since 2008 reveals institutional lending growth has been experienced by all but one of the Big Four banks, yet the resurgence of Syndicate lending as a viable alternative for the Top 500 enterprises by turnover is a telling indicator of what the banks can expect to come.

Primary Syndicate lending market share decreased from 8.6 percent to 6.1 percent between 2008 and 2012 before jumping back to 7.7 percent in 2014.

Secondary Syndicate market share tracked an even more significant rebound, falling from 12.8 percent to 6.9 percent before climbing to a current 10.5 percent of secondary lending relationships.

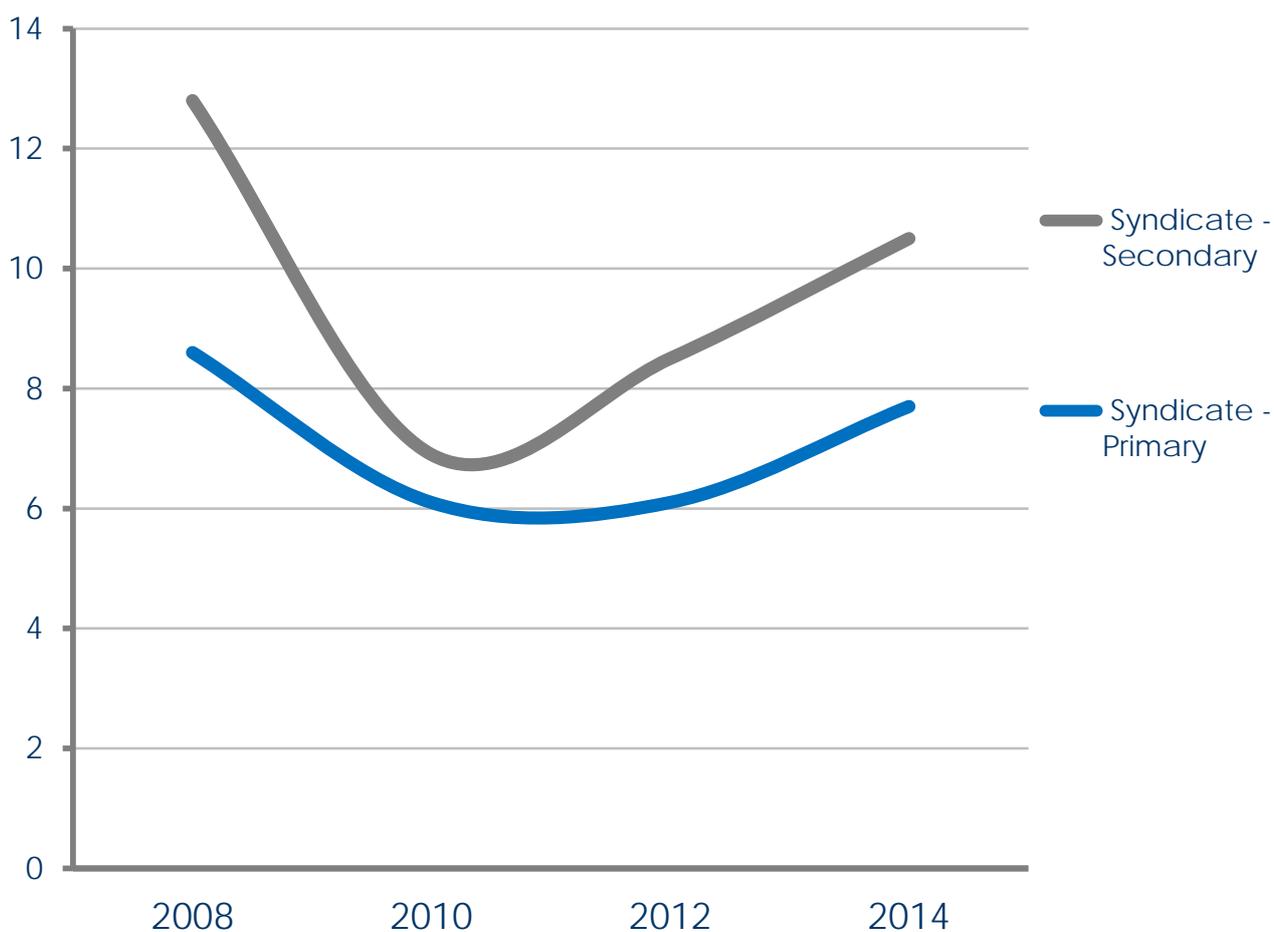
“Following the GFC many of Australia’s largest enterprises returned to their primary banking relationship, reflected in decreased customer churn”

“The FSI’s stated focus on stability has been positively received by CFO’s and treasurers and with interest rates remaining low, the barriers to customer churn are falling all the time”

“The hunt for yield will continue to drive Syndicate lending growth in Australia, providing even greater competition for the Big Four let alone regional and non-bank lenders”

## Institutional Lending Market Share

% of Total



Source: Institutional Banking Program

## About the East & Partners Open Markets Briefing

East & Partners hosts Open Markets Briefing sessions in Sydney each quarter. The briefings highlight key changes in the business banking landscape based on the firms' comprehensive market research programs across Australia and the Asia Pacific.

Attended by representatives from over 60 Australian and international banks, financial service institutions and a number of local and international media houses, East & Partners' Open Markets Briefings are an integral feature of the financial services calendar. Additional Open Markets Briefing locations include Singapore and Hong Kong.

Business Depositor Segments:

- › Institutional – A\$725 million plus
- › Corporate – A\$20-725 million
- › SME – A\$5-20 million
- › Micro – A\$1-5 million

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