



Media Release

Business lending via brokers continues to soar

(9 August 2005 – Australia) Almost one third of all Commercial (middle markets) companies and SMEs will source their lending from brokers within the next 18 months, East & Partners has forecast.

East's annual Business Lending report reveals significant opportunity for providers which have the scale and distribution capabilities to grow their lending book in the SME and small commercial market segments.

The report shows substantial growth of the broker channel occurring in business lending, with more than 27 percent of middle-market companies forecast to access debt via third party channels by 2007, compared with 22.1 percent currently and just 6.1 percent in 2001.

In the case of SMEs, some 34.5 percent of A\$ Term Lending will be originated through brokers by 2007, compared to 26.3 percent currently.

“The broker channel has rapidly become important for banks, particularly for reaching SMEs and smaller Commercial businesses, currently the ones displaying most appetite for borrowing,” East & Partners principal analyst Paul Dowling said.

“Brokers have traditionally provided a vital channel for regional and in some cases larger banks where they don't have a geographic presence, but given the amount of volume now passing through this channel, it is imperative that lenders have a clear strategy where intermediaries are concerned,” he said.

The report reveals the key reasons for both Commercial companies and SMEs sourcing debt via third party brokers are the more flexible terms, pricing benefits and collateral/security reductions.

The report shows that businesses are predominantly using vendor/product financiers as brokers, followed by accountants and other financial planners.

“Businesses tell us that they go to brokers when they are looking for greater collateral flexibility and value for money,” Mr Dowling said.

“There are strong business opportunities for business lenders, especially in the lower middle-markets and SME segments but we expect to see further margin squeeze occurring as these banks compete for market share and protect their customer base by repricing arrangements with their existing customers,” Mr Dowling said.

The Business Lending 2005 Report provides market size, segmentation and forecast analyses covering the whole Australian business lending markets.

For further information, please contact:

Paul Bartholomew
Senior Consultant
East & Partners
Tel: 02-9004 7848
Mob: 0410 400 156
paul.b@east.com.au