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Media Release

Top 500 Shifting the Goalposts

(2 June 2014 – Australia) The appetite for borrowing among Australia's Top 500 corporates has fallen sharply, leaving institutional banking teams in their wake and scrambling to align with new planned borrowing drivers.

East & Partner's Institutional Banking markets program presents market share, wallet share, customer satisfaction and mind share ratings for bankers to the Top 500 Australian enterprises by revenue. Conducted twice a year, the results are structured from direct interviews with 447 CFO's and treasurers of institutional businesses turning over A$725 million or more per annum.

The latest report suggests the core reasons for planned borrowing by institutional businesses have altered significantly, rendering both Big Four and international lenders out of touch with their largest business banking customers by turnover.

A declining 28.6 percent of institutional businesses plan to procure new borrowing, dropping substantially from 38.6 percent in April 2013.

New business acquisition is cited as the next most important reason for new borrowing by 28.2 percent of the Top 500. This highlights an emerging focus area for institutional businesses after increasing from as low as 8.0 percent in April 2010.

21.7 percent of institutional enterprises acknowledged uncertain borrowing intentions over Q2 and Q3 2014, while the number of businesses not planning to acquire additional lending facilities over the next six months has jumped from 41.6 percent to 49.7 in the last year alone.

Capital management needs and balance sheet consolidation have surpassed working capital to fund growth as the most important reason for new planned borrowing.

38.3 percent of the Top 500 nominated capital management needs as the most important driver for new lending requirements, edging ahead of the 35.9 percent of respondents favouring working capital to fund growth.

Panel bank churn rates remain high for the Big Four broadly, yet CBA represents the highest level of customer retention after reducing total customer churn from 2.0 percent to 1.6 percent since October 2013. Institutional businesses are reporting the highest number of unsolicited approaches from Macquarie, followed by UBS and CBA.

"The key reason for panel bank churn remains better pricing, with institutional businesses also recognising strong customer support and reduced counter party risk as important influences on changing provider" quoted Senior Markets Analyst Martin Smith.

"Customers mainly switch providers because relationship managers lack particular industry expertise, substandard corporate advisory services and effective equity raising propositions."

"The institutional segment is exhibiting a distinctive shift in borrowing behaviour, requiring a renewed focus on understanding the customer and competing effectively for what is essentially a dwindling pool of new planned Top 500 borrowings."

Reasons for Planned Borrowing

% of Total

	April 2012	April 2014
Balance sheet / capital management needs	33.7	38.3
Working capital to fund growth	35.8	35.9
Business acquisition	21.9	28.2
Refinancing	21.9	15.6
Capital expenditure	21.4	11.7
Special development projects	5.3	7.0
Release capital / equity from the business	1.1	2.0
Other	2.7	0.8

Source: East & Partners Institutional Banking Program – April 2014

About the East & Partners Institutional Banking Report

East & Partners Institutional Banking Markets report delivers leading research and analysis of strategic product and service objectives 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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