

Media Release

Trade Finance Revenue Pools – First Time Analysis

(12 January 2015 – Australia) Trade finance revenue pools dwindled significantly more than anticipated in 2014, exclusive research from East & Partners (East) reveals.

Export loan balances have dropped 13.2 percent to A\$6,043m since 2012 following a marginal increase in 2013. Import loan balances surged 24.4 percent from A\$9,334m to A\$11,607m over the same timeframe.

The unique analysis is derived from East's long running Trade Finance program, applying proprietary demand side segmentation data against multiple trade volume sources including SWIFT, regional EDAs, client bank private inputs and official government statistics.

The market wide breakdown accurately matches the World Trade Organization (WTO) import and export volumes, specifically excluding downstream or upstream supply chain financing and vanilla debt used in supporting trade transactions.

The remarkable figures support a commonly held anecdotal view that export values have deteriorated considerably since mid-2013, limiting total trade loan balance growth since 2012 to 8.3 percent, from A\$16,298m to A\$17,650m.

Volumes continue to ratchet higher however greater competition and lower prices have eroded overall trade value, reflected in a depleted trade loan balance revenue pool.

Interest income has come under extensive pressure as export volumes wane while fee/transactional income pools have expanded marginally, heavily supported by importers.

This relationship is expected to break down as the Australian Dollar slides further and more banks challenge the dominant export orientated trade finance providers.

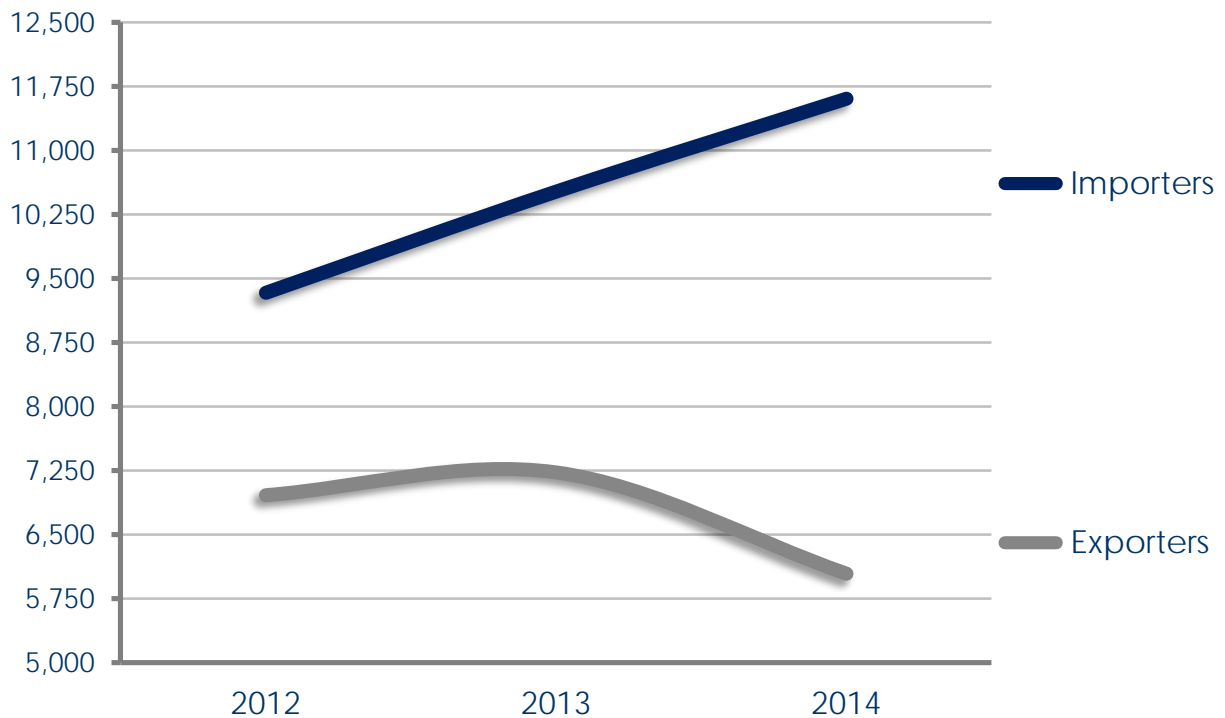
"Quantifying trade finance revenue pools in terms of current loan balances, interest income and fee income has emerged as a key requirement for East client banks in Australia seeking to successfully manage a rapidly changing customer set" East & Partners' Head of Markets Analysis Martin Smith said.

"The rotation away from a traditional market wide strength in financing goods trade to the more intricate services based trade proposition poses a major challenge for Australian banks"

"China continues to grow in importance as both an export and import destination however falling commodity prices and a lower Australian Dollar place greater importance on quantifying the precise trade finance revenue pool opportunity"

Australia Trade Finance Revenue Pools

Trade Loan Balances (A\$ million)



Source: East & Partners Trade Finance Program, August 2014

About the East & Partners Trade Finance Program

Reliable and cost effective Trade Finance solutions are of strategic importance to relationship positioning among small and large enterprises alike. The six-monthly Trade Finance Markets program forecasts demand for trade and supply chain related banking services and products, monitoring competitive positioning across Market Share, Wallet Share, Customer Satisfaction, Mind Share and Trade Customer Churn by bank and segment. Based on direct interviews with a national, structured sample of +/-1,850 exporters and importers twice a year.

Released: February and August

Business Segments:

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

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