

Australian Trade Finance Markets

Market Analysis Report
August 2011

Institutional, Corporate and SME Markets



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Contents

Introduction.....	1
Methodology	2
Detailed Data Analysis.....	8
<i>Trade Customer Demographics and Relationship Positioning</i>	8
<i>Market Share and Competitive Positioning</i>	33
<i>Service Factor Importance in Trade Finance</i>	53
<i>Customer Satisfaction in Trade Finance</i>	59
<i>Market Drivers and Futures</i>	182
Appendix I – Questionnaire	230

List of Tables

Methodology

A	Geographical Distribution – Institutional Market	2
B	Geographical Distribution – Corporate Market	2
C	Geographical Distribution – SME Market.....	3
D	Interviewee Distribution – Institutional Market	4
E	Interviewee Distribution – Corporate Market	4
F	Interviewee Distribution – SME Market.....	4
G	Industry Sector Distribution – Institutional Market.....	5
H	Industry Sector Distribution – Corporate Market	6
I	Industry Sector Distribution – SME Market	7

Detailed Data Analysis

1	Trade Finance Customer Demographics – Institutional Market	8
2	Trade Finance Customer Demographics – Corporate Market	8
3	Trade Finance Customer Demographics – SME Market.....	8
4	Current Primary Transaction Banker – Institutional Market.....	9
5	Current Primary Transaction Banker – Corporate Market	11
6	Current Primary Transaction Banker – SME Market	13
7	Length of Primary TB Account Life – Institutional Market	15
8	Length of Primary TB Account Life – Corporate Market	15
9	Length of Primary TB Account Life – SME Market	15
10	Current Secondary Transaction Banker – Institutional Market.....	17
11	Current Secondary Transaction Banker – Corporate Market.....	19
12	Current Secondary Transaction Banker – SME Market.....	21
13	Current Primary Corporate Banker – Institutional Market	23
14	Current Primary Corporate Banker – Corporate Market	25
15	Current Primary Corporate Banker – SME Market.....	27
16	Length of Primary Corporate Banking Account Life – Institutional Market	29
17	Length of Primary Corporate Banking Account Life – Corporate Market	29
18	Length of Primary Corporate Banking Account Life – SME Market	29
19	Import / Export Trade Profile – Institutional Market	31
20	Import / Export Trade Profile – Corporate Market	31
21	Import / Export Trade Profile – SME Market	31

22	Share of Primary Trade Finance Relationships – Institutional Market.....	33
23	Share of Primary Trade Customers’ Wallets – Institutional Market	35
24	Share of Primary Trade Finance Relationships – Corporate Market	37
25	Share of Primary Trade Customers’ Wallets – Corporate Market.....	39
26	Share of Primary Trade Finance Relationships – SME Market	41
27	Share of Primary Trade Customers’ Wallets – SME Market.....	43
28	Share of Secondary Trade Finance Relationships – Institutional Market	45
29	Share of Secondary Trade Customers’ Wallets – Institutional Market	47
30	Share of Secondary Trade Finance Relationships – Corporate Market.....	49
31	Share of Secondary Trade Customers’ Wallets – Corporate Market	51
32	Importance Ratings of Key Service Factors in Trade – Institutional Market	53
33	Importance Ratings of Key Service Factors in Trade – Corporate Market	55
34	Importance Ratings of Key Service Factors in Trade – SME Market	57
35	Overall Satisfaction with Key Service Factors in Trade – Institutional Market	59
36	Overall Satisfaction with Key Service Factors in Trade – Corporate Market.....	60
37	Overall Satisfaction with Key Service Factors in Trade – SME Market	61
38	Enquiry Response Times – Institutional Customer Satisfaction.....	62
39	Enquiry Response Times – Corporate Customer Satisfaction	64
40	Enquiry Response Times – SME Customer Satisfaction	66
41	Quality of Trade Documentation – Institutional Customer Satisfaction	68
42	Quality of Trade Documentation – Corporate Customer Satisfaction	70
43	Quality of Trade Documentation – SME Customer Satisfaction	72
44	Processing Accuracy – Institutional Customer Satisfaction	74
45	Processing Accuracy – Corporate Customer Satisfaction.....	76
46	Processing Accuracy – SME Customer Satisfaction.....	78
47	Bills for Collections – Institutional Customer Satisfaction	80
48	Bills for Collections – Corporate Customer Satisfaction.....	82
49	Bills for Collections – SME Customer Satisfaction.....	84
50	Knowledge of Customer’s Industry – Institutional Customer Satisfaction.....	86
51	Knowledge of Customer’s Industry – Corporate Customer Satisfaction.....	88
52	Knowledge of Customer’s Industry – SME Customer Satisfaction	90
53	Risk Advice and Management – Institutional Customer Satisfaction	92
54	Risk Advice and Management – Corporate Customer Satisfaction.....	94
55	Risk Advice and Management – SME Customer Satisfaction.....	96
56	Pricing Competitiveness – Institutional Customer Satisfaction	98
57	Pricing Competitiveness – Corporate Customer Satisfaction.....	100
58	Pricing Competitiveness – SME Customer Satisfaction.....	102

59	Customer Service – Institutional Customer Satisfaction	104
60	Customer Service – Corporate Customer Satisfaction	106
61	Customer Service – SME Customer Satisfaction	108
62	Bank’s Trade Account Officer – Institutional Customer Satisfaction	110
63	Bank’s Trade Account Officer – Corporate Customer Satisfaction	112
64	Bank’s Trade Account Officer – SME Customer Satisfaction.....	114
65	Value for Money in Trade Finance – Institutional Customer Satisfaction.....	116
66	Value for Money in Trade Finance – Corporate Customer Satisfaction.....	118
67	Value for Money in Trade Finance – SME Customer Satisfaction	120
68	General Trade Advice – Institutional Customer Satisfaction	122
69	General Trade Advice – Corporate Customer Satisfaction.....	124
70	General Trade Advice – SME Customer Satisfaction.....	126
71	Trade Loans – Institutional Customer Satisfaction.....	128
72	Trade Loans – Corporate Customer Satisfaction.....	130
73	Trade Loans – SME Customer Satisfaction.....	132
74	Documentary Credits – Institutional Customer Satisfaction.....	134
75	Documentary Credits – Corporate Customer Satisfaction	136
76	Documentary Credits – SME Customer Satisfaction	138
77	Trade Insurance – Institutional Customer Satisfaction	140
78	Trade Insurance – Corporate Customer Satisfaction	142
79	Trade Insurance – SME Customer Satisfaction	144
80	Confirmations – Institutional Customer Satisfaction	146
81	Confirmations – Corporate Customer Satisfaction	148
82	Confirmations – SME Customer Satisfaction.....	150
83	e-Trade Solutions – Institutional Customer Satisfaction.....	152
84	e-Trade Solutions – Corporate Customer Satisfaction.....	154
85	e-Trade Solutions – SME Customer Satisfaction	156
86	Professional Competence – Institutional Customer Satisfaction.....	158
87	Professional Competence – Corporate Customer Satisfaction	160
88	Professional Competence – SME Customer Satisfaction	162
89	Innovative Solutions – Institutional Customer Satisfaction	164
90	Innovative Solutions – Corporate Customer Satisfaction	166
91	Innovative Solutions – SME Customer Satisfaction.....	168
92	Global Representation – Institutional Customer Satisfaction.....	170
93	Global Representation – Corporate Customer Satisfaction	172
94	Global Representation – SME Customer Satisfaction	174

95	Structured Trade Finance Products – Institutional Customer Satisfaction	176
96	Structured Trade Finance Products – Corporate Customer Satisfaction	178
97	Structured Trade Finance Products – SME Customer Satisfaction.....	180
98	Open Account Trade Behaviour – Institutional Market	182
99	Open Account Trade Behaviour – Corporate Market	182
100	Open Account Trade Behaviour – SME Market.....	182
101	Key Drivers of Trade Finance Needs for Institutional Customers	184
102	Key Drivers of Trade Finance Needs for Corporate Customers.....	186
103	Key Drivers of Trade Finance Needs for SME Customers.....	188
104	Expected Churn in Trade Financier – Institutional Market	190
105	Expected Churn in Trade Financier – Corporate Market.....	190
106	Expected Churn in Trade Financier – SME Market.....	190
107	Competitor New Business Activity – Institutional Market	192
108	Competitor New Business Activity – Corporate Market	193
109	Competitor New Business Activity – SME Market	194
110	Sources of Advice used by Institutional Customers of Trade Finance	195
111	Sources of Advice used by Corporate Customers of Trade Finance.....	197
112	Sources of Advice used by SME Customers of Trade Finance.....	199
113	Trade Financier Share of Institutional Customer’s Mind	201
114	Trade Financier Share of Corporate Customer’s Mind.....	203
115	Trade Financier Share of SME Customer’s Mind.....	205
116	Import / Export Geographies of Key Customer Focus – Institutional Market.....	207
117	Import / Export Geographies of Key Customer Focus – Corporate Market	208
118	Import / Export Geographies of Key Customer Focus – SME Market	209
119	Best Perceived Local e-Trade Solutions Provider in Australian Institutional Market.....	211
120	Best Perceived Local e-Trade Solutions Provider in Australian Corporate Market.....	213
121	Best Perceived Local e-Trade Solutions Provider in Australian SME Market	215
122	Best Perceived International e-Trade Solutions Provider in Australian Institutional Market	217
123	Best Perceived International e-Trade Solutions Provider in Australian Corporate Market	219
124	Best Perceived International e-Trade Solutions Provider in Australian SME Market	221
125	Appetite for Outsourcing Trade Documentation – Institutional Market	223
126	Appetite for Outsourcing Trade Documentation – Corporate Market	223
127	Appetite for Outsourcing Trade Documentation – SME Market.....	223
128	Key Inhibitors in Outsourcing Trade Documentation – Institutional Market.....	225
129	Key Inhibitors in Outsourcing Trade Documentation – Corporate Market.....	225
130	Single Key Bank Initiative in Winning Institutional Customer’s Trade Business.....	227
131	Single Key Bank Initiative in Winning Corporate Customer’s Trade Business.....	228
132	Single Key Bank Initiative in Winning SME Customer’s Trade Business	229

List of Figures

1	Current Primary Transaction Banker – Institutional Market	10
2	Current Primary Transaction Banker – Corporate Market	12
3	Current Primary Transaction Banker – SME Market	14
4	Length of Primary TB Account Life by Segment – August 2011	16
5	Current Secondary Transaction Banker – Institutional Market	18
6	Current Secondary Transaction Banker – Corporate Market	20
7	Current Secondary Transaction Banker – SME Market	22
8	Current Primary Corporate Banker – Institutional Market	24
9	Current Primary Corporate Banker – Corporate Market	26
10	Current Primary Corporate Banker – SME Market	28
11	Length of Primary Corporate Banking Account Life by Segment – August 2011	30
12	Import / Export Trade Profile by Segment – August 2011	32
13	Share of Primary Trade Finance Relationships – Institutional Market	34
14	Share of Primary Trade Customers’ Wallets – Institutional Market	36
15	Share of Primary Trade Finance Relationships – Corporate Market	38
16	Share of Primary Trade Customers’ Wallets – Corporate Market	40
17	Share of Primary Trade Finance Relationships – SME Market	42
18	Share of Primary Trade Customers’ Wallets – SME Market	44
19	Share of Secondary Trade Finance Relationships – Institutional Market	46
20	Share of Secondary Trade Customers’ Wallets – Institutional Market	48
21	Share of Secondary Trade Finance Relationships – Corporate Market	50
22	Share of Secondary Trade Customers’ Wallets – Corporate Market	52
23	Institutional Customer Satisfaction and Importance Ratings – August 2011	54
24	Corporate Customer Satisfaction and Importance Ratings – August 2011	56
25	SME Customer Satisfaction and Importance Ratings – August 2011	58
26	Institutional Customer Satisfaction – Enquiry Response Times	63
27	Corporate Customer Satisfaction – Enquiry Response Times	65
28	SME Customer Satisfaction – Enquiry Response Times	67
29	Institutional Customer Satisfaction – Quality of Trade Documentation	69
30	Corporate Customer Satisfaction – Quality of Trade Documentation	71
31	SME Customer Satisfaction – Quality of Trade Documentation	73
32	Institutional Customer Satisfaction – Processing Accuracy	75
33	Corporate Customer Satisfaction – Processing Accuracy	77
34	SME Customer Satisfaction – Processing Accuracy	79

35	Institutional Customer Satisfaction – Bills for Collections	81
36	Corporate Customer Satisfaction – Bills for Collections.....	83
37	SME Customer Satisfaction – Bills for Collections.....	85
38	Institutional Customer Satisfaction – Knowledge of Customer’s Industry.....	87
39	Corporate Customer Satisfaction – Knowledge of Customer’s Industry.....	89
40	SME Customer Satisfaction – Knowledge of Customer’s Industry	91
41	Institutional Customer Satisfaction – Risk Advice and Management	93
42	Corporate Customer Satisfaction – Risk Advice and Management.....	95
43	SME Customer Satisfaction – Risk Advice and Management.....	97
44	Institutional Customer Satisfaction – Pricing Competitiveness	99
45	Corporate Customer Satisfaction – Pricing Competitiveness.....	101
46	SME Customer Satisfaction – Pricing Competitiveness.....	103
47	Institutional Customer Satisfaction – Customer Service.....	105
48	Corporate Customer Satisfaction – Customer Service	107
49	SME Customer Satisfaction – Customer Service	109
50	Institutional Customer Satisfaction – Bank’s Trade Account Officer	111
51	Corporate Customer Satisfaction – Bank’s Trade Account Officer	113
52	SME Customer Satisfaction – Bank’s Trade Account Officer.....	115
53	Institutional Customer Satisfaction – Value for Money in Trade Finance.....	117
54	Corporate Customer Satisfaction – Value for Money in Trade Finance.....	119
55	SME Customer Satisfaction – Value for Money in Trade Finance.....	121
56	Institutional Customer Satisfaction – General Trade Advice	123
57	Corporate Customer Satisfaction – General Trade Advice.....	125
58	SME Customer Satisfaction – General Trade Advice.....	127
59	Institutional Customer Satisfaction – Trade Loans.....	129
60	Corporate Customer Satisfaction – Trade Loans.....	131
61	SME Customer Satisfaction – Trade Loans.....	133
62	Institutional Customer Satisfaction – Documentary Credits.....	135
63	Corporate Customer Satisfaction – Documentary Credits	137
64	SME Customer Satisfaction – Documentary Credits	139
65	Institutional Customer Satisfaction – Trade Insurance	141
66	Corporate Customer Satisfaction – Trade Insurance	143
67	SME Customer Satisfaction – Trade Insurance	145
68	Institutional Customer Satisfaction – Confirmations	147
69	Corporate Customer Satisfaction – Confirmations	149
70	SME Customer Satisfaction – Confirmations.....	151

71	Institutional Customer Satisfaction – e-Trade Solutions.....	153
72	Corporate Customer Satisfaction – e-Trade Solutions.....	155
73	SME Customer Satisfaction – e-Trade Solutions.....	157
74	Institutional Customer Satisfaction – Professional Competence.....	159
75	Corporate Customer Satisfaction – Professional Competence.....	161
76	SME Customer Satisfaction – Professional Competence.....	163
77	Institutional Customer Satisfaction – Innovative Solutions.....	165
78	Corporate Customer Satisfaction – Innovative Solutions.....	167
79	SME Customer Satisfaction – Innovative Solutions.....	169
80	Institutional Customer Satisfaction – Global Representation.....	171
81	Corporate Customer Satisfaction – Global Representation.....	173
82	SME Customer Satisfaction – Global Representation.....	175
83	Institutional Customer Satisfaction – Structured Trade Finance Products.....	177
84	Corporate Customer Satisfaction – Structured Trade Finance Products.....	179
85	SME Customer Satisfaction – Structured Trade Finance Products.....	181
86	Open Account Trade Behaviour by Segment – August 2011.....	183
87	Key Drivers of Trade Finance Needs for Institutional Customers.....	185
88	Key Drivers of Trade Finance Needs for Corporate Customers.....	187
89	Key Drivers of Trade Finance Needs for SME Customers.....	189
90	Expected Churn in Trade Financier by Segment – August 2011.....	191
91	Sources of Advice used by Institutional Customers of Trade Finance.....	196
92	Sources of Advice used by Corporate Customers of Trade Finance.....	198
93	Sources of Advice used by SME Customers of Trade Finance.....	200
94	Trade Financier Share of Institutional Customer’s Mind.....	202
95	Trade Financier Share of Corporate Customer’s Mind.....	204
96	Trade Financier Share of SME Customer’s Mind.....	206
97	Import / Export Geographies of Key Customer Focus by Segment – August 2011.....	210
98	Best Perceived Local e-Trade Solutions Provider in Australian Institutional Market.....	212
99	Best Perceived Local e-Trade Solutions Provider in Australian Corporate Market.....	214
100	Best Perceived Local e-Trade Solutions Provider in Australian SME Market.....	216
101	Best Perceived International e-Trade Solutions Provider in Australian Institutional Market.....	218
102	Best Perceived International e-Trade Solutions Provider in Australian Corporate Market.....	220
103	Best Perceived International e-Trade Solutions Provider in Australian SME Market.....	222
104	Appetite for Outsourcing Trade Documentation by Segment – August 2011.....	224
105	Key Inhibitors in Outsourcing Trade Documentation by Segment – August 2011.....	226

Introduction

This is the sixteenth report in a six-monthly series of market monitors examining and forecasting demand for banking services and product within Australia's Trade Finance markets.

Many East & Partners' clients continue to refocus on Trade Finance in response to customer concerns that they have been "left alone" for too long, with their trade service needs treated as non-priority by service providers for several years. There continues to be strong evidence of pent-up demand for refreshed service and product offerings by trade customers. As a result, these needs are assuming more strategic importance to the customer. At the same time, providers are refocussing on Trade and looking to more customer intuitive ways of structuring the business including the integration of their Trade offerings alongside Cash and Payments and in many instances Foreign Exchange solutions. These dynamics have been reinforced by customer experiences during the GFC and their appetite for more focussed and available debt financing.

This market analysis program is designed to deliver quality market intelligence to bank clients for application by them in Trade Finance account management, business development and market strategy formulation.

In addition to the core multiclient content of the program, clients are also able to add proprietary questions to each six-monthly interview sweep, using the vehicle of this ongoing research as a means of both adding valuable supplementary material to their use of the service and the generation of tactical information solutions as required.

The program has historically focussed on the market's two key enterprise segments: the first segment consisting of corporate enterprises (businesses turning over A\$20 to A\$530 million per annum); the second segment being the Top 500 institutional market (customers turning over in excess of A\$530 million per annum).

We have in this sixteenth round of the program, for the seventh time, added complete coverage of the SME segment (A\$5-20m turnover enterprises) in response to client needs for detailed analytics on what is the largest segment by customer numbers in the Trade Finance markets.

The report delivers key findings from the fifteenth round of customer interviews executed during July 2011, along with presentation of detailed, supporting data.

All client proprietary question analysis is subject to separate reporting with individual clients. Only active trade finance customers are screened for full interview

Methodology

The fieldwork for this sixteenth round of the Australian Trade Finance Markets Program took place in July 2011 with again a very pleasing level of target customer participation being achieved. The geographical distribution of this market sample is as follows.

TABLE A
Geographical Distribution – Institutional Market

	% of Institutions	
	Feb 11 (N: 363)	Aug 11 (N: 364)
New South Wales	47.4	47.8
Victoria	30.0	29.7
Queensland	11.0	10.9
Western Australia	8.8	9.1
South Australia	1.4	1.1
Other	1.4	1.4
TOTAL	100.0	100.0

TABLE B
Geographical Distribution – Corporate Market

	% of Corporates	
	Feb 11 (N: 686)	Aug 11 (N: 689)
New South Wales	43.8	44.0
Victoria	29.3	29.6
Queensland	10.1	10.3
Western Australia	8.1	8.4
South Australia	3.5	3.3
Other	5.2	4.4
TOTAL	100.0	100.0

TABLE C
Geographical Distribution – SME Market

	% of Total	
	Feb 11 (N: 799)	Aug 11 (N: 798)
New South Wales	40.9	41.1
Victoria	26.8	27.0
Queensland	13.8	13.7
Western Australia	9.4	9.6
South Australia	5.8	5.6
Other	3.3	3.0
TOTAL	100.0	100.0

All enterprises were interviewed on a direct basis using the structured Interview Questionnaire, reproduced here as Appendix I, through the individual holding primary responsibility for decision making over the organisation's Trade Finance service relationships.

TABLE D
Interviewee Distribution – Institutional Market

	% of Institutions	
	Feb 11 (N: 363)	Aug 11 (N: 364)
Group / Corporate Treasurer	52.9	54.1
Trade Officer	24.8	25.0
Chief Financial Officer	18.7	17.9
Finance Director / Manager	3.6	3.0
TOTAL	100.0	100.0

TABLE E
Interviewee Distribution – Corporate Market

	% of Corporates	
	Feb 11 (N: 686)	Aug 11 (N: 689)
Chief Financial Officer	57.9	56.6
Group / Corporate Treasurer	19.8	21.0
Trade Officer	14.6	14.7
Finance Director / Manager	7.7	7.7
TOTAL	100.0	100.0

TABLE F
Interviewee Distribution – SME Market

	% of SMEs	
	Feb 11 (N: 799)	Aug 11 (N: 798)
Finance Director / Manager	63.1	61.6
Chief Financial Officer	19.3	19.5
Group / Corporate Treasurer	10.1	10.8
Trade Officer	7.5	8.1
TOTAL	100.0	100.0

Industry sector distribution of these three segments directly reflects the population/universe distribution. This sixteenth research sweep covered 364 from the Top 500 institutions on the basis of their currently engaging Trade Finance services, 689 current corporate and 798 SME trade clients.

Non-completions and rejections in each segment came to a pleasingly low 10.6 percent in the institutional segment, 9.8 percent amongst corporate customers and 16.0 percent amongst SME trade customers, a clear reflection of the market's current high level of interest and/or concern with their Trade Finance service arrangements.

TABLE G
Industry Sector Distribution – Institutional Market

	% of Institutions	
	Feb 11 (N: 363)	Aug 11 (N: 364)
Agriculture, Forestry and Fishing	3.0	3.3
Mining	9.9	9.9
Manufacturing	20.7	20.3
Electricity, Gas and Water Supply	1.9	1.6
Construction	4.4	4.4
Wholesale Trade	12.7	12.9
Retail Trade	7.4	7.4
Accommodation, Cafes and Restaurants	0.6	0.5
Transport and Storage	5.5	5.8
Communication Services	1.4	1.4
Finance and Insurance	13.6	13.2
Property and Business Services	8.5	9.1
Government Administration and Defence	1.9	1.9
Education	—	—
Health and Community Services	—	—
Cultural and Recreational Services	—	—
Personal and Other Services	8.5	8.3
TOTAL	100.0	100.0

TABLE H
Industry Sector Distribution – Corporate Market

	% of Corporates	
	Feb 11 (N: 686)	Aug 11 (N: 689)
Agriculture, Forestry and Fishing	7.6	7.8
Mining	7.9	8.0
Manufacturing	17.6	17.3
Electricity, Gas and Water Supply	1.6	1.5
Construction	6.1	6.2
Wholesale Trade	13.7	13.9
Retail Trade	13.0	13.2
Accommodation, Cafes and Restaurants	1.7	1.5
Transport and Storage	4.1	4.3
Communication Services	1.2	1.2
Finance and Insurance	5.2	5.1
Property and Business Services	14.3	14.8
Government Administration and Defence	1.2	1.0
Education	—	—
Health and Community Services	—	—
Cultural and Recreational Services	—	—
Personal and Other Services	4.8	4.2
TOTAL	100.0	100.0

TABLE I
Industry Sector Distribution – SME Market

	% of SMEs	
	Feb 11 (N: 799)	Aug 11 (N: 798)
Agriculture, Forestry and Fishing	8.7	8.9
Mining	1.2	1.4
Manufacturing	7.8	7.6
Electricity, Gas and Water Supply	0.4	0.4
Construction	3.9	4.1
Wholesale Trade	30.5	30.8
Retail Trade	18.8	18.8
Accommodation, Cafes and Restaurants	1.1	1.0
Transport and Storage	2.3	2.5
Communication Services	0.4	0.4
Finance and Insurance	3.7	3.4
Property and Business Services	10.7	11.0
Government Administration and Defence	0.9	1.1
Education	—	—
Health and Community Services	—	—
Cultural and Recreational Services	—	—
Personal and Other Services	9.6	8.6
TOTAL	100.0	100.0

Appendix I

Questionnaire



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