



Media Release

Business customer sentiment towards banks keeps dropping

(14 September 2006 – Australia) Australian business banking customer Sentiment Scores dropped for the second consecutive month as business banking customers said they felt more “antagonistic” and less “loyal” towards their business bankers, according to East & Partners’ Business Banking Sentiment Index for August 2006.

East’s Business Banking Sentiment Index, a monthly monitor of businesses turning over A\$1 to 100 million, finds that businesses awarded the overall business banking sector a Sentiment Score of just 43.8 out of 100, down from 44.7 in July and 45.0 in June.

The Sentiment Score is an aggregated score of four different measures of customer sentiment – Empathy, Satisfaction, Loyalty and Advocacy. It is a rating out of 100; it is not a response to a Yes/No question.

St George Bank received the highest Sentiment Score from business customers of 54.9, an improvement on last month’s score of 54.5; followed by Bank of Queensland which also improved its Sentiment Score to 50.4, up from 49.5 in the July Index. HSBC was rated third best bank in terms of overall sentiment, improving its Sentiment Score in August to 48.1, up from 47.9 last month.

Of the “Big Four” banks, the best performer, National Australia Bank, improved its Sentiment Score slightly in August to 45.6 from 45.5 in July.

ANZ also did better in August, attaining a Sentiment Score of 45.1 up from 44.6 last month.

However, the Sentiment Scores of Commonwealth Bank and Westpac continue to decrease with CBA dropping significantly to 40.8 in this August Index down from 43.0 in July. Westpac saw its Sentiment Score drop to 40.5 in August from 41.2 in July.

The Index, which segments the overall business banking market into Micro Businesses (A\$1 to 5 million turnover), SMEs (A\$5 to 20 million) and Lower Commercial companies (A\$20 to 100 million), found that Micro Businesses continue to be frustrated with the service they receive from banks, awarding them a Sentiment Score of just 34.7 in the August Index, down from 35.9 in July.

SMEs also felt less happy about their banking relationships in August, giving their business banks a Sentiment Score of just 39.2 in this August Index, down from 40.3 in July. Commercial companies again were more positive towards their banks, awarding them a Sentiment Score of 59.3 for August, up from 58.9 in July.

Businesses in Queensland continue to feel more positive towards banks than the other states with businesses there awarding the banking sector a Sentiment Score of 50.3 in August, slightly up from 50.2 in July. Victorian customers remained on 46.7 in August whilst the malaise in NSW continues to be expressed by business banking customers who awarded banks a Sentiment Score of just 38.1 in August, down from 39.1 in July.

“Whatever banks are purportedly doing to improve their service to small business customers, it doesn’t seem to be working as yet, as the very poor Sentiment Scores awarded by SMEs and Micro Businesses in this latest Index make very clear,” East & Partners senior consultant Paul Bartholomew said.

“Overall sentiment towards business banks has dropped for the second consecutive month, a real indication that the relationship between bank and customer is becoming more and more tenuous and shallow.

“The real issue for the banks, of course, is that shallow relationships don’t tend to last indefinitely so banks need to consider how to make them deeper to improve their customers’ Sentiment Scores,” Mr Bartholomew said.

“More customers said they felt antagonistic towards their banks in this August Index; they also said they felt less loyal and indicated they were less likely to recommend their bank this month than last – all of which should be very concerning for the banking sector.

“As we’ve noted before, there appears to be a great deal of effort going into acquiring new business customers at the moment, but less in keeping existing ones happy. This kind of approach obviously needs to change,” he said.

Business Banking Sentiment Score by Bank

10 (low) to 100 (high)

| BANK | JULY 2006 | AUGUST 2006 |
|----------------|------------------|--------------------|
| ANZ | 44.6 | 45.1 |
| BW | 41.3 | 39.4 |
| BOQ | 49.5 | 50.4 |
| CBA | 43.0 | 40.8 |
| CITI | 39.3 | 37.3 |
| HSBC | 47.9 | 48.1 |
| NAB | 45.5 | 45.6 |
| SGB | 54.5 | 54.9 |
| SUN | 41.8 | 39.1 |
| WBC | 41.2 | 40.5 |
| OTHER | 47.1 | 49.1 |
| OVERALL | 44.3 | 43.8 |

Business Banking Sentiment Score by Enterprise Segment

10 (low) to 100 (high)

| SEGMENT | JULY 2006 | AUGUST 2006 |
|------------------|-------------|-------------|
| Micro Business | 35.9 | 34.7 |
| SME | 40.3 | 39.2 |
| Lower Commercial | 58.9 | 59.3 |
| OVERALL | 44.3 | 43.8 |

Business Banking Sentiment Score by State

10 (low) to 100 (high)

| STATE | JULY 2006 | AUGUST 2006 |
|----------------|-------------|-------------|
| NSW | 39.1 | 38.1 |
| VIC | 46.7 | 46.7 |
| QLD | 50.2 | 50.3 |
| OTHER | 49.7 | 49.0 |
| OVERALL | 44.3 | 43.8 |

About East & Partners' Business Banking Sentiment Index

The East & Partners Business Banking Sentiment Index is a monthly survey of business customer sentiment towards banks, providing a monitor of customer satisfaction, loyalty, advocacy and empathy towards business banks. Each month East & Partners' research team will conduct telephone interviews with a sample of 500 businesses nationally, turning over A\$1 to 100 million per annum, comprising:

- Micro Business 175 (A\$1-5m turnover enterprises)
- SME 175 (A\$5-20m turnover enterprises)
- Lower Commercial 150 (A\$20-100m turnover enterprises)

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