

Banks face small business woes

(12 October 2007 – Australia) Small business customers have a dramatically low sentiment towards their banks, as shown in East & Partners' monthly report, the Business Banking Sentiment Index.

While overall, the Business Banking Sentiment Score fell from 41.4 in August 2007 to 41.3 in September 2007, the biggest area of concern is with smaller businesses.

Businesses in the Micro Business segment gave their banks a sentiment score of just 24.1, from a possible low of ten to a high of 100. This amount is a fall of almost 30 percent from this time last year.

"Smaller businesses are traditionally less relationship managed by their bank, which is definitely having a negative impact on how small business owners feel about their banks," East & Partners, financial markets analyst, Peter Drennan, said.

The Sentiment Score is an aggregated metric comprising four different measures of customer sentiment – Empathy, Satisfaction, Loyalty and Advocacy. The Sentiment Score also compares the Micro Business, SME and Lower Commercial segments.

There are, however, four banks that are displaying continual growth in sentiment. "While overall sentiment is falling, there are some signs of positive sentiment coming from businesses," Mr Drennan said.

"St George continues to lead the market on overall customer sentiment with Bank of Queensland and HSBC also making good gains recently," he said.

In September, St George recorded a Sentiment Score of 60.2, ahead of Bank of Queensland in second place on 56.6 and HSBC in third, with a score of 54.6. Among the Big Four banks, National Australia Bank is a stand-out, coming in at fourth with a score of 50.5.

"The variation in sentiment among banks shows that business customers are receptive to well managed relationships and good quality service," Mr Drennan said.

Sentiment for the other Big Four banks is less impressive, with each bank experiencing a decline in sentiment in September. ANZ has fallen to 42.7 and Westpac to 35.5. CBA has the lowest score of all banks, falling to a low of just 26.5 in September 2007.

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The Lower Commercial segment, which comprises of A\$20 to 100 million turnover enterprises, continues to show high levels of sentiment to their banks. The sentiment score given by Lower Commercial businesses increased to 69.8 in September 2007.

“If banks put in the effort, like they have with the Lower Commercial segment, they can reap the rewards of developing sustainable relationships with small businesses,” he said.

“The results of our Business Banking Sentiment Index show that while small businesses have extremely low sentiment towards their banks, there is potential for banks to adapt their plan for small businesses and see the subsequent change in customer sentiment,” he added.

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 conducts telephone interviews with a sample of 500 businesses nationally, turning over A\$1 to 100 million per annum, comprising:

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

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