



Media Release

Regionals top relationship banking to SMEs, report finds

(18 May 2005 – Australia) St George and regional banks BankWest, Bank of Queensland and Bendigo continue to outstrip their larger rivals in delivering relationship banking to Australia's SMEs, East & Partners finds.

East's latest six monthly SME Banking Markets Report, which examines the banking experiences of companies turning over A\$5 to 20 million, shows National Australia Bank, ANZ and Westpac in particular, are struggling to match the quality of service offered by smaller banks.

Commonwealth Bank of Australia is the best performer of the Big 4 domestic banks across key relationship metrics such as Relationship Management, Loyalty, Understanding Customers' Business Needs and Value for Money.

But while regional banks are leading their larger domestic and international rivals in Understanding SME Issues, they are lagging Westpac, JPMorgan, HSBC and Citigroup in "thought leadership" areas such as Economic Information and Analysis and Industry knowledge.

St George is the strongest performer across all relationship banking metrics, topping the rankings in Understanding SME Issues, Relationship Management, Proactivity, Innovation and Customised Banking Solutions.

The Big 4 banks continue to dominate market share of the SME segment: CBA is the leading bank in terms of primary transaction banking relationships with 20.9 percent, followed closely by NAB which has 20.2 percent; Westpac has 14.3 percent; and ANZ has 11.5 percent. St George has grown its share of the segment to 7.4 percent of primary relationships, up from 7.1 percent six months before.

But the Big 4 share of the SME segment is decreasing, down to 66.9 percent from 67.5 percent six months ago. Regionals and internationals combined now own almost a third of primary transaction banking SME relationships with 33.1 percent of the overall market.

Of the regional banks, Suncorp Metway is failing to gain significant traction, shedding market share of SMEs since the previous report. Bendigo has also lost market share since the October 2004 report despite performing strongly across relationship banking customer satisfaction metrics.

"The SME segment is the most dynamic banking market in Australia currently with a significant amount of activity taking place," East & Partners principal analyst Paul Dowling said.

"The majors have re-engineered their offerings to SMEs, new entrants such as BankWest are aggressively targeting SMEs on the eastern seaboard and winning market share, and internationals such as HSBC and Citigroup are starting to take the segment seriously," he said.

“The Big 4 banks have invested a great deal in becoming better relationship bankers to smaller businesses and they are improving, but Rome wasn’t built in a day. It’ll take them a while longer to get to the same service levels as their regional counterparts but of course they have many more customers to look after,” Mr Dowling said.

“St George remains the benchmark relationship banker and satisfaction is being turned into market share. St George isn’t the cheapest bank in the marketplace but it illustrates that SMEs consider good service and a harmonious relationship with their bank a price worth paying,” he said.

“BankWest is rated highly for value for money but we saw the bank’s relationship management satisfaction rating deteriorate slightly in this latest report. The quest for new customers has to be combined with looking after your existing ones; it’s a case of getting the balance right,” Mr Dowling said.

Importance of Relationship Issues to the SME Customer

N: 1407

Average Importance Ratings Reported

1 — 2 — 3 — 4 — 5

(important)

(unimportant)

April 2005

October 2004

Relationship Management	1.81	1.88
Understanding Customer’s Business Needs	1.77	1.82
Proactivity	1.87	1.98
Innovation	2.18	2.22
Loyalty to the Relationship	1.40	1.55
Quality of People	1.72	1.77
Pricing Competitiveness	1.64	1.69
Value for Money	1.32	1.38
Back Office Efficiencies	2.13	2.17
Documentation Quality	2.29	2.32
Knowledge of Customer’s Industry Sector	1.68	1.76
Understanding SME Issues	1.39	1.47
Customised Banking Solutions	1.89	1.95
Economic Information and Analysis	2.50	2.56

Source: East & Partners SME Banking Markets Report – April 2005

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