



Media Release

Business banking customer sentiment drops to a new low in October

(23 November 2006 – Australia) Australia's major domestic banks appear to be losing the battle to improve customer sentiment among their smaller business banking customers with all but two of the largest commercial banks posting weaker Sentiment Scores in East & Partners' Business Banking Sentiment Index for October 2006.

East's monthly Business Banking Sentiment Index, which monitors businesses turning over A\$1 to 100 million, reveals that business banking customers rated commercial banks more poorly in October than in September.

The Sentiment Score fell by a full point in October. Businesses awarded their business banks a Sentiment Score of just 42.7 (out of 100) compared with 43.7 in September. It is the fourth consecutive month the Sentiment Score has dropped – from its highest point of 45.0 in June.

The Sentiment Score is an aggregated score of four different measures of customer sentiment – Empathy, Satisfaction, Loyalty and Advocacy. The scores are a rating given by customers, not responses to a Yes/No question.

Although St George remains the best performing bank in terms of overall customer sentiment, its Sentiment Score deteriorated in October, declining from 55.0 points in September to 54.7 points in October. This decline was chiefly driven by weaker loyalty and advocacy sentiments among St George commercial customers.

Bank of Queensland and HSBC were the only major banks that saw their sentiment scores climb during the month.

Bank of Queensland and HSBC continue to improve their Sentiment Scores; albeit only slightly in the case of HSBC which moved to 48.9 from 48.2 last time. BOQ saw its Sentiment Score rise to 52.5 compared with 50.8 in September.

National Australia Bank sentiment score remained steady at 45.5 points, but the customers of the remaining 'three pillars' – ANZ, Commonwealth Bank and Westpac – rated their banks less highly than in September.

CBA saw its Sentiment Score drop for the fourth month in a row to a new low of 37.5, well south of the market average of 42.7 points. Westpac slipped backwards to 38.3 from 39.8 last month and ANZ score retreated from 44.4 to 43.3 points.

Micro Businesses (A\$1 to 5 million) are the least happy customers, rating the banks a Sentiment Score of just 32.1 for October compared with 33.7 last month. SMEs (A\$5 to 20 million) also rated their banks less highly in October, giving their business banks a Sentiment Score of just 37.4 in this October Index, down from 38.4 last month. Again, these are continuing trends.

Lower Commercial 'middle market' companies (A\$20 to 100 million), which are typically more relationship managed than SMEs and Micro Businesses, generally rate their banks more highly than smaller enterprises. But in the October Index middle market companies also awarded their banks a marginally lower Sentiment Score of 60.8 compared with 60.9 in September.

Businesses in Queensland once again felt the most positive towards their commercial banks with businesses there awarding the banking sector a Sentiment Score of 51.2 in October, up from 50.7 in the previous month.

Business banking customers in Victoria and NSW were less positive, giving the banks Sentiment Scores of 45.5 and 35.3 respectively.

"The persistent decline in the overall Sentiment Score suggests businesses are feeling increasingly estranged from their banks," East & Partners analyst Zoran Knezevic said.

"Smaller businesses are especially distanced from their providers; they are aware that they are supposed to be a focus of banks, are expecting to receive more attention from their providers, but in most cases are not really seeing it," he said.

"The demand for additional engagements is growing yet small businesses are frustrated that few bankers are willing to sit down with them to discuss their needs in detail. Instead, small business owners are increasingly dealing with a bank's business development people who are busy about getting their business but often fall short of any serious commitment to relationship management.

"The Satisfaction component of the Sentiment Score remains relatively high compared to the Advocacy and Loyalty ratings which continue to drag the chain, meaning that customers might be relatively satisfied with their banks but they certainly don't feel too attached to them," Mr Knezevic said.

"This shallowing of relationships between banks and their small business customers has been a major theme of the business banking markets in 2006," he said.

Business Banking Sentiment Score by Bank

10 (low) to 100 (high)

BANK	SEPTEMBER 2006	OCTOBER 2006
ANZ	44.4	43.3
BOQ	50.8	52.5
BWA	38.5	38.1
CBA	39.8	37.5
CITI	36.4	35.2
HSBC	48.2	48.9
NAB	45.5	45.5
SGB	55.0	54.7
SUN	37.8	36.8
WBC	39.8	38.3
OTHER	49.0	43.6
TOTAL	43.7	42.7

Business Banking Sentiment Score by Enterprise Segment

10 (low) to 100 (high)

SEGMENT	SEPTEMBER 2006	OCTOBER 2006
Micro Business	33.7	32.1
SME	38.4	37.4
Lower Commercial	60.9	60.8
TOTAL	43.7	42.7

Business Banking Sentiment Score by State

10 (low) to 100 (high)

STATE	SEPTEMBER 2006	OCTOBER 2006
NSW	37.1	35.3
VIC	46.3	45.5
QLD	50.7	51.2
OTHER	51.7	51.6
TOTAL	43.7	42.7

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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