

Credit Crunch hits Banking Relationships

(23 October 2008 – Australia) As the credit crunch continues to hold centre stage, business banks across Australia have let their relationship focus slip, according to businesses interviewed for the latest monthly East & Partners' Business Banking Sentiment Index (BBSI).

The latest round of the BBSI has shown that, in September 2008, there was a sharp fall in the focus on relationships that all banks have with their business customers.

Bank initiated engagement slumped to the lowest level recorded in two years, with a significant drop in focus on small businesses in particular.

"Banks are clearly distracted from their long held customer and relationship focus", said East & Partners' financial markets analyst, Peter Drennan.

Micro Businesses with turnover between \$1m and \$5m per annum saw very little proactive engagement from their banks over the past month. Overall, banks initiated contact with just 2.5 percent of Micro Businesses this month, compared with 21.4 percent last month.

"Bank sentiment this month has fallen in line with lower levels of bank initiated contact", Drennan said.

This month, businesses have become less loyal and are more likely to paint a negative picture of their bank to fellow business leaders.

"Loyalty levels continue to fall in business banking. This means that businesses have less incentive to stay with their current provider if they see a better offer", Drennan said.

"The negative impact of falling customer engagement has been compounded by the increasing need for businesses to look to their banks to understand and meet their funding requirements", Drennan added.

With the current difficulty in securing credit from banks, business customers found dealing with their banks more difficult compared with last month.

"The deterioration in relationship performance by business banks may well come back to bite them once markets return to normal behaviour. Businesses will look at how well their bank understands them and their funding requirements, particularly in difficult economic times", Drennan concluded.

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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 750 businesses nationally, turning over A\$1m to A\$100m per annum, comprising:

- Micro Business 190 A\$1 - 5 million turnover enterprises
- SME 280 A\$5 - 20 million turnover enterprises
- Mid Corporate 280 A\$20 - 100 million turnover enterprises

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