



Media Release

Relationship banking to middle markets a work in progress, report finds

(12 April 2005 – Australia) Despite the customer orientated restructuring programs that have taken place within Australia's major commercial banks, several of the Big Four are still struggling with relationship banking issues in their core transaction services, industry consultants East & Partners has found.

East's latest six monthly research into Australia's Commercial Transaction Banking markets (companies turning over A\$20 to 340 million) finds ANZ, Westpac and National Australia Bank are performing inconsistently in relationship banking to these middle market customers.

The report, which monitors service attributes such as relationship management, understanding customers' needs, proactivity, innovation, quality of bank staff and loyalty to the relationship, shows bank performance overall is improving across all metrics.

However, much of the lifting of standards taking place is patchy and in many cases not targeted to those service factors that middle market customers say are of most importance to them. Notably, international banks are also delivering inconsistent levels of relationship banking to commercial customers.

"It's a real mixed bag when it comes to relationship and service performance in transaction banking to these critical middle markets which in many ways reflects where individual banks have got to with their internal restructuring and new customer propositions," East & Partners principal analyst Paul Dowling said.

"Commonwealth Bank's Which new Bank program appears to be gaining traction with a very small percentage of the bank's customer expressing an intention to change provider.

"Although NAB's share of primary transaction relationships has seen attrition over the past six months, it is slowing quickly as their new team look to stabilise the segment," he said.

"Worryingly for Westpac and ANZ in particular, the number of customers who are looking to switch to another service provider in whole or part has jumped significantly over the past six months," Mr Dowling said.

"St George is steadily growing its market share among middle corporates, particularly in the lower end of the segment. Although they're still very small in the middle markets at this stage, we're starting to see BankWest and Bank of Queensland gain a couple of clicks of market share at the lower end of the segment," he said.

Top 10 Principal Transaction Bankers

N: 833

% of Total Principal TB Relationships

	February 2005	August 2004
CBA	24.8	24.4
Westpac	19.2	19.0
NAB	18.4	18.7
ANZ	16.3	16.7
St George	5.5	5.3
HSBC	3.5	3.3
Citigroup	3.0	3.3
BankWest	2.2	1.8
JPMorgan	1.4	1.7
Bank of Queensland	1.2	0.9

Source: East & Partners Commercial Transaction Banking Report – February 2005

Service Attribute Satisfaction Ratings – Whole of Market

Average Rating Reported

1 — 2 — 3 — 4 — 5
(satisfied) (dissatisfied)

Primary Product Bank Overall Satisfaction

	February 2005	August 2004
Account and Relationship Management	1.71	1.75
Understanding Customer's Business Needs	1.63	1.67
Proactivity	1.94	1.97
Innovation	2.01	2.04
Loyalty to the Relationship	1.78	1.82
Quality of Bank People	1.30	1.33

Note: a synthesis of all individual service factor ratings across all banks

Source: East & Partners Commercial Transaction Banking Report – February 2005

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