

6th October, 2007

Banking Facts

Dear all,

A couple of interesting pieces of research crossed the NCS desks over the past week or so. I trust you will find these of interest.

East & Partners - August 2007 Business Banking Sentiment Index

(Released 28th September, 2007)

East & Partners is a leading banking research firm in Australia. It rates (on a monthly basis) business customers sentiment in terms of Empathy, Satisfaction, Loyalty and Advocacy in relation to their bank.

Salient points:

- Overall sentiment score has fallen in August, after 2 consequent rises in previous months - longer term spiral in sentiment continues
- St George continues to lead the market in overall customer sentiment, then Bank of Queensland and HSBC
- Of the Big 4, NAB is a standout (4th after HSBC) significantly ahead of ANZ (5th), Westpac (6th), then CBA (7th)
- In terms of Satisfaction, again St George is the standout - then HSBC and BoQ. The Big 4 continue to trail in this area with NAB being a significant achiever. but way down from there, WBC, ANZ then CBA.
- Happiness of customers vary significantly - Those customers with turnover between \$1m & \$5m scored their bank the lowest of all customer segments. Not surprisingly, the larger the business, the happier they are with their bankers.

NCS-Nicholls Comment

From our reading of this report, banks continue to look after the larger client with more face to face staff to appropriately service their needs. Most business clients appear to be not happy with their banks.

Wizard - Fujitsu Report on Predatory Home Loan Lending (September, 2007)

(Released 1st October, 2007)

Predatory Lending has become a huge issue following the pressures in the sub-prime lending markets both offshore and in Australia over the past 2-3 months.

- Predatory lending exists in Australia and is targeted at specific customer segments

- Low income earners and females are targeted by some for predatory behaviour
- Leading indicators of predatory lending include:
 - Lending to consumers with poor credit histories
 - Excessively high set up costs
 - Excessive advice fees
 - Pressure to sign documents without proper explanation
 - High ongoing interest rates
 - False categorisation as a business or investment to avoid Consumer Credit Code
 - Reliance on assets rather than income to meet loan repayments
 - Embedded conditional fees which are not transparent
 - Presence of an intermediary such as a mortgage broker
 - Consumers advised to make false declarations on application forms (ie overstating income)
 - Swift enforcement action upon default
 - Pressure to refinance - "consolidate loans"

NCS Comment

With the experience of easy credit over the past few years, and the apparent tightening of conditions in the market, we are seeing some borrowers who are stretched in making their repayments. There is also anecdotal evidence of an increase in forced sales (self and mortgagee sales) as a result of borrowers overcommitting themselves.

At the end of the day, individual customers must take responsibility for their own actions, and they must consider long and hard the ramifications of taking on that larger borrowing when it comes time to sign the document.

If you would like a full copy of the reports, please let me know.

Don't forget, we have significant experience in Banking & Finance and would be very happy to discuss with you your current banking relationships, loan arrangements as well as any needs for additional borrowings in the future.

Best wishes.....Andrew

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