Press Release

J.D. Power and Associates Reports:
Bank Customer Switching Rates Rise Again, Fueled by Issues with Fees and Poor Service

WESTLAKE VILLAGE, Calif.: 27 February 2012 — Consumer backlash against bank fees, coupled with poor service and unmet customer expectations, has fueled increases in defection rates among customers of large, regional and midsize banks, according to the J.D. Power and Associates 2012 U.S. Bank Customer Switching and Acquisition Study℠ released today.

On the heels of "Bank Transfer Day" on November 5, 2011, the beneficiaries of the increased exodus from larger banks are primarily smaller banks and credit unions. Acquisition of new customers by smaller banks and credit unions has increased by 2.2 percentage points to an average of 10.3 percent in 2012 from 8.1 percent in 2011. Among big banks, regional banks and midsize banks[1], switching rates average between 10.0 and 11.3 percent, while the defection rate for small banks and credit unions averages 7.4 percent,[2] a significant drop from 8.8 percent in 2011.

The study, which examines the bank shopping and selection process, finds that 9.6 percent of customers in 2012 indicate they switched their primary banking institution during the past year to a new provider. This is up from 8.7 percent in 2011 and 7.7 percent in 2010.

The study finds that, not unexpectedly, fees are the main reason customers shop for a new primary bank. In particular, one-third of customers of big and large regional banks cite fees as the main shopping trigger.

"When banks announce the implementation of new fees, public reaction can be quite volatile and result in customers voting with their feet," said Michael Beird, director of the banking services practice at J.D. Power and Associates.

However, according to Beird, customers weigh the price they pay against the value of their experience.

"It is apparent that new or increased fees are the proverbial straws that break the camel's back," said Beird. "Service experiences that fall below customer expectations are a powerful influencer that primes customers for switching once a subsequent event gives them a final reason to defect. Regardless of bank size, more than one-half of all customers who said fees were the main reason to shop for another bank also indicated that their prior bank provided poor service."

In capturing customers who are shopping for a new bank, several of the more successful banks achieve higher acquisition rates through the use of promotions and cash incentives. At one of the highest-performing big banks,

[1] Big banks are defined as the six largest financial institutions based upon total deposits as reported by the FDIC, averaging between $180 billion and above. Regional banks are defined as those with between $180 billion and $33 billion in deposits. Midsize banks are defined as those with between $33 and $2 billion in deposits. Small/community banks and credit unions are an aggregate of all other banks.
[2] The defection rate for small banks and credit unions has been corrected to 7.4 percent. J.D. Power and Associates sincerely apologizes for any problems this change may have caused.

19 percent of customers indicate these promotions were the reason they selected their new bank. However, according to Beird, doing a good job for customers is not just about dollars, but also about loyalty and retention.

"Only 32 percent of customers who selected a new bank because of promotional offerings said they definitely would not switch banks again in the next 12 months," said Beird. "In comparison, 46 to 51 percent of customers who chose the new bank because of either good service experience or positive recommendations say they definitely will not leave within the next year."

For customers thinking about switching banks to find one that is better aligned with their expectations and needs, J.D. Power and Associates offers the following tips:

- **Shop around** to compare terms and service before deciding on a bank, the same way you might before buying a vehicle. Don't forget about direct online banks, as their competitive fees and rates may offset any inconvenience due to lack of physical branches.
- **Don't be swayed by promotion gifts/cash alone**. It is more important to ensure the bank that you are selecting offers the right products to meet your needs and that the fees associated with the products are in line with what you are willing to pay.
- **Read account brochures and disclosures carefully** and don't be afraid to **ask questions** about the products you are about to open. It is important to fully understand how fees are charged and how fees can be avoided.

The 2012 U.S. Bank Customer Switching and Acquisition Study is based on multiple evaluations from 5,062 customers who shopped for a new banking account or new primary financial institution during the past 12 months. The study was fielded in November and December 2011, and includes Bank of America; Bank of the West; BBVA Compass; BB&T; Capital One; Chase; Citibank; Comerica Bank; Fifth Third Bank; Harris National Bank; HSBC; Huntington National Bank; KeyBank; M&I Bank; M&T Bank; PNC Bank; RBS Citizens; Regions Bank; Sovereign Bank; SunTrust Bank; TD Bank; U.S. Bank; Union Bank; and Wells Fargo.

About J.D. Power and Associates

About The McGraw-Hill Companies

Media Relations Contacts:

Jeff Perlman; Brandware Public Relations; Woodland Hills, Calif.; (818) 598-1115; jperlman@brandwarepr.com
John Tews; J.D. Power and Associates; Troy, Mich.; (248) 680-6218; media.relations@jdpa.com

# # #