

Mixed report card for NAB business lending

(12 May 2004 – Australia) National Australia Bank's share of lending to Australia's commercial enterprises has dropped over the past six months but the Bank is the clear leader in lending to SMEs, according to research by East & Partners.

East's inaugural report into Australia's SME Banking markets (A\$5-20 million turnover segment) shows NAB is the principal supplier of Australian Currency Term Loans, holding primary lending relationships with 23.4 percent of the market. The Bank is also the largest secondary supplier of Australian Currency Term Loans with 13.7 percent of secondary relationships.

East's SME Banking report reveals that NAB has 20.2 percent of primary relationships in Overdraft Facilities, and is second only to Commonwealth Bank as Transaction Banker to SMEs.

Current Principal Transaction Banker to SMEs

Rank	1	CBA
	2	NAB.....19.6 percent of Total Relationships
	3	Westpac
	4	ANZ
	5	St George

Principal Supplier Shares – Overdraft Facilities to SMEs

Rank	1	NAB.....20.2 percent of Primary Relationships
	2	CBA
	3	Westpac
	4	ANZ
	5	St George

Principal Supplier Shares – Australian Currency Term Loans to SMEs

Rank	1	NAB.....23.4 percent of Primary Relationships
	2	CBA
	3	Westpac
	4	ANZ
	5	St George

Source: East & Partners SME Banking Markets program – May 2004

In the Commercial Banking segment (A\$20-100 million enterprise turnover) East's latest research shows NAB's share of primary Australian Currency Term Loan relationships dropped to 24.5 percent from 26.1 percent six months previously, while secondary lending relationships dipped to 21.9 percent from 24.5 percent.

The Bank's share of primary Overdraft Facilities relationships sits at 21 percent, down from 21.9 percent the previous round.

Principal Supplier Shares — A\$ Term Loans

	% of Primary Relationships	
	Current	Previous
NAB	24.5	26.1
CBA	22.6	24.0
Westpac	18.0	15.6
ANZ	14.9	16.2
St George	5.1	5.9
HSBC	3.3	3.7
Deutsche	2.3	1.1
Citigroup	1.9	0.9
JPMorgan	1.9	—
BankWest	1.2	1.4
Other	4.3	5.1
TOTAL	100.0	100.0

Source: East & Partners Commercial Treasury Banking Markets program

More worrying is the Bank's customer satisfaction performance in Relationship Management where NAB is ranked fourteenth and seeing its performance deteriorate.

“In the corporate sector, the National has demonstrated that it is back on the acquisition path after shedding customers prior to December 2002. Now, it's imperative the Bank puts similar efforts into servicing its customers in the commercial and SME sectors, which are the key battlegrounds for business banking,” East principal analyst Paul Dowling said.

“In the results announcements this week, Westpac delivered a 30 percent jump in business lending and St George's commercial lending grew 22 percent, a clear indication that there is margin to be won in these markets if banks get their relationship management strategies right. It also means the National can ill afford to allow any further slippage and hand over more momentum to their rivals,” he said.

If you require any East data or comment in advance of the NAB announcement or further information on this media release, please contact:

Paul Bartholomew
 Executive Editor
 East & Partners Pty Ltd
 Tel: +61-2-9222 1588
 Mob: +61-410 400 156
 paul.b@east.com.au