

Media Release

Thursday November 1, 2007

New boutique fund manager - Northward Capital - launches

National Australia Bank (NAB) Group today announced that it had entered into an agreement with Insurance Australia Group (IAG) to purchase the remaining in-house component of IAG's Australian equities funds management operation and establish a new boutique fund manager, to be known as Northward Capital Pty Ltd.

NAB Group will take a 51% stake in the new boutique fund manager with the investment team holding the remaining 49%. Northward Capital will be run as a stand-alone, independent business with the investment team moving to a majority holding over a number of years.

Mr Darren Thompson (Chief Executive Officer) and Mr Simon Rutherford (Chief Investment Officer) will be executive directors of the new investment boutique which will specialise in the management of Australian equities.

NAB Group's investment in Northward Capital is part of a new direct investment management business within the Group, called nabInvest, which will initially be focused on building a portfolio of boutique investment firms.

NAB Group Chief Executive Officer, John Stewart, said "Taking equity stakes in boutique fund managers fits with our strategy of continuing to develop in areas such as wealth management, which is a core competency of the Group."

Garry Mulcahy is returning from the Group's UK operations to take up the position of CEO of nabInvest.

"For the past two decades quality investment management teams have developed within financial institutions, with many moving to establish their own boutique firms," Mr Mulcahy said.

"We believe this well established trend will continue and, coupled with NAB's distribution and asset origination capability, provides an attractive opportunity to participate in direct investment management."

Mr Mulcahy said that through its wealth management business, MLC, the Group had a long history of forming mutually beneficial alliances with quality boutique fund managers.

"Taking equity in quality boutique fund managers is a natural extension to our current activities and will add to the quality investment solutions we provide to our customers. We expect this will be the first of a number of boutique partnerships."

“We were attracted to the opportunity with Northward Capital for a number of reasons including the quality of its people, its impressive performance track record and its innovative investment approach,” Mr Mulcahy said.

Darren Thompson, CEO of Northward Capital said, “We are looking forward to embarking on a long term partnership with nabInvest which will provide us with a strong platform for growth and new opportunities for our clients.”

“The establishment of Northward further reinforces our team’s focus on performance and alignment of interests with our clients.”

“We are particularly looking forward to continuing a positive ongoing relationship with IAG as one of our key clients,” Mr Thompson said.

IAG Chief Investment Officer, Mr John Stratton, said that external management of the final in-house component of IAG’s equities portfolio supported the Group’s aim to maintain exposure to solid investment returns while reducing investment and operational risk.

“IAG has been moving towards an external management model for its equities allocation for some time, by introducing a range of asset managers and investment styles,” Mr Stratton said.

"Northward Capital will be an important part of our broader external asset management platform. The in-house equities team have delivered strong performance and we will continue to maintain an exposure to the fund."

Mr Stratton said IAG will retain a dedicated team internally to provide strategic oversight of the external management platform to ensure IAG secures the best active return from a diversified group of managers, and to manage its cash and fixed income investment portfolios so they match the Group’s insurance liability profile as well as the strategic asset allocation of shareholders’ funds.

The consideration of the transaction remains confidential.

For further information on Northward Capital, please refer to the Fact Sheet.

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About National Australia Bank Group

National Australia Bank Group is an international financial services group that provides a comprehensive and integrated range of financial products and services. The business operating model in run along the following regional lines of business:

Australian Region - comprises Australian Banking and MLC;

United Kingdom Region - comprises United Kingdom Banking and Wealth Management United Kingdom;

New Zealand Region - comprises New Zealand Banking and Wealth Management New Zealand; and nabCapital (global).

About Insurance Australia Group Limited

Insurance Australia Group Limited (IAG) is an international general insurance group, with operations in Australia, New Zealand, the United Kingdom and Asia. Its current businesses underwrite more than \$7.5 billion of premium per annum. It employs more than 16,000 people of which around 11,000 are in Australia. It sells insurance under many leading brands including NRMA Insurance, CGU, SGIO and SGIC (Australia); NZI and State (NZ); Equity Red Star and Hastings Direct (UK); and NZI and Safety (Thailand). For further information please visit www.iag.com.au