
Address to the Securities Institute of Australia

**Gordon Lefevre
Deputy Group CFO**

March 2005



Underlying performance issues identified

<u>1. Culture and People</u>	<u>2. Regulatory & Compliance</u>
<u>3. Business Inefficiency</u> <ul style="list-style-type: none">• Complexity• Bureaucratic	<u>4. Stalled Revenue</u> <ul style="list-style-type: none">• Inward looking• Business processes not customer focused

2004 provided an unacceptable outcome

	Sep 04	Sep 04 v Sep 03
Basic cash earnings per share (before significant items)	228.5c	14.9% ↓
Diluted cash earnings per share (before significant items)	226.0c	13.8% ↓
Cash earnings (before significant items)	3,461m	15.0% ↓
Return on equity (before significant items)	15.8%	2.50% ↓
Adjusted Common Equity	5.30%	0.38% ↑
Total capital ratio	10.58%	0.96% ↑
Gross NALs/ Total Gross Loans and Acceptances	0.46%	0.19% ↓

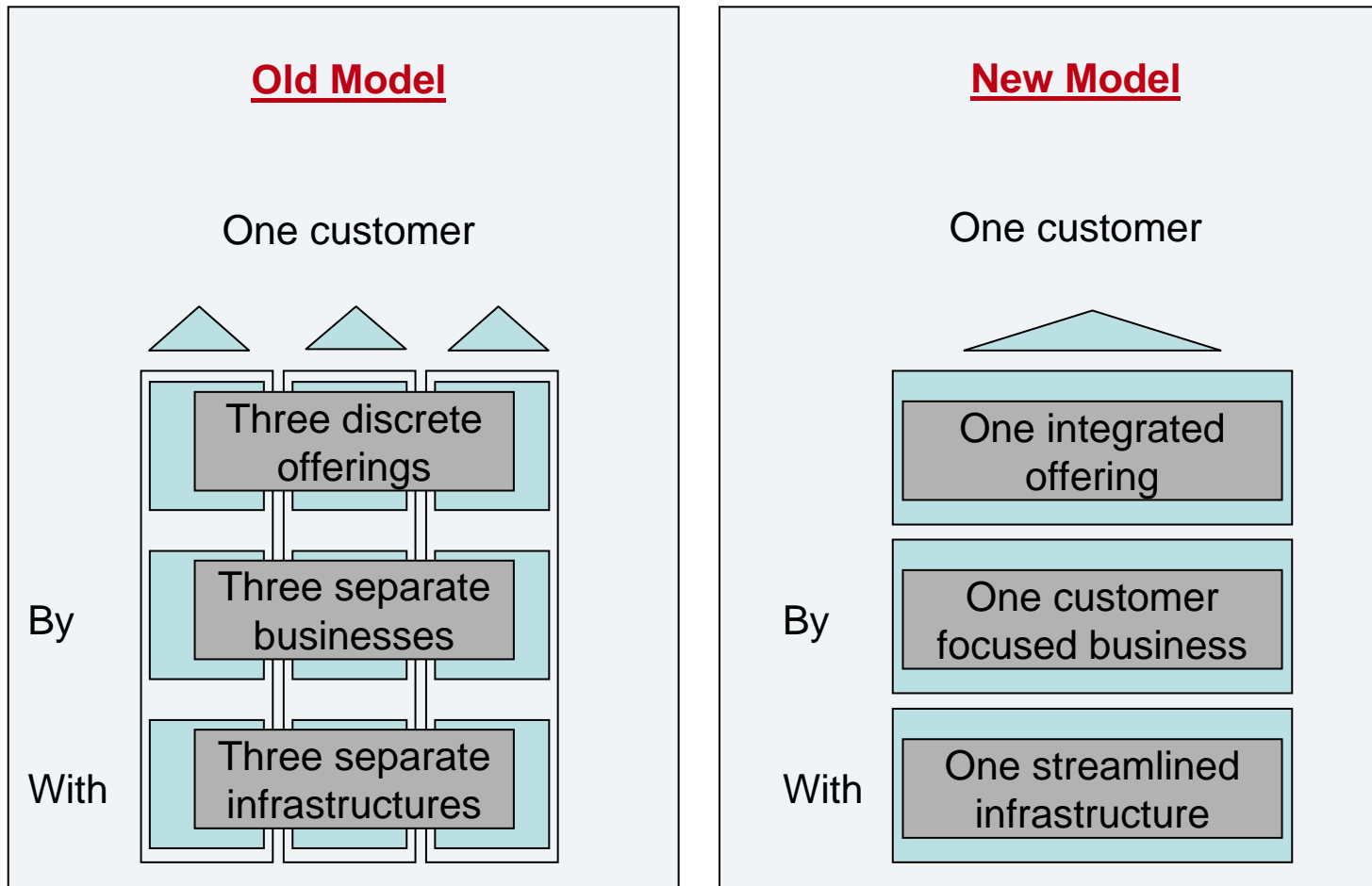
Key areas impacting the group during 2004

- Margin compression
 - Financial Services Europe
 - Financial Services Australia
 - Corporate & Institutional Banking
- Other income
 - Retail banking stalled across the Group
 - Corporate & Institutional Banking down dramatically
- Excessive cost growth across Group
 - Poor culture of cost containment
 - Regulatory & compliance
 - Protecting the Australian franchise
 - Amortisation of deferred expenditure
- Specific provision down

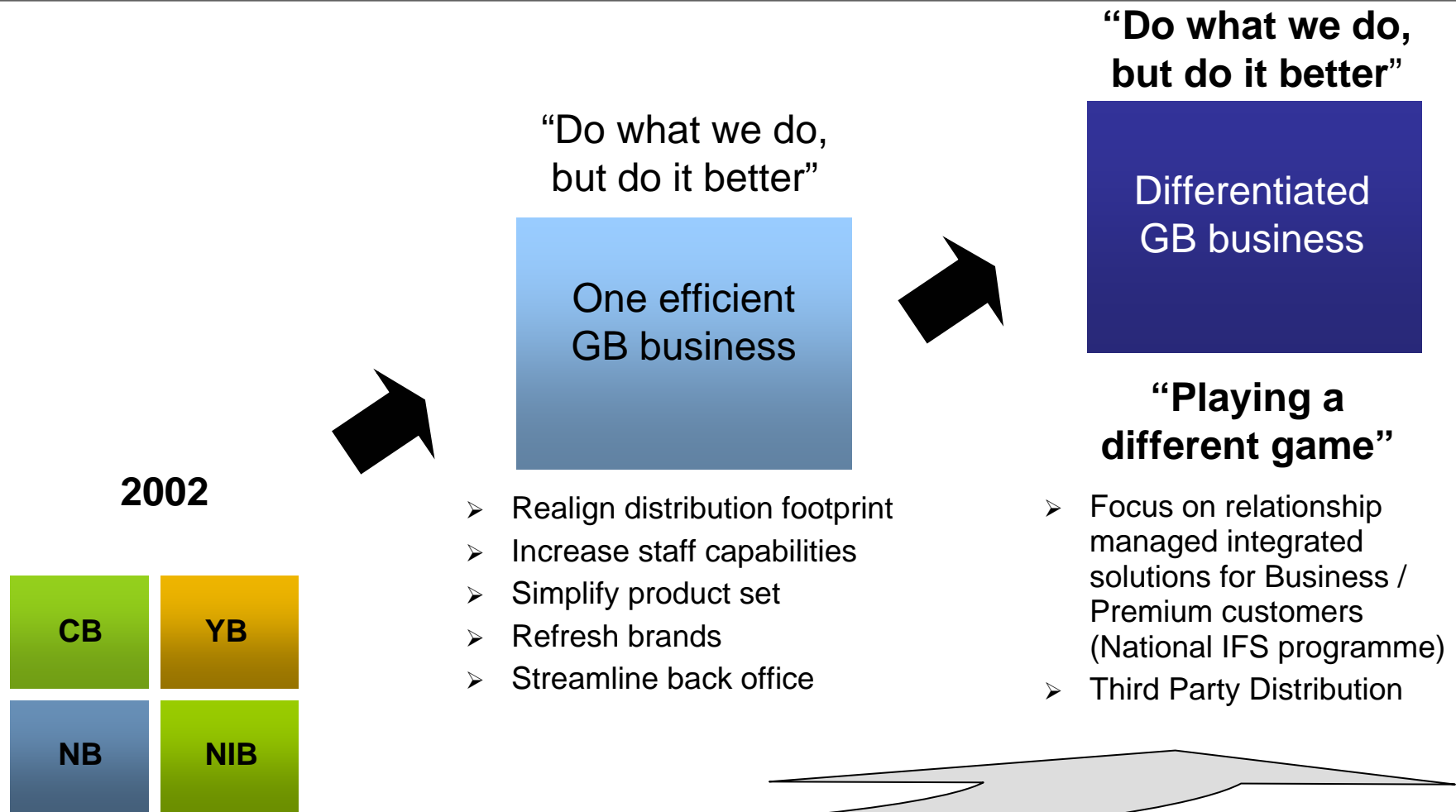
We have a simple plan to fix the business

<p><u>1. Culture and People</u></p> <ul style="list-style-type: none">• New corporate values• Leadership renewal• Taking our people on the journey	<p><u>2. Regulatory and Compliance</u></p> <ul style="list-style-type: none">• Investing in our risk and compliance infrastructure• Working co-operatively with our regulators to address their issues
<p><u>3. Simplicity and Efficiency</u></p> <ul style="list-style-type: none">• Leaner centre• “Do it once”• Remove the bureaucracy	<p><u>4. Restarting Revenue</u></p> <ul style="list-style-type: none">• New products• Empowering our salesforce to help our customers (eg \$750k business loan)

Our new regional model is the key to the plan



Freeing the business to compete in Europe...



...And in New Zealand

	2002 / 2003	2003 / 2004	2004 / 2005
Ongoing		<ul style="list-style-type: none"> • Brand Program • Customer Satisfaction 	<ul style="list-style-type: none"> • Brand Program • Customer Satisfaction • Home Loans • Youth
Current Focus	<ul style="list-style-type: none"> • Brand Program • Customer Satisfaction • Home Loans 	<ul style="list-style-type: none"> • Home Loans • Youth • Retail Model • Small Business 	<ul style="list-style-type: none"> • Small Business • Consumer Finance • Agribusiness
Emerging	<ul style="list-style-type: none"> • Youth • Retail Model • Small Business 	<ul style="list-style-type: none"> • Consumer Finance • Agribusiness 	<ul style="list-style-type: none"> • Savings and Deposits
	Infrastructure Renewal Program		



Compliance and risk actions

- **New Finance and Risk structure**
- **FX remedial actions**
- **Clarifying roles and responsibilities**
- **Compliance embedded in performance management framework**

Indirect costs

Proportion of costs charged to one business unit by another business unit

	2002	2003	2004
Europe			
Clydesdale	36%	36%	38%
Yorkshire	36%	38%	41%
National Irish	33%	32%	34%
Northern	34%	31%	39%
Australia			
Business	58%	55%	56%
Personal	55%	59%	52%
Cards	39%	41%	47%
Agri Business	42%	43%	47%

Restarting the revenue engine

<p><u>1. Culture and People</u></p> <ul style="list-style-type: none">• New corporate values• Leadership renewal• Taking our people on the journey	<p><u>2. Regulatory and Compliance</u></p> <ul style="list-style-type: none">• Investing in our risk and compliance infrastructure• Working co-operatively with our regulators to address their issues
<p><u>3. Simplicity and Efficiency</u></p> <ul style="list-style-type: none">• Leaner centre• “Do it once”• Remove the bureaucracy	<p><u>4. Restarting Revenue</u></p> <ul style="list-style-type: none">• New products• Empowering our salesforce to help our customers (eg \$750k business loan)

Still lots to Do

- “It is early days in the recovery phase and I still expect the National’s performance to bottom in the first half of 2005 and return to an acceptable growth profile over the second half and into 2006
- The initial work to adjust risks settings and improvements to our products and services is creating encouraging results but we have to ride out the flow-on effects of the problems we faced last year.
- We are committed to keeping the market fully informed of our progress.”
 - *National Australia Bank*
 - *AGM 31 January 2005*



Disclaimer

The preceding material is a presentation of general background information about the National's activities current as at 15 March 2005. It is information given in a summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.