

Business Financial Services Australia

UBS Warburg Conference

PAUL CLARK, GENERAL MANAGER

29TH MAY, 2002

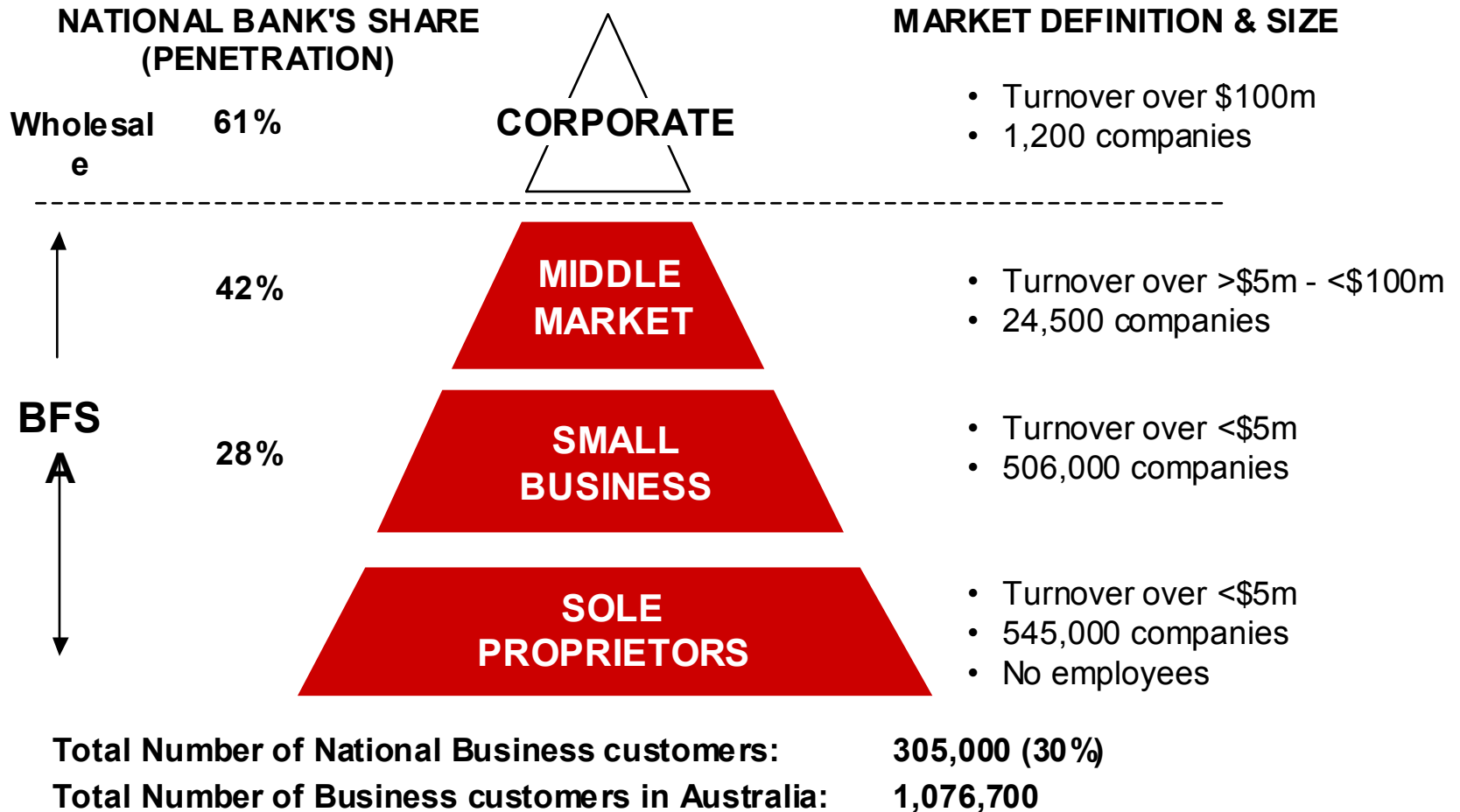
AGENDA

- What is Business Financial Services Australia?
- What does success look like?
- Why will we continue to dominate the business banking market?
 - sources of competitive advantage
 - key strategies
 - risks and emerging trends

OUR TARGETS

- 12% EPS Growth
- >10% year on year increases in NPBT
- Continue to grow at or exceed market growth in our target markets
- Selective customer acquisition
- Demonstrated superior ability to cross sell is being leveraged into IFS and Wealth Management
- Leveraging superior credit skills and insights for better Balance Sheet and Risk Management
- Refining our platform around the customer experience. Recognising that 1 size does not fit all
- Leveraging technology and scale to create natural cost advantages & sales effectiveness

BUSINESS FINANCIAL SERVICES HOLDS A DOMINANT POSITION IN BUSINESS BANKING



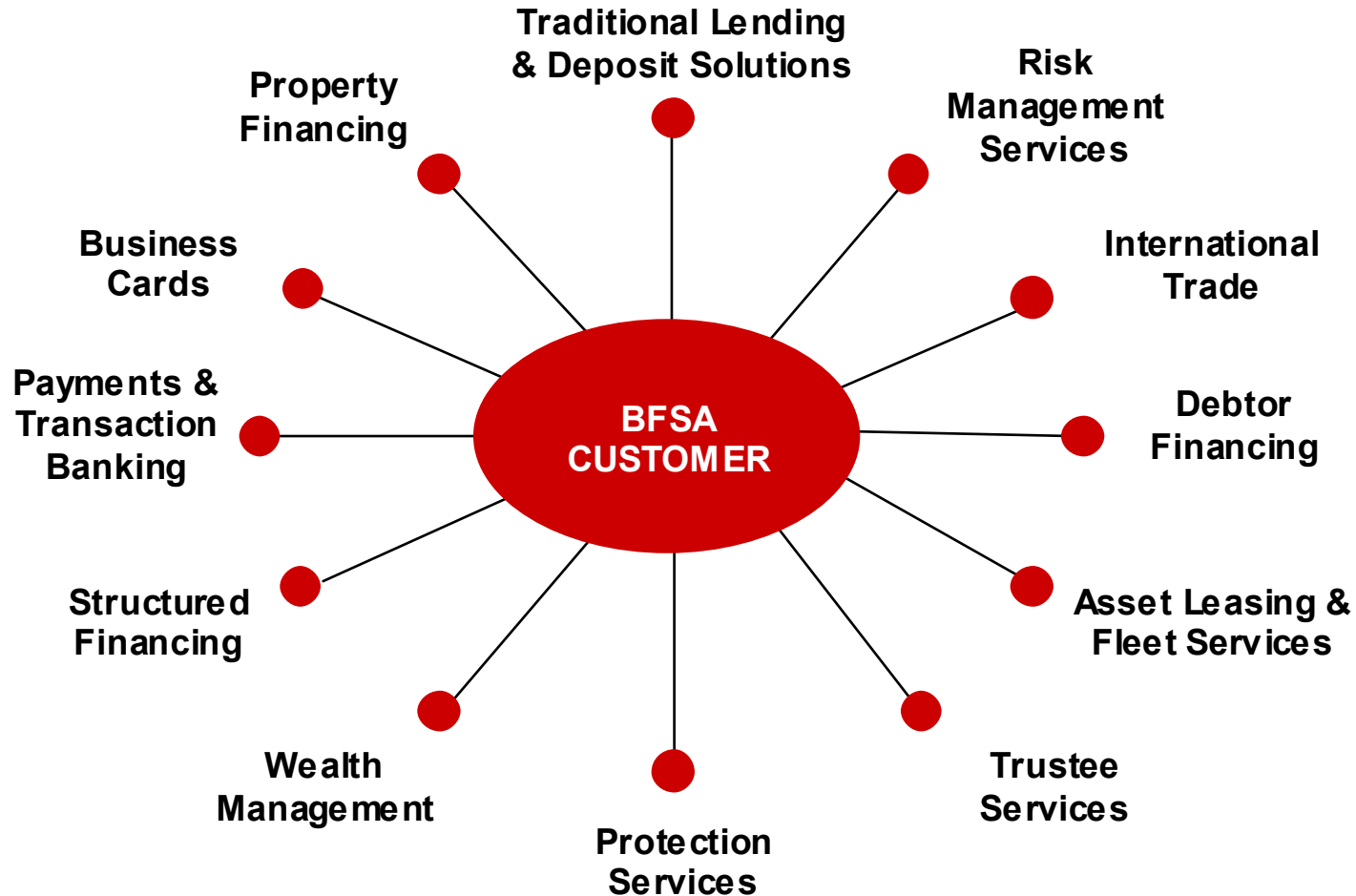
KEY FACTS - BFSA

- BFSA delivers superior customer service through a dedicated relationship management model i.e. every customer has a relationship manager
- We deliver an increasing number of products and services to our business customers through our relationship managers and an increasing number of product specialists

MARKET METRICS

- We have 28% of Small Business market with 24% market share of lending and 23% market share of lending and 34% share of deposits

BREADTH AND DEPTH OF BFSA SERVICES HAS ENABLED US TO ACHIEVE SHARE OF WALLET BUT IMPORTANTLY PAVES THE WAY FOR FUTURE GROWTH



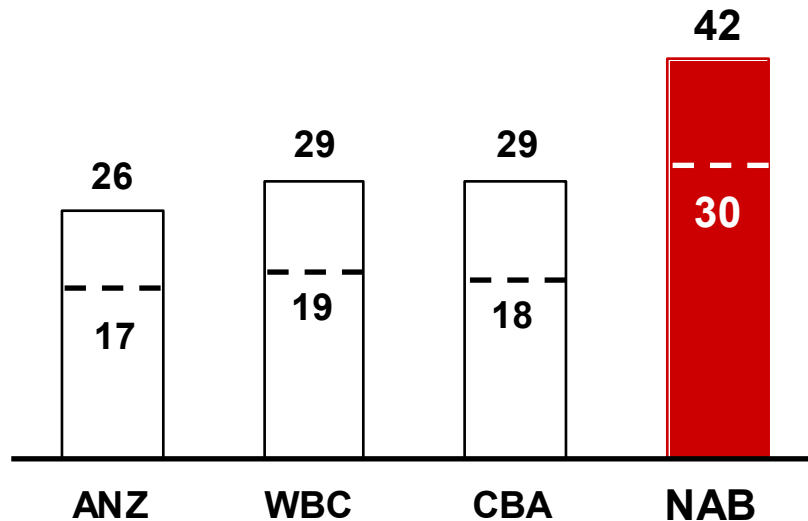
HOW DOES THIS DIFFER FROM OUR COMPETITORS STRATEGIES?

Superficially it doesn't but the National will generate superior returns through:

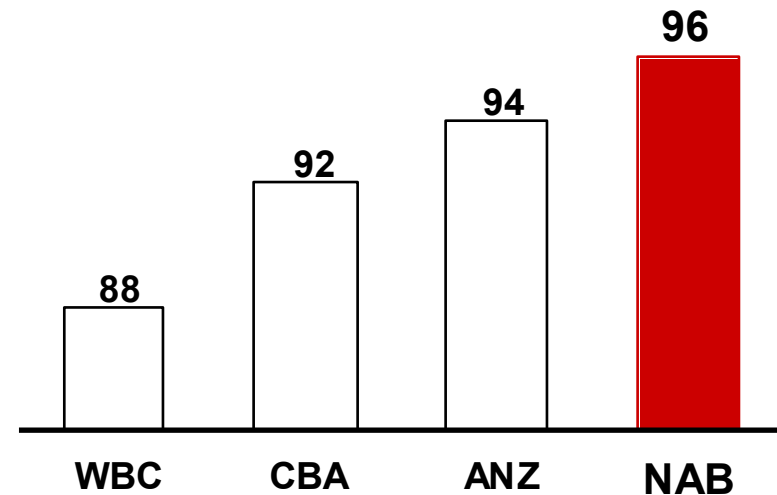
- Our larger customer penetration (42%) and large number of primary banking relationships (30%)
- Our stronger lending relationships (96% share of Wallet), and
- Superior cross selling (evidenced by market leading position in trade, treasury and debtor finance.
- The competitive advantages inherent in our Wealth Management Business and superior products.

BFSA IS THE BIGGEST PLAYER IN THE MARKET, AND IS THE BEST AT MEETING CUSTOMER NEEDS

PRIME BANK CUSTOMERS VS
TOTAL MARKET PENETRATION
(%)



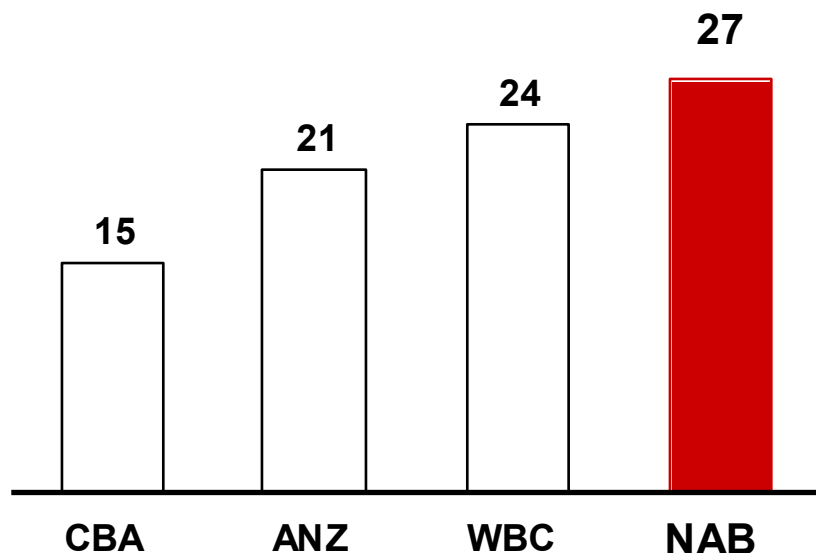
PRIME BANK CUSTOMERS
- % SHARE OF WALLET
SERVED BY PRIME BANK



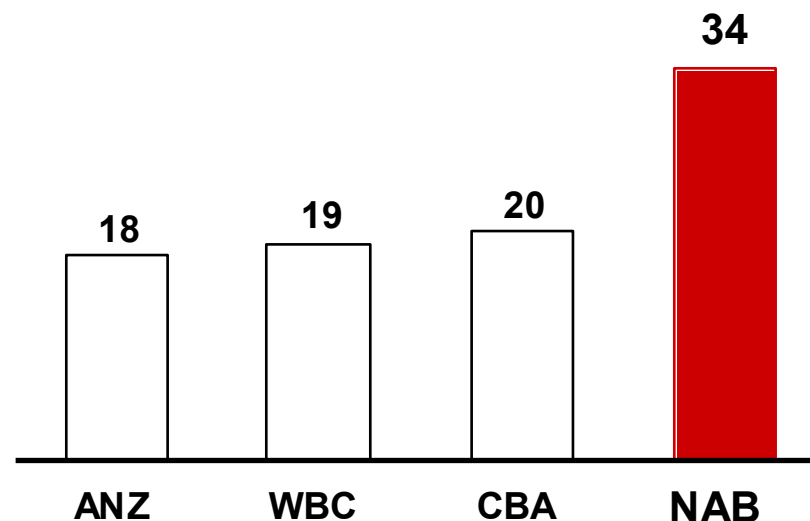
Source: Greenwich Associates

LEADING RESULTS IN CUSTOMERS USING TRADE AND TREASURY AUGURS WELL FOR EXECUTING IFS

TRADE FINANCE
MARKET SHARE %

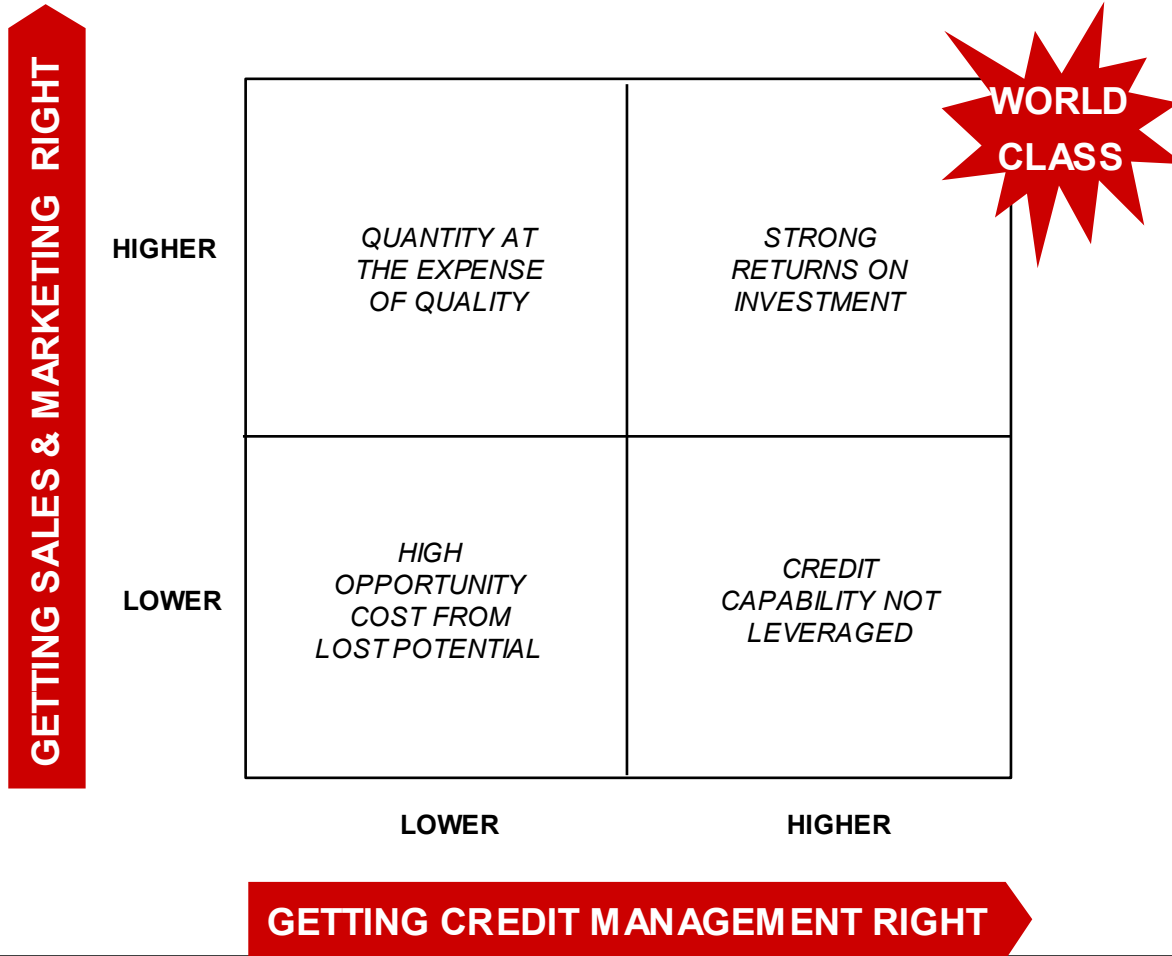


TREASURY & DEBTOR FINANCE
MARKET SHARE %



Source: Greenwich Associates

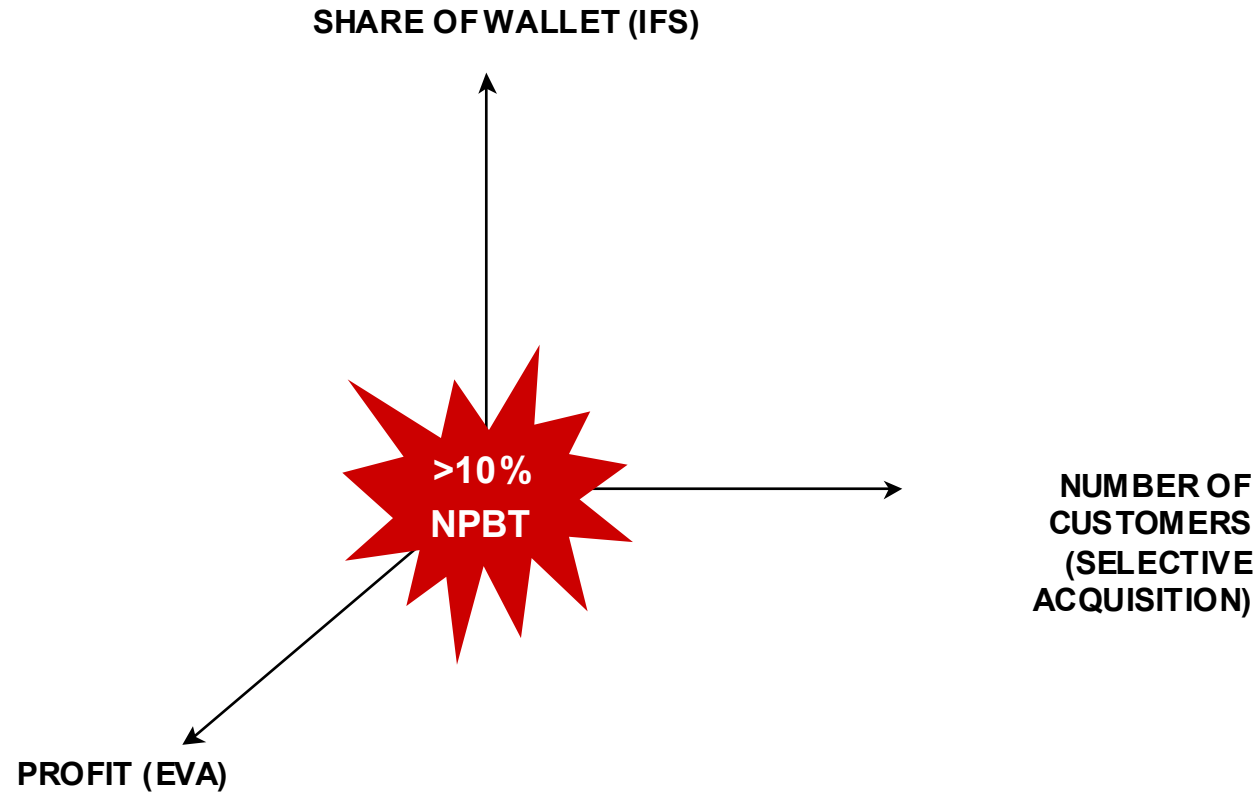
BFSA IS FOCUSED ON TWO KEY BANKING FUNDAMENTALS



WHAT HAS DRIVEN OUR INTEGRATED FINANCIAL SERVICES SUCCESS TO DATE?

- An obsessive focus on complete (integrated) financial solutions based on customer needs not product pushing or specialisation
- Measurement focused on overall customer profitability and satisfaction rather than individual business unit profitability/performance
- Superior customer proposition – i.e. superior customer value proposition, disciplined sales approach

BFSA WILL GENERATE EARNINGS GROWTH BY EXERCISING KEY VALUE LEVERS



EXECUTION IS THROUGH FOUR KEY STRATEGIC AREAS

Sustainable
Competitive
Advantage

**Superior Customer
Proposition**

- Segmentation
- Deeper Insight
- Redefining the Market

**Advantaged Delivery
Model**

- Advantaged Economics
- Superior Delivery

**High Performance
People**

- Performance Driven
- Motivated

**Superior Asset
Quality**

- Leveraging Superior Credit Skills

SUPERIOR CUSTOMER PROPOSITION

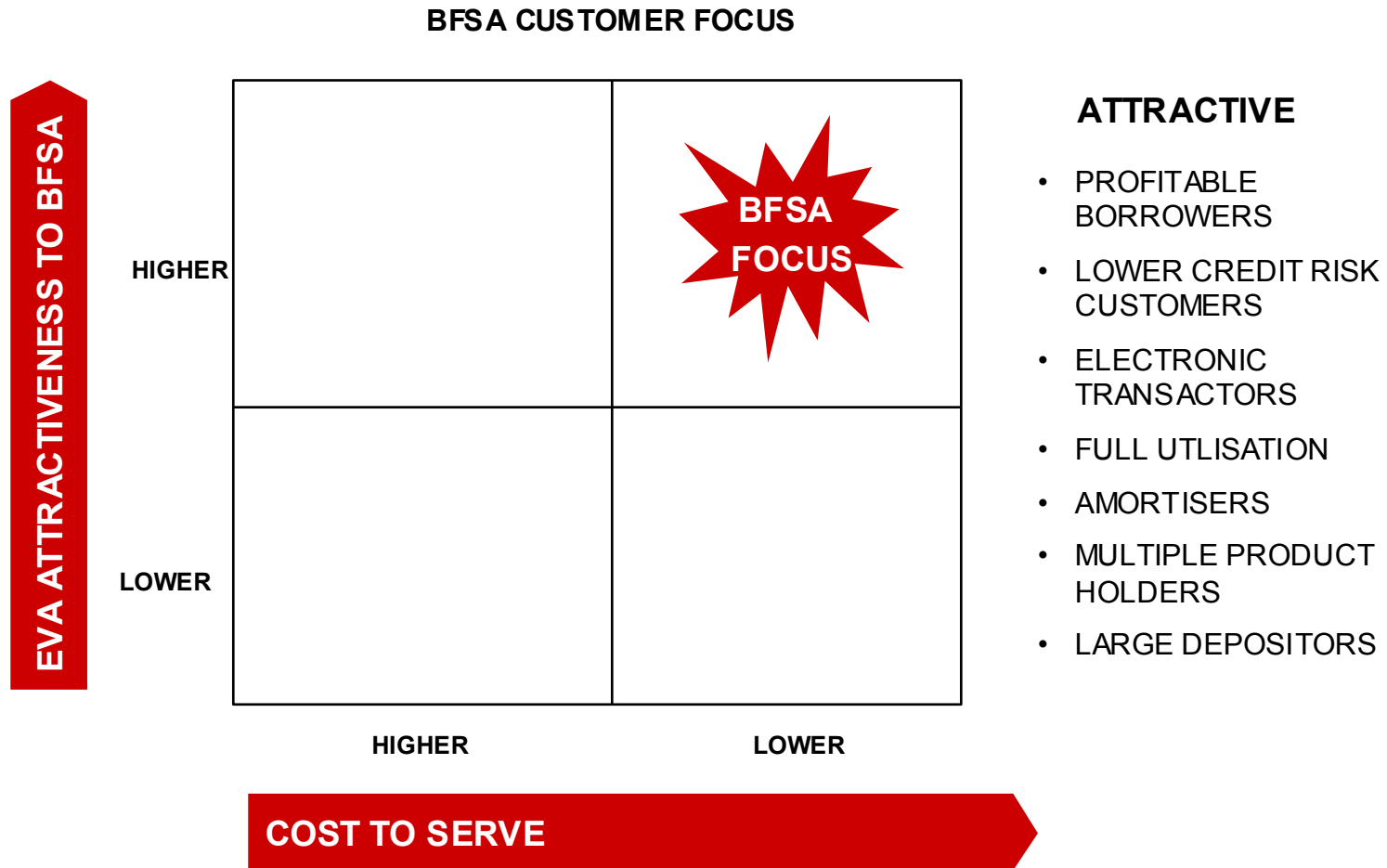
- Obsessive about customer value delivered and complete customer experience
- Focus on target customers who drive 60-80% of profits
- Re-thinking segments to better identify preferred customers after considering between profitability, credit risk and cost to serve
- Extending the value proposition through IFS and by redefining the market



BFSA COMPETITIVE ADVANTAGE

- Leverage technology driven customer insights
- Disciplined sales management
- Commitment to demonstrated customer value
- Needs based selling

BFSA CUSTOMER FOCUS (INTERNAL VIEW)



ADVANTAGED DELIVERY SYSTEM

- Demonstrated Integrated Financial Solutions capability
- Significant investment in eBL, eCL
- Siebel & CRM
- Cost-to-serve alignment
- Electronic banking and transaction migration



BFSA COMPETITIVE ADVANTAGE

- Economies of scale
- ECL/EBL
- CRM

HIGH PERFORMING PEOPLE

- Performance Measurements for bankers focused on profit/EVA not volumes
- Focus on recruitment and retention of best people
- Active succession planning
- League laddering and People Capability Audits



BFSA COMPETITIVE ADVANTAGE

- Preferred Employer
- Superior Relationship Bankers
- Results Driven Culture

ASSET QUALITY REMAINS A STRONG FOCUS FOR BFSA

- Pricing discretions
- Profit and RAROC KRA's
- Revised DCA's
- Pricing to Risk
- Decentralised Credit Management Model

BFSA COMPETITIVE ADVANTAGE

- Superior Credit Skills
- Leverage credit data for balance sheet quality
- Asset structuring/
predictive modelling



THERE ARE A NUMBER OF RISK THAT BFSA AND OUR COMPETITORS WILL NEED TO MANAGE

- Continued subdued business lending
- Rising interest rates
- Contracting margins
- Deteriorating asset quality
- Increased competition



BFSA COMPETITIVE ADVANTAGE

- Strong needs based selling/share of wallet
- Stronger penetration of risk management services
- Better margin management
- Core competence in credit management
- Superior customer proposition

KEY INITIATIVES

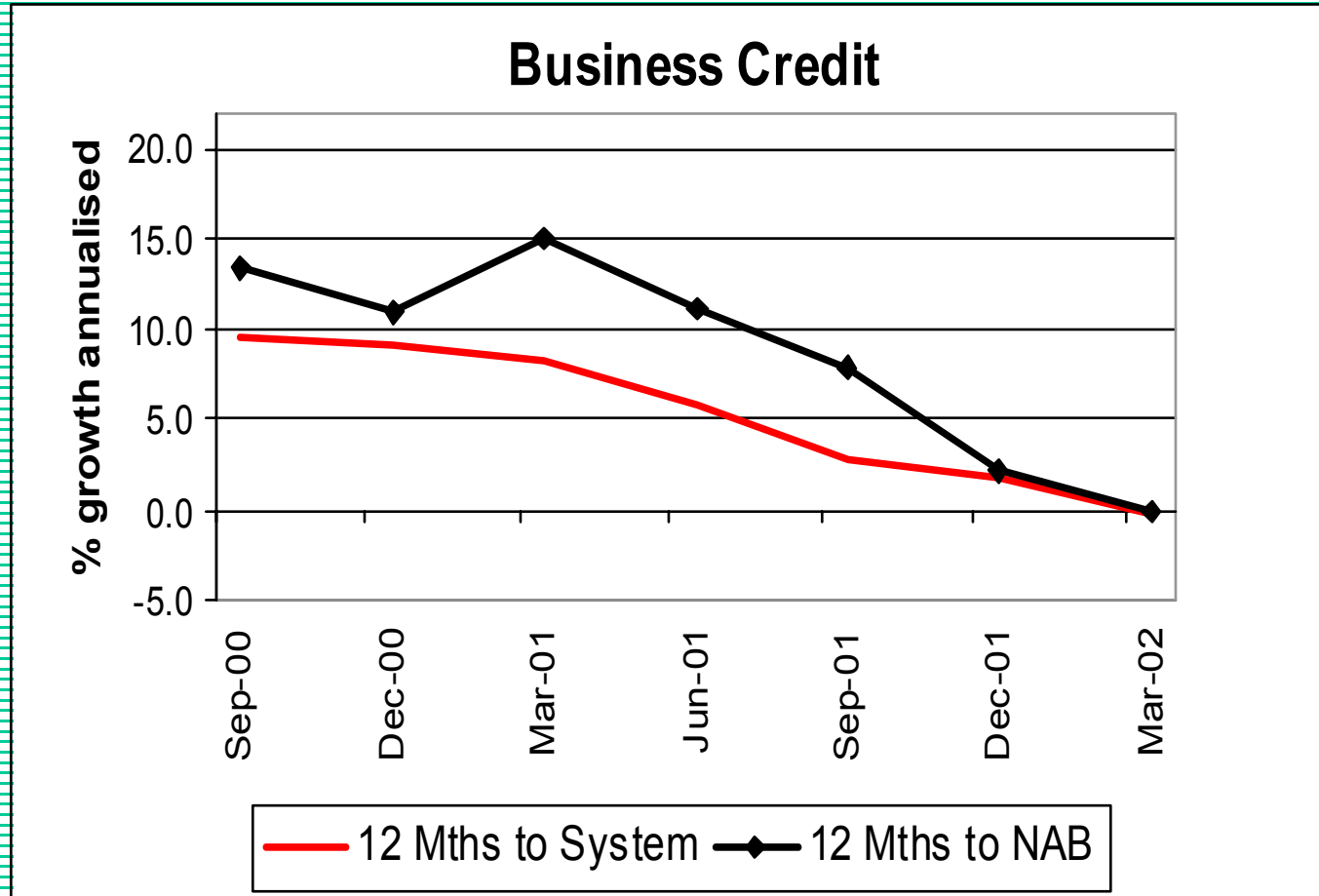
1. Attracting and retaining the best people
2. Selective Customer Acquisition
3. Leveraging our investments in CRM, EBL, ECL
4. Active Capital & Credit Risk Management
5. Refining our service and distribution strategy

KEY TAKE AWAYS FROM TODAY

- BFSA is focused on achieving >10%+ earnings growth year on year
- Demonstrated superior ability to cross sell is being leveraged into IFS and Wealth Management
- Leveraging superior credit skills and insights for better Balance Sheet Management
- Refining our platform around the customer experience. Recognising that 1 size does not fit all
- Leveraging technology and scale to create natural cost advantages & sales effectiveness
- We continue to review our business to maintain our market leading position

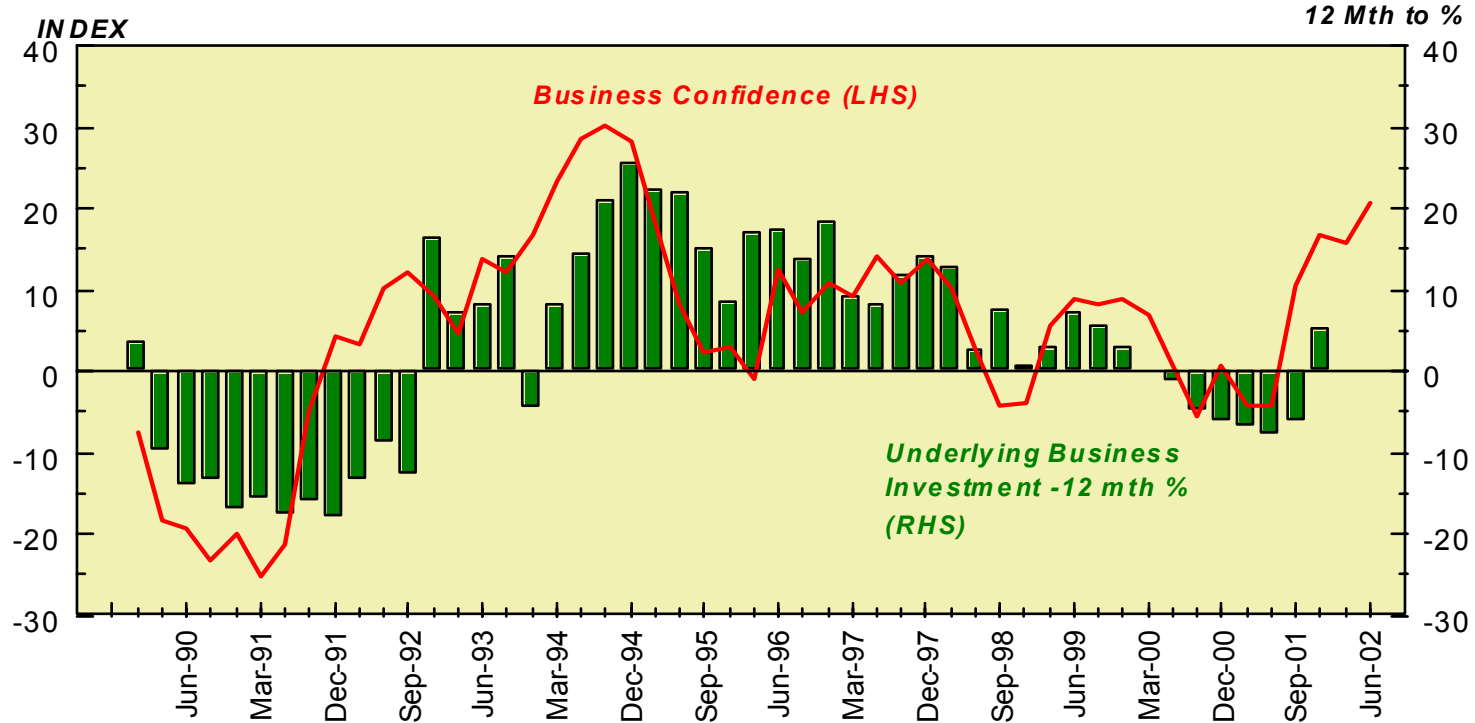
Questions

Business Lending Subdued



Business Lending Expected to Pick Up

Business Confidence and Business Investment



Disclaimer

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