

# 2001 Half-Year Results

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# Outline

- Firing on All Cylinders
- Strong Performance in Major Businesses
- Financial Highlights
- Progress Against Strategies
- Outlook

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Good afternoon.

I trust those of you watching from Melbourne and those on the phone can hear me loud and clear.

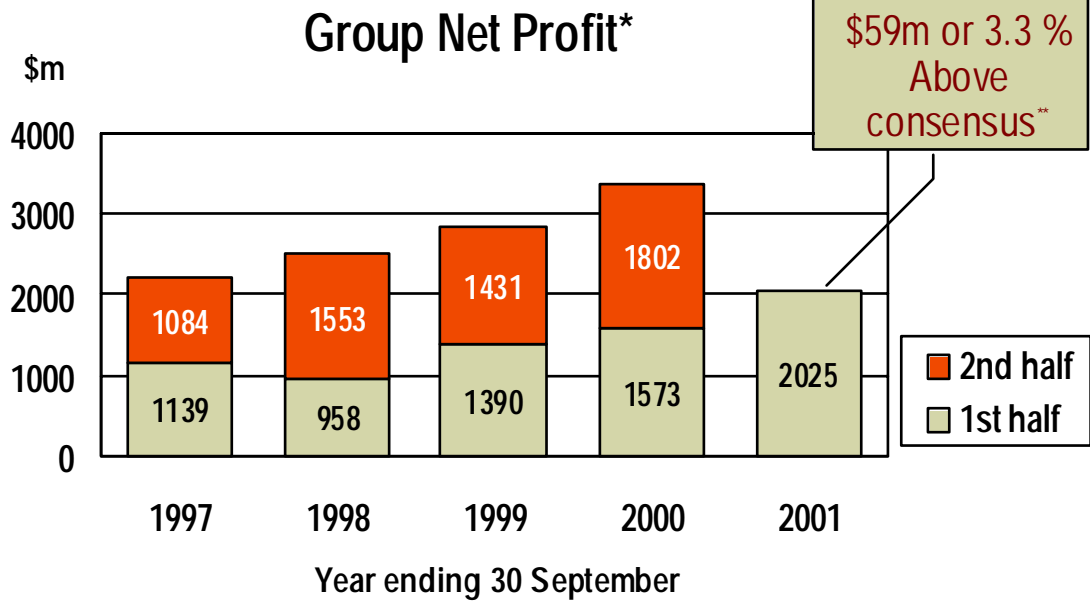
Today, Richard and I are pleased to present a very solid first half result.

The strong growth in our major businesses confirms that the National is firing on all cylinders.

I am going to open with highlights from the results and then hand over to Richard who will address key financial aspects.

Then I will come back and address our progress against our 5 core strategies and the outlook for the second half.

# Firing on All Cylinders



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\* Group net profit excluding abnormals and before distributions  
 \*\* Leading 9 Australian broking analysts (cash profit)



We're pleased to report a net profit in excess of \$2 billion.

The result is over 3% above consensus forecast for our cash profit.

We are using our geographic and business diversity to drive growth in our businesses.

The National now has over A\$1 trillion in balance sheet assets and assets under management and administration.

This strong result reinforces our position as a leading diversified financial services group.

Our strategies are working.

## Firing on All Cylinders

Group Net Profit	↑ 28.7%	\$2,025 million
Group operating profit: continuing operations	↑ 30.8%	\$1,897 million
Earnings per share	↑ 26.2%	125.3 cents
Cash earnings per share	↑ 13.5%	119.4 cents
Dividend per share	↑ 13.6%	67 cents

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On any measure, this is a solid result.

- Net Profit;
- Cash Profit;
- Earnings per share;
- Cash earnings per share;

and,

- Dividend per share

...are all up strongly

I will now hand over to Richard



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Thanks Frank, [CLICK] I'd like to take this opportunity to provide some greater detail on the Group's half-year result.

# Half Year Financial Highlights

	6 Mths to Mar-01	Mar-01 / Mar-00 %
▪ <b>Group net profit before distribution</b>		
Accounting	\$2,025M	↑ 28.7%
Cash	\$1,934M	↑ 16.5%
▪ <b>Profit from Continuing Operations</b>		
Accounting	\$1,897M	↑ 30.8%
Cash	\$1,666M	↑ 17.3%
▪ <b>Earnings Per Share</b>		
Accounting	125.3 cents	↑ 26.2%
Cash	119.4 cents	↑ 13.5%
▪ <b>Return on Equity</b>	19.0%	↑ 1.6%

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Headline profit of \$2,025M for the half year exceeds \$2Bn for the first time. Excluding the non-cash items of goodwill and revaluations profit has grown by 16.5% to \$1,934M.

Profit from continuing operations which excludes MNC is \$1,897M, up 30.8% on the prior first half, and 17.3% on a cash basis. This higher rate of increase reflects the performance of MNC which was down 11.8% in local currency terms.

Earnings per share represents strong growth of 26.2%, or 13.5% on a cash basis.

Return on Equity also improved 160bps to 19%.

# Group Profit Summary

\$M	6 months	6 months	Mar-01
	to Mar -01	to Mar -00	/Mar-00 %
Banking & Other Financial Services	1,520	1,318	15.3%
Wealth Management	364	65	460.0%
HomeSide	71	84	(15.5%)
Excess capital	16	57	(71.9%)
Goodwill on continuing operations	(74)	(74)	0.0%
<b>Net profit from continuing operations</b>	<b>1,897</b>	<b>1,450</b>	<b>30.8%</b>
Net profit from discontinuing operations	132	123	7.3%
Outside equity interests	(4)	0	-
<b>Profit to ordinary shareholders</b>	<b>2,025</b>	<b>1,573</b>	<b>28.7%</b>
Distributions	(112)	(93)	(20.4%)
<b>Earnings to ordinary shareholders</b>	<b>1,913</b>	<b>1,480</b>	<b>29.3%</b>

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I spoke to many of you on 9th April on our new presentation format, which is summarised on this slide

Looking at the result by line of business, B&OFS profit which includes B&PFS, WFS, SEB, and NSS, recorded a 15.3% increase in profit. This increase was driven by a strong performance in WFS and a good result in B&PFS. B&OFS cost income ratio fell from 51.4% to 49.7%.

Wealth Management headline growth of 460% to \$364M included \$189M contribution this year from revaluation profit. The valuation of our Wealth Management operations now stands at \$5.6Bn.

HomeSide's result represented a reduction of 15.5% or 26.9% in local currency terms. Increased servicing revenue and production activity has been offset by higher amortisation of the MSR and higher production related expenses. The prior year also included a one off \$11M tax benefit. The result is a significant improvement on the second half of last year.

Excess Capital has been separately reported for the first time. Contribution from Excess Capital has reduced due to lower levels following the purchase of the MLC Group and lower earnings rates this half year. With the sale of MNC, this item is expected to show an increase in the second half.

# Half Year Performance Highlights

- Wealth Management contribution of \$364M
  - Operating profit of \$175M up 13.6% on a proforma basis
- Wholesale Financial Services contribution up 29% to \$347M
- Banking and Other Financial Services cost income ratio down to 49.7% from 51.4%
- Offshore Earnings up 19.9%

	Local Currency
- Great Britain up 19.1%	up 10.2%
- Ireland up 17.8%	up 10.0%
- New Zealand up 36.0%	up 36.0%
- Gross loans and acceptances up 15.9% to \$241Bn, or 11.5% excluding the impact of foreign exchange
- Asset quality maintained, at 0.79% NALs to gross loans

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Looking at some of the highlights -

Wealth Management profit of \$364M was an excellent result in a period of difficult investment markets. This shows the strength of the MLC platform and its minimal reliance on investment earnings. On a comparable basis with last year, the operating profit of \$175M represented 13.6% growth.

Wholesale Financial Services earnings were also strong with a 29% growth in profit, with good growth across all lines of business. Whilst conditions were favourable for the WFS business, the result is attributable to strengthening of the franchise as we have invested in this business. This has been achieved by the development and distribution of expanded product capability particularly in Great Britain and Ireland and providing tailored FX and interest rate management products to our Business Customer bases.

Banking and Other Financial Services produced another excellent performance. It is the core of our business and whilst costs are up as we invest in re-engineering the business and accelerated the growth components, the cost income ratio has fallen below 50%.

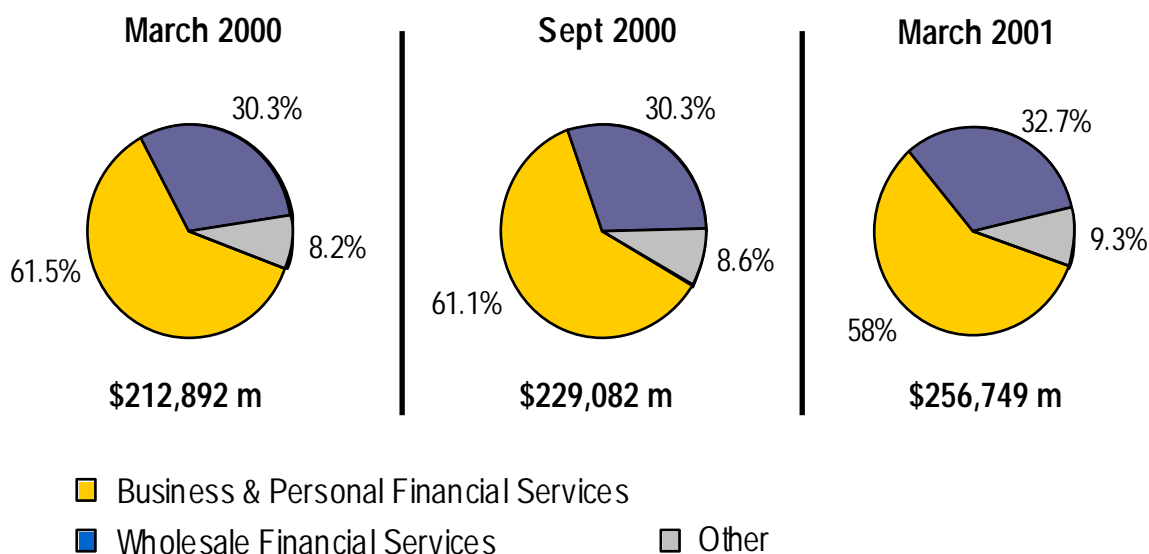
Our offshore operations have performed extremely well. All regions (with the exception of MNC) performed strongly in local currency terms, and of course, the overall result was aided by movements in the AUD.

Gross loans and acceptances have grown strongly across most regions and products both in Australian dollars and local currency terms.

Asset quality overall has been maintained, although several large corporate accounts have resulted in a large \$ movement in NAL's in recent months. As a proportion of the book, however, NAL's in Banking & Other Financial Services are 0.79% at March 2001 compared to 0.78% at March 2000.

## Mix by line of business has significantly changed

### Average interest earning assets



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The main driver of the Group margin reduction is reflected in the change of business mix in the interest earning assets. Business and Personal Financial Services as a proportion of the average interest earning assets reduced by 3.5% over the year while Wholesale Financial Services increased by 2.4%. The growth in the other category includes HomeSide and Asset and Liability Management.

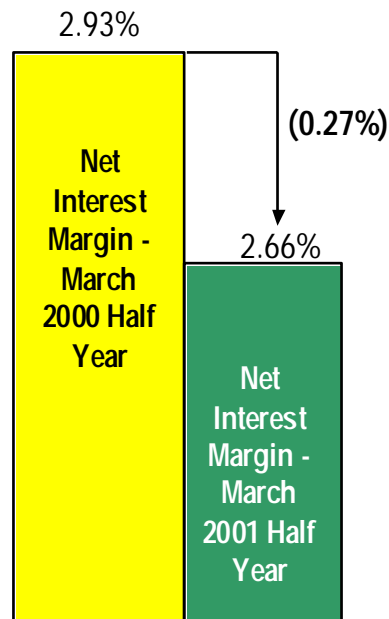
The success of our WFS business has seen a significant increase in the proportion of our interest earning assets attributable to Wholesale.

IEA's have grown 20.6% and Wholesale's share has increased from 30.3% to 32.7%.

The Wholesale operation deals with lower yielding lower risk assets (90% investment grade or equivalent) and often generates returns from a combination of fees and interest income. It therefore generates much lower NIM than our Retailing operation or our Specialist businesses.

This has produced a mix impact on our Group Margin.

# Net Interest Margin



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Margin has fallen significantly from 2.93% [CLICK] to 2.66% this year.

This primarily reflects a shift in our business away from net interest income toward fee based income.

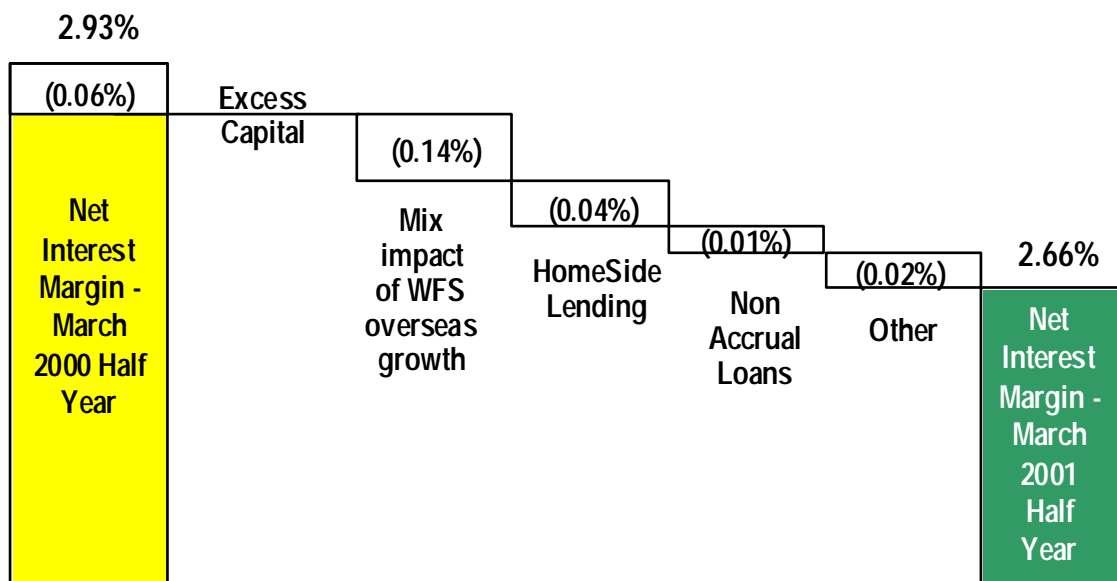
I have mentioned the mix impact of Wholesale.

The refinancing boom in the USA has seen the MSR receivable on HomeSide's Balance sheet grow rapidly. This growth is financed largely by borrowing which incur interest expense, however the asset produces fee income. Once again there is a mix-variance on our balance sheet

The purchase of MLC increased our debt and therefore interest expense and replaced interest earnings with fee income

It is important to note that margins in both Wholesale and B&PFS have increased over the period. The margin decline is purely the mix impact.

# Net Interest Margin



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I will now take you through the reasons for this reduction:

Looking at these factors:

(1) Adjusting for the utilisation of excess capital, the comparable margin for March 2000 half is 2.87%

(2) Strong Wholesale volume growth largely in New York and London – 14 bp impact

Margin increased from 61 bps to 64 bps

Positioning of the balance sheet to take advantage of lower interest rates.

WFS has 90% of their book in Investment Grade Equivalent business which represents quality business.

(3) HomeSide - 4 basis points.

(4) Non-accrual loans - 1 basis point.

(5) The remainder of the margin reduction is - 2 basis points. The remaining reduction in margin includes additional wholesale borrowing for the MLC acquisition.

## Net Interest Margin – by line of business

	6 months to Mar-01	6 months to Mar-00	Net Interest Income to Total income
Group Margin	2.66%	2.93%	
Business & Personal Financial Services	3.79%	3.78%	
Wholesale Financial Services	0.64%	0.61%	
Specialist & Emerging Businesses	5.31%	5.39%	
HomeSide	(5.60)%	(1.73)%	

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Net Interest Income   
 Other Operating Income



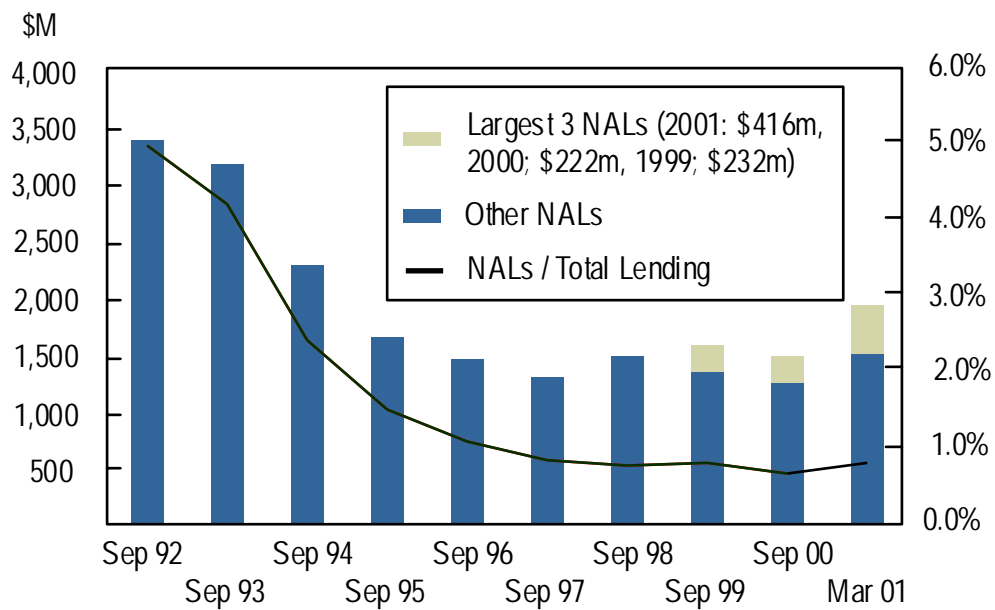
The margins for the major lines of business, have been maintained or show slight improvement.

SEB margin has dropped 8 bps due to a slight easing of margins in Cards and Security Services

HomeSide's margin has dropped due to the increased mortgage servicing rights on the balance sheet having to be funded by higher borrowings. The income from servicing flows through the Other Operating Income line, rather than NII.

# Asset Quality Maintained

## Total Non Accrual Loans



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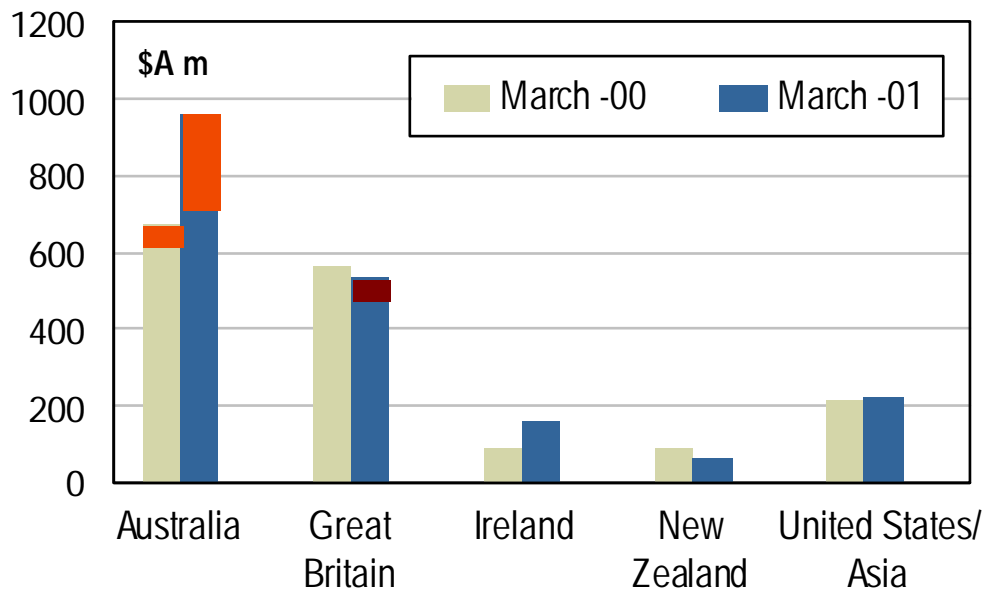
Asset quality has been broadly maintained and there has been a general trend downward over the past ten years. The March result was impacted by the transfer of a small number of relatively large exposures to non accrual status.

The lighter section of the last 3 halves show that the largest 3 non accrual exposures account for nearly \$200M more than last half.

FX movements have added \$79m to the March 2001 figure

# Regional Asset Quality

## Gross Non Accrual Loans



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Wholesale impact FX impact

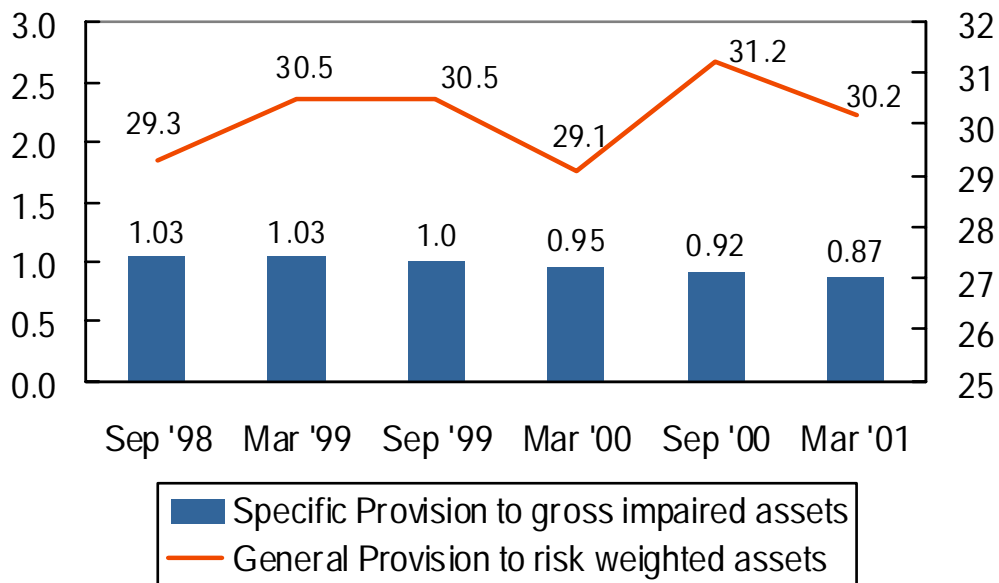


Looking at growth in NAL's on a regional basis the majority of the increase is in Australia and is accounted for entirely by our Wholesale operations.

The Australian increase includes a small number of corporate exposures being transferred to non-accrual loan status (mentioned previously). We continued to recognise loans as non-accrual and associated provisions on a conservative basis

# Provision Coverage Ratios

## Banking & Other Financial Services



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Specific provisioning coverage ratio has been maintained across the period with the ratio at 31st March 2001 at 30.2%, slightly lower than September 2000, which was 31.2%, but higher than the corresponding period last year of 29.1%.

General provision, based on the statistical methodology, has reduced from 1.03%, when statistical provisioning was introduced in September 1998, to 0.87% in March 2001. This improving ratio reflects focus on asset quality and refinement of the methodology.

## Banking & Other Financial Services

Net Profit \$M	6 months to Mar-01	6 months to Mar-00	Mar-01 /Mar-00 %	Excl. FX Mar-01 /Mar-00 %
Business & Personal Financial Services	1,119	987	13.4%	10.8%
Wholesale Financial Services	347	269	29.0%	23.2%
Specialist & Emerging Businesses	134	164	(18.3%)	(20.2%)
Other	(80)	(102)	21.6%	9.6%
<b>Banking &amp; Other Financial Services Net Profit</b>	<b>1,520</b>	<b>1,318</b>	<b>15.3%</b>	<b>10.6%</b>

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Turning to the performance of our major lines of business:

Banking and Other Financial Services profit increased 15.5% to \$1,520M. In local currency the increase was 10.6%. BOFS comprises 3 of our major operating business units.

Business and Personal Financial Services performed well with profit growth of 13.4% or 10.8% in local currency terms. This growth is off the back of good lending growth (housing outstandings up 11.7% in local currency terms) and maintenance of margins, containment of expense growth and improved asset quality.

Wholesale Financial Services produced a record profit of \$347M, up 29% on the prior corresponding period. Strong volume growth, favourable positioning for changes in interest rates and growth in customer sales across all lines of business drove this excellent result. The provision increased year on year reflecting recognition of a number of accounts transferring to non accrual status. Over 90% of the Wholesale portfolio are in investment grade or equivalent exposures.

Specialist and Emerging Businesses profit fell by \$30M on the prior corresponding period driven by a one off write back to the maintenance provision last year in Leasing and Asset Finance; the impact of slowing retail sales in Payments, and a change in methodology for statistical provisioning in Cards. Growth in the Securities Services area, Cards outstandings and in underlying Leasing and Asset Finance business leave us confident about the future performance of this business unit.

The "Other" category includes National Shared Services, ALM & Capital Management and Corporate Centre. The reduction in the loss largely reflects improved performance within the National Shared Services operation.

# Wealth Management – Operating Profit

Sources of Operating Profit \$M	Proforma		
	6 months to Mar-01	6 months to Mar-00	Mar-01 /Mar-00 %
Life company - planned profit margins	119	108	10.2%
Life company - experience profit/(loss)	4	4	-
New business losses	0	(3)	large
<b>Operating margins</b>	<b>123</b>	<b>109</b>	<b>12.8%</b>
Operating profits from shareholders' funds and other businesses	39	23	69.6%
Investment earnings on shareholders' retained profits	13	22	-
<b>Operating profit after tax</b>	<b>175</b>	<b>154</b>	<b>13.6%</b>
Revaluation profit after tax	189	20	large
<b>Profit after tax</b>	<b>364</b>	<b>174</b>	<b>large</b>

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This is the first half for which we have had a full contribution from MLC.

We have restated the March 00 Wealth Management numbers on this slide to include MLC on a pro-forma basis.

The profit of \$364M is \$190M above the prior corresponding period.

Prior to revaluations, operating profit after tax is up 13.6% on a proforma basis.

Operating margins increased by 12.8% to \$123M reflecting strong growth in new business sales. Highlights include a 38% increase in retail personal superannuation business, a 47% increase in retail unit trust business and a 17% increase in Wholesale business.

Retail FUM and FUA are both capturing a percentage of flow in excess of market share and both Group and Retail life insurance sales exceed inforce market share.

The experience profit of \$4M reflects improved mortality experience and continuing focus on controllable cost containment. These positives were offset by lower than expected sales in Hong Kong and Great Britain and the impact of continuing volatility in global investment markets on fee revenue.

A feature of the result is that 93% of operational profit comes from the life company statutory funds and other shareholder businesses and only 7% from earnings on invested capital.

The low reliance on investment earnings means WM's exposure to prevailing economic volatility is limited - these are high quality earnings.

## Wealth Management – Revaluation profit

Revaluation Profit \$M	Market Value Sep-00	Net Capital Transfers	Operating Profit after tax	Reval/n Profit before tax	Market Value Mar-01
Net Assets	785	(201)	99	0	683
Value of Inforce Business	1,773	0	0	55	1,828
<b>Embedded Value</b>	<b>2,558</b>	<b>(201)</b>	<b>99</b>	<b>55</b>	<b>2,511</b>
Value of Future New Business	1,499	0	0	139	1,638
Value of Synergy Benefits	1,306	0	0	79	1,385
<b>Market Value</b>	<b>5,363</b>	<b>(201)</b>	<b>99</b>	<b>273</b>	<b>5,534</b>

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The mark to market revaluation of the subsidiaries of the Life Company has produced a \$273M upward revaluation. The National is the only Major Trading Bank to fully tax effect these mark to market gains and this reflects our conservative approach to these mark to market gains.

The after tax MTM was \$189M. The main drivers of this were:-

- \$139M after tax as a result of the achievement of the business plan on which the September 2000 valuation was based - that is the "Roll Forward" of the DCF valuations.

- A 100bps reduction on the discount rate together with a commensurate reduction in the rate of future investment earnings, inflation and business growth rates - this contributed \$91M after tax.

- A reduction in the value of imputation credits of \$33M as a result of the payout of dividends.

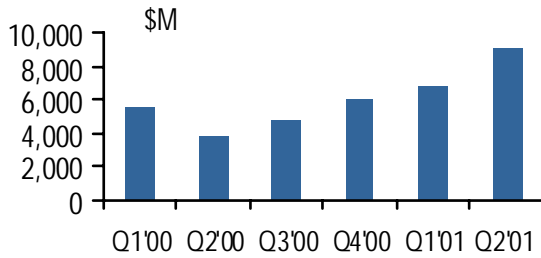
The \$201M net capital transfers represents dividends paid from the life companies to the NAFM holding company, together with the proceeds from the sale of County.

# HomeSide – Production Performance

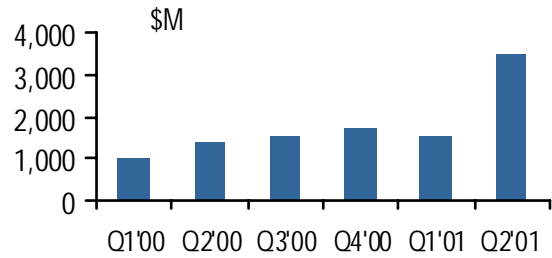
First half production volume, excluding bulk acquisitions, was \$16.0 billion

The production pipeline stood at \$3.5 billion in first half FY'01, up \$2.1 billion or 143% from first half FY'00.

Quarterly Production Volume



Period End Pipeline



Figures are all in \$US

In local currency terms, HSL USA profit fell from US \$55M to US \$34M. However the result represents a 10% improvement on the second half last year.

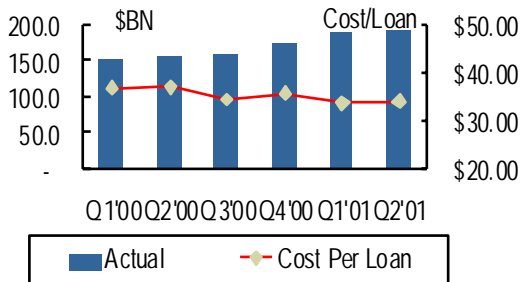
Production profitability has recovered with the increase in production volume.

# HomeSide – Servicing Performance

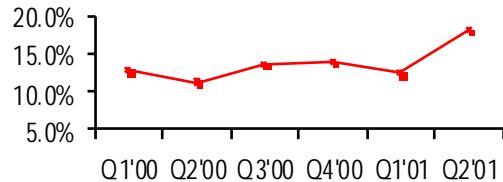
The servicing portfolio balance ended the first half at \$189.4 billion

First half FY'01 servicing portfolio runoff is 18.08%, up 61% from first half FY'00 runoff of 11.2%.

Quarterly Servicing Portfolio and Cost Per Loan



Servicing Portfolio Runoff



Figures are all in \$US

But this has been offset by a decline in servicing profitability caused largely by an increase in the amortisation of the servicing asset as portfolio run-off increases.

HomeSide Solutions has been a notable success during the year. The re-engineering of the origination processes, in conjunction with Fannie Mae, to enable mortgages to be originated on line, has seen a pick up of 50% in sales productivity and 30% in loan processing productivity in the direct channel.

Solutions originated US \$0.5Bn in 6 months and its contribution after only 6 months +is comparable to the whole of the broker channel.

HomeSide Australia had a notable half with enormous success in the Australian broker market and the completion of an innovative US \$1BN securitisation.

## Regional Performance

### Operating Profit After Tax\* - Continuing Operations

\$M	Half to Mar-01	Half to Mar-00	% Change H1 '01 v H1 '00	
			Total	Excl. FX
Australia	1,119	801	39.7%	39.7%
Great Britain	361	303	19.1%	10.2%
Ireland	106	90	17.8%	10.0%
New Zealand	136	100	36.0%	36.0%
US/Asia	175	156	12.2%	9.5%
<b>Total</b>	<b>1,897</b>	<b>1,450</b>	<b>30.8%</b>	<b>26.5%</b>

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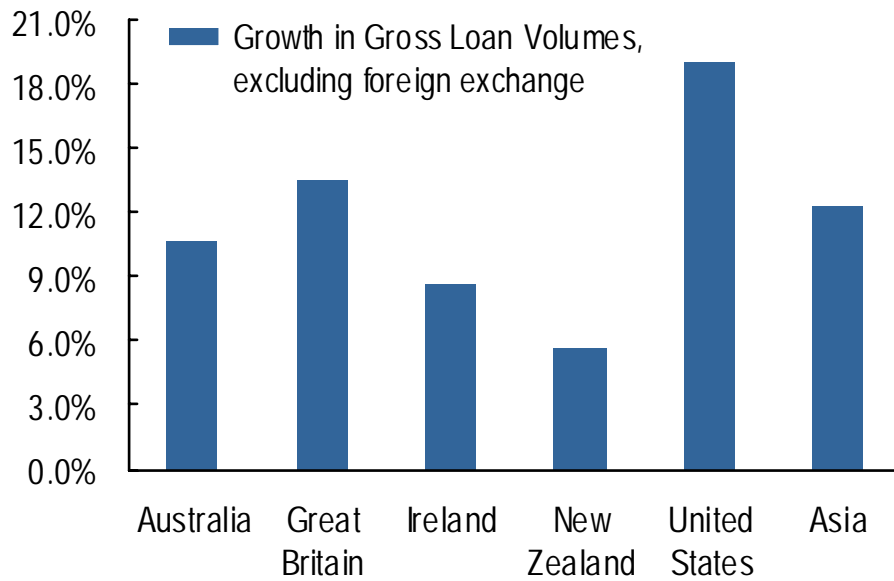
\* Pre distributions



Standout feature of the regional contributions to profit is Australia with a profit in excess of \$1Bn for the first time. Included in this result is \$189M of revaluation profit. Excluding revaluations, profit grew by 17.7%.

All regions generated growth in the high teens with the exception of the USA/Asia. Here the performance of HSL masks strong growth in our WFS operations in Asia and New York.

# Growth in Regional Loan Volumes



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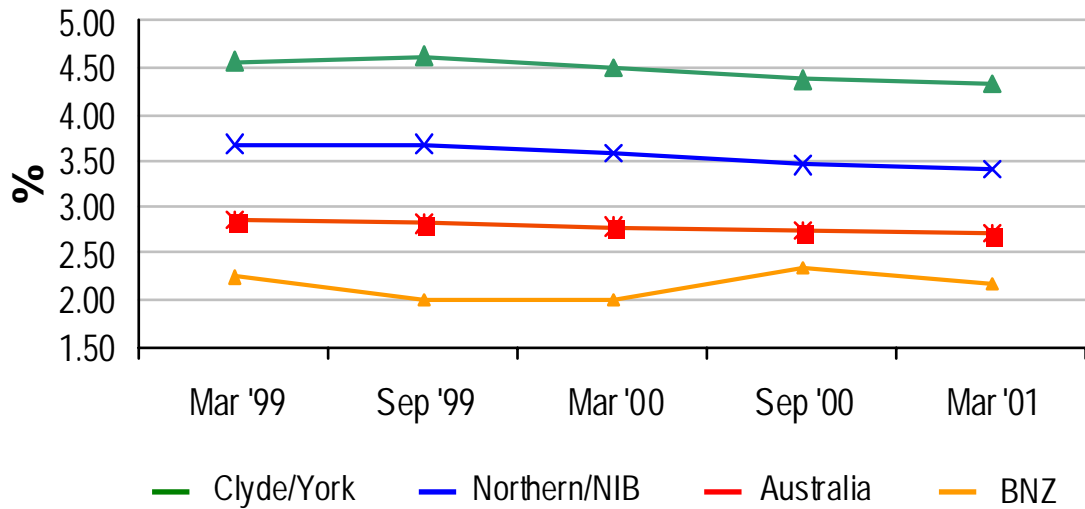
Turning to loan volumes, there has been good growth across the board, with an overall increase of 11.6% in local currency terms.

The US growth of 19% reflects increase in Wholesale in New York, and is a large increase off a small base.

Great Britain, Australia and Asia all recorded growth increase in excess of 10%.

# Regional Margin Performance

## Australia, Clydesdale & Yorkshire, Ireland & New Zealand



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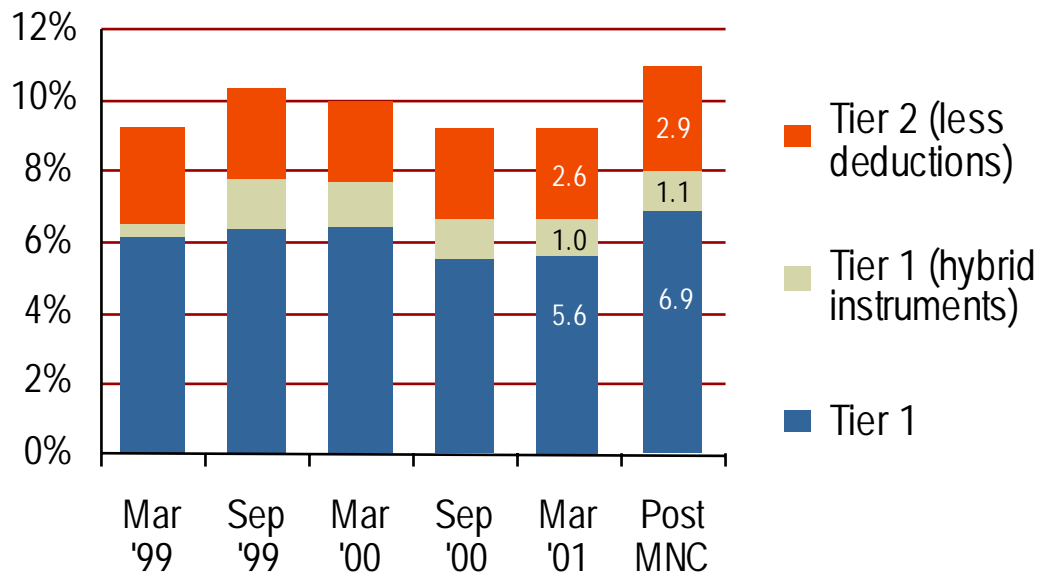


Looking at the margin by region shows a 7 basis point reduction in Australia (3.79% to 3.72%).

Clydesdale/Yorkshire Bank and Ireland margins are lower driven by a focus on growing a quality mortgage portfolio and regional pressure on lending margins.

BNZ margin has slightly improved compared with the same period last year.

# Sound Capital Position

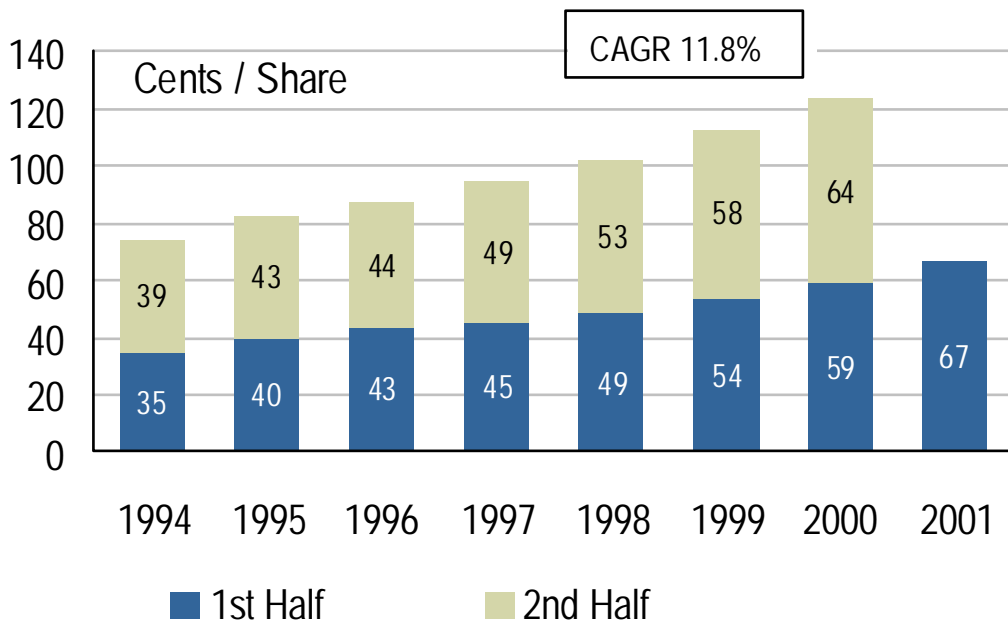


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Capital position remains strong and of course this will grow in April with proceeds from the sale of MNC. Forecast total capital position is 10.96% in April.

# Growing Shareholder Returns



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A fully franked dividend of 67 cents per share has been declared an increase of 13.6% over March 2000. Historically the dividend policy has been linked to accounting earnings. The target rate was set at about 60%. Given the substantial contribution from Wealth Management and the likely size and volatility of revaluation earnings, which are non-cash, we have decided to link future dividend payouts to cash earnings.

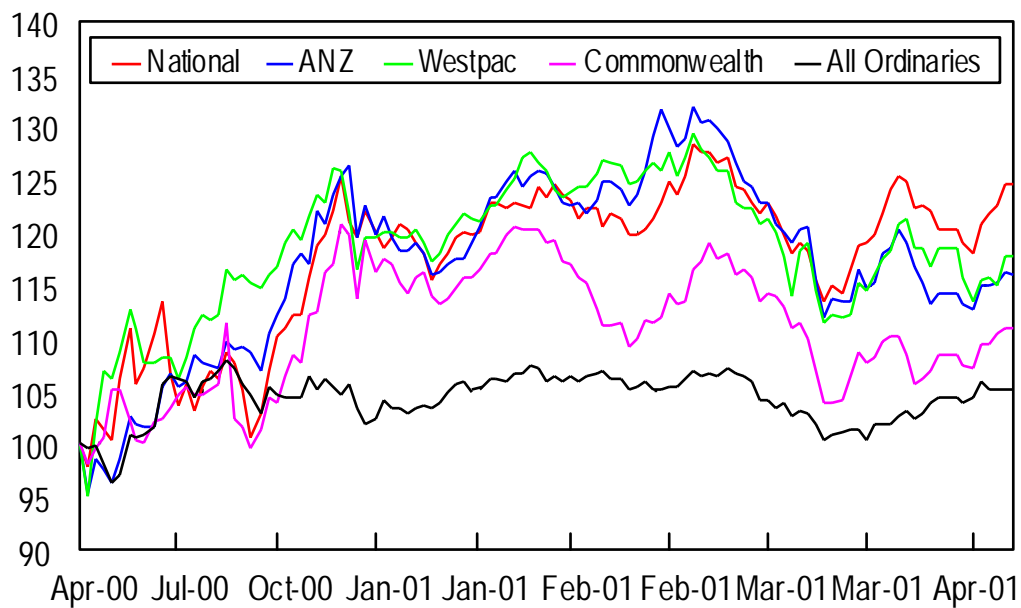
The previous accounting earnings target rate has roughly equated to 57% of cash earnings.

Our current target of cash earnings has therefore been initially set at about 57% although as experience is gained this may be revised.

Compound Annual Growth Rate in dividends since 1991 (9years) is 11.8% p.a.

# National leads the pack

Share price movements over last 12 months



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It is gratifying to note that over the last 12 months, the Group has outperformed its Australian peer Group. The National's share price has grown 24% since April 2000. This is tangible recognition of the appropriateness of our strategies and our focus on execution.

Total shareholder returns have increased by 41% over the last 12 months. The compound return over the last 5 years was 24%.

## Summary

- A strong result reflecting the success of our strategies
- Accelerating profit growth in Wealth Management and Wholesale Financial Services
- Solid profit performance from the regional operations
- Good loan growth in all regions
- Reduction in interest margin reflecting change in the business mix
- Effective cost control, with variable costs contributing to strong income growth
- Asset quality maintained

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Wealth Management profit of \$364M included \$189M revaluation profit. On a comparable basis with last year, the operating profit of \$175M represented 13.6% growth.

WFS earnings were also strong with a 29% growth in profit, with good growth across all lines of business.

Banking and Financial Services cost income ratio reduced to 49.7%.

Earnings from Great Britain, Ireland and New Zealand all grew soundly in reported results and local currency terms.

Asset quality overall has been maintained, although several large corporate accounts have resulted in a large movement in NAL's in recent months. As a proportion of the book, NAL's are about in line with the same period last year. Gross loans and acceptances have grown strongly across most regions and products.



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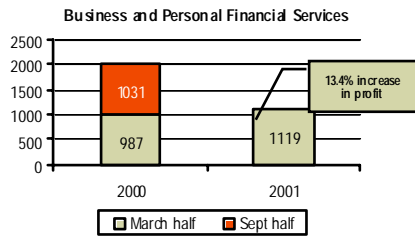
# Progress Across Core Strategies

1. Drive performance and growth in businesses that rely on relationship management
2. Accelerate the growth of selected international businesses
3. Stake out positions in areas key to the evolution of financial services
4. Manage the Group's businesses to create maximum shareholder value
5. Build diversified income streams

In January 2000 I introduced 5 core strategies for managing our businesses. Our strategies play to our strengths.

The result this half demonstrates we have made significant progress against each strategy to the benefit of all our stakeholders.

# 1. Drive performance & growth in businesses that rely on relationship management



- Home Loan share up .25% in 6 mths (Australia)
- Yorkshire Bank mortgages growing 4x system
- Deposit Share up 1% to 20.1% (12 mths to March, Australia)
- 31% SME market share in Australia (Greenwich Associates)
- National Leads generated \$4.4bn new business

- Continued expansion of wealth management platform
- CRM & "National Leads" into each region
- New internet banking platform in Australia, NZ and UK
- Distribution network restructuring including Australia Post

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The 13.4% increase in our retail banking franchise reflects strong performances across all segments.

In Australia we have grown our home lending market share through

- success in third party channels [3% - 15% share] and
- the release of new products [Interest Saver].

In Great Britain, we have increased our mortgage market share by 16 basis points with Yorkshire Bank growing at four times system.

The UK Rapid Repay mortgage was our fastest growing mortgage product across the group with sales of over GBP 102 million.

Over the past 12 months, our share of deposits in Australia increased by 1% to 20.1%. Our group total deposits grew by 15.5% to \$203 billion.

We have maintained our leading position in the SME market with 31% market share of small businesses in Australia. [Greenwich Associates Survey: December 2000]

The "share of wallet" for our small business customers remained at 74%, over 10% higher than our nearest competitor. In the United Kingdom, Clydesdale and Northern Banks continue to have leading shares of the SME market.

The establishment of our Business and Premium banking platforms in the UK is progressing rapidly.

We have entered into an agreement with several major UK employers including Microsoft, NCR and British Telecom to provide on-site financial services to over 10,000 of their staff over half of whom are Private and Premium clients.

During the half, "National Leads" generated over 570,000 new leads resulting in \$4.4 billion of new business. This confirms that our CRM capability will be an extremely strong driver of future earnings growth.

We will continue to drive our core business through several key initiatives:

The expansion of financial planning capacity to business and high net worth customers in Australia and Great Britain will continue. This is an area of great opportunity due to the low existing penetration of wealth management products. In particular, we are excited about leveraging wealth management sales through our position as Australia's largest banker to SMEs.

Our CRM and National Leads systems are being implemented in each region. National Leads is on track for a full implementation in New Zealand this year with the UK thereafter.

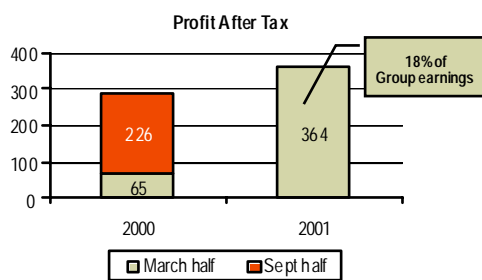
In the second half we will be launching our new HTML-based internet banking service in Australia, New Zealand and the UK. We are continuing to refine the way we deliver services to customers.

Currently, 15% of transactions are being completed online, which is 50% more than over the counter transactions. More than 10% of our Australian and New Zealand customers now bank over the internet.

As part of the restructure of our distribution network will be providing banking services through 2,800 Post Offices around Australia. National services are now available at around 1,000 Post Offices with the rest becoming operational in the coming months.

## 2. Accelerate selected businesses...

### *Wealth Management*



- 30% increase in sales\*
- Retail FUM growing 3% above system\*
- Increased Financial Planner force to 1,556
- Launched new products & services
- Acquired Deutsche FP & J A Nolan
- Divested County Investment Management

- Drive opportunities from corporate and business customer base
- Accelerate and finalise integration
- Implement MLC into UK

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\* 12 months to March



This is our first full reporting period including MLC and the result confirms what I said at the time of the acquisition. That is, we got the best house in the street and now it's adding great value to the National.

Apart from a great number, the quality of Wealth Management earnings is evident. Our Wealth Management business has low reliance on income from investment earnings and this is a significant advantage in a volatile investment market.

Wealth Management achieved a 30% increase in sales on the same period last year.

Existing retail business has increased 35%, [inc MasterKey, FlexiPlan & National All in One]; New and emerging businesses increased by 163% [inc Your Prosperity & Plum]; and, insurance business increased by 46%. [inc protection and group life business]

Over the past 12 months, Retail Funds Under Management grew strongly at 15% against an industry growth rate of 12%. Less than 10% of these funds are in lower margin cash management products.

Both the Wealth Management dealerships and the Group's retail banking arm are now better placed to give comprehensive advice covering wealth, protection and debt management. In Australia the financial planning force was increased from 243 to over 1,500 planners.

Wealth Management recently launched MLC MasterKey Business Super which provides market leading master trust solutions to SME's.

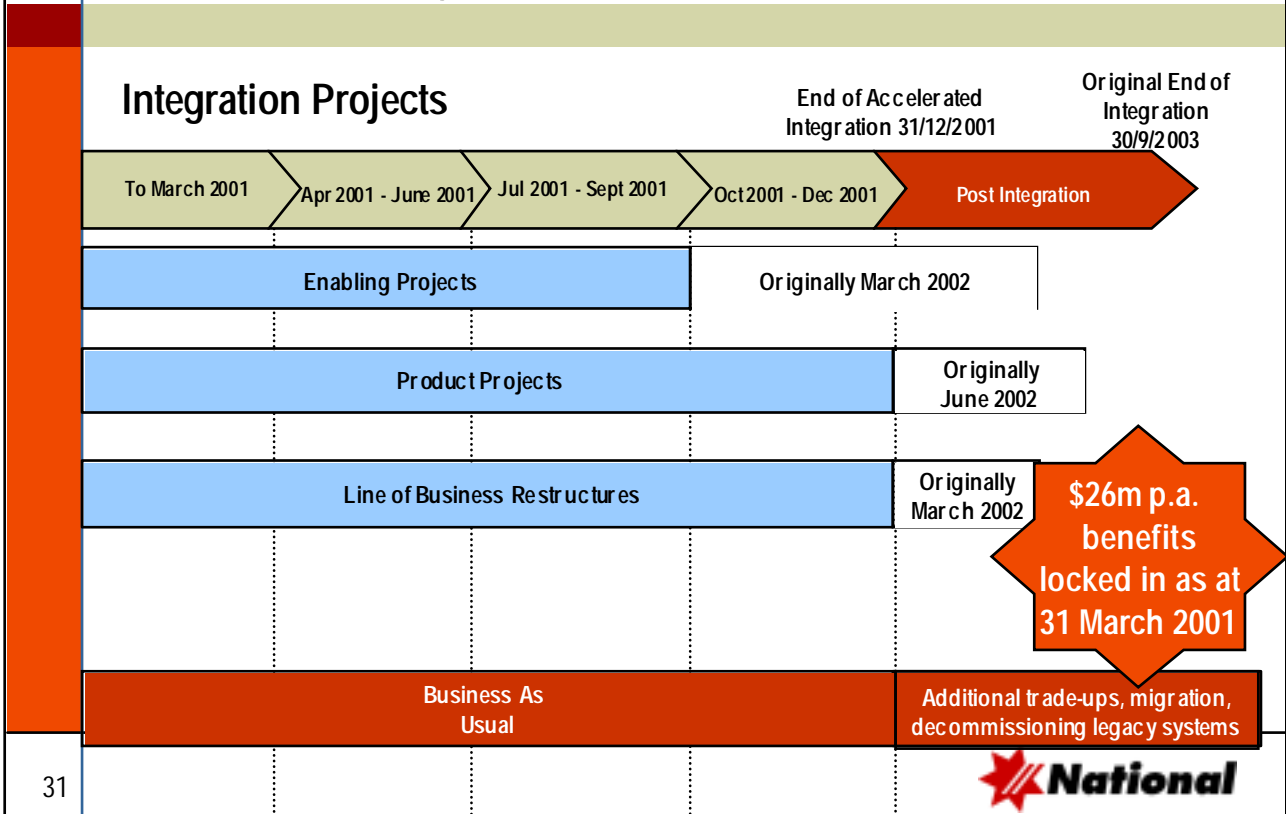
The corporate division of WM is undertaking a significant repositioning to capture a share of the growing superannuation market. Initiatives included the acquisition of John Nolan and Associates and the launch of MLC Implemented Consulting.

The acquisition of Deutsche Bank's financial planning and portfolio management businesses has further strengthened our position.

Looking forward, we have exciting initiatives to continue to drive our wealth management business. The significant opportunity to leverage the Group's strength in corporate and business banking will be a primary focus.

## 2. Accelerate selected businesses...

### *Wealth Management*



The integration continues to progress very smoothly underlining the low risk, "bolt on" nature of the acquisition.

Given the excellent progress made to date, the completion date for the Wealth Management Integration has been brought forward to December 2001 from September 2003. Bringing the integration forward will give Wealth Management more flexibility to focus on other strategic initiatives in 2002 and beyond.

The program is on target to deliver full integration benefits and has booked \$26 million of the \$50 million annualised benefit forecast for this financial year.

## 2. Accelerate selected businesses...

### *Wealth Management*

#### **MLC into the UK**

- Choice, flexibility, control, SERVICE
- Embedded advice - the "we" choose M of M approach
- Use of local fund manager brands
- Scalable model - Tied, Internal IFA, True IFA
- Proven business model
- Investment story consistent with conservative long term savers
- Face to face advice
- Launch in 4<sup>th</sup> Quarter 2001

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One of the major initiatives that Wealth Management will focus on over the next 6 months is taking the MLC business into the United Kingdom.

Our research suggests that investors in that country are poorly served when it comes to choice, flexibility, control and service. While there are a number of players offering funds supermarkets, we believe there is a real opportunity to introduce the MLC "manager of managers" model, incorporating embedded advice, to cultivate these opportunities.

The model has been highly successful in Australia and is particularly suited to the more conservative, long term saver that typifies the UK investor.

The Group's existing 4.5 million UK customers provides an excellent base to launch this business before expanding to IFA networks.

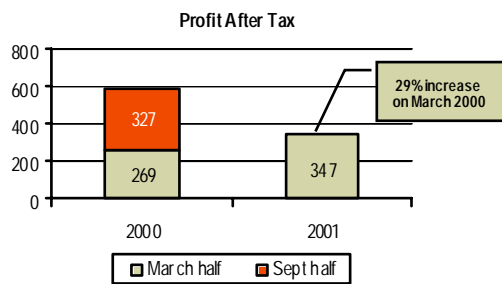
Plans are well developed for this project with the IT build nearing completion and the launch of the first phase planned for the 4th quarter of this year.

MLC is the world's 4th largest Manager of Managers operator providing embedded advice to customers. [Source: Cerulli Associates Inc., Boston]

We believe there is a significant opportunity to use MLC's experience and capabilities to grow a successful business in the UK.

## 2. Accelerate selected businesses...

### *Wholesale Financial Services*



- Europe Profit up 39%
- Increasing Income / RWA - 2.6%
- 90% assets investment grade or equivalent
- Enhanced Research Capability
- Leading issuer in A\$ domestic corporate bonds

- New relationship-based organisational model
  - Move up the relationship value curve with integrated solutions
- Active portfolio management supported by structured credit

Wholesale Financial Services again produced a record.

In Europe Wholesale has grown profits by 39%. This has been achieved by taking the Australian model for providing currency and interest rate risk services to our UK business and premium customers. We have also grown our UK structured finance and wholesale derivatives areas.

The business has achieved this growth without sacrificing margins. The return on Risk Weighted Assets improved to 2.6% from 2.2%.

Asset quality remains sound with 90% of assets being investment grade.

Our investment in upgrading our research capabilities has also been a key factor in Wholesale's success. This research capability has been independently recognised by Greenwich with their award for "Best Qualitative Research".

We are now one of the leading issuers of domestic corporate bonds in Australia, number one in derivatives and number one in foreign exchange.

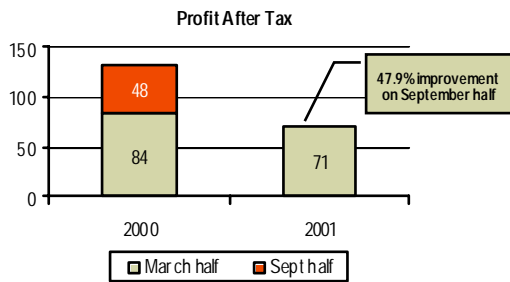
Looking forward, Wholesale is moving to an industry-based relationship model, which focuses on providing integrated customer solutions.

Wholesale's profit growth will be driven by combining:

- specialist industry knowledge;
- our capability in project finance, research and debt markets; and,
- structuring derivative solutions

## 2. Accelerate selected businesses...

*HomeSide*



- Production volumes up 48% (US) & 40% (Aust.)
- Servicing volumes up 24% (US)
- Increased broker channel market share from 3% to 15% (Aust.)
- Completed initial US\$1 b MBS offering with Wholesale Financial Services
- US\$500m originated by HomeSide Solutions

- **Build HomeSide Solutions customer base**
- **Leverage US broker channel expertise in Australia**
- **Transfer HomeSide Australia's capabilities**

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HomeSide recorded an improved contribution of \$71 million.

Production volumes are up in the US by 48% and in Australia by 40%.

HomeSide's US servicing portfolio increased 24.2% to US\$189.4.

The introduction of HomeSide into Australia has been highly successful with home loan settlement volumes increasing from an average of \$56 million per month to in excess of \$200 million per month. Our share of the broker channel market has increased from about 3% to about 15%.

HomeSide Solutions, our internet based direct channel in the US, was launched in November and is showing exciting growth prospects. The focus since launch has been to sign up partners with large customer bases.

This strategy is proving successful with over 12 major partners now signed up including BancOne, Federal Express, who have over 250,000 employees in the US and NetBank, the largest internet bank in the US. In addition, we are close to signing a further 13 major partners including one of the largest retailers in the US.

This business has originated over US\$500 m of new loans and is profitable. In fact, its contribution now matches that of HomeSide's traditional broker network.

Given predictions that internet origination volumes will grow to over US\$150 bn p.a. within the next 3 years, we believe that this business is an extremely valuable asset and will make an increasingly significant contribution to HomeSide's profit.

Going forward, in the US we will continue to focus on expanding distribution channels for the HomeSide Solutions product

In Australia, HomeSide will be focusing on two things. First, continuing to expand its third party origination; and, second, utilising their operational capabilities for the benefit of the rest of the Group. We have recently merged HomeSide Australia with our other lending operations so efficiencies and expertise in HomeSide can be applied across the Group's Australian lending operations.

### 3. Stake out positions in areas key to the evolution of financial services

- Launch of National Business Toolkit in Australia
  - Easy on-line access for SMEs
  - E-procurement facility
- Investment in the 
  - Australia's dedicated internet resource for the rural sector  
Investors include JB Were, McKinsey, Wesfarmers & Rural Press Ltd
  - New banking and financial services products tailored for rural sector
- Wholesale Extends Online
  - Internet platforms for FX Dealing, Money Markets and Fixed Income
  - Selective participation in external portals
  - Globally (FX Connect, Atriax, FXAll, CFOWeb)
  - Australia (ausmarkets.com)
- HomeSide Solutions
- e-transformation of the National

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In technology we are leveraging our strength as Australia's largest banker to SMEs.

National Business Toolkit was launched in February with a pilot of 150 customers. The Toolkit is a tailored package of business internet applications designed to help manage small businesses. The pilot has been successful and active marketing of the product commenced at the beginning of this month.

Last week, the National announced an investment of \$10m in Australia's leading rural Internet company, The Famshed.

Wholesale Financial Services has been a global leader in utilising electronic delivery. Since introducing the first online FX dealing system in Australia in 1998, it has now completed the global rollout of the platform.

Wholesale are also selectively participating in a number of external portals.

I have already mentioned the success of our HomeSide Solutions business.

How many other Australian companies have developed a profitable, substantial internet based business? We have... in the toughest market in the world.

The Group is pushing ahead on e-transformation. We are progressively removing paper from the organisation and re-engineering our processes. By December, 7,500 new internet enabled PC's will be installed in the Australian network.

## 4. Manage the Group's businesses to create for maximum shareholder value

### Active Portfolio Management

- June 2000                      Acquisition of MLC  
    Outsource card processing to Equifax
- December 2000              Acquisition of John A Nolan & Associates  
    Outsource 2<sup>nd</sup> UK call centre
- March 2001                    Sale of County
- April 2001                    Sale of Michigan National  
    Outsource Desktop Management to Advantra  
  
    Acquisition of Deutsche Financial Planning and  
    Portfolio Management

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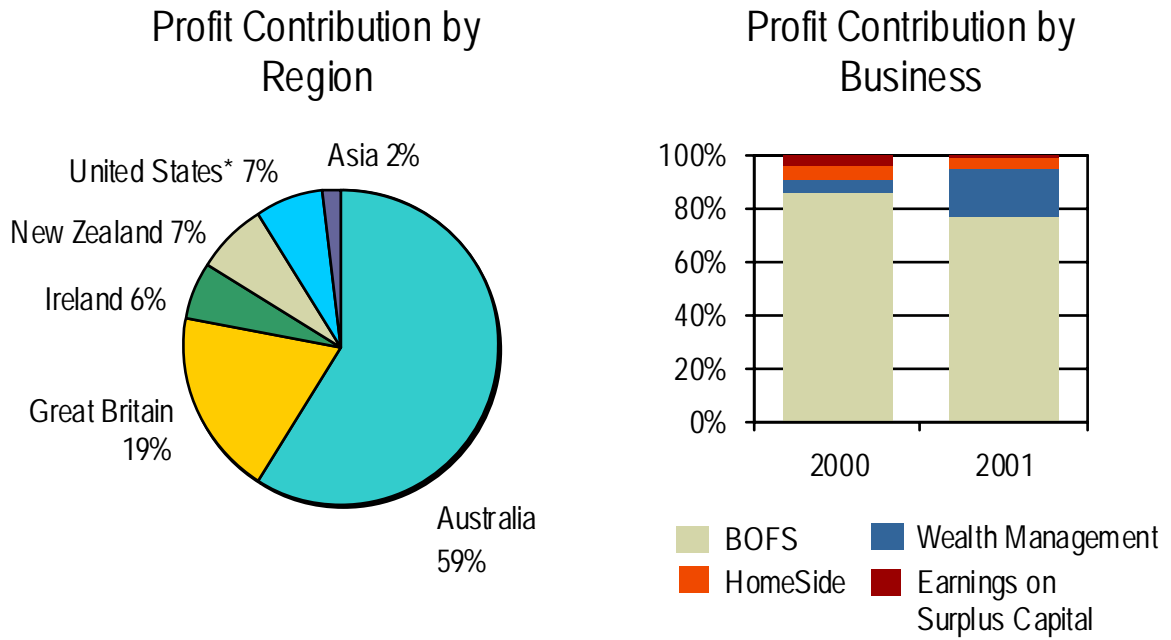
We continue our commitment to actively managing our portfolio of businesses.

Over the last 12 months we have concluded five transactions and outsourced three business functions as part of the ongoing drive to sharpen our operating focus and realise maximum value from our businesses.

The rigour and patience that we bring to any potential transaction is evident in each of these deals and we will continue to apply this disciplined approach.

Currently, we have a strong focus on opportunities in the UK. It is a high potential market for us. In addition to examining M&A opportunities in the UK we are driving our organic growth.

# 5. Diversify income streams



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\*Excludes results for Michigan National Corporation which was sold effective 1 April 2001



The National's geographic diversity is also delivering benefits with offshore businesses contributing 41% of the Group's Net Profit.

Our focus on building non-interest income streams over the past 5 years is now paying off with non-interest income contributing more than 54% of our earnings.

The contribution from our Wealth Management business continues to grow and now represents 18% of Group earnings.

# Outlook & Targets

- Softer economic environment & trading conditions
- Easing interest rates
- Increasing benefits from diversification
- Continue transformation of the Group
- Continued growth in all markets
- On track to achieve targets

## GROUP TARGETS 2000/01

EPS Growth > 10% p.a.

EVA Growth > 5% p.a.

In conclusion, we expect the economic environment to be softer in the second half. However, we believe we are well-positioned to hit our growth targets of more than 10% EPS growth and 5% EVA growth.

All our businesses are firing.

Our strategies are working.

We are seeing the benefits of our businesses and geographic diversity.

The acquisition of MLC has fundamentally changed our growth profile.

We will continue our transformation process and will increase investment into areas that will support and deliver our growth objectives.

I want to wrap up my formal presentation now. Richard and I would be pleased to take questions.

# Disclaimer

The preceding material is a presentation of general background information about the National's activities current at the date of the presentation, May 10, 2001. 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.



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