

Thank you Chairman.

Good morning ladies and gentlemen. I'm glad you could join us today.

This morning I will comment on our performance during the past year and touch on our aspirations for the future.....about what we believe we can achieve.

First of all let me say that the past year has been very successful and satisfying.

As a result of the hard work of 50,000 employees around the world, we recorded our eighth consecutive increase in profit.

Shareholders have seen dividends increase along with our profits.

As important as the profit of almost \$3.4 billion the quality and the composition of those earnings should be a real source of pride for our people and our shareholders.

This year we earned over 50% of our income from non interest sources such as funds management, superannuation, insurance, mortgage servicing and treasury.

This compares with only 35% coming from these areas five years ago. Importantly, 40% of these income sources did not even exist in the Group 5 years ago. This represents a marked transformation of your company.

These statistics demonstrate that we are becoming a truly integrated financial services group.

We are also becoming increasingly international and in fact, we have more than 12 million customers around the world.

Today, some 47% of our profit comes from outside Australia.

It's easy to confuse talking about strategy with actually taking action.

That's why I'm pleased to be able to report to you about the major steps we have made in the past year in implementing our strategies.

The first was the acquisition of MLC for \$4.6 billion.

Clearly, this initiative is in line with our strategy to become an integrated financial services company.

As well as helping us build a strong, viable and leading edge wealth management business, MLC further diversifies our income stream.

Our wealth management division now has 2 million customers around the world and more than \$60 billion funds under management, administration and trusteeship.

In Australia, we have more than \$28 billion in retail funds under management.

The integration of MLC is on track. As well as cost savings and normal business growth there are some unique benefits we believe will come from the acquisition.

In Australia the wealth management market is growing at nearly 30 per cent a year. MLC products such as Plum, AdvantEdge and Your Prosperity are uniquely positioned in the Australian market. We expect them to provide excellent growth.

In the United Kingdom we believe MLC's manager of managers investment approach can be readily exported.

We are investigating the potential of launching an investment service in the UK capable of being distributed through multiple channels, including our own branch network.

With the MLC acquisition we now have over 10 per cent of our profits coming from wealth management. Our target is 20 per cent from this area.

Driving performance and growth in businesses that rely on relationship management is one of the key elements of our strategy.

So, I'm pleased to report that our traditional banking business has done well in each of the regions where we operate.

In Australia we continue to build on our leading position in the small, medium and rural business segments together with the premium personal segment. We have been assisted in this by our Customer Relationship Management system. This system is now acknowledged as the leader not just in Australia, but internationally. This leading edge system combines the use of banking staff, mobile financial planners, customer response centres and the internet with computer data systems.

During the past year, we have also accelerated the growth of businesses that can operate internationally.

For example, our Wholesale Financial Services Division earned over \$1.3 billion in operating income and an after tax profit of nearly \$600 million. It operates across four continents and 21 major financial centres.

Another example is our Custody or Securities Services business.

This is now a successful international business that once may have been considered beyond the reach of an Australian company such as the National. We are now the largest custodian in Australia with total assets under custody and administration of more than \$180 billion. We have a 38 per cent share of the master custody market in Australia. In the United Kingdom we have grown market share to around 15 per cent compared with 10 per cent - three years ago. We now have around \$100 billion of assets under custody and administration in the UK.

Another core strategy of the National is to ensure we take advantage of the opportunities provided by rapid developments in digital technology and electronic commerce. There are three broad parts to our overall e-business strategy.

The first is to accelerate the use of digital and on-line technology to improve the efficiency of our manufacturing, processing and administration.

The second part of our strategy is to use web-based technology to improve our range of customer services. Our internet banking grew strongly in Australia last year. We will continue to upgrade this service.

Another example of our use of internet technology is the recently announced partnership between HomeSide and one of the largest financial services companies in the United States, Fannie Mae.

Together, they have developed a sophisticated online mortgage origination process that we believe will boost the use of the internet for home loans in the United States.

The third part of our e-commerce strategy has been to establish a new company called O2-e Limited to identify and accelerate our involvement in businesses using advanced computing and communications technology.

In summary, from a financial and strategic perspective we have done well over the past year.

However, in Australia, on the community side there is still a fair way to go. The issue of what Australians think about banks, bank service, branch closures and fees is a problem for our industry as a whole and for each of us individually.

We are actively working with the Australian Bankers Association to rebuild community consultation and, ultimately, trust. In my final months as Chairman of the ABA, I hope to have the opportunity to put before the public a range of initiatives that, from an industry perspective, will begin this rebuilding process.

At the National we have openly acknowledged our social responsibility to the communities we serve and the fact that these responsibilities go beyond the provision of banking and financial services.

We also have both a legal and moral responsibility to operate our businesses efficiently and ethically.

We need to balance the interests of each of our stakeholders- our customers, our staff, our shareholders and the community generally.

Consistent with our broad business objectives, we need to address community concerns through effective communication, full and transparent disclosure and, where appropriate, assistance to the disadvantaged.

I believe that this acceptance of a wider corporate social responsibility will not be detrimental to business. Instead, responsible management of all stakeholder concerns should lead to greater shareholder value.

At the National, we have sought to address community issues with initiatives like:

- A range of fee free and low cost accounts for retirees, students, people with disabilities, and customers under 18. However, we do acknowledge that the number and structure of accounts can be difficult to understand, and that some disadvantaged customers may not currently qualify for fee concessions. We plan to fix this.
- We are continually looking at making electronic banking more user friendly, particularly for older customers and for people with disabilities. For example, our hearing-impaired customers can now use telephone typewriter facilities to do their banking.

Today only 14% of retail transactions take place at our branches. But the fact is the National has more branches per customer than any other major bank in Australia and we plan to increase points of access. For instance, in April next year, we will add 2,800 Australia Post transactions centres to our network.

On the subject of fees, you may be interested to know that in Australia We collect \$257 million from personal transaction account fees which represent 3.7% of our total income. However, we collect almost double that – \$530 million in transaction taxes for government. Unfortunately, many of our customers believe that the government tax on their statements are bank originated fees.

As I said earlier, the fact is that the Australian community wants us to do more. I hope by initiatives like the ones I have discussed, we are signalling our intention to meet community expectations. We will expand our consultations with community groups and customers on what other measures we can take. These could include further refinements in fee free banking, customer relations and service provisions.

We have also increased our investment and commitment to community activities. For example, our National CommunityLink is now recognised as one of the most influential community programs in Australia. It's a series of projects designed to promote the value of community service and volunteerism. It also includes our community consultation and employee outreach activities.

Recently we also recorded another notable achievement with the successful sale of Michigan National Corporation. Michigan National is a good business. It was good for us when we owned it and it will be good for ABN AMRO who paid us \$5.3 billion for it.

I would like to thank the Michigan National staff, management and board for the great contribution they have made.

So why did we sell?

In announcing the sale of Michigan National I noted that we have a much sharper strategic focus now. We want to compete in countries and businesses where we can achieve either scale, technology or product advantage, or all three, and thus be able to compete effectively. To gain the scale required for retail banking in the United States would have required major investment. We chose to narrow our focus.

There has been a lot of speculation about our plans for the United Kingdom and related activities such as the creation of a dual listed structure. At this point all of that is speculation.

We are keeping a watching brief on developments in that market. As a result of work we have undertaken on evaluating our options in the UK and refining concepts such as dual listing, we believe we are well placed to participate in any consolidation should the right circumstances arise. Ideally, those circumstances would need to include an agreed merger on terms that provide value for the shareholders of both companies.

In the United Kingdom, we are also in the fortunate position of being able to pursue organic growth opportunities. The combination of our existing banking franchises, our wealth management expertise acquired with MLC, and our proven Customer Relationship Management systems will provide impetus for future growth. We have plans to invest in our businesses in the UK to enhance their capabilities and growth potential.

Upon settlement of the Michigan National sale, we will be very soundly capitalised. As a Group we are committed to active capital management. If we do not have attractive, value-adding opportunities to strengthen our existing franchises, we will consider capital initiatives to enhance the return on shareholders funds.

In summary, the past year has been very eventful and rewarding for our Group. We have sharpened our strategic focus; enhanced our capabilities, particularly in wealth management; delivered a strong profit and increased shareholder value.

We have made a promising start to the current year and we expect to maintain this momentum.

In conclusion, on your behalf, I want to thank all of our people around the world for the results they have delivered to you.

Thank you.