

Positioning for Growth

Frank Cicutto

Managing Director & CEO

8th April, 2002

Key Outcomes

- Strengthen and grow core banking and wealth management
- Across the group we have significant growth opportunities
- Positioning for Growth provides room for investment while maintaining earnings momentum
 - 03 and 04 earnings per share growth will benefit from efficiency gains and revenue improvements
 - Investments in Wealth Management in Australia and UK and banking across the group will underpin growth in 04 and beyond
- Continuation of active capital management
- Clear business targets with plans to deliver

Group Targets to 2004

Cash EPS Growth

- 2001/02: Between 7 - 10%
(includes impact from HomeSide)
- 03 and 04: Greater than 12%

Return on Equity > 18% p.a.

EVA Growth > 5% p.a.

Capital Management

- Maintain capacity for active capital management

Positioning for Growth will drive revenue and cost gains

	Cost / Income Ratio		Target
Retail*	2001		Sept 04
Financial Services Australia	49.7%	→	46%
Financial Services Europe	50.6%	→	48%
Financial Services New Zealand	56.2%	→	48%
Wholesale Financial Services	37.2%	→	36%
Wealth Management			
Australian Core Businesses**			
Insurance – Expenses to Income	23%	→	21%
Investments – Expenses to FUM.A	70bps	→	65bps

* Does not include Corporate Centre / Group Funding

** Retail & Corporate businesses. Excludes online businesses

....and laid the foundations for revenue growth and cost efficiency

Over the past 2 years we have made substantial investments

Examples:

- IP enabled Australian business - \$120m
- Customer Relationship Management - \$130m
- Distribution platforms - \$105m
- Global Cards, Leasing & Custody platforms - \$50m
- Building capability across Wholesale business - \$110m
- Wealth Management in the UK phase 1 - \$100m
- Group wide ERP (ISI) system - \$240m

Leadership and cultural change will drive improved performance

- Leadership and Talent Management
- Engaging our people and revitalising our culture
- Balanced approach to our stakeholders

We will invest to capture Wealth Management opportunities

Business

- Wealth Management in Australia
- Wealth Management in UK

Opportunity

- Strong growth industry
- Our net retail FUM inflows 21% vs 14% market share
- **Invest \$200m over 3 years in market leading adviser platform to be leading provider in Australia**
- UK businesses have over 4 million customers
- UK market evolving to advice based but lags US and Australia
- **Invest \$90m to transfer our distinctive advice based capability to build bank and IFA distribution**

We will invest to capture core banking opportunities

Business

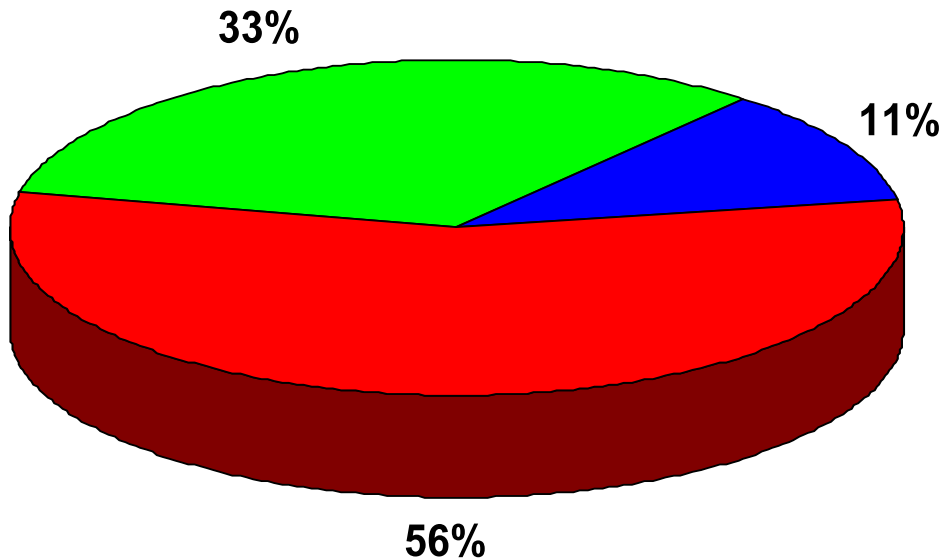
- Banking in Great Britain and Ireland
- Banking in Australia and New Zealand
- Wholesale Banking

Opportunity

- Yorkshire Bank presents greatest opportunity
- Growth through differentiated products and services
- **Invest \$95m to upgrade IT infrastructure for customer facing staff and leverage revenue efficiency opportunities**
- Revenue gains through leveraging CRM and wealth management opportunities
- Efficiency gains through process re-engineering and leveraging IP network
- Continue to build structured product capability
- Process re-engineering and rationalisation

Improved performance - Revenue

120 initiatives

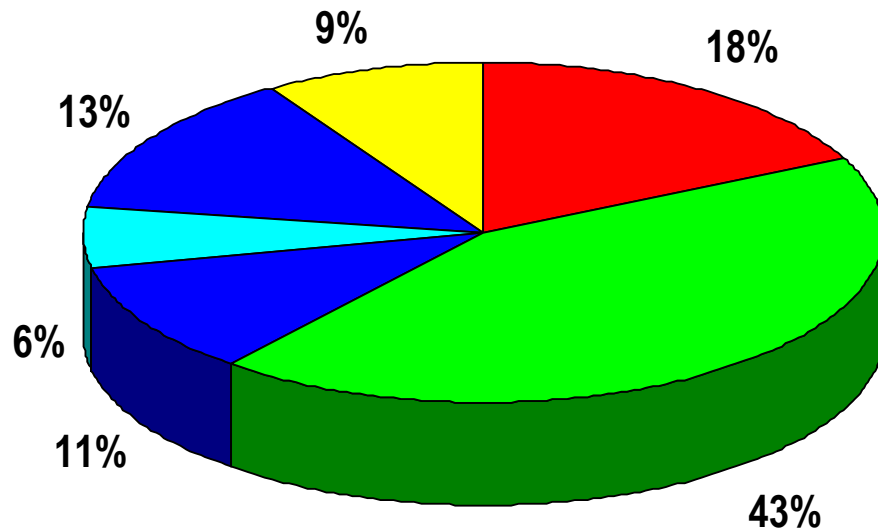


- Sales Force Effectiveness
 - Improved leverage of CRM
 - Increased sales force capacity
 - Enhancing introducer program
- Market Penetration
 - Mid corporate markets
 - Building custom business
- Product Development
 - Specialist mid corporate products

Improved performance - Costs

- 116 initiatives
- \$370m p.a. by Sept 04

Cost Reduction Drivers



- Reduction in Head Office / Administration
- Reduction in Back Office, IT & Operations
- Reduction in Front Office
- Re-engineer Lending
- Re-engineer Distribution
- Re-engineer Transaction Processing

There will be fewer positions

- Technology and process changes mean fewer positions but investment in growth areas creates new jobs
- 1400 new positions created through investment
- Redundancies in next 18 months (After redeployment, natural attrition and new job creation) :
 - 2050 Group (including Australia)
 - 1500 in Australia
- Redundancy provision of \$175 million to \$225 million

Summary

- Focussed strategy
- Built on past investments and competitive strengths
- Revitalised businesses and people
- New Leadership Team
- Investing for growth
- Driving cost and revenue improvements
- New level of performance

Disclaimer

The preceding material is a presentation of general background information about the National's activities current at the date of the presentation, April 8, 2002. 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.



www.national.com.au