

NATIONAL AUSTRALIA BANK LTD  
Form 6-K  
February 24, 2005

FILE NO 1-9945

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

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## FORM 6-K

### REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the month of February 2005

## National Australia Bank Limited

ACN 004 044 937

(Registrant's Name)

Level 24

500 Bourke Street

MELBOURNE VICTORIA 3000

AUSTRALIA

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82

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**Group Corporate Affairs**

National Australia

Bank Limited

ABN 12004044937

500 Bourke Street

Melbourne

Victoria 3000

Australia

**ASX Announcement**

*Melbourne, Thursday 24 February 2005*

**The National reviewing APRA's discussion paper on International Financial Reporting Standards**

Today, the Australian Prudential Regulation Authority (APRA) released a discussion paper outlining their proposed approach to fair value and other issues arising from the adoption of Australian equivalents to International Financial Reporting Standards.

APRA's proposals have potential impacts for the regulatory capital positions of all Australian Financial institutions. The National will be progressively adopting the new financial reporting standards from 1 October 2005. Once finalised APRA's intention is that any new regulatory capital treatments will take effect from 1 January 2006, subject to any transitional arrangements.

The proposals outlined in the APRA discussion paper are subject to a consultation process.

The National is currently assessing the potential impacts as a result of APRA's proposed treatment of these standards. It intends to provide further information on the impact of the proposed changes when it has had an opportunity to review the proposals in detail, discuss the framework further with APRA and quantify potential impacts.

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**ASX Announcement**

*Melbourne, Monday 7<sup>th</sup> February 2005*

**National to revitalise its UK banks**

Group Chief Executive, John Stewart, has confirmed the National's commitment to growing its banking businesses in the United Kingdom following the sale of its Irish banks.

Mr Stewart told an analyst briefing in Sydney that the National proposes to revitalise its two UK banking franchises, Clydesdale Bank and Yorkshire Bank, and expand its operations throughout the south-east of England.

Following an extensive review, we have decided to stay and build our banking franchises, Clydesdale and Yorkshire, because the UK is an attractive market with a positive outlook, he said.

The UK is big enough for smaller banks to compete profitably in niche markets. It is three times the size of the Australian banking market and offers growth opportunities not available to our Australian competitors.

The National's European Chief Executive, Mrs Lynne Peacock, told analysts that Clydesdale and Yorkshire had followed an undifferentiated strategy from the major British High Street banks, with multiple legal entities and complex operating structures, significant inefficiencies and duplication, distribution limitations, product pricing out of step with the market and frequent management changes.

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In the past, our service delivery has not kept pace with customer trends, our distribution network did not extend into the south-east of England, we had no third party channels and limited direct channel capability, she said. In addition, we lacked common products, processes and systems and had separate banking and wealth management platforms.

Mrs Peacock said that Clydesdale and Yorkshire are becoming more nimble and customer focussed so that they can develop a sustainable presence in the UK banking market and provide adequate returns to National shareholders.

The change strategy we are implementing is building on the strong foundations of Clydesdale and Yorkshire which include quality brands that have secured a strong customer base in their natural market area, she said.

We also have good people with business and retail banking skills that are being leveraged across our current franchises and extended into our new banking business in the south-east of England.

The new Clydesdale and Yorkshire banking presence in the UK is based on:

a re-aligned High Street presence in the UK with a simplified and refreshed product set and small business banker support in flagship branches;

a new light infrastructure distribution network of integrated financial solutions centres based around our business and private customers;

simplifying our product range, more product support and actively managing our margins down to market levels;

third party distribution of mortgage products; and

a broad cost reduction program involving process simplification, centralising workloads, rationalising management structures and consolidating technology platforms.

Mrs Peacock said the National had recently completed the legal entity merger of Clydesdale and Yorkshire banks which will reduce duplication and improve efficiency, and opened 12 new integrated financial solutions centres in the south-east of England.

We will have over 30 integrated financial service centres across the south-east and converted 39 Clydesdale and Yorkshire locations in the midlands and northern UK into IFS centres by the end of the year, she said. We will also shortly commence the conversion of 50 existing Clydesdale and Yorkshire branches into flagship High Street centres, strengthen our e-business capability and improve processing of customer transactions.

## **Outlook**

Mrs Peacock said UK earnings will be lower in 2005 because of the headwind created by margin decline, built-in cost growth and ongoing investment.

As part of our change strategy, we are aiming for a significant reduction in our cost base, improved productivity, higher volumes of new business and improved customer and staff satisfaction, she said.

We are already seeing some positive early results from implementation of the new strategy. Clydesdale and Yorkshire are recording a decrease in customer attrition and an increase in new customers. This gives us confidence that a two to three year turnaround is achievable.

**For further information:**

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# European Investor Conference

**European Investor Conference**

**Portfolio Review**

John Stewart, MD & CEO National Australia Bank

7 February 2005

[GRAPHIC]

[LOGO]

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Strategy Refreshed

Late 1980s to Early 1990s

**Build collection of regional  
Franchises**

Full service bank

Managed for short term profit

... but increasingly challenged by lack of scale and leverage in UK - run as relatively autonomous banks

Mid 1990s to Early 2000s

**Transformational Deal**

Awaiting potential transformational deal

2002 to 2004

**Organic Strategy  
+ Portfolio Review**

Doing the sensible fixes, but this was not enough

Hence, we developed a differentiated strategy and compared this value outcome to a range of portfolio options

Portfolio Review

Europe Banks  
Portfolio Options

Pros

Cons

1. Retain All

GB: +CB +YB  
Ireland: +NB +NIB

Regional coverage  
Cost synergies from  
integration

Complexity and delivery risk  
Significant costs to implement  
compliance and infrastructure programs

---

+ = Retain \* = Sell

**Europe Banks  
Portfolio Options**

**Pros**

**Cons**

2. Sell All

Refocus on core Australian operations

Not the highest value option

Removes exposure to larger and more stable growth of UK market

Makes any further international investment difficult

**GB:**        \***CB**    \***YB**  
**Ireland:**   \***NB**    \***NIB**

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+            = Retain   \*            = Sell

**Europe Banks  
Portfolio Options**

**Pros**

**Cons**

**3. Shrink to Grow on a Single Franchise**

**GB:    +CB        OR    +YB**  
**Ireland:    \*NB        \*NIB**

Reduces investment requirement and complexity

Significant complexity to undo the existing CB/YB integration

Reduced delivery risk profile

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+            = Retain    \*            = Sell

**Europe Banks  
Portfolio Options**

**Pros**

**Cons**

**4. Retain GB, Sell Irish**

Greater management focus

Separation and transitional arrangements add complexity in short term

Ireland not central to new strategy

**GB: +CB +YB  
Ireland: \*NB \*NIB**

GB market is attractive

Highest value option

---

+ = Retain \* = Sell

Portfolio Outcome: Irish Banks Sold to Danske Bank

Sale announced December 2004 with sale proceeds of A\$2.5 billion (£967 million) in cash

Profit on sale expected to be c.A\$1.1 billion expected to complete during the first quarter of calendar year 2005

In relation to our remaining businesses in Great Britain

Transition arrangement at cost for up to 18 months, with annualised costs of c.£25 million p.a.

c. £15 million of costs currently recharged to the Irish banks will be absorbed by our remaining GB business

c.£50 million for the separation of the Irish businesses

The end result is a simplified business model with a focus on our Great Britain operations

Strategy for Differentiation

				<b>Do what we do, but do it better</b>
		<b>Do what we do, but do it better</b>		<b>Differentiated GB business</b>
		<b>One efficient GB business</b>		
	<b>2002</b>			<b>Playing a different game</b>
<b>CB</b>	<b>YB</b>			
<b>NB</b>	<b>NIB</b>			



**European Investor Conference**

**Strategy Overview**

Lynne Peacock, CEO Europe

7 February 2005

[GRAPHIC]

[LOGO]

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Today's Programme

Why Stay in the UK

Issues

Progress to Date

Work Still to Do

Size of Prize

**Agenda**

<b>Activity</b>	<b>Presenter</b>
UK Strategy Overview	Lynne Peacock
Doing What We Currently Do Better    Retail and Small	Steve Reid
<b>Business Banking</b>	
Integrated Financial Solutions    Playing a Different Game	Mike Williams
Third Party Distribution    A Channel for Selective Growth	Dean Cutbill
Coffee	
Moving to Sustainable Product Profitability	Garry Mulcahy
Understanding Customers and Brand	Glenn King
Cutting the Cost of Production	Tom Burns
Wrap-Up	Lynne Peacock
Q & A	Panel
End	

Key Features of the UK market    Size of Market

**Household Balance Sheet (2003)**

	£bn	£bn
<b>Assets</b>		
Non-Financial Assets ( <i>property</i> )		3,424
Financial Assets		3,077
Liquid Assets	777	
Shares	471	
Life Assurance & Pensions	1,620	
Other(1)	209	
<b>Total Assets</b>		<b>6,501</b>
<b>Liabilities</b>		
Mortgages	774	
Consumer credit	171	
Other(2)	108	
<b>Total Liabilities</b>		<b>1,053</b>
<b>Net Worth</b>		<b>5,448</b>

(1). Includes government bonds etc

(2). Includes loans on foreign property etc

Source: National Statistics

**Key Product Data (2003)**

	Outstanding Balances (£bn)	Gross Lending (£bn) (1)	Net Lending (£bn) (1)
Mortgages (11.4m customers)	774	277	101
Credit Cards (70.1m credit & charge cards)	54	133	8
Personal Loans	80	56	7

(1). Gross Lending is the total lending written in the market during the 12 month period. Net lending is Gross Lending less repayments

Source: National Statistics, Bank of England, Datamonitor, PH Group, NOP/FRS

**SME Market in UK**

391,000 businesses with a turnover of > 500k

UK Market

**Rationale for Remaining in UK**

Issues are company specific, not market related

UK market supports multiple business model

Key differentiation for Group

Our customer base in the UK compares favourably with our Australian business

Selling not highest value option

**Attractiveness of UK Market**

[CHART]

- 
- (1). PBT numbers are 2004E from Global Estimates
  - (2). Total Europe 2004 Actual, Northern Rock 2004 Actual

Note: 1999 figures adjusted for major acquisitions

Source : Individual Annual Reports, National Finance, Global Estimates for 2004 competitors

UK Team

Experience of existing business

Key new hires

Intra Group experience

Background

**Key European Issues Early 2003**

Strategy, Leadership and Structure

Distribution

Products and Pricing

Infrastructure and Process

Cost Base



1. Strategy, Leadership & Structure

**Business Model  
(Early 2003)**

[LOGO]	[LOGO]	[LOGO]	[LOGO]	<b>Wealth Management</b>	<b>Corporate</b>
<b>Distribution PFS BFS</b>	<b>Distribution PFS BFS</b>	<b>Distribution PFS BFS</b>	<b>Distribution PFS BFS</b>	<b>Distribution Tied IFA</b>	<b>Distribution</b>
<b>Support Channels</b>	<b>Support Channels</b>	<b>Support Channels</b>	<b>Support Channels</b>	<b>Support Channels</b>	
<b>Customer Strategy</b>	<b>Customer Strategy</b>	<b>Customer Strategy</b>	<b>Customer Strategy</b>	<b>Customer Strategy</b>	<b>Customer Strategy</b>
<b>Products</b>	<b>Products</b>	<b>Products</b>	<b>Products</b>	<b>Products</b>	<b>Products</b>
<b>Manufacturing Operations - Servicing</b>	<b>Manufacturing Operations - Servicing</b>	<b>Manufacturing Operations - Servicing</b>	<b>Manufacturing Operations - Servicing</b>	<b>Manufacturing Operations - Servicing</b>	<b>Manufacturing Operations - Servicing</b>
<b>Technology</b>	<b>Technology</b>	<b>Technology</b>	<b>Technology</b>	<b>Technology</b>	<b>Technology</b>
<b>Corporate Support Functions</b>	<b>Corporate Support Functions</b>	<b>Corporate Support Functions</b>	<b>Corporate Support Functions</b>	<b>Corporate Support Functions</b>	<b>Corporate Support Functions</b>

Undifferentiated strategy

Significant duplication

Multiple legal entities

Insufficient management expertise in local market

2. Distribution

[GRAPHIC]

**Scotland**

9% of Population  
8% of Gross Income  
224 retail branches

**North & Midlands**

41% of Population  
36% of Gross Income  
221 retail branches

**Rest of Great Britain**

-  
50% of Population  
56% of Gross Income  
15 retail branches

**UK Business**

Very limited presence in the wealthy South East

Unbalanced distribution network

No Third Party channel

Limited direct channel capability

Source: National Statistics, Inland Revenue, Bank of England

**3. Products and Pricing**

**Net Interest Margin 2002**

[CHART]

**Product Profile 2002**

[CHART]

Source: Company publications, internal data

4. Infrastructure & Processes

**Back Office**

[GRAPHIC]

24 centralised operating centres

Lack of common products, processes and systems duplication of brands and locations

Operations predominantly in-house

Separate banking and wealth management platforms

## 5. Cost Base

## FY 2002

	Cost / Average Assets (%)	Ranking	PBT / FTE (£ 000)	Ranking	Average Assets / FTE (£m)	Ranking
<b>Best</b>						
Northern Rock	0.64	1	85.6	1	7.7	1
HBOS	1.13	2	45.5	3	5.2	3
Abbey National	1.64	3	-33.6	<i>n/a</i>	7.4	2
Barclays	1.74	4	41.5	5	4.9	4
Bradford & Bingley	1.96	5	31.0	8	3.2	7
Alliance & Leicester	1.99	6	50.3	2	4.3	5
Lloyds TSB	2.01	7	31.7	7	3.0	8
Royal Bank of Scotland	2.40	8	42.0	4	3.4	6
<b>Worst</b>						
National Australia Group Europe	2.41	9	40.8	6	2.4	9

Note: Costs are inclusive of goodwill and exclusive of provisions

Source: Company publications, internal data

Positives

Brands

Asset quality

Customer base in natural marketing area

People

Business and retail banking skills leveraged between franchises

## Financial Consequences

**Total National Australia Group Europe (AUS GAAP)**

	<b>FY01</b> <b>£M</b>	<b>FY02</b> <b>£M</b>	<b>FY03</b> <b>£M</b>	<b>FY04</b> <b>£M</b>
<b><u>PROFIT &amp; LOSS</u></b>				
Net interest income	876	966	966	915
Other operating income	503	511	555	519
<b>Total income</b>	<b>1,379</b>	<b>1,477</b>	<b>1,520</b>	<b>1,433</b>
Expenses (excl. pension)	(670)	(740)	(806)	(848)
Pension expense	(12)	(16)	(42)	(82)
<b>PBT</b>	<b>524</b>	<b>552</b>	<b>537</b>	<b>365</b>
<b>PAT</b>	<b>345</b>	<b>384</b>	<b>385</b>	<b>258</b>
<b><u>RATIOS</u></b>				
Cost/Income (incl. pension)	49.5%	51.2%	55.8%	64.9%
Net interest margin (Total Europe)	3.1%	2.9%	2.6%	2.5%
Net interest margin (FSE)	4.3%	4.3%	4.3%	4.0%
FTEs (spot)	13,707	13,542	13,104	13,122

Note: Above analysis has been rounded to the correct line total

2002 Strategy Themes

		<b>Integration of systems</b>
		<b>Convergence of processes</b>
		<b>Quality</b>
		<b>Fix the core</b>
<b>2002</b>	<b>One efficient business</b>	
<b>CB</b>	<b>YB</b>	
<b>NB</b>	<b>NIB</b>	



## Portfolio Outcome: New Shape of Business

	Total Europe FY04 £M	Proforma Ireland FY04 £M	Total Europe (ex Ireland, after flow back) FY04 £M
<b>PROFIT &amp; LOSS</b>			
Net interest income	915	205	710
Other operating income	519	88	430
<b>Total income</b>	<b>1,433</b>	<b>292</b>	<b>1,140</b>
Expenses (excl. pension)	(848)	(174)	(673)
Pension expense	(82)	(13)	(69)
Goodwill	(29)		(29)
B&DD	(109)	(7)	(102)
<b>PBT</b>	<b>365</b>	<b>98</b>	<b>266</b>
Tax	(107)	(29)	(78)
<b>PAT</b>	<b>258</b>	<b>69</b>	<b>188</b>
<b>RATIOS</b>			
Cost/Income (incl. pension)	64.9%	64.0%	65.1%
FTEs (spot)	13,122	3,100	10,022
Net interest margin (Total Europe)	2.53%	3.28%	2.41%
Net interest margin (FSE)	4.03%	3.38%	4.30%

Pro forma figures based on business sold

Cost flow back and declining recharges

Remaining business delivered approx £190m PAT in FY04

	Total Europe	Ireland	Europe (excl. Ireland)
Branches	614	154	460
Business Banking Centres	76	26	50
Retail / Business Customers (000)	3302	579	2723

Note: Information provided above is indicative. Full proforma numbers to be provided prior to half year results.

Strategy Overview

Management team has significant UK market experience

Ability to leverage market knowledge

Small size can be used to our advantage

Strategy for Differentiation

			<b>Do what we do, but do it better</b>
		<b>Do what we do, but do it better</b>	<b>Differentiated GB business</b>
		<b>One efficient GB business</b>	<b>Playing a different game</b>
<b>2002</b>			
<b>CB</b>	<b>YB</b>		
<b>NB</b>	<b>NIB</b>		

Summary of Our Approach

<b>Do What We Do But Do It Better</b>	<b>Impact</b>
Realignment of distribution footprint including small business	Volume growth above systems for most products in Retail
Increase capability of staff	Other Operating Income growth cross sale and fee collection
Simplified and reinvigorated product set	Margins in line with market
Refreshed brands and improved customer understanding	Costs reduce
Efficient back office	

**Playing a Different Game**

**Impact IFS / Third Party**

Focus on relationship managed integrated financial solutions for Business / Premium customers

Significant customer acquisition, asset and revenue growth, with Third Party supporting IFS

National IFS programme

Growth into new areas

Third Party Distribution

Revised European Model - Based on New Customer Value Segmentation

**Previous Segmentation and Model**

Customers managed within business /  
personal silos

**BFS**

Corporate  
Mid-size  
Small business

**PFS**

Premium / Private  
Transactors

**Customer type segmentation**

**Revised Business Model**

Integrated CVP delivered within each  
business unit

**Retail Banking  
Integrated High Street**

Small business  
High end retail  
Transactors

**IFS**  
Corporate  
Mid-size  
Private

**3<sup>rd</sup> Party Distribution**

**Customer value  
segmentation**

**European Investor Conference**

**Doing What We Currently Do Better Retail and Small Business**

Steve Reid, GM Retail Banking

7 February 2005

[GRAPHIC]

[LOGO]

---

Agenda

Background to Retail

The Opportunity

Customer Profitability

Sales Performance

Cost Base



The Retail Bank as at FY04

**Clydesdale & Yorkshire Bank Metrics**

58% of FSE revenue  
4,217 staff  
460 branches  
2.7m customers  
92% of total UK customer base  
Core lending of £5.1bn(1)  
Deposits of £5.3bn(1)

**Clydesdale & Yorkshire Banks Market  
Share in UK**

[CHART]

NB Current Account market share based on  
number of customers. Other product market shares are %  
of £ value

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(1). Core lending and deposit figures are for Sep 04 spot values for the CYB Retail segments

Source: Market share figures from NOP Sep 04

The Opportunity: Improving the Game

**CYB Banking Product Cross Holdings**

[CHART]

**Opportunity**

The average product holding for CYB is 1.5. The average product holding for competitors is 2.4

Only a third of our customers hold more than one CYB bank product

**Customers With 1 Bank Product**

[CHART]

Source: NAGE Customer Knowledge, Nov 2004, NOP

<b>PRODUCT</b>	<b>OPPORTUNITY</b>	<b>POTENTIAL IMPACT</b>
	532,000 customers within CYB who have a mortgage with a competitor	<b>10% conversion = £26m NII</b>
<b>MORTGAGES</b>	18% of CYB current account customers have mortgage with us market average 35%	
	In Oct-Dec 04 CYB Retail achieved an average penetration rate of 39% - Best in Class is 75%	<b>10% increase in penetration = £3m OOI</b>
<b>LIFE INSURANCE</b>		<b>Sales force effectiveness</b>
	Our home insurance penetration rate on mortgage sales for FY03/04 was 28% - Best in Class is 75%	<b>10% increase in penetration = £1m OOI</b>
<b>HOME INSURANCE</b>		

Customers

<b>Issue</b>		<b>Impact</b>
<b>Customer</b>	Vicious circle of high margins, low volumes	<b>Customer Attrition</b>
	Lack of investment in people, products and processes	
	One size fits all approach	

Actions Taken to Grow Customer Numbers and Improve Profitability

Two significant new products have been launched

Offset Mortgage (March 2004 in Yorkshire, January 2005 in Clydesdale)

Current Account Plus (January 2004)

Improved customer insight

Better understanding of customer value / potential

Electronic delivery of sales leads

Channel development

Post office alliance

Contact centre

Improved customer service initiatives

Trends Now Moving in Right Direction

**Customer Acquisition** CYB

[CHART]

**Customer Attrition** CYB

[CHART]

12% increase in premium / private customer numbers

11% reduction in customer complaints

Source: NAGE Customer Knowledge Database, Consumer Finance

Aligning Segmentation with Customer Value

- o **Key Focus is on reducing cost to serve**
  
- ý **Key Focus is on increasing product holdings**

[CHART]

Source: NAGE Customer Knowledge Database

Sales Performance

Issue	Impact
<b>Sales Performance</b>	<b>Stagnant and Declining Sales</b>
Over-reliance on branch vs direct	
No common sales management processes and reward schemes	
Little integration between Bank and Wealth Management sales forces	



Actions Taken to Improve Sales Performance

Simplified sale process and improves sales training

Driven Wealth and Retail integration

Improved variable remuneration for all Retail staff with incentives clearly linked to performance

Improvements in Wealth Management Sales

**Wealth Management Advice Sales - CYB**

[CHART]

**Life and Critical Illness Penetration**

*% of Mortgages*

[CHART]

Source: WME Finance

Actions Currently Underway to Improve Sales Performance

Key Levers	Impact
<p><b>External Recruitment</b> Targeting competitor's top performers</p>	<p><b>Improved product cross sales</b></p>
<p><b>Increased Investment in Training</b> Cross sales training Coaching skills for Sales Managers</p>	<p><b>Quality Staff</b></p>
<p><b>Performance Management</b> Reward for performance Managing underperformance</p>	<p><b>Improved profit per FTE</b></p>
<p><b>Flagship Branches</b> Business Banking back on high street Meeting personal &amp; business needs</p>	<p><b>Improved staff satisfaction</b></p>

Cost Base

Issue	Impact
<b>Cost Base</b>	<b>High cost / income ratio</b>
Low customer to branch ratio	
Inefficient processes too much administration	
No common structures	

Move to Common Operating Model

	FROM		TO
<b>Clydesdale</b>		<b>Yorkshire</b>	<b>Common Structure</b>
[CHART]		[CHART]	[CHART]

Ongoing Actions to Reduce Costs

<b>Process Migration</b>	Further centralisation of processes
<b>Call Sweeping</b>	Full implementation of call sweeping for all branches by April 05
<b>Transaction Migration</b>	Reductions in over the counter transactions
<b>Structures and Supervisory Workload</b>	Standardised branch manager and below structure

	Oct 02	Oct 03	Oct 04
<b>FTE Reduction:</b>	4,702	4,431	4,217

Managing Our Cost Base Better - Distribution Footprint

Flagship program investing in high potential  
high  
street locations

**Flagship Branch Locations**

Third party distribution

[GRAPHIC]

Developing non branch channels

IFS Expansion in South

Branch network review

Blueprint for branch network

Full details/impacts in May

Summary

Cost base reduction

**We will continue  
taking costs out**

Improved customer profitability and numbers

**Increase product  
penetration**

Sales performance

**Improve  
capability**

The opportunity

**Significant!**



**European Investor Conference**

**Integrated Financial Solutions    Playing a Different Game**

Mike Williams, GM Integrated Financial Solutions

7 February 2005

[GRAPHIC]

[LOGO]

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Agenda

Overview of Business Banking

The Opportunity

Playing a Different Game

Progress to Date

Recent History Business Banking

[GRAPHIC]

**Clydesdale Bank**

#3 market share in business banking in Scotland

#3 ranked business bank by Forum of Private Business

Business Customers: 46,000

Business Centres: 27

**Yorkshire Bank**

#6 market share in business banking in natural marketing area

#2 ranked business bank by Forum of Private Business

Business Customers: 55,000

Business Centres: 23

Solid businesses contributing significant profit

The Opportunity    Size of Target Segments

**SME Market in UK**

391,000 businesses with a turnover of > £500K

We currently only have 3% share

**Private Banking Market in UK**

700,000 individuals earning > £60K per annum

We currently have less than 2% share of these customers

Others qualify on the basis of assets

Profitable target segments

The Opportunity South of England

Profitable target segments

No presence in the South

[GRAPHIC]

60% of wealth in the UK & 20 million people

The Opportunity

Profitable target segments

No presence in the South of England

Need to protect market share in Scotland

Opportunities to grow market share in Yorkshire

Opportunities to grow Agribusiness

Opportunity to provide differentiated proposition in order to compete against large, established competitors

Unique opportunity for a differentiated offering

Playing a Different Game    Integrated Financial Solutions

Relationship-based service out of Financial Solutions Centres

SME and Private Banking segment

Tailored products and pricing

Local decision-making

Professional partnership model

Creating value

Integrated

For the right customer the answer is Yes    now what is the question?

Back to the Future

Playing a Different Game: Our Model

**The Customer Experience**

**Member**

**Named  
Partner (RM)**

**Partners  
(Specialists)**

**Credit / Admin / Sanction**

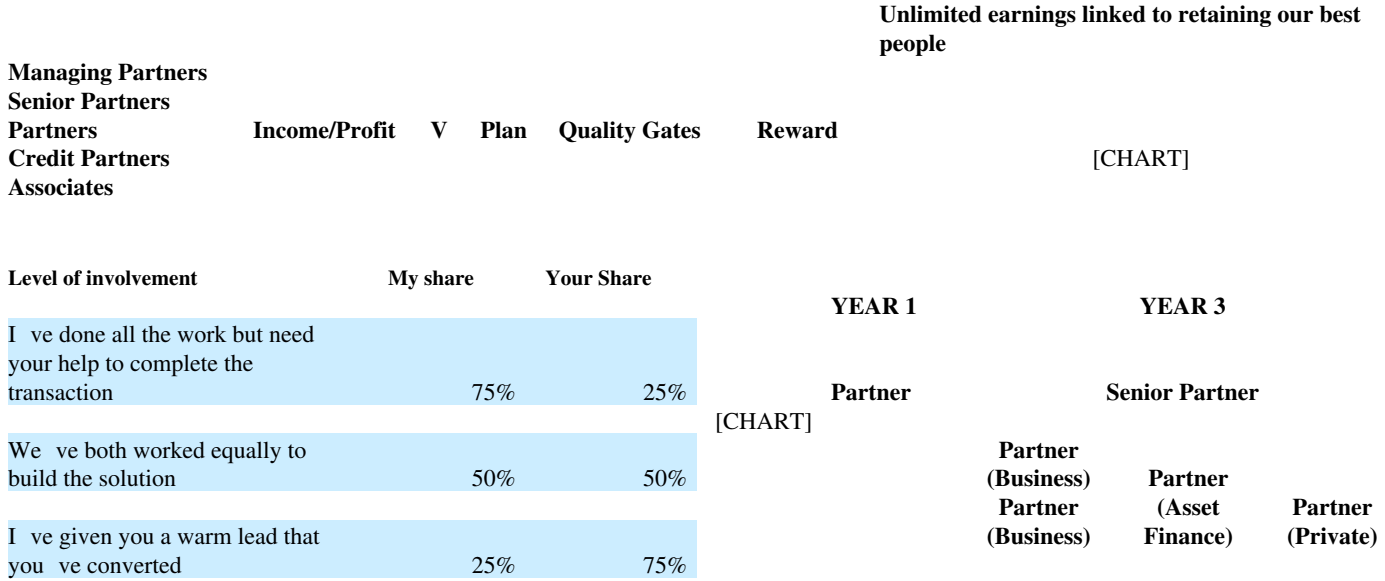
**Tailored Centres**

[GRAPHIC]

Tailored and Integrated



Playing a Different Game: Our Incentive Scheme



Business Model & Incentive Scheme Support Retention of Talent

Progress to Date: Principles / Operating

**Achieved Since 1 March 04 (10 months)**

Control/Compliance and Supervision Structure

Expansion 10 step, 278 day process

People 200 top Q talent in 10 months; 300 more to go

Credit 90% of decisions locally

Products, Pricing & Local Marketing

Alignment with Third Party Distribution

M.I. and Remuneration

Driving change for the benefit of the organisation

Progress to Date: Our Presence in 2003

[GRAPHIC]

60% of wealth in the UK

Progress to Date: Southern Expansion in 2004

[GRAPHIC]

12 sites in key locations

Progress to Date: Planned Expansion

[GRAPHIC]

South of England network of 30+ sites by end 2005

Progress to Date: National IFS / Leveraging

National IFS structure launched

Heads of IFS appointed in 8 regions

Managing Partners appointed

39 existing Clydesdale and Yorkshire business centres being turned into full/satellite Financial Solution Centres

Aiming for 80+ Financial Solutions Centres by 06/07

Leveraging the capabilities we have built

Progress to Date: National IFS

[GRAPHIC]

End of 05: 70+ sites

06/07: 80+ sites

7 FSCs (outside London) cover populations greater than Brisbane

The 8 FSCs in Yorkshire cover a population greater than Melbourne

The 9 London FSCs will cover population greater than Melbourne & Sydney combined

The 3 FSCs in Manchester/Merseyside cover a population greater than Sydney

The FSC in Glasgow covers a population greater than Perth

Light infrastructure model with national coverage

Progress to Date: Performance Management Culture

Pace and total personal accountability

P&Ls

Accurate MI

Trend Monitoring and ratios

Regular recognition and challenge and support

Cost to income ratio driven

Building a high performance culture 53% engagement

Building a high performance culture



Progress to Date: IFS Opportunity Pipeline Performance Metrics

**Stock Value of Opportunity Pipeline**

[CHART]

**Opportunity Approvals**

[CHART]

**Monthly Drawdown Values**

[CHART]

Strong performance delivering results

## Financial Expectations

### New Sites

A typical new IFS centre is expected to have a cash flow payback of circa 23 months

Opportunity per new site represents circa £4m PBT in steady state

Targeting 40% cost / income ratio

### Converted Sites

Some costs when retro-fitting to traditional centres

Opportunity per converted site represents circa £400k PBT

In Conclusion

We are confident that with IFS we will successfully develop a differentiated proposition to support sustainable growth

Our results to date are very encouraging and we are moving with pace to implement the organisational and cultural change required to drive our business forward

Competitors can't follow us easily

Opportunity to generate a business and a model with no baggage

Upside due to better geographical coverage, good staff, and the generation and leverage of best practice across the Group

**European Investor Conference**  
**Third Party Distribution - A Channel for Selective Growth**

Dean Cutbill, GM Third Party Distribution

7th February 2005

[GRAPHIC]

[LOGO]

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Agenda

Why Third Party Distribution?

Our Strategy

Execution

Why Third Party Distribution and Size of the Opportunity

**The Shift in Mortgage Origination in the UK**

[CHART]

**UK Mortgage Market , Gross Lending 2003 - £277bn**

[CHART]

Mortgage is the Heart of the Consumer's Financial World

[CHART]

Source: John Malone - Head of Prudential Mortgage Club

NAB's History in the UK Intermediary Mortgage Market

Key reasons for not having succeeded previously:

1. Lack of market expertise
2. Local not national
3. Imported thinking

No credibility as a result



Intermediary Market Myths

<b>Statement</b>	<b>Reality</b>
Poor quality customers go to intermediaries	Financially aware customers seek professional advice
Quality of business is poor	Comparable risk profile to Retail business
Brokers are constantly churning	Less than 20% brokers actively manage customer base
High cost of customer acquisition	2002 KPMG study intermediary business cheaper
Shorter product life	Product life is not shorter it is the norm

Our Opportunity in the Intermediary Mortgage Market

The UK mortgage market is 3.5 times the size of Australian market

Ready to play in 65% of the market previously untapped

Mortgage has become the heart of the customer's financial world

The UK is a very professional regulated market

Acquisition of right type of customers

Low cost infrastructure

Key Elements of Third Party Strategy

Focused distribution

Create mortgage growth

Adapt a selective approach

Acquisition channel for IFS customers

Third Party Distribution Achievements so Far

**FYQ3 04**

**FYQ4 04**

**FYQ1 05**

**FYQ2 05**

**1. Market entry and build  
Initial capability**

**Right Management  
Team in place  
Identified issues  
Launch with Charcol  
April 2004**

FYQ3 04

FYQ4 04

FYQ1 05

FYQ2 05

1. Market entry and build Initial  
capability  
Right Management Team  
in place  
Identified issues  
Launch with Charcol  
April 2004

2. Upgrade and refine capability  
**FSA compliant**  
**New Relationship Managers in  
place**  
**Premier Broker selection**  
**Market entry results**  
**£125m completions**  
**£185,000 average loan**  
**Loan to Value 55%**

[CHART]

FYQ3 04	FYQ4 04	FYQ1 05	FYQ2 05
1. Market entry and build	2. Upgrade and refine capability FSA compliant New Relationship Managers in place Premier Broker selection	<b>3. Strengthen capability</b> <b>New product range</b> <b>Sophisticated website</b> <b>Ability to E-trade</b>  <b>Best practice processing</b> <b>Quick and cost effective</b>	
Initial capability	Market entry results		
Right Management	£125m completions £185,000 average loan Loan to Value 55%		
Team in place			
Identified issues			
Launch with Charcol April 2004			

FYQ3 04

FYQ4 04

FYQ1 05

FYQ2 05

			<b>4. Increase volumes Outsourcing preferred supplier 135 Broker firms</b>
		3. Strengthen capability New product range Sophisticated website Ability to E-trade Best practice processing Quick and cost effective	
1. Market entry and build	2. Upgrade and refine capability FSA compliant New Relationship Managers in place		
Initial capability Right Management Team in place Identified issues Launch with Charcol April 2004	Premier Broker selection Market entry results £125m completions £185,000 average loan Loan to Value 55%		

FYQ3 04	FYQ4 04	FYQ1 05	FYQ2 05
		3. Strengthen capability	<b>4. Increase volumes</b>
	2. Upgrade and refine capability		<b>Outsourcing</b>
1. Market entry and build	FSA compliant	New product range	<b>preferred supplier</b>
	New Relationship Managers in place	Sophisticated website	<b>135 Broker firms</b>
Initial capability	Premier Broker selection	Ability to E-trade	<b>YTD</b>
		Best practice processing	<b>Applications</b>
Right Management Team in place	Market entry results	Quick and cost effective	<b>£217m</b>
	£125m completions		<b>Completions</b>
Identified issues	£185,000 average loan		<b>£107m</b>
Launch with Charcol April 2004	Loan to Value 55%		<b>Pipeline £153m</b>
			<b>Average loan</b>
			<b>£197,000</b>
			<b>Loan to Value</b>
			<b>61%</b>
			<b>Broker fees 40bp,</b>
			<b>no trail</b>



Alignment with IFS

A Hunter for IFS

New customer acquisition

Telephone sales team

Relationship management model

Other Opportunities

Commercial loan market

Asset finance market

Conclusions

Competitors have

large branch infrastructures

mass market processing

silo thinking

defender

The new team has delivered

a market strategy

market entry

capability built

Now it s about driving volumes

**European Investor Conference**  
**Introduction to Second Session**

Lynne Peacock, CEO Europe

7 February 2005

[GRAPHIC]

[LOGO]

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Second Session Back Office Activities

<b>Do What We Do But Do It Better</b>	<b>Impact</b>
	<b>Single efficient products delivery</b>
Products - Simplified and refreshed product range	Products rationalised Products fit for purpose for each distribution business Margins in line with market given our mix of business
Brands & Marketing - Refreshing brands and improved customer understanding	Appropriate fees and charges
Back Office - Creating an efficient back office	<b>Creating value from our brands</b>
	High brand recognition Good customer understanding
	<b>Consolidated efficient back office</b>
	Cost base in line with competitors Integration complete, with systems convergence Delivery in-house where efficient, otherwise successfully outsourced processes

**European Investor Conference**  
**Moving to Sustainable Product Profitability**

Garry Mulcahy, GM Product Solutions

7 February 2005

[GRAPHIC]

[LOGO]

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Agenda

**Situation analysis**

**Product Strategy and Progress**

**Future mix of business and margin impact**

**Situation analysis**

Business Mix and Share of Wallet

Unit cost

Pricing

Product Strategy and progress

Future mix of business and margin impact

Business Mix

	FY02	
	Lending	Deposits
	<b>Consumer Finance (£3.0bn)</b>	
<b>Personal</b>	<b>Mortgages (£5.8bn)</b>	
		<b>Current Accounts (£3.8bn)</b>
		<b>Savings (£4.7bn)</b>
<b>Business</b>	<b>Business Lending (£8.5bn)</b>	
	<b>Corporate Lending (£4.9bn)</b>	
		<b>Business Deposits (£4.1bn)</b>
		<b>Corporate Deposits (£1.5bn)</b>
		<b>Net retail funding gap (£8.0bn)</b>
	<b>Lending (£22.2bn)</b>	<b>Retail deposits (£14.2bn)</b>
	<b>NIM Total Europe: 2.94%</b>	<b>NIM FSE: 4.28%</b>

Notes:

*Including Ireland*

*Income includes both NII and OOI*

*FSE margin and BFS/Corporate lending balances are post Mosaic adjustment*



Margins: 2002 Competitor Comparison

**Net Interest Margin(1)  
2002**

[CHART]

**Lending Mix(2)  
2002**

[CHART]

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(1.) *Net interest income as a percentage of average interest earning assets*

(2.) *Loans & Advances to Customers (excludes businesses). Corporate Advances also incorporates repo-agreements where specified separately by lender. Other Advances incorporates secured advances also where specified separately by lender*

(3.) *Lending mix is calculated on global book as RBS do not report separate domestic and overseas splits*

*Note: Total Europe & FSE includes Ireland*

*Source: Annual reports*

Margins: 2003 Competitor Comparison

**Net Interest Margin(1)**  
**2003**

[CHART]

**Lending Mix(2)**  
**2003**

[CHART]

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*Note: Total Europe & FSE includes Ireland*

*Source: Annual reports*

Net Interest Income FSE

**FSE NII Developments 2002-2004**

[CHART]

Historical high net interest margins have been reduced through re-pricing and change in business mix

Margin reductions resulted in circa £115m reduction in overall Total Europe net interest income between 2002 and 2004, the majority of which in FY04, while the changing mix contributed c.£40m

*Notes:*

*Includes Ireland*

*IMS and Other indicate movement in NII between years*

*Other includes impact from hedging, funding and income from share capital*

Summary Observations: Business Mix / Share of Wallet

**Attractive but  
unsustainable  
margins**

The historic mix of business  
Skew to consumer finance  
Small mortgage book  
Business lending mix SME and Corporate  
Low retail deposit book  
Pricing strategy focused on revenue, not growth

**Attractive but  
unsustainable  
margins**

**Revenue  
opportunities exist  
from cross sell**

**Excluded ourselves  
from attractive  
parts of market**

Have not capitalised on product innovations  
Gaps in competitive product range  
Non-integrated sales approach  
Slow pricing dynamics

CYB Customer Base by Banking Product Holdings

[CHART]

**Customers With 1 Bank Product**

[CHART]

**Opportunity**

Existing customers hold on average fewer products with the bank

**Key Observation**

Only a third of our customers hold more than one CYB bank product

Source: NAGE Customer Knowledge, Nov 2004

Summary Observations: Business Mix / Share of Wallet

**Attractive but  
Unsustainable  
Margins**

**Revenue  
opportunities exist  
from cross sell**

**Excluded ourselves**

**from attractive  
parts of market**

Lack of presence in South of England  
Limited development of products/systems to support non-Branch  
distribution:

Direct channel offers  
Off-shore deposit gathering  
Third Party Distribution presence

Agenda

**Situation analysis**

Business Mix and Share of Wallet

Unit cost

Pricing

Product Strategy

Future mix of business and margin impact



Product Proliferation has Complicated the Business

**2002 Product Set**

[CHART]

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Summary Observations: Proliferation of Products has Impacted Unit Cost

<b>Multiple products</b>	Proliferation of products	Confusion for customers Confusion for sales force Lack of differentiation Higher costs to support on-sale and off-sale products
	<b>Inefficiencies</b>	Multiple systems to maintain products multiple sales & illustration tools impact sales productivity complicates servicing and security no single view of customer holdings difficult to get customer profitability Stunted CRM and lead generation capability slow and expensive product development cycle

Agenda

**Situation analysis**

Business Mix and Share of Wallet

Unit cost

Pricing

Product Strategy

Future mix of business and margin impact

Summary Observations: Pricing

Pricing out of line with market

**Relative pricing**

Deliberate high pricing to maximise short term profit  
Slow response to pricing moves in the market  
High back book pricing  
Absence from best buy tables

Relative Pricing: Basic Savings Accounts

**Online Savings Accounts  
(May 2003)**

[CHART]

**Rate - %**

**Branch Savings Account  
(May 2003)**

[CHART]

**Rate - %**

**Historically poor position and no presence in remote channels**

Source: Moneysupermarket.com

Summary Observations: Pricing

**Relative pricing**

<b>Pricing Impacts on</b>	Some of our historical actions had reverse outcomes
<b>Customer</b>	Putting up fees led to customers changing their behaviour
<b>Behaviour</b>	Ultimate change of behaviour was to leave bank - customer attrition impact

Pricing Impact on Customer Behaviour - Bad Fees

**2002 Attrition Analysis**

**Reasons for Leaving**

[CHART]

**. . . in particular  
unauthorised overdraft fees . . .**

[CHART]

**. . . and specifically the  
monthly overdraft fee**

[CHART]

**Unauthorised overdraft fees and charges was the most important driver of attrition in 2002**

Agenda

Situation analysis

Business Mix and Share of Wallet

Unit cost

Pricing

**Product Strategy and Progress**

Future mix of business and margin impact



Product Strategy

**Tactical Fixes**

**Narrow the Focus**

**Rebalance and Rationalise**

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Progress

2003

**Tactical Fixes**

**Narrow the Focus**

**Rebalance and Rationalise**

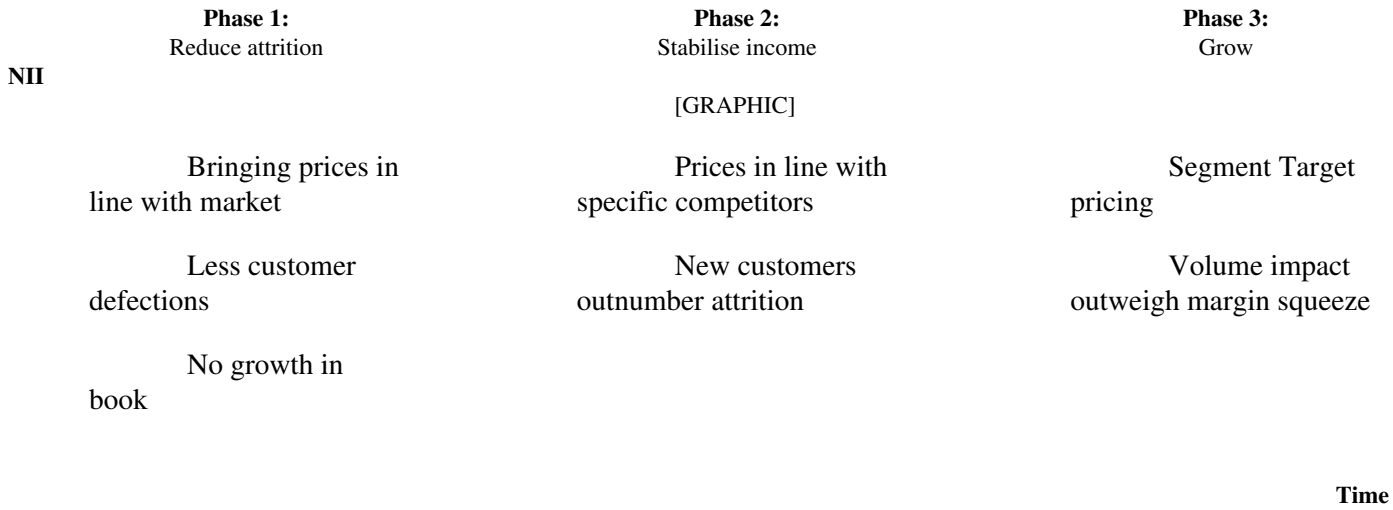
Price movements for volume  
(fix front book first)

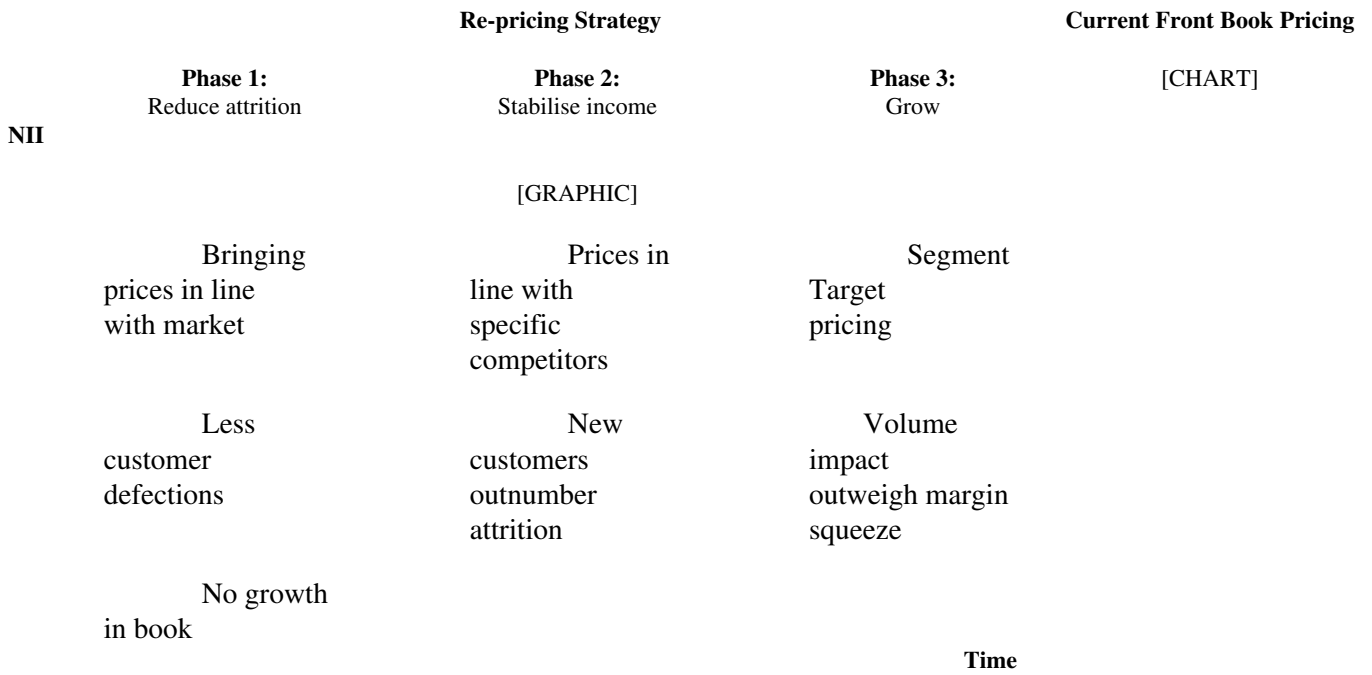
Quick Product changes

Integrated sales processes  
(increased cross sell)

Pricing

**Re-pricing Strategy**





2002 - 2004: Margin and Business Mix

	FY02		FY04	
	Lending	Deposits	Lending	Deposits
<b>Personal</b>	<b>Consumer Finance (£3.0bn)</b>		<b>Consumer Finance (£2.8bn)</b>	
	<b>Mortgages (£5.8bn)</b>		<b>Mortgages (£7.2bn)</b>	
		<b>Current Accounts (£3.8bn)</b>		<b>Current Accounts (£4.1bn)</b>
		<b>Savings (£4.7bn)</b>		<b>Savings (£4.8bn)</b>
<b>Business</b>	<b>Business Lending (£8.5bn)</b>		<b>Business Lending (£9.4bn)</b>	
	<b>Corporate Lending (£4.9bn)</b>		<b>Corporate Lending (£5.4bn)</b>	
		<b>Business Deposits (£4.1bn)</b>		<b>Business Deposits (£6.3bn)</b>
		<b>Corporate Deposits (£1.5bn)</b>		<b>Corporate Deposits (£0.7bn)</b>
		<b>Net retail funding gap (£8.0bn)</b>		<b>Net retail funding gap (£9.0bn)</b>
	<b>Lending (£22.2bn)</b>	<b>Retail deposits (£14.2bn)</b>	<b>Lending (£23.9bn)</b>	<b>Retail deposits (£15.8bn)</b>
	<b>NIM Total Europe: 2.94%</b>	<b>NIM FSE: 4.28%</b>	<b>NIM Total Europe: 2.53%</b>	<b>NIM FSE: 4.03%</b>

Notes:

*Including Ireland*

*Income includes both NII and OOI*

*FSE margin and BFS/Corporate lending balances are post Mosaic adjustment*

Progress

2003	Tactical Fixes	2004	Narrow the Focus	Rebalance and Rationalise
			One Bank mindset Define On Sale Product	
		Suite	Fill Strategic Product	
		Gaps	Offset mortgage Current Account Plus Savings Account Plus Third Party Distribution Life Insurance (L&G) Commercial Insurance	
		(AXA)	Tailor pricing Exit lines of business that	
		are non-core:	Life Insurance Custodial Services Commercial Insurance	

2003

**Tactical Fixes**

2004

**Narrow the Focus**

2005

**Rebalance and Rationalise**

Reduce Complexity:

Exit Ireland

Off Sale Product

Rationalisation

Continue portfolio reviews

Future business mix

Back Book Margin

Management, offset by:

reduce unit cost

increase volume

Rationalise and Align: CYB Product Portfolio

**2002 Product Set**

[CHART]

**Rationalised Product Set**

[CHART]



Agenda

**Situation analysis**

**Product Strategy and Progress**

**Future mix of business and margin impact**

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Future Mix of Business

	<b>FY04</b>		<b>Future</b>	
	Lending	Deposits	Lending	Deposits
<b>Personal</b>	<b>Consumer Finance Mortgages</b>	<b>Current Accounts Savings</b>	<b>Consumer Finance Mortgages</b>	<b>Current Accounts Savings</b>
<b>Business</b>	<b>Business Lending Corporate Lending</b>	<b>Business Deposits Corporate Deposits Net retail funding gap</b>	<b>Business Lending Corporate Lending</b>	<b>Business Deposits Corporate Deposits Net retail funding gap</b>

Current Competitive Positioning

[GRAPHIC]

Quartile comparison against direct competitors (not total market)

Positioning shows average position for book there are variances within products, in particular in the mortgage books, with better positioning for attractive customer segments

Agenda

**Situation analysis**

**Product Strategy and Progress**

**Future mix of business and margin impact**

**Conclusion**

In Conclusion

Reasonable progress on product strategy

Foundations of a range of competitive product offers in place

Significant pricing decisions taken

Residual margin issues more manageable

Still significant product rationalisation but simplified following Irish sale

**European Investor Conference**

**Understanding Customers & Brand**

Glenn King, GM Customer Strategy and Delivery

7 February 2005

[GRAPHIC]

[LOGO]

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Key Customer Issues Driven from Non investment

- |        |                  |  |
|--------|------------------|--|
| 1.     | Customer insight | Not differentiating products / services to customer needs<br>Poor systems and techniques for analysing customer behaviours |
| 2.     | Brand            | Brand metrics showed a deterioration in brand performance<br>Lack of common and consistent brand values                    |
| 3.     | Direct Channels  | Lacking in key channels and regional coverage  |
| Result |                  | Many years of customer attrition<br>Insufficient customer acquisition<br>Higher cost to serve                              |

1. Customer Insight

**Business Issue**

Limited systematic use of customer information

**Customer Impact**

Poor segmentation, focus on wrong customers

Low product penetration of existing customers and high customer attrition

**Solution**

Commenced investment in single customer data warehouse and good analytical marketing capability

Built propensity, behavioural and profitability models and triggers

**Results**

Led to revised customer segmentation based on sustainable points of differentiation

Automatic customer lead generation leading to sustained income growth over 5 years

First six months shown promising signs with £5m income

**Progress made**

Addresses negative customer attrition and acquisition trends



2. Brand

**Business Issue**

Brands not supported and strengths dissipated

Mixed internal and external understanding of brand identity and promise

**Customer Impact to 2003**

Decline in brand loyalty, preference and awareness

Last and second last in key customer satisfaction surveys for Clydesdale and Yorkshire

Brand values not understood by staff

**Solution - Four Phase Integrated Brand Strategy**

Phase 1	Detailed customer and competitor research
Phase 2	Developed brand strategy and positioning programme
Phase 3	Internal brand staff immersion and education initiative
Phase 4	External brand positioning and sustained campaign delivery

2. Brand - Results of Brand Strategy on Lead Indicators

**Key Metrics (Calendar 2004)**

[CHART]

Increase in brand loyalty, advocacy and satisfaction metrics

Brand awareness increased from 12% to 18%

Customer satisfaction scores improved from last to second and third

80% of staff can nominate and deliver on brand values

Customer acquisition and attrition trends reversed

Source : PWC Brand Tracking Survey

3. Direct Channels

**Business Issue**

No sustained investment in direct channels resulting in sub optimal service

Separate ATM, Internet, Call Centre

**Impact**

Multiple call centres with duplication of costs and infrastructure

Less than 50% of branch network and customer base using centralised call centres

Less than 10% of our customers on Internet Banking service

Over 90% of consumer finance sales through branch network

Over 60% of transactions through branch network

Gaps in UK wide channel offer

**Solution - commenced from mid 2004**

Focussed and priority rebuild of direct distribution as part of customer strategy

3. Direct Channels - Progress and Early Results to Date

**Call Centre**

5 call centres rationalised to 2 integrated call centres

100% branch network and customer base migrated to call centre

Direct call centre operations accounting for 30% of consumer finance sales

**Internet**

June 2005 launch of new Internet Banking platform. Over 50% of customers on service by end of 2006

Launched new Internet product purchase and information services

**UK wide outlet service**

Launched UK wide Post Office banking service for Clydesdale personal and business customers

Summary - Sustained Profitable Customer Growth

<b>Improved customer insight</b>	+	<b>Brand revitalisation</b>	+	<b>Direct channel development</b>
		=		
<b>Sustained Profitable Customer Growth</b>				

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**European Investor Conference  
Cutting the Cost of Production**

Tom Burns, GM Operations

7 February 2005

[GRAPHIC]

[LOGO]

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Objective Cut the Cost of Production

5 Point Plan

Centralisation of workload

Streamlining of processes

Rationalisation of management structure

Reduction in property usage

Convergence of technology platform



## The Problem - Cost Base Too High

FY 2002

	Cost / Average Assets (%)	Ranking	PBT / FTE (£ 000)	Ranking	Average Assets / FTE (£m)	Ranking
<b>Best</b>						
Northern Rock	0.64	1	85.6	1	7.7	1
HBOS	1.13	2	45.5	3	5.2	3
Abbey National	1.64	3	-33.6	n/a	7.4	2
Barclays	1.74	4	41.5	5	4.9	4
Bradford & Bingley	1.96	5	31.0	8	3.2	7
Alliance & Leicester	1.99	6	50.3	2	4.3	5
Lloyds TSB	2.01	7	31.7	7	3.0	8
Royal Bank of Scotland	2.40	8	42.0	4	3.4	6
<b>Worst</b>						
National Australia Group Europe	2.41	9	40.8	6	2.4	9

Uncompetitive

Cost base too high and too fixed

Lack of common systems, processes and automation

Cost overlap ...

... Hence massive opportunity

Note: Costs are inclusive of goodwill and exclusive of provisions

Source: Company publications, internal data

Centralisation of Workload

		Centralised Processing	Consolidation of processing centres
[GRAPHIC]	+	Selective Outsourcing	Selective outsourcing
			Simplified management structure
			Geographic concentration
			Rationalised common product set
<b>2002</b>		<b>2004 / 05</b>	<b>2006 / 07</b>

Streamline of Process

[GRAPHIC]

**2002**

[GRAPHIC]

**2004 / 05**

[GRAPHIC]

**2006/ 07**

Rationalisation of Management Structure

		Rationalise middle & senior management
	<b>FSE Operations</b>	Streamlined leadership teams for Operations and Technology
		Geographic concentration of management and activities
<b>WME Operations</b>	<b>Consumer Finance Operations</b>	Clearer and simpler lines of control
		Senior manager on the ground in each geographic region
		Reduced travel and communication costs

Reduction in Property Usage

**Number of Network & Non-Network Sites**

[CHART]

Target of nine non-network sites (c100,000 sq ft) for exit

Glasgow project will result in 45,000 sq.ft reduction in  
FY05

Opportunity to align branch footprint

Target savings of £11m per annum by FY07

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Current Technology Architecture

**Channel**

Internet

Browser

TeleBank

Teleledger

IVR

Periphonics

CTI

Outlet

	Browser	
3270	Supergen	BAP Teller/ Maint.
Euroquote	BAP BC	Olivetti Teller/ Maint.
FRED	ECCC Sales	3270

Call Centre

Browser

ECCC Sales

Broker

Sourcing

N/A

Mobile

Siebel

Client

ATM

Phoenix

Mail

Physical

Mail

Secure

Email

*N/A*

**Technical Services**

B2B

Gateway

*N/A*

Document

Store

FE Doc Store

Commissions

Engine



N/A

Payments

Warehouse

IB

ETB

TeleBank

Imaging/

Workflow

Lending Services

SAM

Security

Security

IM accounts

ETB Dbase

FE IM

BAP

Olivetti

Integration

GCS

SDM- Lite

Application

Server

Websphere

Sales/CRM

Siebel

Portal

N/A

Content

Management

**Business Services**

3270 Euroquote FRED	Sales S&I	Supergen BAP BC ECCC Sales
---------------------------	--------------	----------------------------------

Cards

Certegy

Servicing

MEO

BAP  
Teller/ Maint

Olivetti  
Teller/ Maint

3270

ECCC V B

Product  
Systems

Systematics

DA

BAP

Group Corporate Affairs

Corporate

Kapiti

Payments  
Store

IB

ETB

TeleBank

Collateral  
Management

SAM

Relationship  
Management

Sieble

Commissions

*N/A*

Data  
Warehouse

EDW

Workflow

Collections

London Bridge

DA Processes

Credit Score

Experian

Single Cust View

ATM

Base 24

Technology Target

**Channel**

Internet