

Abbey National Interim Results  
July 2000

Ian Harley  
Chief Executive

# Abbey National strategy

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- Transforming existing distribution and developing new networks
- Deepening customer relationships
- Managing underlying costs
- Flexibility to re-engineer business and grow

Accelerating the pace of change

# Abbey National Group

## - new management structure

| Retail Banking   |                   |                | Business to Business Banking  |   | Wholesale Banking  | Business to Consumer Banking  |   |         |
|--|-------------------|----------------|---|---|--|---|---|---------|
| Life Assurance   | General Insurance | UK Retail Bank | Finance House   | Life Assurance  | Wholesale Banking  | Standalone Internet Bank  | Wealth Management   |         |
|  |                   |                |  |  |  |  |  | Prosper |

Group IT & Infrastructure

Group Risk & Secretariat

HR & Planning

Finance & Corporate Affairs

# Increasing sales under the Abbey National Retail brand

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- Strong growth in secured & unsecured loans and long-term savings
- 97% of profitable customers retained
- Increased product holdings per customer
- Double proportion of customer base with long term investments (to 20%)
- 1 million more bank account customers by 2003

# Enhanced distribution

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- Convenience retailing
- Internal franchising
- First Bank in the world to offer DTV and internet access across same product range
- Leadership in Digital TV
- 365,000 registrations in 11 weeks for Retail Bank - ahead of target

# Accessing new retail customers: Business to consumer

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**cahoot**

- low cost base, 60 staff, straight through processing
  - Bank account / Credit card
  - 31,000 accounts accepted in 6 weeks
  - sharedealing & structured savings to come
  - target: 200,000 - 300,000 customers
- Wealth Management – Prosper launches in autumn:
    - targeting the mass affluent market
    - market of £600bn & 10% p.a growth

# Business to business banking

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- Major provider of UK consumer finance through First National
- Entry into business banking & SME markets
- Building on existing strengths....new platforms and customers
- Cruickshank review offers opportunities
- Development of Scottish Mutual
  - innovation: 95% of revenue from recent products
  - rapidly growing international presence through SMI

# Wholesale Banking

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- 13 major project finance deals
- Growth in private equity funding
- Changing shape of business enabling double digit profit growth and increased RORE
- Broadening earnings base & higher return businesses



# Efficiency initiatives

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- Sale and leaseback of property portfolio
- Review of non-core activities....selective disposals
- Capital management: funding strength and flexibility
  - Lead European securitisation market

# Accelerated pace of change

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UK Retail Bank

- Increased customer focus, transformed distribution and cost base

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## Business to Consumer

- New customers and grow assets under management to double

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Business to Business

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## Business to Business

## Wholesale Bank

- Changing shape...double digit growth & increased ROE

# Accelerated pace of change

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## UK Retail Bank

- Increased customer focus, transformed distribution and cost base

65% of profit from outside the Retail Bank by 2003

## Business to Consumer

- New customers and grow assets under management to double
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## Business to Business

## Wholesale Bank

- Changing shape...double digit growth & increased ROE

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Mark Pain  
Finance Director



# Strong financial performance..... whilst investing in new initiatives

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- Underlying PBT up 19% to £1,018 million
- Newer businesses drive growth
- Underlying revenue up 8%, costs up 5%
- Underlying cost:income ratio under 40%
- £96 million investment spend; total profits up 5%
- ROE at 20.7%

# UK Retail Banking profits up 7% to £507 million

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- Retail spread down 12 basis points to 2.06%
- Other income increased 11% to £199 million
- Underlying costs up 2%
- Credit quality continues to improve

# Strong market share performance

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- Record gross lending - £6.6bn
- Increased retention activity
- Net lending - 5 times last year
- Record unsecured lending
- Strong long term savings performance

# UK Retail Banking.....future prospects

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- Retail net interest spread at middle of tramlines... moving to lower end of range in 2001
- Focus on retention and growth of profitable customers
- Increased banking market shares
- Improved cost efficiency

# Wholesale Banking profits up 30%

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- Income up 27% to £343 million
- Strong non-interest income growth...up 77%
- Increased return on equity
- Targeting ROE of 18 - 20%

# Wholesale Banking - development of strong growth markets

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- Strong performance in lending portfolios
- Asset financing.....increased return on equity
- Porterbrook acquisition
- Development of derivatives business

# Strong growth in Life Assurance

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- 22% increase in profit...now 14% of group profits
- Record new business premium growth to over £2bn
- Strong overseas expansion
- Well placed for stakeholder pension market

# Finance House underlying profits up 20%

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- Operating income up 3% to £271 million
- Loan assets of £8.6 billion
- Credit quality strong
- Underlying cost:income ratio flat
- Integration and transformation - making good progress



# Other businesses

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## General Insurance:

- Pre-tax profit up to £51 million
- 36% increase in motor policy volumes
- Cost:income ratio improving to 27.1%

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## Wealth management:

- Underlying pre-tax profit up 32% to £25 million
- Underlying cost:income ratio improved
- Increased return on equity

# 2000 Financial Summary

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- Strong underlying profit growth, particularly in newer businesses
- Rapid and fundamental transformation of Retail Bank
- Significant investment in the future
- Driving up revenue...improving cost efficiency
- Strong capital base