

The **Abbey National**
Group

		annual results 2000
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Lord Tugendhat
Chairman

Excellent financial results,
growing the business

Mark Pain

Group Finance Director

Outstanding financial performance in 2000

Underlying profit before tax up 17% to £2,100 million

Profit before tax up 11% to £1,975 million

Revenue up 13%

Increased diversification to 53%

Underlying cost: income ratio improved to 40.2%

Post tax return on equity 21.5% - dividend up 13%

... excellent financial results
whilst investing for future growth ...

Retail Banking: driving up revenues, driving down costs



Outstanding growth in diversified earnings, up 42%

Record new business levels in 2000

- 8% mortgage net lending market share
- Life Assurance premiums up 44% to £1.7 billion
- £963 million unsecured lending
- currently opening 5,500 new bank accounts per week

Underlying cost:income ratio down to 37.6%

Provisions charge down 12%

... diversifying profits whilst improving cost efficiency ...

Retail Banking: focusing on revenue growth



Managing market share / margin trade-off in mortgages and savings

Increase personal banking market share

Build on successful bancassurance platform

Accelerate General Insurance growth

Reduce absolute costs

Modest increase in Provisions

... driving revenue growth and
re-engineering how we do business ...

Wholesale Banking: exceptionally strong results

Profits up 37% to £575 million

Revenue growth of 54% to £864 million

- net interest margins strengthened
- other income now 50% of total revenue

Cost:income ratio down to 20.3%

Increased Return on Equity up from 14% to 17.2%

... continuation of an outstanding track record ...

Wholesale Banking: new business streams driving growth

Wholesale Lending – good growth prospects

Asset Financing – profits up 161%

- Operating leasing
- Project and Property finance
- PFI
- Private equity portfolio

Asset-backed investments – increased RoE

Risk Management and Financial Products - market leader

Securities Financing - profits up 27%

... established in new markets, delivering
sustainable growth, remaining risk aware ...

Business to Business: First National



Profit before restructuring costs up 16%

Impact of reduced residual values minimised

Business bank accounts up 81% - increasing SME presence

Acceleration of integration programme

... efficient operating platforms,
deepening intermediary relationships ...

Business to Business: Scottish Mutual



New business premiums up 27% to £2.6 billion

Scottish Mutual International premiums up 141%

Leveraging position as low cost provider

... a leading domestic IFA provider,
growing international presence ...

Life Assurance & Wealth Management: a new engine of growth

Funds under Management - £21 billion

New business premiums £4.3 billion – up 34%

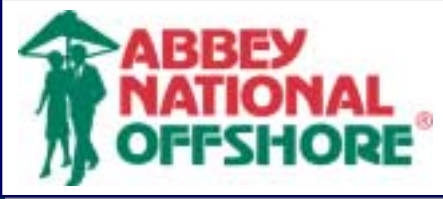
Life Assurance & Wealth Management

- Profits up 30% to £344 million
- 17.5% of Group profit before tax

Scottish Provident in 2001

... customer base, bancassurance skills,
multi-brand, low cost ...

Business to Consumer: new propositions up and running



Profit from Wealth Management up 36% to £49 million
Retail deposits up 20% to £4.8 billion



Bank account, credit card and sharedealing
Access through DTV



Competing hard today
New, innovative market approach

... extending the range of services to attract new
customers to the Group ...

Cost Analysis

Investment spend to decrease significantly

Retail Bank costs to decrease in absolute terms

Total cost base in 2000 - £1.8 billion

... our objective is for absolute cost levels
to fall in 2001 ...

2000: outstanding results and radical change

Excellent financial results

Strong new business flows

Increased investment

Improved efficiency

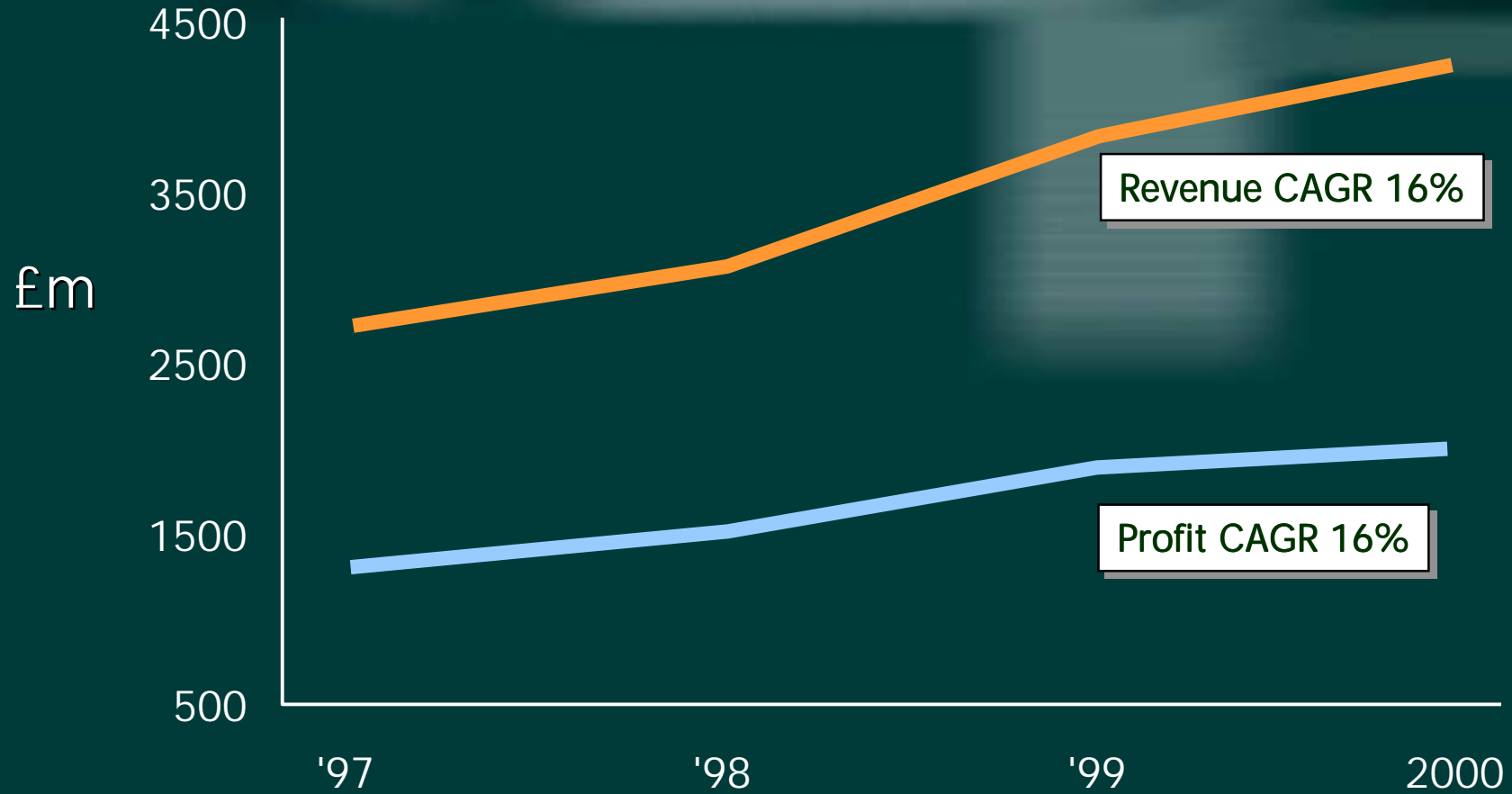
Accelerated rate of change

... a bright future ...

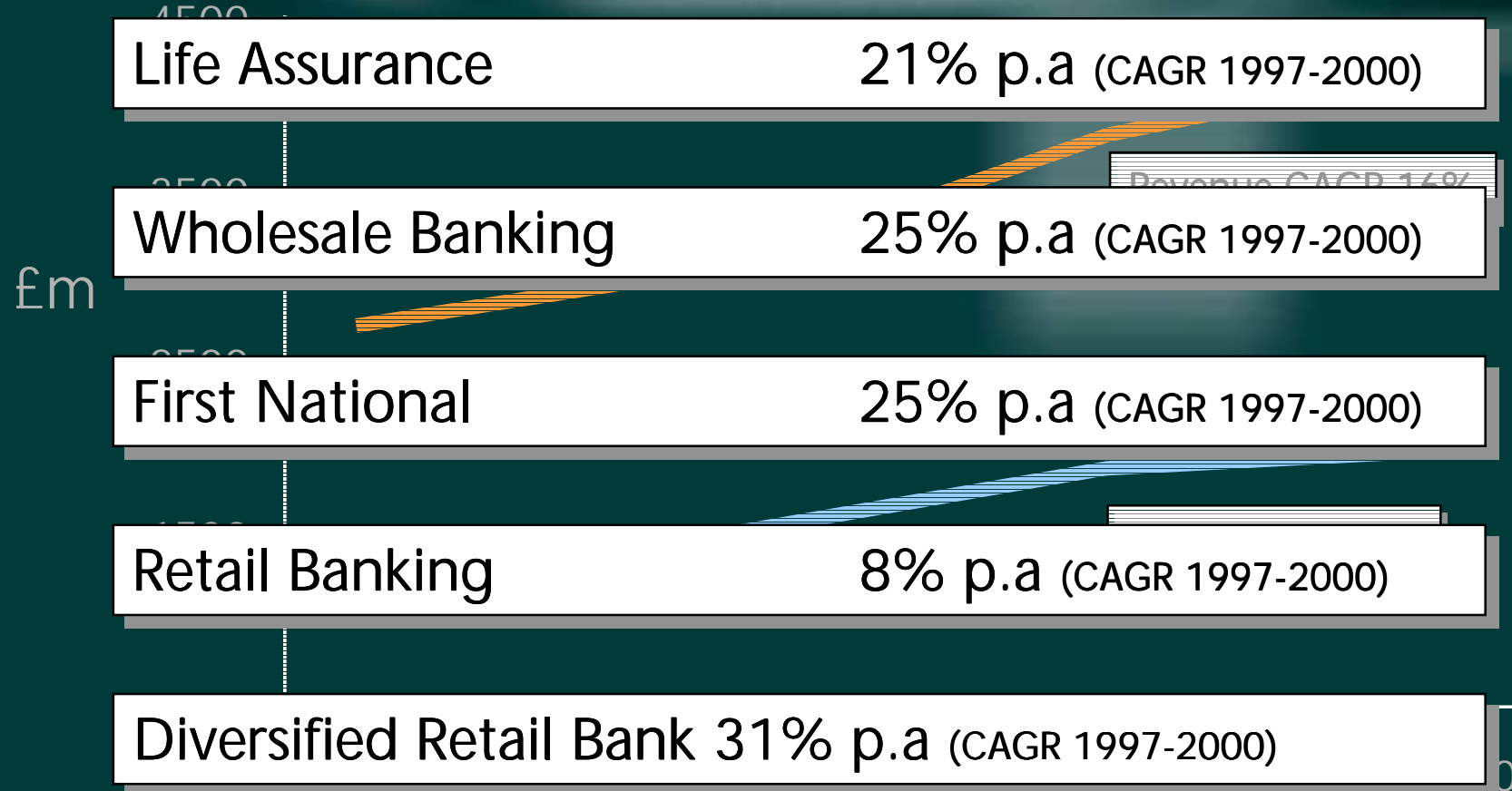
Record results, delivering our strategy

Ian Harley
Chief Executive

Track record: another excellent year



Track record: another excellent year



... a combination of organic growth and acquisitions ...

Driving strong revenue growth in existing businesses

Key growth drivers

- the UK's most successful bancassurer
 - increasing cross-sales from 14% to 20% by 2003
- increased presence in personal banking market
 - over 1 million extra accounts by 2003
 - average product holdings for current account customers at 2.7

Roll out of convenience retailing

- branch franchising - sales up 17%
- fully integrated distribution including e-banking on dTV
- average product holdings for e-banking customer at 2.9
- UK's largest network of in-store branches

Successes to date

- 95% of profitable customers retained
- product sales per employee up by 16%

... diversifying profits, focusing on revenue growth...

Opening up new markets

Proposed transfer of Scottish Provident

- complementary product range and distribution
- enhanced international growth opportunities

New growth markets in Wholesale Banking

- leasing operations boosted by Porterbrook
- increased presence in Project Finance and PFI markets

... investing in new and existing businesses to carry forward our excellent growth record ...

Opening up new markets

A new force in SME banking through First National

- targeting 5% market share
- business bank account base up by 81%



Cahoot established

- targeting 200,000 accounts by end of 2001



Inscape launched

- £8bn funds under management by end 2004



... investing in new and existing businesses to carry forward our excellent growth record ...

Driving efficiency

Outsourcing and partnering arrangements

- sale and leaseback of entire property portfolio
- General Insurance
- Mortgages and Unsecured Loans

Re-engineering established businesses

- Retail Bank - counter migration to cost efficient channels
- First National integration
- providing B2B solutions

Shared cost platforms

Innovative Capital Management solutions

... firmly established as one of the
most efficient UK banks ... more to come ...

Abbey National: building shareholder value

Another excellent year

Lean and efficient bank

Focus on growth markets - 65% diversification by 2002

Innovations provide competitive advantage

Continued strong revenue growth

... a faster growing, more efficient,
more customer-friendly bank ...

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