

**Recommended proposal for NAB to acquire
AXA's Australian and New Zealand businesses**

17 December 2009

National Australia Bank Limited ABN 12 004 044 937



Transaction summary

Business to be acquired

- ▶ Acquisition of AXA's Australian and New Zealand operations
 - Australian and New Zealand wealth management and financial protection businesses (including Australian mature business)
 - Aligned advice businesses; IPAC, Genesys, AXA Financial Planning, Charter Financial Planning
 - 50% stake in AllianceBernstein Australia Limited
 - Acquired businesses will be transitioned to the MLC brand in Australia and BNZ in New Zealand

Consideration

- ▶ Attractive pricing
 - Cash consideration of A\$4,610m
 - Price to Embedded Value (P/EV) of 1.4x
 - Price to 2010 broker consensus earnings multiple of 19.5x
 - Significant synergy opportunity from combining AXA AP with MLC and recently acquired Aviva and JBWere businesses
 - EPS broadly neutral in second full year (excluding integration costs)

Timing

- ▶ Transaction expected to be voted on by AXA AP shareholders at Scheme meeting in the second quarter of 2010
- ▶ Subject to regulatory approval, completion of due diligence, agreement by AXA SA etc
- ▶ Expected completion during the second quarter of 2010

Portfolio

Key Businesses

- ▶ Business/Corporate (Aust)
- ▶ Institutional Wealth (Aust)
- ▶ Insurance (Aust)
- ▶ Markets

Strong position, with growth opportunity

Significant upside from continuing reinvention

- ▶ Retail (Aust)
- ▶ Investments/superannuation
- ▶ Asset Management
- ▶ Private Wealth (Aust)

Smaller businesses, resilient in tough conditions

- ▶ BNZ (NZ)
- ▶ GWB (US)
- ▶ Asia

Unsatisfactory returns today in tough conditions

- ▶ CYB (UK)
- ▶ nabCapital – (non franchise activity)



150 new business bankers in 2009; 200 in 2010



Focus in Australia

*Maintain value, innovation & options internationally
Restructure nabCapital*

Strategic rationale

- ▶ Builds a market leadership position in wealth management to match our market leadership position in business banking and create a positive differentiation for NAB
- ▶ Brings NZ position to complement BNZ franchise
- ▶ Leverages MLC's clear leadership on customer advocacy and transparency
- ▶ Builds high quality, scalable business able to be sector leading
- ▶ Sensibly priced deal reflecting point in cycle and multiple paths to value creation

Overview of business acquired

AXA Australia and New Zealand

Wealth management

- ▶ Fourth largest adviser network in Australia (~1,600 advisers); 400 NZ planners
- ▶ Top ten position in retail superannuation and retail funds management (excluding CMTs)
- ▶ Investment management joint venture with Alliance Bernstein

FUM of A\$48bn¹/NZ\$7bn

Financial protection

- ▶ Australian Business mix - individual lump sum (44%), income protection (30%), group life (26%)
- ▶ Individual risk market share of ~9%

Inforce annual premiums of A\$666m/NZ\$179m

Mature

- ▶ Long term savings products continuing to attract inflows
- ▶ Long term group risk product currently in run-off

FUM of A\$11bn

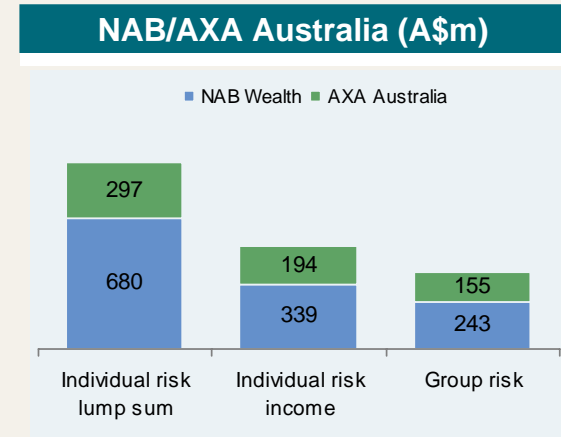
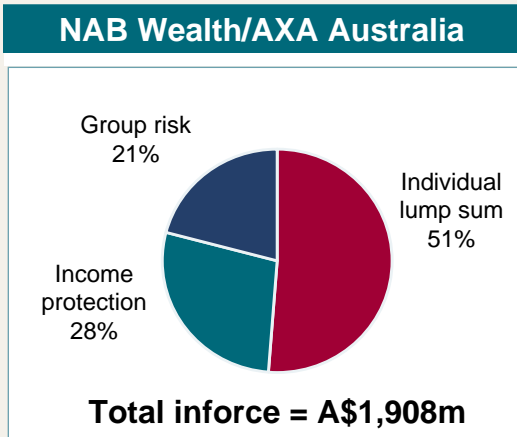
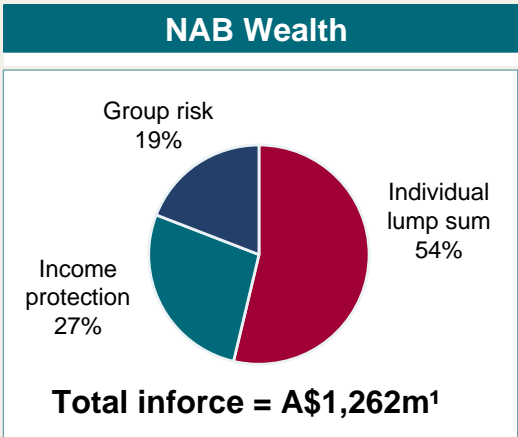
More than one million customers

Source: AXA Asia Pacific New Business and Fund Flows announcement for the 9 months to September 2009
Note 1 – Includes AllianceBernstein FUM

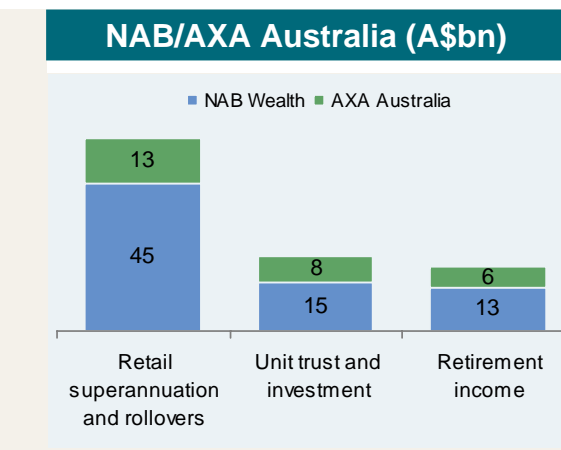
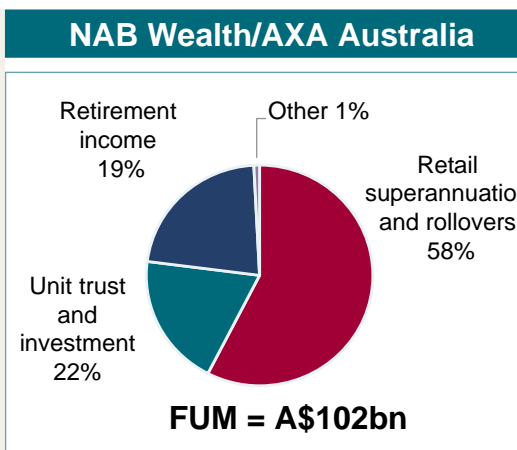
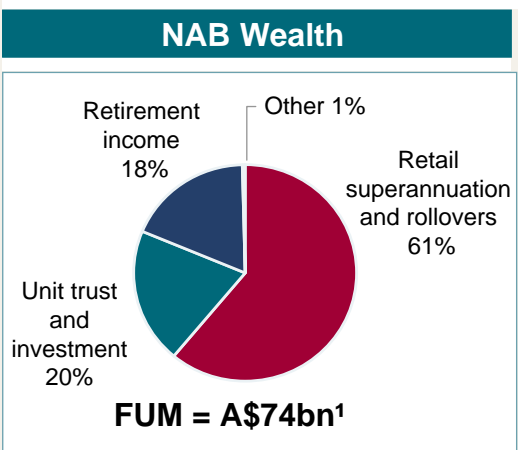
Inforce Premium and FUM

COMBINED BUSINESS OVERVIEW

Insurance business mix by inforce annual premiums¹



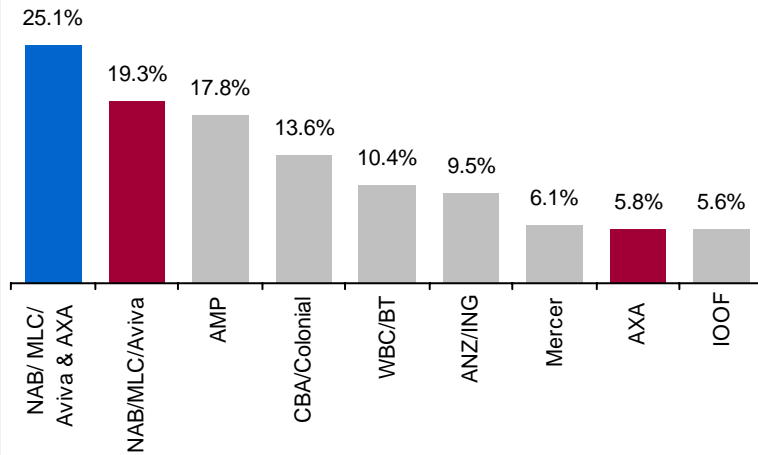
Wealth management business mix by FUM²



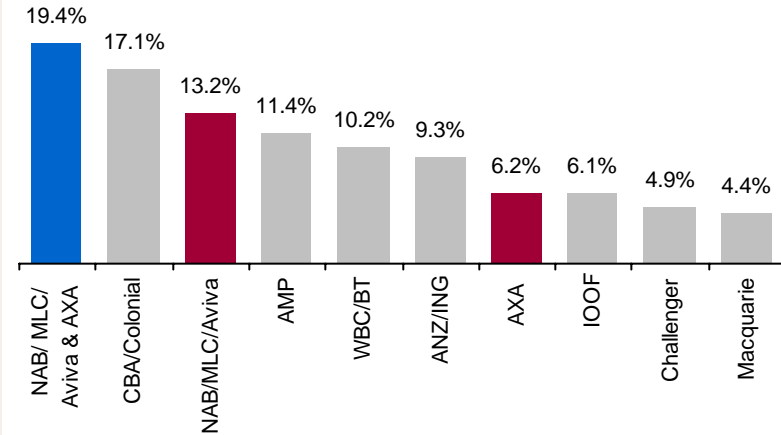
¹ Dextx&R Detailed Risk Statistics (inforce premiums), September 2009; includes Aviva
² Plan for Life Market Dynamic Report, September 2009; (retail products); includes Aviva

Strong market position

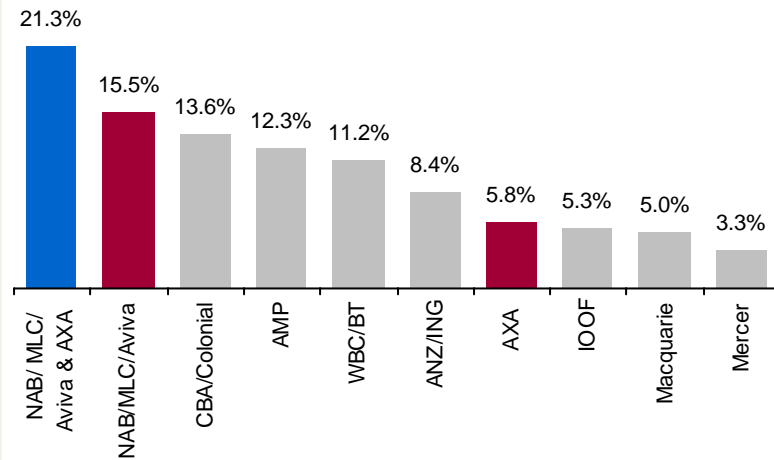
Market Share – Australian retail superannuation



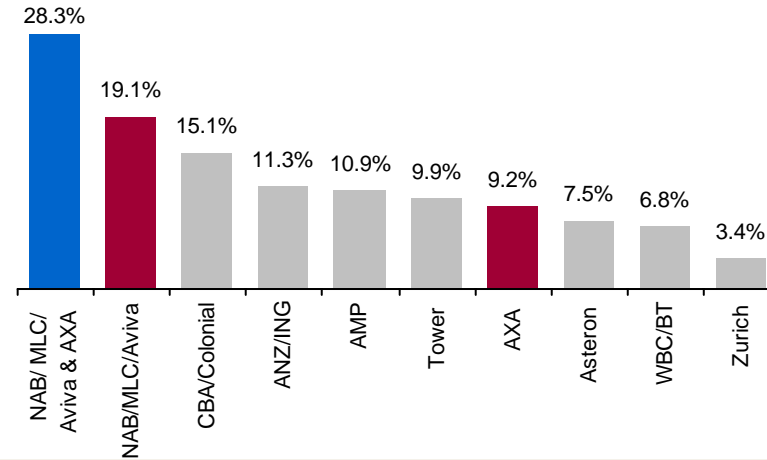
Market Share – Australian retirement income



Market Share – Retail managed funds

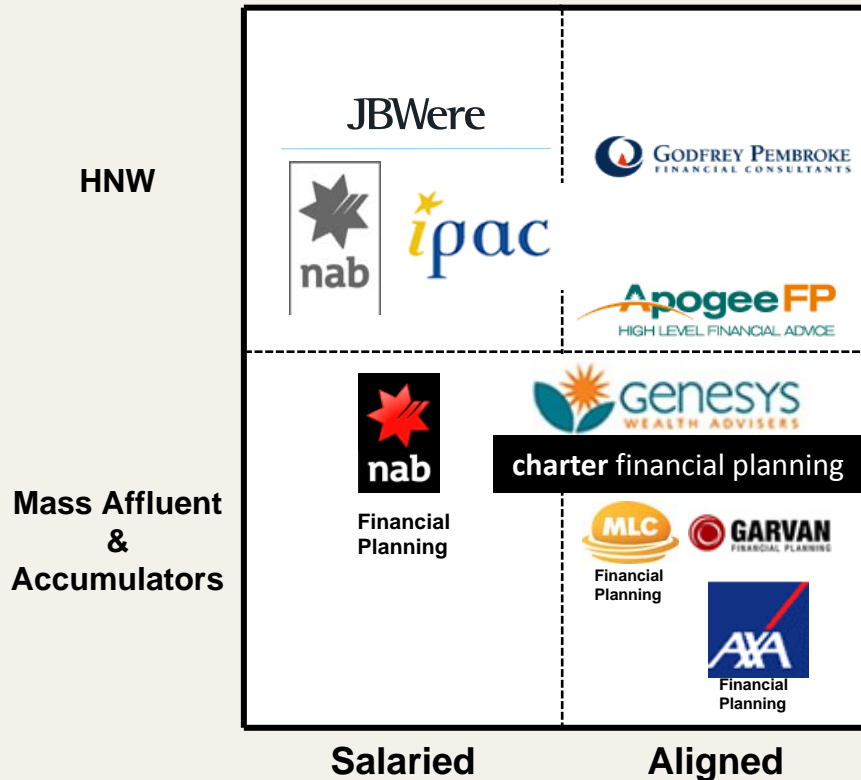


Market Share – Individual risk

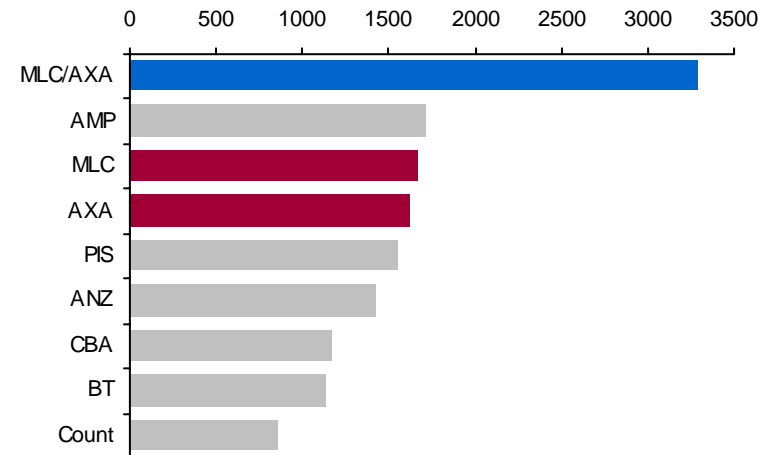


Leading advice footprint across key segments

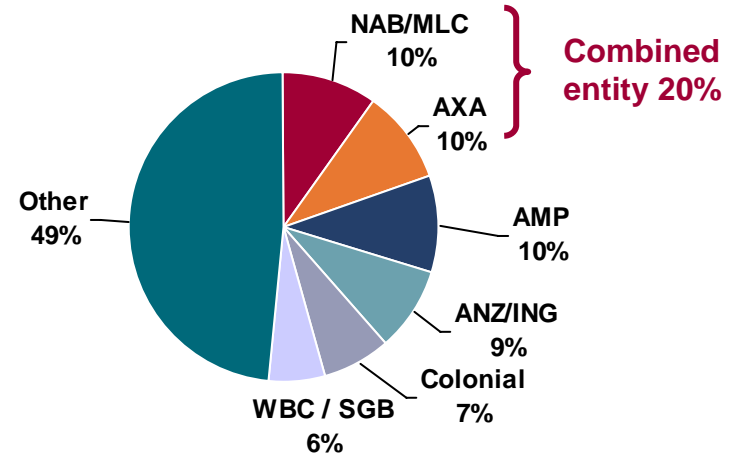
Advice Coverage by Customer Segment



Salaried/Aligned Planners by Competitor¹



Total number of Australian financial planners¹



EFA relationships

Aviva – ~4,300

AXA – ~6,500 in Australia; ~1,000 in NZ

Synergies

Total synergies of \$260 million pre tax p.a. by year five¹

Cost synergies

- ▶ Opportunity to extract cost savings worth \$210 million pre-tax p.a. by year five
- ▶ Integration will occur in a phased and considered way
 - Consolidate corporate office and support functions
 - Insurance and investment platforms in conjunction with Aviva integration
- ▶ Review of NAB Wealth and AXA businesses will provide an additional opportunity to rationalise and re-prioritise investment spend

Revenue synergies

- ▶ Preliminary net-revenue opportunities of \$50 million pre-tax p.a. by year five including:
 - Transition of cash management and margin lending to NAB
 - Revenue synergies will be taken in asset management where appropriate
 - Accelerate growth of North product through NAB advice channels
 - Improved AXA advisor productivity

Revenue attrition

- ▶ Some revenue attrition is expected in both platforms and insurance businesses
 - Anticipated to be modest due to the broad alignment of distribution philosophies (e.g. fee for service) and a focus on advisor retention
 - Limited attrition experienced to date following Aviva acquisition

Integration costs

- ▶ Key areas of focus are elimination of duplicate support in corporate functions, product rationalisation and system integration.
 - Preliminary cost estimate of \$400 million pre-tax over 5 years

Acquisition rationale

Transformational opportunity for NAB Wealth to establish a clear market leadership position in both wealth management and financial protection

Strategic

- ▶ In a changing operating environment, provides NAB with additional scale in life insurance and investments
- ▶ Expanded advice reach in Australia
- ▶ Substantial opportunity to capture cost and revenue synergies
- ▶ Expanded presence in direct asset management
- ▶ Accelerates NAB's NZ Wealth Management strategy
- ▶ Strengthens technology and product capabilities to enhance our customer and adviser experience and product innovation

Financial

- ▶ Accretive deal with value upside
 - Valuation underpinned by Embedded Value of \$3,235 million¹
 - EPS broadly neutral in second full year (excluding transaction and integration costs)
 - Cost and revenue synergies upside potential

Integration

- ▶ Existing Aviva and JBWere integration provides recent experience base for the Gemstone integration
- ▶ Phasing of integration activity currently being planned

Changing operating environment validates NAB's strategic imperatives

Potential regulatory changes

- ▶ Cooper review likely to result in advantage for scale players
- ▶ Ripoll review targeting
 - Industry commission structure
 - Fiduciary duty for planners
 - Broaden access to financial advice

Consumer pressures

- ▶ Consumer confidence shaken by investment market performance and collapses
- ▶ Increasing product complexity
- ▶ Ageing population seeking more solutions to longevity risk

Competition

- ▶ Heightened pace of consolidation

Strategic imperatives =

- ▶ **Trusted advice brand**
- ▶ **Strong governance**
- ▶ **Scale**
- ▶ **Financial strength**

Integration plan

Aviva integration is progressing well. We have capacity for the Gemstone integration which will be implemented in a phased and considered way

Integration Phasing

Years 1-2:

Headcount reduction

- ▶ Eliminating duplication
- ▶ Scaling back office functions

Years 3-4: Systems/ product rationalisation

- ▶ Systems improvements and convergence
- ▶ Product rationalisation

Aviva integration well progressed

- ▶ Aviva integration currently ahead of timetable
- ▶ Outcomes expected to exceed original business valuation:
 - Higher expense synergies
 - Unplanned volume expense benefits
 - Higher revenue synergies
 - Significantly better retention of Insurance sales
 - Lower implementation costs
 - Normal levels of employee attrition (marginal increase in distribution)
 - Good employee engagement
 - Aviva Insurance sales at record levels; Navigator sales at pre-acquisition levels

Attractive financial metrics

Acquisition metrics

	Metrics	Price to:
Consideration paid	4,610	
1H09 Embedded value ¹	3,235	1.4x
Net tangible assets	1,515	3.0x
2010E (broker consensus) NPAT	237	19.5x

EPS impact

Broadly neutral

Funding

Total consideration of A\$4,610m for AXA ANZ

Funding

- ▶ Consideration for acquisition of AXA Australia and New Zealand will be A\$4,610m, payable in the form of cash or a combination of NAB shares and cash at the election of AXA shareholders
 - Flexibility and certainty for AXA's shareholders
- ▶ Consideration will be raised via a combination of a pro-rata equity raising of approximately \$1.5bn, the scrip offer and existing capital resources
- ▶ The equity raising will be undertaken upon completion of due diligence and once binding documentation has been executed, at which point the Tier 1 capital requirement is expected to crystallise

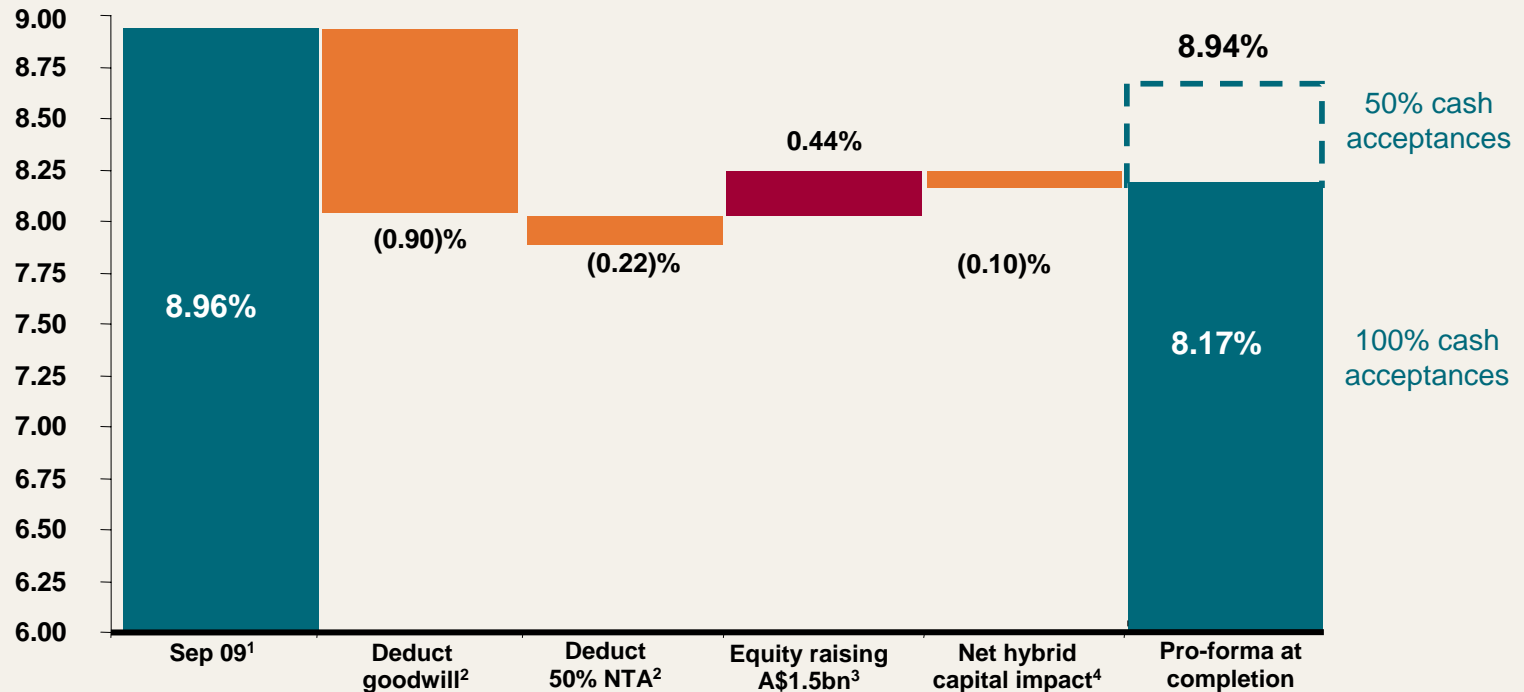
Capital

Strong capital position maintained

Overview

- ▶ Total acquisition price of A\$4,610m
 - Net tangible assets of A\$1,515m (ungeared)
 - Goodwill of A\$3,095m
 - Total Tier 1 requirement before capital raising of A\$3,853m
- ▶ Post completion Tier 1 ratio provides continued balance sheet strength and capital flexibility

Tier 1 capital impact



¹ As presented in the ASX announcement dated 28 Oct 2009. Based on the Tier 1 capital number as at 30 Sep 2009 and does not reflect movements in capital subsequent to that date. ² Deduction of goodwill and 50% NTA from Tier 1 (A\$3,095mm goodwill and A\$1,515mm NTA). ³ A\$1.5bn renounceable entitlements offer. ⁴ Allowable Tier 1 hybrid funding reduced by A\$862m due to the reduced fundamental Tier 1 (goodwill and NTA deduction) and increased by A\$500m due to the A\$1.5bn rights issue

Contacts

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