

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

FINANCIAL SUMMARY

REPORTING FORMAT

Reporting Structure

To assist with the interpretation of the Group's results, earnings have been reported under the following structure:

Ongoing operations

- Retail Banking, which comprises:
 - Financial Services Australia ('FSA')
 - Financial Services Europe ('FSE')
 - Financial Services New Zealand ('FSNZ');
- Corporate & Institutional Banking ('CIB');
- Other (including Excess Capital, Group Funding & Corporate Centre); and
- Wealth Management ('WM').

Disposed operations

- HomeSide – reflecting the Board's decision to sell SR Investment, Inc., the parent company of HomeSide Lending, Inc. effective 1 October 2002 and the sale of HomeSide Lending, Inc.'s operating platform and operating assets as at 1 March 2002.

Cash Earnings

Cash earnings is a key performance measure and financial target used by the Group. Dividends paid by the Group are based on after-tax cash earnings (adjusted for significant items). Cash earnings is a key performance measure used by the investment community, as well as by those Australian peers of the Group with a similar business portfolio.

A reconciliation of cash earnings to net profit appears on page 8. Cash earnings is also explained in detail in the 'Non-GAAP financial measures' section. Refer page 82 for further details.

Wealth Management Registered Schemes

During the September 2003 half, National Australia Financial Management (NAFiM), MLC and MLC Lifetime statutory funds reorganised their business operational model such that the funds increased the level of investments held through units in registered schemes, rather than directly held investments in debt and equity securities. The registered schemes are operated by several related entities within the Wealth Management (WM) Group of companies. NAFiM, MLC and MLC Lifetime invest in these units to support policy liabilities.

As the statutory funds are considered to have the 'capacity to control' certain of these registered schemes, they have been consolidated by the Group as at 30 September 2003 (as required under Australian Accounting Standard 'AASB 1024 - Consolidated Accounts'). The 'capacity to control' means that registered schemes must be consolidated where the Group holds more than 75% of the units on issue in the scheme. Where the companies hold between 50% and 75%, the consolidation of these schemes is considered on a case by case basis.

This is the first time these registered schemes have been consolidated. Where investments had previously been directly held by the funds, there was no capacity to control the entities who had issued the securities.

This is a change in the form of investment holdings rather than a change in the underlying substance of the investments.

All divisional results are shown after outside equity interests on the Divisional Performance Summary. This change will have no impact on Group cash earnings or net profit attributable to members.

Controlled registered schemes have been brought onto the balance sheet of the Group through the consolidation (grossing up) of the investment assets of the trusts, with a corresponding increase in outside equity interest in total equity.

At 30 September 2003, this has had the impact of increasing Group total assets and total equity by \$2.5 billion. It has not impacted the parent entity interest in equity but only increased the outside equity interest in total equity.

From a Divisional Performance Summary perspective, this has resulted in grossing up the WM operating profit after tax (and before outside equity interest), with a corresponding increase in net profit attributable to outside equity interest.

In relation to the 30 September 2003 year, because the investment earnings of these trusts were actually a loss, this has had the impact of reducing WM operating profit after tax before outside equity interest, by \$28 million, all of which impacts the September 2003 half.

DIVISIONAL PERFORMANCE SUMMARY

	Note	Half Year to		Fav/ (unfav)	Year to		Fav/ (unfav)
		Sep 03	Mar 03	change on	Sep 03	Sep 02	change on
		\$m	\$m	Mar 03	\$m	\$m	Sep 02
				%			%
Cash earnings ⁽¹⁾							
Retail Banking							
Financial Services Australia	1	967	904	7.0	1,871	1,757	6.5
Financial Services Europe	1	420	508	(17.3)	928	966	(3.9)
Financial Services New Zealand	1	152	159	(4.4)	311	257	21.0
Retail Banking		1,539	1,571	(2.0)	3,110	2,980	4.4
Corporate & Institutional Banking ⁽²⁾	1	434	412	5.3	846	818	3.4
Other (incl. Excess Capital, Group Funding and Corporate Centre) ⁽²⁾	1	(54)	(23)	large	(77)	(156)	50.6
Total Banking		1,919	1,960	(2.1)	3,879	3,642	6.5
Wealth Management operating profit ^{(2) (3)}	1	213	161	32.3	374	292	28.1
Cash earnings from ongoing operations before significant items		2,132	2,121	0.5	4,253	3,934	8.1
Cash earnings from disposed operations ⁽⁴⁾	1	-	-	-	-	98	large
Distributions		(89)	(94)	5.3	(183)	(187)	2.1
Cash earnings before significant items		2,043	2,027	0.8	4,070	3,845	5.9
Weighted av no. of ordinary shares (million)	16	1,508	1,524	1.0	1,516	1,549	2.1
Cash earnings per share before significant items (cents) ⁽⁵⁾		135.5	133.0	1.9	268.5	248.2	8.2

Reconciliation to net profit

Cash earnings before significant items		2,043	2,027	0.8	4,070	3,845	5.9
Adjusted for:							
Net profit/(loss) attributable to outside equity interest		(18)	10	large	(8)	6	large
Distributions		89	94	5.3	183	187	2.1
Wealth Management revaluation profit/(loss)	1	5	(205)	large	(200)	(152)	(31.6)
Goodwill amortisation		(49)	(49)	-	(98)	(101)	3.0
Net profit before significant items		2,070	1,877	10.3	3,947	3,785	4.3
Significant items	13	-	-	-	-	(406)	large
Net profit		2,070	1,877	10.3	3,947	3,379	16.8
Net (profit)/loss attributable to outside equity interest		18	(10)	large	8	(6)	large
Net profit attributable to members of the Company		2,088	1,867	11.8	3,955	3,373	17.3
Distributions		(89)	(94)	5.3	(183)	(187)	2.1
Earnings attributable to ordinary shareholders		1,999	1,773	12.7	3,772	3,186	18.4

⁽¹⁾ Cash earnings is a performance measure used by the management of the Group. Refer to 'Non-GAAP financial measures' on page 82 for a complete discussion of cash earnings.

⁽²⁾ Cash earnings after outside equity interest. Corporate & Institutional Banking and Wealth Management cash earnings were disclosed before outside equity interest in the March 2003 and September 2002 Results Announcements.

⁽³⁾ Refers to net profit generated through the Wealth Management operations. It excludes revaluation profit/(loss) after tax.

⁽⁴⁾ Includes an \$89 million once-off taxation benefit from HomeSide in the September 2002 year.

⁽⁵⁾ This is calculated on a cash earnings per ordinary share basis. Refer to note 16 for information on cash earnings per diluted share.

GROUP PERFORMANCE SUMMARY

	Note	Half Year to		Fav/ (unfav)	Year to		Fav/ (unfav)
		Sep 03	Mar 03	change on Mar 03	Sep 03	Sep 02	change on Sep 02
		\$m	\$m	%	\$m	\$m	%
Banking ⁽¹⁾							
Net interest income	2	3,610	3,692	(2.2)	7,302	7,101	2.8
Other operating income ^{(1) (2)}	7	2,211	2,066	7.0	4,277	3,849	11.1
Banking net operating income ⁽¹⁾		5,821	5,758	1.1	11,579	10,950	5.7
Wealth Management							
Net interest income	2	63	54	16.7	117	101	15.8
Net life insurance income ⁽³⁾	6	363	81	large	444	(10)	large
Other operating income ⁽²⁾	7	367	366	0.3	733	799	(8.3)
Net operating income		6,614	6,259	5.7	12,873	11,840	8.7
Banking operating expenses ⁽¹⁾	8	(2,856)	(2,692)	(6.1)	(5,548)	(5,200)	(6.7)
Wealth Management operating expenses ⁽⁴⁾	8	(412)	(394)	(4.6)	(806)	(813)	0.9
Charge to provide for doubtful debts	10	(311)	(322)	3.4	(633)	(647)	2.2
Cash earnings before tax		3,035	2,851	6.5	5,886	5,180	13.6
Banking income tax expense ⁽¹⁾	12	(731)	(781)	6.4	(1,512)	(1,460)	(3.6)
Wealth Management income tax benefit/ (expense)	12	(190)	61	large	(129)	220	large
Cash earnings from ongoing operations before significant item, distributions and outside equity interest		2,114	2,131	(0.8)	4,245	3,940	7.7
Wealth Management revaluation profit/ (loss) after tax	1	5	(205)	large	(200)	(152)	(31.6)
Goodwill amortisation		(49)	(49)	-	(98)	(101)	3.0
Net profit from ongoing operations		2,070	1,877	10.3	3,947	3,687	7.1
Net profit from disposed operations		-	-	-	-	98	large
Net profit before significant items		2,070	1,877	10.3	3,947	3,785	4.3
Significant items after tax	13	-	-	-	-	(406)	large
Net profit		2,070	1,877	10.3	3,947	3,379	16.8
Net (profit)/loss attributable to outside equity interest							
Wealth Management ⁽⁵⁾		22	(6)	large	16	(6)	large
Corporate & Institutional Banking		(5)	(4)	(25.0)	(9)	-	large
Other		1	-	large	1	-	large
Net profit attributable to members of the Company		2,088	1,867	11.8	3,955	3,373	17.3
Distributions		(89)	(94)	5.3	(183)	(187)	2.1
Earnings attributable to ordinary shareholders		1,999	1,773	12.7	3,772	3,186	18.4

⁽¹⁾ Banking refers to Total Banking adjusted for eliminations. Refer to note 1 for further details.

⁽²⁾ Other operating income excludes net interest income, net life insurance income and revaluation profit/(loss).

⁽³⁾ Net life insurance income is the profit before tax excluding net interest income of the statutory funds of the life insurance companies of the Group.

⁽⁴⁾ Other operating expenses excludes life insurance expenses incorporated within net life insurance income.

⁽⁵⁾ The net (profit)/loss attributable to outside equity interest represents the Wealth Management registered schemes consolidated for the first time at 30 September 2003 (\$28 million loss) and Wealth Management Asia (\$12 million profit).

REGIONAL PERFORMANCE SUMMARY

	Half Year to		Fav/ (unfav) change on	Year to		Fav/ (unfav) change on
	Sep 03	Mar 03	Mar 03	Sep 03	Sep 02	Sep 02
	\$m	\$m	%	\$m	\$m	%
Cash earnings						
Australia						
Retail Banking ⁽¹⁾	959	895	7.2	1,854	1,760	5.3
Corporate & Institutional Banking	188	202	(6.9)	390	414	(5.8)
Wealth Management	190	137	38.7	327	236	38.6
Other (incl. Excess Capital, Group Funding & Corporate Centre) ^{(2) (3)}	(82)	(64)	(28.1)	(146)	(124)	(17.7)
Total Australia	1,255	1,170	7.3	2,425	2,286	6.1
Europe						
Retail Banking ⁽¹⁾	421	509	(17.3)	930	960	(3.1)
Corporate & Institutional Banking	136	86	58.1	222	189	17.5
Wealth Management	14	12	16.7	26	44	(40.9)
Other (incl. Group Funding & Corporate Centre) ⁽²⁾	(58)	(46)	(26.1)	(104)	(59)	(76.3)
Total Europe	513	561	(8.6)	1,074	1,134	(5.3)
New Zealand						
Retail Banking ⁽¹⁾	159	167	(4.8)	326	260	25.4
Corporate & Institutional Banking	68	74	(8.1)	142	159	(10.7)
Wealth Management	(4)	6	large	2	7	(71.4)
Other (incl. Group Funding & Corporate Centre) ⁽²⁾	(3)	(8)	62.5	(11)	(11)	-
Total New Zealand	220	239	(7.9)	459	415	10.6
United States						
Corporate & Institutional Banking	22	26	(15.4)	48	1	large
Other (incl. Group Funding & Corporate Centre) ⁽⁴⁾	76	89	(14.6)	165	33	large
Total United States	98	115	(14.8)	213	34	large
Asia						
Corporate & Institutional Banking	20	24	(16.7)	44	55	(20.0)
Wealth Management	13	6	large	19	5	large
Other (incl. Group Funding & Corporate Centre)	13	6	large	19	5	large
Total Asia	46	36	27.8	82	65	26.2
Cash earnings from ongoing operations before significant items	2,132	2,121	0.5	4,253	3,934	8.1

⁽¹⁾ Regional Retail Banking results differ from Financial Services Australia, Europe and New Zealand primarily due to the inclusion of the global fleet management business units within Financial Services Australia.

⁽²⁾ 'Other' has been restated in the 2002 year to reflect the reclassification of funding costs from Australia to Europe and New Zealand.

⁽³⁾ Earnings on excess capital is wholly attributed to Australia.

⁽⁴⁾ The increased contribution in the September 2003 year is due to the cessation of redeemable preference share dividend payments following the sale of SR Investment, Inc.

Refer to the Group Performance Summary on page 9 for a reconciliation of cash earnings from ongoing operations before significant items to net profit.

SUMMARY OF FINANCIAL POSITION

	Note	As at			Change on	
		Sep 03 \$m	Mar 03 \$m	Sep 02 \$m	Mar 03 %	Sep 02 %
Assets						
Cash assets		5,032	6,060	6,294	(17.0)	(20.1)
Due from other financial institutions		10,383	13,760	15,876	(24.5)	(34.6)
Due from customers on acceptances		19,562	20,677	19,474	(5.4)	0.5
Trading securities		23,724	21,414	19,590	10.8	21.1
Trading derivatives ⁽¹⁾		23,644	25,228	12,128	(6.3)	95.0
Available for sale securities		6,513	5,005	6,192	30.1	5.2
Investment securities		8,647	10,925	13,541	(20.9)	(36.1)
Investments relating to life ins. business		35,846	30,278	31,012	18.4	15.6
Loans and advances		247,959	242,612	231,300	2.2	7.2
Mortgage servicing rights		-	-	1,794	-	large
Shares in entities and other securities		1,445	1,186	1,199	21.8	20.5
Regulatory deposits		225	180	129	25.0	74.4
Property, plant and equipment		2,498	2,493	2,640	0.2	(5.4)
Income tax assets		1,203	1,213	1,292	(0.8)	(6.9)
Goodwill		740	787	775	(6.0)	(4.5)
Other assets		10,050	12,378	14,151	(18.8)	(29.0)
Total assets		397,471	394,196	377,387	0.8	5.3
Liabilities						
Due to other financial institutions		45,128	49,722	43,279	(9.2)	4.3
Liability on acceptances		19,562	20,677	19,474	(5.4)	0.5
Life insurance policy liabilities		32,457	30,206	30,425	7.5	6.7
Trading derivatives ⁽¹⁾		21,479	24,821	12,000	(13.5)	79.0
Deposits and other borrowings		210,146	207,040	206,864	1.5	1.6
Income tax liabilities		1,537	1,255	1,609	22.5	(4.5)
Provisions		1,262	1,251	2,809	0.9	(55.1)
Bonds, notes and subordinated debt		22,707	18,933	22,192	19.9	2.3
Other debt issues		1,743	1,808	1,866	(3.6)	(6.6)
Other liabilities		14,239	14,668	13,618	(2.9)	4.6
Net assets		27,211	23,815	23,251	14.3	17.0
Equity						
Contributed equity	15	9,728	9,052	9,931	7.5	(2.0)
Reserves	15	893	1,254	2,105	(28.8)	(57.6)
Retained profits	15	13,786	13,224	11,148	4.2	23.7
Total parent entity interest		24,407	23,530	23,184	3.7	5.3
Outside equity interest in controlled entities	15					
Wealth Management ⁽²⁾		2,614	70	67	large	large
Corporate & Institutional Banking		190	215	-	(11.6)	large
Total equity		27,211	23,815	23,251	14.3	17.0

⁽¹⁾ The change in the fair value of trading derivatives asset and liability balances from September 2002 to March 2003 primarily reflects a reclassification omission which equally understated both trading derivative asset and liability balances and is not material in the context of the Group's balance sheet. The net trading derivative position at September 2002 is unchanged.

⁽²⁾ Increase primarily relates to consolidation of Wealth Management registered schemes. Refer page 6 for further details.

GROUP KEY PERFORMANCE MEASURES

	Note	Half Year to		Year to	
		Sep 03	Mar 03	Sep 03	Sep 02
Shareholder measures					
EVA [®] (\$ million) ⁽¹⁾		832	836	1,668	1,284
Per ordinary share (cents)					
Cash earnings before significant items ⁽²⁾	16	135.5	133.0	268.5	248.2
Cash earnings after significant items ⁽²⁾		135.5	133.0	268.5	222.0
Earnings before significant items		132.6	116.3	248.8	231.9
Earnings after significant items		132.6	116.3	248.8	205.7
Per diluted share (cents) ⁽³⁾					
Cash earnings before significant items	16	132.2	130.1	262.3	243.0
Earnings after significant items		129.4	114.2	243.6	202.5
Weighted average ordinary shares (no. million)		1,508	1,524	1,516	1,549
Weighted average diluted shares (no. million) ⁽³⁾		1,577	1,595	1,586	1,624
Dividends per share (cents)		83	80	163	147
Performance (after non-cash items) ⁽⁴⁾					
Return on average equity (parent entity interest) before sig. item ⁽⁵⁾		19.8%	16.8%	18.3%	17.0%
Return on average equity (parent entity interest) after sig. item ⁽⁵⁾		19.8%	16.8%	18.3%	15.1%
Return on average assets before significant items		1.03%	0.94%	0.98%	1.00%
Net interest income					
Net interest spread	3	2.16%	2.22%	2.18%	2.39%
Net interest margin	3	2.50%	2.56%	2.53%	2.67%
Profitability (before significant items)					
Banking cost to income ratio ⁽⁶⁾		49.6%	47.3%	48.4%	48.1%
Banking cost to income ratio excluding FSE pensions		48.7%	46.6%	47.6%	47.9%
Cash earnings per average FTE (\$'000)		95	95	95	85

		As at		
		Sep 03	Mar 03	Sep 02
Capital				
Tier 1 ratio	15	7.82%	7.47%	7.76%
Tier 2 ratio	15	3.30%	3.02%	3.76%
Deductions	15	(1.42%)	(1.33%)	(1.31%)
Total capital ratio	15	9.70%	9.16%	10.21%
Adjusted common equity ratio	15	4.95%	5.09%	5.37%
Balance sheet assets (\$ bn)				
Gross loans and acceptances		272	267	255
Risk-weighted assets	15	252	254	248
Off-balance sheet assets (\$ bn)				
Funds under management and administration		73	65	66
Assets under custody and administration		311	343	365
Asset quality				
Gross non-accrual loans to gross loans and acceptances	11	0.51%	0.59%	0.62%
Net impaired assets to total equity (parent entity interest)	11	3.9%	4.5%	4.7%
General provision to risk-weighted assets	11	0.71%	0.75%	0.82%
Specific provision to gross impaired assets	11	33.5%	36.1%	34.6%
General and specific provisions to gross impaired assets	11	163.4%	155.7%	161.0%
Other information				
Full-time equivalent employees (no.)	9	42,540	43,002	43,202

⁽¹⁾ Economic Value Added (EVA[®]) is a registered trademark of Stern Stewart & Co. Refer pages 27 and 83 for further details.

⁽²⁾ Cash earnings attributable to ordinary shareholders excludes revaluation profits/(losses) after tax and goodwill amortisation.

⁽³⁾ Refer to note 16 for the components.

⁽⁴⁾ Includes non-cash items, ie. revaluation profits/(losses) after tax and goodwill amortisation.

⁽⁵⁾ For the half year to 31 March 2003 previously shown as 17.1%, but adjusted to reflect the adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" effective 1 October 2002.

⁽⁶⁾ Total Banking cost to income ratio is gross of eliminations note 1. Costs include total expenses adjusted for significant items, goodwill amortisation, the charge to provide for doubtful debts and interest expense. Income includes total revenue adjusted for significant items and net of interest expense. Refer to 'Non-GAAP financial measures' for a complete discussion of the cost to income ratio.