National

Media Release
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RECORD RESULT LIFTS NATIONAL'S DIVIDEND 11%

FINANCIAL HIGHLIGHTS

- Achieved full year forecast:
  - cash earnings per share up 8.2%
  - cash earnings of $4.07 billion – a record full year result
- Net profit after significant items up 16.8% to $3.95 billion
- Final dividend of 83 cents cents (fully franked). Full year dividend up 10.9% to 163 cents (fully franked).
- Retail banking cash earnings:
  - Australia - up 6.5%
  - New Zealand - up 21.0% (up 12.7% in local currency)
  - Europe - down 3.9% (up 0.9% in local currency)
- Corporate & Institutional Banking cash earnings up 3.4% to $846 million (up 6.2% excluding currency impacts)
- Wealth Management operating profit after tax up 28.1% to $374 million
- Asset quality sound: gross non-accrual loans to total loans improved from 0.62% to 0.51%
- Return on equity up from 17.0% to 18.3%.
- Economic Value Added (EVA®) up 29.9% to $1,668 million*.
- Strong capital position – Total capital at 9.70%, Tier 1 at 7.82% and Adjusted Common Equity ratio of 4.95% after the buy back of 48.9 million shares.

*EVA® is a registered trademark of Stern Stewart & Co. It measures the economic profit earned in excess of the Group's cost of capital.

MANAGING DIRECTOR'S REVIEW

The Managing Director and Chief Executive Officer, Frank Cicutto, said record cash earnings of $4.07 billion, a higher fully franked dividend and continued EVA® growth was a good result for shareholders.

"The National generated cash earnings per share growth of 8.2 per cent in line with its full year forecast after absorbing significantly higher European pension costs and adverse exchange rate movements," Mr Cicutto said.

Mr Cicutto said this solid result enabled the National to pay shareholders a higher fully franked dividend of 163 cents per share – continuing 11 consecutive years of dividend growth.

The National's return on equity increased from 17.0 to 18.3 per cent.

"Building and managing our portfolio of businesses for strong and sustainable total shareholder return is a key objective of our strategy," he said.

DIVISIONAL PERFORMANCE

"Financial Services Australia produced another solid result with 12.5 per cent underlying profit growth. Cash earnings were up 6.5 per cent.

"Our market position remains strong. Deposits were up 11 per cent, business loans were up 9 per cent and housing loans were up 20 per cent.

"We also improved credit quality across the lending portfolio, with gross non-accrual loans as a percentage of total loans falling from 0.52 to 0.35 per cent.

"The cost to income ratio was 45.7 per cent – down from 48.2 per cent last year."

"Financial Services Europe increased cash earnings by 6 per cent in local currency before the impact of higher pension charges.

"Mortgage lending was up 9 per cent year on year and business lending increased 5 per cent. Asset quality improved with non-accrual loans falling 35 per cent.

"We will complete the legal entity merger of Clydesdale and Yorkshire Banks. This is an important milestone in the transformation of our European businesses."

"Financial Services New Zealand had a good year. Cash earnings in local currency increased 12.7 per cent after strong growth in lending to an expanding housing market as well as healthy deposit growth. Housing market share increased from 15.1 per cent to 15.6 per cent."

"Other highlights of the New Zealand performance included a substantial cost to income ratio improvement from 53.3 per cent to 50.3 per cent and stable interest margins and credit quality.

"Corporate & Institutional Banking increased cash earnings by 3.4 per cent (6.2 per cent excluding currency impacts). A renewed focus on enhancing the quality of Corporate & Institutional Banking revenue saw customer related income increase by 10.7 per cent. Asset quality remains sound.

"Wealth Management operating profit after tax increased by 28.1 per cent reflecting continued strong growth in the insurance business and a recovery in investment earnings.

"Total funds under management and administration increased from $65.6 billion to $73.1 billion and the Group maintained its leading share of the master fund and wrap market in Australia.

BALANCED STAKEHOLDER APPROACH

"The National's new purpose statement 'Growth through Excellent Relationships' represents a more focused approach to corporate social responsibility. This has resulted in the inclusion of the National in the Dow Jones Sustainability Index that tracks the sustainability performance of global companies.

"The National also participates in the FTSE4Good Index, which measures the performance of global companies in the areas of environmental sustainability, stakeholder relations and support for human rights.

"As part of our commitment to greater transparency and accountability, this year the National will commence reporting on social and environmental impacts, in addition to traditional financial measures.

"Using global key performance indicators for the finance sector, our 2003 concise annual report will give a snap shot of our commitment to building trusted relationships with our stakeholders, ranging from customers, employees, shareholders and the communities in which we operate.

"For example, in Australia we have installed over 60 audio-enabled ATMs for the visually impaired and plan to enable 50 per cent of ATMs by the middle of next year.

"We also upgraded 44 branches, opened 20 new integrated financial services centres and two new branches in metropolitan and regional areas in the last 12 months.

"The National is a signatory to the United National Environment Program Financial Initiative (UNEP Fi) and is committed to working with other global financial institutions on environmental initiatives."

The National's Stakeholder Scorecard will be incorporated in the 2003 concise annual report, which will be issued in late November. A full copy of the Stakeholder Scorecard will subsequently be published on the Group's web site www.nabgroup.com.

OUTLOOK

"The outlook for the Australian and New Zealand economies remains healthy and there are signs of improving global economic activity.

"In Australia, our business surveys show continued strength in housing, transport and business and financial services sectors. Manufacturing, agribusiness and tourism are also improving. In New Zealand, domestic activity remains comparatively strong.

"UK activity has gathered pace in 2003, Ireland is recovering modestly, and in the near term, very strong US economic growth looks set to continue.

"The combination of strong domestic activity and better global economic news mean that interest rates are likely to rise in all of the major economies in which we operate.

"The global recovery and increased commodity prices are also likely to mean a higher Australian dollar against both the US dollar and Sterling.

"In this economic and business environment, our growth strategies will continue to generate solid shareholder returns."

"We remain confident in the underlying resilience of our banking and wealth management businesses.

"We expect all of our businesses, except Financial Services Europe, to produce solid cash earnings growth in the next 12 months.

"We expect Financial Services Europe earnings to be flat in local currency terms before absorbing increased pension costs.

"Given the impact of UK earnings on the Group result this financial year, we expect to temporarily increase the dividend payout ratio to maintain our track record of strong and sustainable franked dividend growth for shareholders."

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