

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 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') (formerly Wholesale Financial Services);
- Other (including Excess Capital, Group Funding & Corporate Centre); and
- Wealth Management ('WM').
- Cash earnings by region from ongoing operations (Refer page 9 for further details)

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 US's operating platform and operating assets as at 1 March 2002; and
- Other non-core operations – the closure of the Vivid business in Great Britain in April 2001.

Prior Period Comparatives

From 1 October 2002, there have been transfers of business units across all Divisions. For comparability, the Divisions' prior period results have been restated from the Profit Announcement released on 7 November 2002. The nature of the restatements have been fully disclosed in the 2003 half year results template released on 28 March 2003.

Please refer to the National's website at www.national.com.au for a copy of this announcement.

Cash Earnings

Cash earnings is a key performance measure and financial target used by the Group. It is also a key performance measure used by the broking 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 7. Cash earnings is also explained in detail in the Glossary of Terms.

DIVISIONAL PERFORMANCE SUMMARY

| | Note | Half year to | | | Fav/(unfav) change on | |
|--|------|---------------|---------------|---------------|--------------------------|-------------|
| | | Mar 03 \$m | Sep 02 \$m | Mar 02 \$m | Sep 02 % | Mar 02 % |
| Cash earnings | | | | | | |
| Retail Banking | | | | | | |
| Financial Services Australia | 1 | 904 | 887 | 870 | 1.9 | 3.9 |
| Financial Services Europe | 1 | 508 | 465 | 501 | 9.2 | 1.4 |
| Financial Services New Zealand | 1 | 159 | 140 | 117 | 13.6 | 35.9 |
| Retail Banking | | 1,571 | 1,492 | 1,488 | 5.3 | 5.6 |
| Corporate & Institutional Banking | 1 | 416 | 441 | 377 | (5.7) | 10.3 |
| Other (incl. Excess Capital, Group Funding and Corporate Centre) | 1 | (23) | (54) | (102) | 57.4 | 77.5 |
| Total Banking | | 1,964 | 1,879 | 1,763 | 4.5 | 11.4 |
| Wealth Management operating profit after tax ⁽¹⁾ | 1 | 167 | 77 | 221 | large | (24.4) |
| Cash earnings from ongoing operations before significant items | | 2,131 | 1,956 | 1,984 | 8.9 | 7.4 |
| Cash earnings from disposed operations ⁽²⁾ | 1 | - | (9) | 107 | large | large |
| Net profit attributable to outside equity interest | | 10 | (1) | 7 | large | (42.9) |
| Distributions | | 94 | 92 | 95 | (2.2) | 1.1 |
| Cash earnings before significant items ⁽³⁾ | | 2,027 | 1,856 | 1,989 | 9.2 | 1.9 |
| Weighted av no. of ordinary shares (million) | 16 | 1,524 | 1,544 | 1,555 | 1.3 | 2.0 |
| Cash earnings per share before significant items (cents) ⁽⁴⁾ | | 133.0 | 120.3 | 127.9 | 10.6 | 4.0 |

Reconciliation to net profit

| | | | | | | |
|--|----|--------------|-------|-------|-------|--------|
| Cash earnings before significant items | | 2,027 | 1,856 | 1,989 | 9.2 | 1.9 |
| Adjusted for: | | | | | | |
| Net profit attributable to outside equity interest | | 10 | (1) | 7 | large | (42.9) |
| Distributions | | 94 | 92 | 95 | (2.2) | 1.1 |
| Wealth Management revaluation profit/(loss) after tax | 1 | (205) | (389) | 237 | 47.3 | large |
| Goodwill amortisation | | (49) | (53) | (48) | 7.5 | (2.1) |
| Net profit before significant items | | 1,877 | 1,505 | 2,280 | 24.7 | (17.7) |
| Significant items after tax | 13 | - | (389) | (17) | large | large |
| Net profit | | 1,877 | 1,116 | 2,263 | 68.2 | (17.1) |
| Net profit attributable to outside equity interest | | 10 | (1) | 7 | large | (42.9) |
| Net profit attributable to members of the Company | | 1,867 | 1,117 | 2,256 | 67.1 | (17.2) |
| Distributions | | 94 | 92 | 95 | (2.2) | 1.1 |
| Earnings attributable to ordinary shareholders | | 1,773 | 1,025 | 2,161 | 73.0 | (18.0) |

⁽¹⁾ Wealth Management operating profit after tax refers to net profit generated through the Wealth Management operations. It excludes revaluation profit/(loss) after tax.

⁽²⁾ Includes an \$89 million once-off taxation benefit from HomeSide in the March 2002 half year.

⁽³⁾ Cash earnings is a performance measure used by the management of the Group. Refer to the Glossary of Terms for a complete discussion of cash earnings.

⁽⁴⁾ This calculation is prepared 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) change on | |
|---|------|---------------|---------------|---------------|--------------------------|-------------|
| | | Mar 03 \$m | Sep 02 \$m | Mar 02 \$m | Sep 02 % | Mar 02 % |
| Banking ⁽¹⁾ | | | | | | |
| Net interest income | 2 | 3,692 | 3,584 | 3,517 | 3.0 | 5.0 |
| Other operating income ⁽²⁾ | 7 | 2,066 | 1,972 | 1,877 | 4.8 | 10.1 |
| Banking net operating income ⁽¹⁾ | | 5,758 | 5,556 | 5,394 | 3.6 | 6.7 |
| Wealth Management | | | | | | |
| Net interest income | 2 | 54 | 45 | 56 | 20.0 | (3.6) |
| Net life insurance income ⁽³⁾ | 6 | 81 | (250) | 240 | large | (66.3) |
| Other operating income ⁽²⁾ | 7 | 366 | 411 | 388 | (10.9) | (5.7) |
| Net operating income | | 6,259 | 5,762 | 6,078 | 8.6 | 3.0 |
| Banking operating expenses ⁽¹⁾ | 8 | 2,692 | 2,645 | 2,555 | (1.8) | (5.4) |
| Wealth Management operating expenses ⁽⁴⁾ | 8 | 394 | 482 | 331 | 18.3 | (19.0) |
| Charge to provide for doubtful debts | 10 | 322 | 260 | 387 | (23.8) | 16.8 |
| Cash earnings before tax | | 2,851 | 2,375 | 2,805 | 20.0 | 1.6 |
| Banking income tax expense ⁽¹⁾ | 12 | 781 | 771 | 689 | (1.3) | (13.4) |
| Wealth Management income tax (benefit)/expense | 12 | (61) | (352) | 132 | (82.7) | large |
| Cash earnings from ongoing operations before significant items | | 2,131 | 1,956 | 1,984 | 8.9 | 7.4 |
| Wealth Management revaluation profit/(loss) after tax | 1 | (205) | (389) | 237 | 47.3 | large |
| Goodwill amortisation | | 49 | 53 | 48 | 7.5 | (2.1) |
| Net profit from ongoing operations | | 1,877 | 1,514 | 2,173 | 24.0 | (13.6) |
| Net profit from disposed operations (HomeSide) | | - | (9) | 107 | large | large |
| Net profit before significant items | | 1,877 | 1,505 | 2,280 | 24.7 | (17.7) |
| Significant items after tax | 13 | - | (389) | (17) | large | large |
| Net profit | | 1,877 | 1,116 | 2,263 | 68.2 | (17.1) |
| Net profit attributable to outside equity interest | | 10 | (1) | 7 | large | (42.9) |
| Net profit attributable to members of the Company | | 1,867 | 1,117 | 2,256 | 67.1 | (17.2) |
| Distributions | | 94 | 92 | 95 | (2.2) | 1.1 |
| Earnings attributable to ordinary shareholders | | 1,773 | 1,025 | 2,161 | 73.0 | (18.0) |

⁽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.

CASH EARNINGS BY REGION FROM ONGOING OPERATIONS

| | Half year to | | | Fav/(unfav) change on | |
|---|--------------|--------------|--------------|--------------------------|---------------|
| | Mar 03 | Sep 02 | Mar 02 | Sep 02 | Mar 02 |
| | \$m | \$m | \$m | % | % |
| Australia | | | | | |
| Retail Banking ⁽¹⁾ | 895 | 894 | 866 | 0.1 | 3.3 |
| Corporate & Institutional Banking | 202 | 250 | 164 | (19.2) | 23.2 |
| Wealth Management | 137 | 52 | 184 | large | (25.5) |
| Other (incl. Excess Capital, Group Funding & Corporate Centre) ⁽²⁾ | (64) | (66) | (74) | 3.0 | 13.5 |
| Total Australia | 1,170 | 1,130 | 1,140 | 3.5 | 2.6 |
| Europe | | | | | |
| Retail Banking ⁽¹⁾ | 509 | 456 | 504 | 11.6 | 1.0 |
| Corporate & Institutional Banking | 90 | 82 | 107 | 9.8 | (15.9) |
| Wealth Management | 12 | 26 | 18 | (53.8) | (33.3) |
| Other (incl. Group Funding & Corporate Centre) | (46) | (19) | (27) | large | (70.4) |
| Total Europe | 565 | 545 | 602 | 3.7 | (6.1) |
| New Zealand | | | | | |
| Retail Banking ⁽¹⁾ | 167 | 142 | 118 | 17.6 | 41.5 |
| Corporate & Institutional Banking | 74 | 80 | 79 | (7.5) | (6.3) |
| Wealth Management | 6 | 3 | 4 | large | 50.0 |
| Other (incl. Group Funding & Corporate Centre) | (8) | (4) | (4) | large | large |
| Total New Zealand | 239 | 221 | 197 | 8.1 | 21.3 |
| United States | | | | | |
| Corporate & Institutional Banking | 26 | 20 | (19) | 30.0 | large |
| Other (incl. Group Funding & Corporate Centre) ⁽³⁾ | 89 | 34 | (1) | large | large |
| Total United States | 115 | 54 | (20) | large | large |
| Asia | | | | | |
| Corporate & Institutional Banking | 24 | 9 | 46 | large | (47.8) |
| Wealth Management | 12 | (4) | 15 | large | (20.0) |
| Other (incl. Group Funding & Corporate Centre) | 6 | 1 | 4 | large | 50.0 |
| Total Asia | 42 | 6 | 65 | large | (35.4) |
| Cash earnings from ongoing operations before significant items | 2,131 | 1,956 | 1,984 | 8.9 | 7.4 |

⁽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⁾ Earnings on excess capital is wholly attributed to Australia. The earnings rate on excess capital for the half years ended March 2003, September 2002 and March 2002 were 4.99%, 5.72% and 5.26% respectively.

⁽³⁾ The increased contribution is due to the cessation of redeemable preference share dividend payments with the sale of SR Investment, Inc. (HomeSide).

Refer to the Group Performance Summary on page 8 for a reconciliation of cash earnings from ongoing operations before significant items to net profit.

SUMMARY OF FINANCIAL POSITION

| | Note | As at | | | Change on | |
|---|-----------|----------------|---------------|---------------|-------------|-------------|
| | | Mar 03 \$m | Sep 02 \$m | Mar 02 \$m | Sep 02 % | Mar 02 % |
| Assets | | | | | | |
| Cash assets | | 6,060 | 6,294 | 8,423 | (3.7) | (28.1) |
| Due from other financial institutions | | 13,760 | 15,876 | 18,816 | (13.3) | (26.9) |
| Due from customers on acceptances | | 20,677 | 19,474 | 20,317 | 6.2 | 1.8 |
| Trading securities | | 21,414 | 19,590 | 17,131 | 9.3 | 25.0 |
| Trading derivatives ⁽¹⁾ | | 25,228 | 12,128 | 12,838 | large | 96.5 |
| Available for sale securities | | 5,005 | 6,192 | 6,213 | (19.2) | (19.4) |
| Investment securities | | 10,925 | 13,541 | 10,556 | (19.3) | 3.5 |
| Investments relating to life ins. business | | 30,278 | 31,012 | 32,865 | (2.4) | (7.9) |
| Loans and advances | | 242,612 | 231,300 | 207,636 | 4.9 | 16.8 |
| Mortgage loans held for sale | | 12 | 85 | 101 | (85.9) | (88.1) |
| Mortgage servicing rights | | - | 1,794 | 6,044 | large | large |
| Shares in entities and other securities | | 1,186 | 1,199 | 1,114 | (1.1) | 6.5 |
| Regulatory deposits | | 180 | 129 | 334 | 39.5 | (46.1) |
| Property, plant and equipment | | 2,493 | 2,640 | 2,558 | (5.6) | (2.5) |
| Income tax assets | | 1,213 | 1,292 | 1,194 | (6.1) | 1.6 |
| Goodwill | | 787 | 775 | 828 | 1.5 | (5.0) |
| Other assets | | 12,366 | 14,066 | 14,669 | (12.1) | (15.7) |
| Total assets | | 394,196 | 377,387 | 361,637 | 4.5 | 9.0 |
| Liabilities | | | | | | |
| Due to other financial institutions | | 49,722 | 43,279 | 41,194 | 14.9 | 20.7 |
| Liability on acceptances | | 20,677 | 19,474 | 20,317 | 6.2 | 1.8 |
| Life insurance policy liabilities | | 30,206 | 30,425 | 32,056 | (0.7) | (5.8) |
| Trading derivatives ⁽¹⁾ | | 24,821 | 12,000 | 12,384 | large | large |
| Deposits and other borrowings | | 207,040 | 206,864 | 190,627 | 0.1 | 8.6 |
| Income tax liabilities | | 1,255 | 1,609 | 2,045 | (22.0) | (38.6) |
| Provisions | | 1,251 | 2,809 | 2,202 | (55.5) | (43.2) |
| Bonds, notes and subordinated debt | | 18,933 | 22,192 | 22,499 | (14.7) | (15.8) |
| Other debt issues | | 1,808 | 1,866 | 1,926 | (3.1) | (6.1) |
| Other liabilities | | 14,668 | 13,618 | 12,936 | 7.7 | 13.4 |
| Net assets | | 23,815 | 23,251 | 23,451 | 2.4 | 1.6 |
| Equity | | | | | | |
| Contributed equity | 15 | 9,052 | 9,931 | 10,486 | (8.9) | (13.7) |
| Reserves | 15 | 1,254 | 2,105 | 1,480 | (40.4) | (15.3) |
| Retained profits | 15 | 13,224 | 11,148 | 11,416 | 18.6 | 15.8 |
| Total parent entity interest | | 23,530 | 23,184 | 23,382 | 1.5 | 0.6 |
| Outside equity interests in controlled entities | 15 | 285 | 67 | 69 | large | large |
| Total equity | | 23,815 | 23,251 | 23,451 | 2.4 | 1.6 |

⁽¹⁾ The change in the fair value of trading derivatives asset and liability balances from March 2002 to March 2003 primarily reflects the revaluation impacts of movements in interest rates. The change in fair value from September 2002 to March 2003 primarily results from a reclassification not previously included, which equally impacts 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.

GROUP KEY PERFORMANCE MEASURES

| | Note | Half year to | | |
|--|------|--------------|--------|--------|
| | | Mar 03 | Sep 02 | Mar 02 |
| Shareholder measures | | | | |
| EVA (\$ million) ⁽¹⁾ | | 836 | 643 | 641 |
| Per ordinary share (cents) | | | | |
| Cash earnings before significant items ⁽²⁾ | 16 | 133.0c | 120.3c | 127.9c |
| Cash earnings after significant items ⁽²⁾ | | 133.0c | 95.1c | 126.8c |
| Earnings before significant items | | 116.3c | 91.6c | 140.1c |
| Earnings after significant items | | 116.3c | 66.4c | 139.0c |
| Per diluted share (cents) ⁽³⁾ | | | | |
| Cash earnings before significant items | 16 | 130.1c | 117.5c | 125.4c |
| Earnings after significant items | | 114.2c | 66.2c | 135.9c |
| Weighted average ordinary shares (no. million) | | 1,524 | 1,544 | 1,555 |
| Weighted average diluted shares (no. million) ⁽³⁾ | | 1,595 | 1,620 | 1,629 |
| Dividends per share (cents) | | 80c | 75c | 72c |
| Performance (after non-cash items) ⁽⁴⁾ | | | | |
| Return on average equity before significant items | | 17.1% | 14.5% | 20.3% |
| Return on average equity after significant items | | 17.1% | 10.5% | 20.1% |
| Return on average assets before significant items | | 0.94% | 0.77% | 1.24% |
| Net interest income | | | | |
| Net interest spread | 3 | 2.22% | 2.36% | 2.41% |
| Net interest margin | 3 | 2.56% | 2.63% | 2.71% |
| Profitability | | | | |
| Total Banking cost to income ratio before significant items ⁽⁵⁾ | | 47.3% | 48.2% | 48.0% |
| Cash earnings per average FTE (before significant items) (\$'000) | | 95 | 85 | 85 |

| | | As at | | |
|--|----|---------|---------|---------|
| | | Mar 03 | Sep 02 | Mar 02 |
| Capital | | | | |
| Tier 1 ratio | 15 | 7.47% | 7.76% | 7.91% |
| Tier 2 ratio | 15 | 3.02% | 3.76% | 4.03% |
| Deductions | 15 | (1.33%) | (1.31%) | (1.34%) |
| Total capital ratio | 15 | 9.16% | 10.21% | 10.60% |
| Adjusted common equity ratio ⁽⁶⁾ | 15 | 5.09% | 5.37% | 5.44% |
| Common equity to tangible assets ⁽⁷⁾ | | 4.59% | 5.02% | 5.38% |
| Balance sheet assets (\$ bn) | | | | |
| Gross loans and acceptances | | 267 | 255 | 232 |
| Risk-weighted assets | 15 | 254 | 248 | 237 |
| Off-balance sheet assets (\$ bn) | | | | |
| Funds under management and administration | | 65 | 66 | 71 |
| Assets under custody and administration | | 343 | 365 | 359 |
| Asset quality | | | | |
| Gross non-accrual loans to gross loans and acceptances | 11 | 0.59% | 0.62% | 0.75% |
| Net impaired assets to total equity | 11 | 4.5% | 4.7% | 4.9% |
| General provision to risk-weighted assets | 11 | 0.75% | 0.82% | 0.88% |
| Specific provision to gross impaired assets | 11 | 36.1% | 34.6% | 37.0% |
| General and specific provisions to gross impaired assets | 11 | 155.7% | 161.0% | 155.7% |
| Other information | | | | |
| Full-time equivalent employees (no.) | 9 | 43,002 | 43,202 | 43,658 |

⁽¹⁾ Economic Value Added (EVA) is a registered trademark of Stern Stewart & Co. Refer pages 26 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⁾ Total Banking cost to income ratio is gross of eliminations, refer to 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 the Glossary of Terms for a complete discussion of the cost to income ratio.

⁽⁶⁾ Calculated as adjusted common equity to the risk-weighted assets.

⁽⁷⁾ Calculated as adjusted shareholders funds to the adjusted tangible assets.