

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

FINANCIAL SUMMARY

REPORTING FORMAT

Reporting Structure

During 2005 the Group re-structured its business operating model to management along regional lines. To assist with the interpretation of the Group's results, earnings are reported under the following structure, reflecting the new business operating model and have been revised from the reporting structure used in the prior year:

- Total Australia – comprises Australian Banking and Wealth Management Australia;
- Total UK – comprises UK Banking and Wealth Management UK;
- Total NZ – comprises New Zealand Banking and Wealth Management New Zealand; and
- Institutional Markets & Services (globally).

To further assist with the interpretation of the Group's results, information is also presented on the following basis, which isolates the Wealth Management components of the business from the Banking operations. This is consistent with the prior year:

- Total Banking comprises:
 - Australian Banking;
 - UK Banking;
 - NZ Banking;
 - Institutional Markets & Services (globally); and
 - Other (Group Funding and Corporate Centre).
- Wealth Management comprises:
 - Wealth Management Australia (including Asia);
 - Wealth Management UK; and
 - Wealth Management New Zealand.

Prior Period Comparatives

During the year the Group introduced a common chart of general ledger accounts across its business operations and subsidiaries globally. In preparation for the introduction of this global chart of accounts, an extensive and detailed Group-wide review of general ledger account classifications was undertaken. As a result changes have been made to the classification between certain categories in the Group balance sheet to more appropriately reflect the nature of specific products, as follows:

- transfer of certain exposures from 'On-Demand & Short-Term Deposits' to 'Due to Other Financial Institutions' and 'Securities Sold Under Agreements to Repurchase' totalling \$3,357 million at 30 September 2004;
- transfer of certain exposures from 'Due to Other Financial Institutions' to 'On-Demand & Short-Term Deposits' totalling \$939 million at 30 September 2004;
- transfer of certain loans from 'Overdrafts' to 'Term Lending' totalling \$5,346 million at 30 September 2004; and
- transfer of certain loans from 'Overdrafts' to 'Market Rate Advances' totalling \$450 million at 30 September 2004.

Comparatives have also been adjusted following the finalisation of the sale of the Irish banks to correctly record the inter-company balances between the United Kingdom and Irish banks. These adjustments affect net interest margins and net interest spreads reported for the United Kingdom. The adjustments have no effect on previously reported Group profit or margins.

The nature of these reclassifications and corrections has been fully disclosed in the release to ASX dated 20 April 2005 and 24 October 2005 respectively. Please refer to the National's website at www.nabgroup.com for a copy of these announcements.

Cash Earnings

Dividends paid by the Group are based on after-tax cash earnings (excluding 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. Refer to the Non-GAAP financial measures section on page 111 for an explanation and page 4 for a reconciliation of cash earnings to net profit.

Diluted Cash Earnings per Share

Management use growth in diluted cash earnings per share (EPS) as a key indicator of performance as this takes full account of the impact of the exchangeable capital units (ExCaps) and provides a consistent basis for period on period comparison moving forward.

Under the terms of the ExCaps the National has the option to require the exchange of all, but not part, of the ExCaps at any time for 7 7/8% convertible non-cumulative preference shares of the National. Holders of the ExCaps or the convertible non-cumulative preference shares have the option to exchange their holding for ordinary shares of the National (or at the National's option, cash) at a specified date and the National also has the right to redeem, all or part of the convertible non-cumulative preference shares, under a special offer at any time after 19 March, 2007, with the prior consent of APRA.

A reconciliation of the calculation of diluted cash earnings per share appears in note 19.

DIVISIONAL PERFORMANCE SUMMARY ⁽¹⁾

	Note	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
		Sep 05	Mar 05	Change on Mar 05	Sep 05	Sep 04	Change on Sep 04
		\$m	\$m	%	\$m	\$m	%
Cash earnings ⁽²⁾							
Australian Banking	1a	910	951	(4.3)	1,861	1,993	(6.6)
Wealth Management Australia ^{(3) (4)}	1a	220	194	13.4	414	320	29.4
Total Australia		1,130	1,145	(1.3)	2,275	2,313	(1.6)
UK Banking	1a	215	266	(19.2)	481	594	(19.0)
Wealth Management UK	1a	14	31	(54.8)	45	17	large
Total UK		229	297	(22.9)	526	611	(13.9)
New Zealand Banking	1a	160	159	0.6	319	296	7.8
Wealth Management New Zealand	1a	8	4	large	12	11	9.1
Total New Zealand		168	163	3.1	331	307	7.8
Institutional Markets & Services ⁽⁴⁾	1a	305	308	(1.0)	613	558	9.9
Other (incl. Group Funding & Corporate Centre)	1a	(31)	(200)	84.5	(231)	(141)	(63.8)
Cash earnings before significant items and distributions		1,801	1,713	5.1	3,514	3,648	(3.7)
Distributions		(109)	(95)	(14.7)	(204)	(187)	(9.1)
Cash earnings before significant items		1,692	1,618	4.6	3,310	3,461	(4.4)
Weighted av no. of ordinary shares (million)	19	1,563	1,555	(0.5)	1,559	1,515	(2.9)
Cash earnings per share before significant items (cents)	19	108.3	104.0	4.1	212.3	228.5	(7.1)
Diluted cash earnings per share before significant items (cents)	19	107.1	103.0	4.0	210.1	226.0	(7.0)
Reconciliation to net profit							
Cash earnings before significant items		1,692	1,618	4.6	3,310	3,461	(4.4)
Adjusted for:							
Significant items after tax	15	(450)	821	large	371	(384)	large
Cash earnings after significant items		1,242	2,439	(49.1)	3,681	3,077	19.6
Adjusted for:							
Net profit attributable to outside equity interest		456	154	large	610	374	(63.1)
Distributions		109	95	(14.7)	204	187	(9.1)
Wealth Management revaluation profit after tax		294	51	large	345	16	large
Goodwill amortisation		(48)	(50)	4.0	(98)	(103)	4.9
Net profit		2,053	2,689	(23.7)	4,742	3,551	33.5
Net profit attributable to outside equity interest		(456)	(154)	large	(610)	(374)	(63.1)
Net profit attributable to members of the Company		1,597	2,535	(37.0)	4,132	3,177	30.1
Distributions		(109)	(95)	(14.7)	(204)	(187)	(9.1)
Earnings attributable to ordinary shareholders		1,488	2,440	(39.0)	3,928	2,990	31.4

⁽¹⁾ Northern Bank and National Irish Bank were disposed on 28 February 2005.

⁽²⁾ Cash earnings is a performance measure used by the management of the Group. Refer to 'Non-GAAP financial measures' on page 111 for a complete discussion of cash earnings.

⁽³⁾ Wealth Management Australia division includes Asian operations.

⁽⁴⁾ Cash earnings after outside equity interest.

GROUP PERFORMANCE SUMMARY ⁽¹⁾

	Note	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
		Sep 05	Mar 05	Change on	Sep 05	Sep 04	Change on
		\$m	\$m	Mar 05	\$m	\$m	Sep 04
				%			%
Banking ⁽²⁾							
Net interest income	3	3,527	3,549	(0.6)	7,076	7,184	(1.5)
Other operating income ^{(2) (3)}	9	2,175	2,029	7.2	4,204	4,024	4.5
Banking net operating income ⁽²⁾		5,702	5,578	2.2	11,280	11,208	0.6
Wealth Management							
Net interest income	3	2	4	(50.0)	6	7	(14.3)
Net life insurance income ex IORE ⁽⁴⁾	8	1,031	495	large	1,526	919	66.1
Investment earnings on shareholders' retained profits & capital from life businesses (IORE)	8	83	63	31.7	146	93	57.0
Other operating income ⁽³⁾	9	437	461	(5.2)	898	807	11.3
Total operating income		7,255	6,601	9.9	13,856	13,034	6.3
Banking operating expenses ⁽²⁾	10	(3,287)	(3,165)	(3.9)	(6,452)	(5,978)	(7.9)
Wealth Management operating expenses ⁽⁵⁾	10	(441)	(411)	(7.3)	(852)	(834)	(2.2)
Charge to provide for doubtful debts	12	(253)	(281)	10.0	(534)	(559)	4.5
Net operating income before tax		3,274	2,744	19.3	6,018	5,663	6.3
Banking income tax expense ⁽²⁾	14	(603)	(648)	6.9	(1,251)	(1,362)	8.1
Wealth Management income tax expense	14	(414)	(229)	(80.8)	(643)	(279)	large
Cash earnings before significant items, distributions including outside equity interest		2,257	1,867	20.9	4,124	4,022	2.5
Wealth Management revaluation profit after tax	1a	294	51	large	345	16	large
Goodwill amortisation		(48)	(50)	4.0	(98)	(103)	4.9
Net profit before significant items		2,503	1,868	34.0	4,371	3,935	11.1
Significant items after tax	15	(450)	821	large	371	(384)	large
Net profit		2,053	2,689	(23.7)	4,742	3,551	33.5
Net profit attributable to outside equity interest							
Wealth Management		(456)	(154)	large	(610)	(365)	(67.1)
Institutional Markets & Services		-	-	-	-	(9)	large
Net profit attributable to members of the Company		1,597	2,535	(37.0)	4,132	3,177	30.1
Distributions		(109)	(95)	(14.7)	(204)	(187)	(9.1)
Earnings attributable to ordinary shareholders		1,488	2,440	(39.0)	3,928	2,990	31.4

⁽¹⁾ Northern Bank and National Irish Bank were disposed on 28 February 2005.

⁽²⁾ Banking refers to Total Banking adjusted for eliminations. Refer to note 1a for further details.

⁽³⁾ Other operating income excludes net interest income, net life insurance income ex IORE, investment earnings on shareholders' retained profits and capital from life businesses (IORE) and revaluation profit/(loss).

⁽⁴⁾ Net life insurance income is the profit before tax of the life insurance and investment businesses of the statutory funds of the life insurance companies of the Group (excluding net interest income and investment earnings on shareholders retained profits & capital of the life insurance businesses (IORE)).

⁽⁵⁾ Operating expenses excludes life insurance expenses incorporated within net life insurance income.

Refer to Note 1a Performance Summary by Division for a reconciliation of the Divisional results to the Group Performance Summary set out above. Note 1a also provides a reconciliation of Total Banking and Total Wealth Management results as set out above.

SUMMARY OF FINANCIAL POSITION ⁽¹⁾

	Note	As at			Change on	
		30 Sep 05 \$m	31 Mar 05 \$m	30 Sep 04 \$m	31 Mar 05 %	30 Sep 04 %
Assets						
Cash and liquid assets		8,430	6,929	8,080	21.7	4.3
Due from other financial institutions		15,477	18,520	23,494	(16.4)	(34.1)
Due from customers on acceptances		27,627	21,567	16,344	28.1	69.0
Trading securities		15,957	19,771	24,248	(19.3)	(34.2)
Trading derivatives		13,959	17,122	17,939	(18.5)	(22.2)
Available for sale securities		3,857	3,474	4,610	11.0	(16.3)
Investment securities		7,466	8,666	11,513	(13.8)	(35.2)
Investments relating to life insurance business		50,500	43,917	41,013	15.0	23.1
Loans and advances		260,053	246,756	247,836	5.4	4.9
Shares in entities and other securities		75	146	158	(48.6)	(52.5)
Regulatory deposits		118	121	177	(2.5)	(33.3)
Property, plant and equipment		1,974	2,019	2,257	(2.2)	(12.5)
Income tax assets		1,530	1,460	1,367	4.8	11.9
Goodwill		522	571	632	(8.6)	(17.4)
Other assets		12,043	11,623	11,641	3.6	3.5
Total assets		419,588	402,662	411,309	4.2	2.0
Liabilities						
Due to other financial institutions		36,322	35,020	43,768	3.7	(17.0)
Liability on acceptances		27,627	21,567	16,344	28.1	69.0
Trading derivatives		12,407	14,911	16,150	(16.8)	(23.2)
Deposits and other borrowings	7	209,079	205,866	219,028	1.6	(4.5)
Life insurance policy liabilities		42,123	38,494	36,134	9.4	16.6
Income tax liabilities		1,381	1,243	1,178	11.1	17.2
Provisions		1,823	1,494	1,129	22.0	61.5
Bonds, notes and subordinated debt		39,238	36,536	32,573	7.4	20.5
Other debt issues		1,559	1,586	1,612	(1.7)	(3.3)
Other liabilities		13,749	13,944	13,627	(1.4)	0.9
Total liabilities		385,308	370,661	381,543	4.0	1.0
Net assets		34,280	32,001	29,766	7.1	15.2
Equity						
Ordinary shares		7,552	7,388	7,271	2.2	3.9
National Income Securities		1,945	1,945	1,945	-	-
Trust Preferred Securities		975	975	975	-	-
Trust Preferred Securities II		1,014	1,014	-	-	large
Contributed equity	17	11,486	11,322	10,191	1.4	12.7
Reserves	17	667	802	1,194	(16.8)	(44.1)
Retained profits	17	15,903	15,770	14,515	0.8	9.6
Total equity (parent entity interest)		28,056	27,894	25,900	0.6	8.3
Outside equity interest in controlled entities						
Wealth Management	17	6,224	4,107	3,866	51.5	61.0
Total equity		34,280	32,001	29,766	7.1	15.2

⁽¹⁾ Northern Bank and National Irish Bank were disposed on 28 February 2005.

GROUP KEY PERFORMANCE MEASURES ⁽¹⁾

	Note	Half Year to		Year to	
		Sep 05	Mar 05	Sep 05	Sep 04
Earnings per share (cents)					
Basic cash earnings per ordinary share before significant items	19	108.3	104.0	212.3	228.5
Diluted cash earnings per share before significant items	19	107.1	103.0	210.1	226.0
Basic cash earnings per ordinary share after significant items		79.5	156.8	236.1	203.1
Basic earnings per ordinary share after significant items ⁽²⁾		95.2	156.9	251.9	197.3
Weighted average ordinary shares (no. million)	19	1,563	1,555	1,559	1,515
Weighted average diluted shares (no. million)	19	1,629	1,622	1,626	1,582
Dividends per share (cents)		83	83	166	166
Performance ⁽³⁾					
Return on average equity before significant items		16.2%	14.0%	15.0%	15.8%
Cash earnings on average equity before significant items		14.0%	14.0%	14.0%	16.2%
Return on average assets before significant items		0.91%	0.76%	0.83%	0.83%
Net interest income					
Net interest spread	4	1.69%	1.74%	1.71%	1.94%
Net interest margin	4	2.20%	2.19%	2.20%	2.35%
Profitability (before significant items)					
Cash earnings per average FTE (\$'000)		86	76	81	80
Banking cost to income ratio ⁽⁴⁾	1b	58.1%	57.4%	57.7%	53.9%

		As at		
		30 Sep 05	31 Mar 05	30 Sep 04
Capital				
Tier 1 ratio	17	7.86%	8.30%	7.34%
Tier 2 ratio	17	3.60%	4.12%	4.26%
Deductions	17	(1.01%)	(1.05%)	(1.02%)
Total capital ratio	17	10.45%	11.37%	10.58%
Adjusted common equity ratio	17	5.49%	5.84%	5.30%
Assets (\$bn)				
Gross loans and acceptances		292	273	269
Risk-weighted assets	17	290	279	287
Asset quality				
Gross non-acrual loans to gross loans and acceptances	13	0.35%	0.41%	0.46%
Net impaired assets to total equity (parent entity interest)	13	2.5%	2.7%	3.5%
General provision to risk-weighted assets	13	0.71%	0.73%	0.74%
Specific provision to gross impaired assets	13	34.9%	34.9%	32.3%
General and specific provisions to gross impaired assets	13	235.8%	216.8%	198.1%
Other information				
Funds under management and administration		91	85	81
Assets under custody and administration		410	372	432
Full-time equivalent employees (no.)	11	38,933	39,961	43,517

⁽¹⁾ Northern Bank and National Irish Bank were disposed on 28 February 2005.

⁽²⁾ Basic earnings are defined as "Earnings attributable to ordinary shareholders".

⁽³⁾ "Return" calculations use "Earnings attributable to ordinary shareholders".

⁽⁴⁾ Total Banking cost to income ratio is before eliminations (refer note 1b). Costs include total expenses excluding significant items, goodwill amortisation, the charge to provide for doubtful debts and interest expense. Income includes total revenue excluding significant items and net of interest expense. Refer to 'Non-GAAP financial measures' for a complete discussion of the cost to income ratio on page 112.