

NATIONAL'S CASH EARNINGS DOWN 8.7%**NET PROFIT UP 19%****INTERIM DIVIDEND STEADY AT 83 CENTS****FINANCIAL HIGHLIGHTS (March 04/March 03 Comparison)**

- Cash earnings before significant items of \$1.85 billion, down 8.7%
- Net profit after significant items up 19% to \$2.23 billion
- Interim dividend of 83 cents (fully franked).
- Retail banking cash earnings:
 - Australia - up 10.5%
 - New Zealand – steady (up 2.9% in local currency)
 - Europe - down 37.1% (down 27.5% in local currency)
- Corporate & Institutional Banking cash earnings before significant items down 12.8% (down 6.5% excluding currency movements)
- Wealth Management operating profit after tax up 37.3%
- Asset quality sound: gross non-accrual loans to total loans improved from 0.65% to 0.46%
- Return on equity before significant items of 18.8% up from 16.8%.
- Economic Value Added (EVA[®]) down 11.5% to \$978 million*.
- Total capital at 9.35%, Tier 1 at 7.47% and Adjusted Common Equity ratio of 5.36% after the buy back of 5.5 million ordinary 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.

CHIEF EXECUTIVE'S REVIEW

"This is a disappointing result but our New Zealand and Wealth Management businesses have made solid contributions.

"Financial Services Australia increased cash earnings although the quality of the result was not ideal with total income up by only 4.8%. Both Financial Services Australia and Corporate and Institutional Banking have not surprisingly been adversely affected by the currency options trading issue.

"We have started to work on and invest in our European businesses to address some of the major issues we have in those markets. Increased competition, compliance costs and adverse currency movements further affected the Financial Services Europe result.

"Under these circumstances we have maintained our dividend payment.

DIVISIONAL PERFORMANCE

"**Financial Services Australia** increased cash earnings by 10.5%. Strong growth in housing lending was partly offset by a fall in the overall net interest margin. Retail deposits increased by 9.7% since March 2003.

"Agribusiness market share by lending volumes for the year to February increased from 21.7% to 28.9%. Business market share by lending volumes at 26.0% is down from 26.5% for the same period. (Source: Taylor Nelson Sofrais)

"Financial Services Australia has opened 11 integrated financial services centres this half year and is on target to achieve the planned roll out of 42 centres by the end of the financial year. These centres are designed to meet customers' complete financial advice needs.

"**Financial Services Europe** was adversely affected by a combination of higher pension fund expenses and currency movements. The large fall in cash earnings is disappointing but there are several developments underway to address this situation.

"An extensive product renewal program has been completed, including the introduction of a new current account, savings accounts, mortgages, loans and insurance.

"The first four Financial Services Centres have been opened in Liverpool, Bristol, Reading and Southampton and generated £1.2 million in revenue in the half year. A further four centres are planned to open in Oxford, Milton Keynes, Maidstone and Guildford this year.

"**Financial Services New Zealand** increased net interest income by 5.8% in local currency terms based on strong growth in business and personal lending as well as retail deposits.

"Cash earnings were steady reflecting a fall in the net interest margin and a higher charge to provide for doubtful debts.

"Highlights of the half year include the launch of the 'Campus Pack' in conjunction with Student Card (a New Zealand student discount scheme) which increased the number of tertiary students banking with Bank of New Zealand by 60%.

"Bank of New Zealand increased home lending since March 2003 by 19% compared to market growth of 16%. Bank of New Zealand was the only bank to increase customer satisfaction according to Auckland University's customer survey for 2003.

"Corporate & Institutional Banking has obviously faced a difficult half due to the impact of the foreign currency options trading situation and subsequent events. A higher charge for doubtful debts, adverse currency movements and reduced demand for debt market products, due to a low US interest rate environment, affected cash earnings.

"Despite these challenging circumstances the focus on growing core relationships has continued and this has resulted in the maintenance of a solid base of underlying client income.

"Corporate & Institutional Banking is actively contributing to the program to address the remedial actions required by APRA.

"Wealth Management increased operating profit after tax by 37.3% reflecting strong growth in insurance business and the improvement in equity markets which led to growth in earnings from the investments business and investment earnings on capital.

"The strong performance of equity markets from the March 2003 half has resulted in an 11.9% increase in average funds under management with fee revenue higher in all regions.

"Wealth Management continues to be the number one provider of retail investment platforms in Australia with a market share of 18.8% and number two in retail funds under management as at December 2003. (Source: Assirt Market Share Report, December 2003)

Insurance earnings grew by 22.2% and Wealth Management retained the largest share of the total Australian retail life insurance market for both annual in-force premiums and new retail risk annual premiums. (Source: DEXX&R Research Reports, December 2003)

OUTLOOK

"The National is focused on creating strong, sustainable growth in shareholder value."

"As part of our response to the foreign currency options trading losses we are addressing the changes required by APRA as quickly as possible.

"My future priorities are to lead the required cultural change, review our business strategies and our approach to risk management to make sure we have a sustainable platform for future growth. These are the first important steps in a recovery program that will take some time."

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