

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

FINANCIAL SUMMARY

REPORTING FORMAT

Reporting Structure

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

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

In August 2004 the Group announced a number of changes to the structure of its business operating model. The new business operating model will be managed along regional lines and will be effective from 1 October 2004. In future reporting periods, the Group's results will be reported along these regional lines.

Prior Period Comparatives

At 30 September 2001 through to 31 March 2004, a certain Australian exposure was classified as performing. However, the classification of this exposure as non-accrual during this period is now considered more appropriate. The balance of this exposure including accrued interest was \$263 million at 31 March 2004 and \$254 million at 30 September 2003. Refer to note 11.

The Group has revised its data collection procedures used to establish its 90 day past due exposures (ie. loans that are well-secured loans and accrue interest, but are in arrears 90 days or more). This process now includes loans that are identified by the internal categories 'watch' or 'substandard', and are in arrears 90 days or more. On this basis, comparative information at 30 September 2003 and 31 March 2004 has been restated to include additional past due 90-day loans of \$386 million and \$392 million respectively.

Risk-weighted assets for prior periods have been restated. The revision primarily relates to New Zealand and the reporting of unutilised limits in Corporate & Institutional Banking and to capture additional retail lending products. Certain categories of residential mortgages across risk weightings were also reclassified. This amounted to \$1,438 million at 31 March 2004 and \$1,901 million at 30 September 2003. Refer to note 15.

A change has been made to the classification of interest income/expense in relation to certificates of deposit, such that these amounts are recorded gross, rather than net as part of interest expense. The amount of the misclassification in relation to the half year to March 2004 was \$109 million and the year to September 2003 was \$78 million. Refer to note 4.

A change has been made to the classification of average interest-bearing liabilities between categories on the average balance sheet. This has been undertaken to improve the consistency between the classification of categories between the Summary of Financial Position (spot) and the Average Balance Sheet. The gross up of trading derivatives (non-Australian) in the average balance sheet has been revised, resulting in a change in total average assets. Refer to note 4.

The nature of these reclassifications have been fully disclosed in the release to ASX dated 3 November 2004. Please refer to the National's website at www.nabgroup.com for a copy of this announcement.

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 (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. Cash earnings is explained in detail in the 'Non-GAAP financial measures' section - refer page 98 for details, and a reconciliation of cash earnings to net profit appears on page 9.

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 year on year comparison moving forward. The potential conversion of ExCaps has a dilutive impact on earnings per share, which varies from year to year depending on conversion.

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 complete reconciliation of the calculation of diluted cash earnings per share appears in note 16.

DIVISIONAL PERFORMANCE SUMMARY

	Note	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
		Sep 04	Mar 04	Change on	Sep 04	Sep 03	Change on
		\$m	\$m	Mar 04	\$m	\$m	Sep 03
				%			%
Cash earnings ⁽¹⁾							
Retail Banking							
Financial Services Australia	1	877	999	(12.2)	1,876	1,871	0.3
Financial Services Europe	1	290	308	(5.8)	598	897	(33.3)
Financial Services New Zealand	1	171	158	8.2	329	311	5.8
Retail Banking		1,338	1,465	(8.7)	2,803	3,079	(9.0)
Corporate & Institutional Banking ⁽²⁾	1	243	375	(35.2)	618	877	(29.5)
Other (incl. Group Funding and Corporate Centre) ⁽²⁾	1	(65)	(117)	44.4	(182)	(77)	large
Total Banking		1,516	1,723	(12.0)	3,239	3,879	(16.5)
Wealth Management operating profit ^{(2) (3)}	1	188	221	(14.9)	409	374	9.4
Cash earnings before significant items and distributions		1,704	1,944	(12.3)	3,648	4,253	(14.2)
Distributions		(93)	(94)	1.1	(187)	(183)	(2.2)
Cash earnings before significant items		1,611	1,850	(12.9)	3,461	4,070	(15.0)
Weighted av no. of ordinary shares (million)	16	1,525	1,505	(1.3)	1,515	1,516	0.1
Cash earnings per share before significant items (cents)	16	105.6	122.9	(14.1)	228.5	268.5	(14.9)
Diluted cash earnings per share before significant items (cents)	16	104.9	121.1	(13.4)	226.0	262.3	(13.8)
Reconciliation to net profit							
Cash earnings before significant items		1,611	1,850	(12.9)	3,461	4,070	(15.0)
Adjusted for:							
Significant items after tax	13	(511)	127	large	(384)	-	large
Cash earnings after significant items		1,100	1,977	(44.4)	3,077	4,070	(24.4)
Adjusted for:							
Net profit/(loss) attributable to outside equity interest		311	63	large	374	(8)	large
Distributions		93	94	1.1	187	183	(2.2)
Wealth Management revaluation profit/(loss)		(132)	148	large	16	(200)	large
Goodwill amortisation		(50)	(53)	5.7	(103)	(98)	(5.1)
Net profit		1,322	2,229	(40.7)	3,551	3,947	(10.0)
Net (profit)/loss attributable to outside equity interest		(311)	(63)	large	(374)	8	large
Net profit attributable to members of the Company		1,011	2,166	(53.3)	3,177	3,955	(19.7)
Distributions		(93)	(94)	1.1	(187)	(183)	(2.2)
Earnings attributable to ordinary shareholders		918	2,072	(55.7)	2,990	3,772	(20.7)

⁽¹⁾ Cash earnings is a performance measure used by the management of the Group. Refer to 'Non-GAAP financial measures' on page 98 for a complete discussion of cash earnings.

⁽²⁾ Cash earnings after outside equity interest.

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

GROUP PERFORMANCE SUMMARY

	Note	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
		Sep 04	Mar 04	Change on Mar 04	Sep 04	Sep 03	Change on Sep 03
		\$m	\$m	%	\$m	\$m	%
Banking ⁽¹⁾							
Net interest income	2	3,540	3,519	0.6	7,059	7,302	(3.3)
Other operating income ^{(1) (2)}	7	1,952	2,044	(4.5)	3,996	4,277	(6.6)
Banking net operating income ⁽¹⁾		5,492	5,563	(1.3)	11,055	11,579	(4.5)
Wealth Management							
Net interest income	2	66	66	-	132	117	12.8
Net life insurance income ⁽³⁾	6	557	455	22.4	1,012	444	large
Other operating income ⁽²⁾	7	423	412	2.7	835	733	13.9
Net operating income		6,538	6,496	0.6	13,034	12,873	1.3
Banking operating expenses ⁽¹⁾	8	(3,115)	(2,800)	(11.3)	(5,915)	(5,548)	(6.6)
Wealth Management operating expenses ⁽⁴⁾	8	(461)	(436)	(5.7)	(897)	(806)	(11.3)
Charge to provide for doubtful debts	10	(254)	(305)	16.7	(559)	(633)	11.7
Cash earnings before tax		2,708	2,955	(8.4)	5,663	5,886	(3.8)
Banking income tax expense ⁽¹⁾	12	(605)	(730)	17.1	(1,335)	(1,512)	11.7
Wealth Management income tax benefit/ (expense)	12	(88)	(218)	59.6	(306)	(129)	large
Cash earnings before significant items, distributions and outside equity interest		2,015	2,007	0.4	4,022	4,245	(5.3)
Wealth Management revaluation profit/(loss) after tax	1	(132)	148	large	16	(200)	large
Goodwill amortisation		(50)	(53)	5.7	(103)	(98)	(5.1)
Net profit before significant items		1,833	2,102	(12.8)	3,935	3,947	(0.3)
Significant items after tax	13	(511)	127	large	(384)	-	large
Net profit		1,322	2,229	(40.7)	3,551	3,947	(10.0)
Net (profit)/loss attributable to outside equity interest							
Wealth Management		(307)	(58)	large	(365)	16	large
Corporate & Institutional Banking		(4)	(5)	20.0	(9)	(9)	-
Other		-	-	-	-	1	large
Net profit attributable to members of the Company		1,011	2,166	(53.3)	3,177	3,955	(19.7)
Distributions		(93)	(94)	1.1	(187)	(183)	(2.2)
Earnings attributable to ordinary shareholders		918	2,072	(55.7)	2,990	3,772	(20.7)

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

REGIONAL PERFORMANCE SUMMARY

	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
	Sep 04	Mar 04	Change on Mar 04	Sep 04	Sep 03	Change on Sep 03
	\$m	\$m	%	\$m	\$m	%
Cash earnings						
Australia						
Retail Banking ⁽¹⁾	875	991	(11.7)	1,866	1,854	0.6
Corporate & Institutional Banking	133	199	(33.2)	332	390	(14.9)
Wealth Management	173	190	(8.9)	363	327	11.0
Other	(116)	(181)	35.9	(297)	(146)	large
Total Australia	1,065	1,199	(11.2)	2,264	2,425	(6.6)
Europe						
Retail Banking ⁽¹⁾	292	309	(5.5)	601	899	(33.1)
Corporate & Institutional Banking	24	82	(70.7)	106	253	(58.1)
Wealth Management	3	14	(78.6)	17	26	(34.6)
Other	8	(11)	large	(3)	(104)	97.1
Total Europe	327	394	(17.0)	721	1,074	(32.9)
New Zealand						
Retail Banking ⁽¹⁾	171	165	3.6	336	326	3.1
Corporate & Institutional Banking	74	59	25.4	133	142	(6.3)
Wealth Management	6	5	20.0	11	2	large
Other	(37)	(11)	large	(48)	(11)	large
Total New Zealand	214	218	(1.8)	432	459	(5.9)
United States						
Corporate & Institutional Banking	5	17	(70.6)	22	48	(54.2)
Other	62	77	(19.5)	139	165	(15.8)
Total United States	67	94	(28.7)	161	213	(24.4)
Asia						
Corporate & Institutional Banking	7	18	(61.1)	25	44	(43.2)
Wealth Management	6	12	(50.0)	18	19	(5.3)
Other	18	9	large	27	19	42.1
Total Asia	31	39	(20.5)	70	82	(14.6)
Cash earnings before significant items and distributions	1,704	1,944	(12.3)	3,648	4,253	(14.2)

⁽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.

Refer to the Divisional Performance Summary on page 9 for a reconciliation of cash earnings before significant items and distributions to net profit.

SUMMARY OF FINANCIAL POSITION

	Note	As at			Change on	
		Sep 04 \$m	Mar 04 \$m	Sep 03 \$m	Mar 04 %	Sep 03 %
Assets						
Cash and other liquid assets		8,080	11,641	8,405	(30.6)	(3.9)
Due from other financial institutions		23,494	20,200	29,234	16.3	(19.6)
Due from customers on acceptances		16,344	14,988	19,562	9.0	(16.5)
Trading securities		24,248	25,691	23,724	(5.6)	2.2
Trading derivatives		17,939	24,352	23,644	(26.3)	(24.1)
Available for sale securities		4,610	2,794	6,513	65.0	(29.2)
Investment securities		11,513	7,099	8,647	62.2	33.1
Investments relating to life ins. business		41,013	37,982	35,846	8.0	14.4
Loans and advances		247,836	233,987	225,735	5.9	9.8
Shares in entities and other securities		158	867	1,445	(81.8)	(89.1)
Regulatory deposits		177	436	225	(59.4)	(21.3)
Property, plant and equipment		2,257	2,483	2,498	(9.1)	(9.6)
Income tax assets		1,367	1,248	1,203	9.5	13.6
Goodwill		632	682	740	(7.3)	(14.6)
Other assets		11,641	11,130	10,050	4.6	15.8
Total assets		411,309	395,580	397,471	4.0	3.5
Liabilities						
Due to other financial institutions		42,044	43,968	52,530	(4.4)	(20.0)
Liability on acceptances		16,344	14,988	19,562	9.0	(16.5)
Trading derivatives		16,150	21,046	21,479	(23.3)	(24.8)
Deposits and other borrowings		220,752	210,624	201,194	4.8	9.7
Life insurance policy liabilities		36,134	34,059	32,457	6.1	11.3
Income tax liabilities		1,178	1,238	1,537	(4.8)	(23.4)
Provisions		1,129	1,143	1,262	(1.2)	(10.5)
Bonds, notes and subordinated debt		32,573	25,204	24,257	29.2	34.3
Other debt issues		1,612	1,693	1,743	(4.8)	(7.5)
Other liabilities		13,627	13,707	14,239	(0.6)	(4.3)
Net assets		29,766	27,910	27,211	6.6	9.4
Equity						
Ordinary shares		7,271	6,029	6,078	20.6	19.6
Preference shares		-	-	730	-	large
National Income Securities		1,945	1,945	1,945	-	-
Trust Preferred Securities		975	975	975	-	-
Contributed equity	15	10,191	8,949	9,728	13.9	4.8
Reserves	15	2,034	784	893	large	large
Retained profits	15	13,675	14,619	13,786	(6.5)	(0.8)
Total equity parent entity interest		25,900	24,352	24,407	6.4	6.1
Outside equity interest in controlled entities	15					
Wealth Management		3,866	3,385	2,614	14.2	47.9
Corporate & Institutional Banking		-	173	190	large	large
Total equity		29,766	27,910	27,211	6.6	9.4

GROUP KEY PERFORMANCE MEASURES

	Note	Half Year to		Year to	
		Sep 04	Mar 04	Sep 04	Sep 03
Shareholder measures					
EVA [®] (\$ million) ⁽¹⁾		639	978	1,617	2,259
Earnings per share (cents)					
Cash earnings per ordinary share before significant items ⁽²⁾	16	105.6	122.9	228.5	268.5
Diluted cash earnings per share before significant items ⁽²⁾	16	104.9	121.1	226.0	262.3
Cash earnings per ordinary share after significant items ⁽²⁾		71.7	131.4	203.1	268.5
Earnings per ordinary share before significant items		93.5	129.2	222.7	248.8
Earnings per ordinary share after significant items		59.6	137.7	197.3	248.8
Weighted average ordinary shares (no. million)	16	1,525	1,505	1,515	1,516
Weighted average diluted shares (no. million)	16	1,591	1,574	1,581	1,586
Dividends per share (cents)		83	83	166	163
Performance (after non-cash items) ⁽³⁾					
Return on average equity before significant items		13.1%	18.8%	15.8%	18.3%
Return on average equity after significant items		8.4%	20.0%	14.0%	18.3%
Return on average assets before significant items		0.70%	0.96%	0.83%	0.96%
Net interest income					
Net interest spread	3	1.92%	1.95%	1.94%	2.18%
Net interest margin	3	2.29%	2.40%	2.35%	2.53%
Profitability (before significant items)					
Cash earnings per average FTE (\$'000)		74	86	80	95
Banking cost to income ratio ⁽⁴⁾		57.3%	50.9%	54.1%	48.4%

		As at		
		Sep 04	Mar 04	Sep 03
Capital				
Tier 1 ratio	15	7.34%	7.43%	7.76%
Tier 2 ratio	15	4.26%	2.92%	3.27%
Deductions	15	(1.02%)	(1.05%)	(1.41%)
Total capital ratio	15	10.58%	9.30%	9.62%
Adjusted common equity ratio	15	5.30%	5.33%	4.92%
Assets (\$bn)				
Gross loans and acceptances		269	253	249
Risk-weighted assets	15	287	278	254
Off-balance sheet assets (\$bn)				
Funds under management and administration		81	77	73
Assets under custody and administration		432	397	311
Asset quality				
Gross non-accrual loans to gross loans and acceptances	11	0.46%	0.57%	0.65%
Net impaired assets to total equity (parent entity interest)	11	3.5%	4.1%	5.0%
General provision to risk-weighted assets	11	0.74%	0.64%	0.71%
Specific provision to gross impaired assets	11	32.3%	33.5%	28.3%
General and specific provisions to gross impaired assets	11	198.1%	157.8%	138.0%
Other information				
Full-time equivalent employees (no.)	9	43,517	43,282	42,540

⁽¹⁾ Economic Value Added (EVA[®]) is a registered trademark of Stern Stewart & Co. Refer pages 28 and 99 for further details.

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

⁽³⁾ Includes non-cash items, ie. revaluation profits/(losses) after tax and goodwill amortisation.

⁽⁴⁾ Total Banking cost to income ratio is before eliminations (refer note 1). 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 98.