

NATIONAL AUSTRALIA BANK LTD

Form 6-K

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of November 2002

National Australia Bank Limited

ACN 004 044 937
(Registrant's Name)

Level 24
500 Bourke Street
MELBOURNE VICTORIA 3000
AUSTRALIA

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82 -

This Report on Form 6-K shall be deemed to be incorporated by reference in the prospectus included in the Registration Statement on Form F-3 (No. 333-6632) of National Australia Bank Limited and to be part thereof from the date on which this Report, is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

TABLE OF CONTENTS

Media Release

Section 2 - Financial Summary

Reporting Format

Divisional Statement of Financial Performance

Group Statement of Financial Performance

Cash Earnings by Region from Ongoing Operations

Statement of Financial Position

Group Key Performance Measures

Section 3 - Management Discussion and Analysis

Overview

Significant Items

Asset Quality

Profitability

Net Interest Income

Net Life Insurance Income

Other Operating Income

Operating Expenses

Income Tax Expense

Capital and Performance Measures

Performance Measures

Balance Sheet

Retail Banking

Financial Services Australia

Financial Services Europe

Financial Services New Zealand

Wholesale Financial Services

Wealth Management

Excess Capital & Group Funding

HomeSide

Section 4 - Detailed Financial Information

1. Statement of Financial Performance (Annual Report Format)

2. Net Interest Income

3. Net Interest Margins & Spreads

4. Average Balance Sheet and Related Interest

5. Gross Loans & Advances

6. Net life Insurance Income

7. Revenue

8. Expenses

9. Full Time Equivalent Employees

10. Doubtful Debts

11. Asset Quality

12. Income Tax Reconciliation

13. Significant Items

14. Wealth Management Results

15. Exchange Rates

16. Capital Adequacy

17. Risk Management

18. Financial Information for US Investors (US GAAP)

Alphabetical Index

Group Corporate Affairs

National Australia
Bank Limited
ABN 12004044937

500 Bourke Street
Melbourne
Victoria 3000
Australia

Telephone: (03) 8641 3580

Facsimile: (03) 8641 4925

Media Release

National achieves solid result in pivotal year

FINANCIAL HIGHLIGHTS

Full year net profit of \$3,379 million, up 62% from \$2,088 million (after significant items)

Ongoing banking and wealth management businesses deliver record cash earnings of \$3,940 million - up 10%

Australia up 17%

New Zealand up 34%

Europe up 11%

US & Asia down

Retail banking profit up 23%

Wholesale Financial Services profit up 12%

Wealth Management operating profit down 26%

Significant items after tax of \$406 million

Group cash earnings per share up 4.9% to 248.2 cents

Final dividend of 75 cents (90% franked). Full year dividend of 147 cents (95% franked) - up 9%

Banking cost to income ratio improves to 47.7% from 48.5%

Asset quality improves: gross non-accrual loans to total loans falls to 0.62% - lowest since 1986

*EVA[®] up 13.7% to \$1,284 million (5% target)

Strong capital position - Total Capital at 10.2% and Tier 1 at 7.8%

MANAGING DIRECTOR S REVIEW

The Managing Director and Chief Executive Officer, Frank Cicutto, said the National achieved a solid result in a pivotal year.

In the last twelve months, we have:

Strengthened and focused our banking businesses;

Recapitalised and sold HomeSide in the United States;

Restructured the Group into three regional banking operations and two internationally focused operations - Wholesale Financial Services and Wealth Management;

Completed the integration of MLC to form an international Wealth Management division operating in six countries; and

Launched a Group revitalisation and productivity program, Positioning for Growth.

Through this period we maintained our discipline and focus and produced solid earnings momentum, improved our credit quality and continued an active program of capital management.

*EVA® is a registered trademark of Stern Stewart & Co.

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Our full year net profit of \$3,379 million was up 62% on last year. The final dividend will be 75 cents (90% franked), taking the full year dividend to 147 cents (95% franked), which is 9% higher than last year.

The success of our off-shore operations has resulted in the fall in the franking level. Future franking levels are expected to be in the range of 85-100%.

The strength and diversity of our operations showed through with our banking units offsetting reduced second-half wealth management profits.

The National is now a more streamlined and tightly focused financial services group that is well positioned for the future.

We are building on our strengths to generate benefits for all stakeholders: shareholders, customers, employees, suppliers and the wider community.

Strong earnings in ongoing businesses

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Our core banking and wealth management businesses produced record cash earnings of \$3,940 million (before significant items). This is up 10% on last year and achieves our target.

We have achieved a strong result despite lower earnings from Wealth Management in the second half.

The National's retail banking businesses demonstrated their earnings strength, collectively delivering 23% growth on last year.

Profit contributions from Financial Services Australia and Financial Services New Zealand were exceptionally strong, growing at 29% and 31%, respectively. Financial Services Europe posted a solid increase of 10%.

The strong performance by Financial Services Australia was due to growth in lending volumes, resulting in a 7% lift in income, and a fall in the charge to provide for doubtful debts. Over the last year, we improved our share of the home loan market. Today, 17.5% of all home mortgages in Australia are held with the National.

The excellent result for Financial Services New Zealand reflects: its success with home lending, where volumes were up 9%; higher retail deposits, up 15%, and; a reduction in expenses and provisions.

Our banking operations in Great Britain and Ireland saw a 10% increase in profit with good growth in retail deposits - up 11%. Net interest income was 9.2% higher. The cost to income ratio fell to 49.8% from 50.6%.

Wholesale Financial Services posted a satisfactory result in difficult trading conditions with a 12% increase in net profit to \$825 million. The 23% fall in the doubtful debt charge is a pleasing outcome and reflects early action to manage our exposures in expectation of a harsher environment.

A one-off investor compensation payment and difficult market conditions led to a decline in Wealth Management's net profit to \$132 million. The volatility in equity markets has adversely affected funds under management, sales volumes and redemptions.

Despite the challenging environment, Wealth Management Australia's market share in retail funds under management improved to 14.5%. (Source: ASSIRT Market Share Report as at June 2002).

Improved credit quality

Credit discipline and a range of credit initiatives undertaken over the last two years have strengthened our asset quality.

The ratio of gross non-accrual loans to total loans fell to 0.62% from 0.75% last year and is our best result since 1986. Our loan portfolio remains strong in respect of its rating, security coverage and diversification. Investment grade and secured lending represents 84% of the portfolio.

Our Agribusiness portfolio is in a satisfactory position. Non-accrual loans relating to agriculture, forestry and fishing in Australia are at a 10-year low of 0.86%. Some deterioration in asset quality as a result of the drought is expected. However, we expect this to be manageable given lower gearing within the sector.

As with previous periods of droughts and commodity price downturns, we have made a public commitment to supporting our customers via a range of assistance measures.

Our home loan book continues to perform satisfactorily with low rates of delinquency and write-offs relative to historical levels.

Significant Items and Productivity Initiatives

Our results include significant items after tax totalling \$406 million, which are mostly attributable to Positioning for Growth, including \$230 million related to redundancy costs and \$144 million due to other costs associated with the implementation of Positioning for Growth and related restructuring activities.

In addition, there is a \$38 million (after-tax) writedown on the value of the Group's Integrated Systems Implementation (ISI) - in part to reflect the move from a global business model to a regional model. As at 30 September 2002, ISI has a carrying value of \$294 million. Project management has been brought in-house and a regional roll-out adopted.

Also included was a better than expected outcome on the sale of HomeSide - a \$6 million profit. Previously, a loss of \$104 million was forecast.

Under Positioning for Growth, our productivity initiatives will deliver \$370 million per annum in cost savings by 2004. This will primarily be demonstrated by continuing improvement in key productivity measures.

The cost to income ratio in our banking businesses fell again during the year to 47.7%.

Active capital management

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This time last year, the National announced an active approach to capital management with an on market buyback program relating to new shares issued through the Dividend Reinvestment Plan, the Bonus Share Plan, the Share Purchase Plan and other staff and option plans.

This year, an additional \$1.75 billion was added to the buyback program and the program has been extended to September 2003.

A more balanced approach to stakeholders

The National has almost eight million banking customers and 2.8 million wealth management customers, globally. In Australia, the National is the leading banker to small and medium enterprises and lends to approximately one in three farmers.

We operate an extensive face to face network through more than 1,000 outlets across Australia. During the year we strengthened our arrangement with Australia Post to offer customers one of the country's largest over the counter banking networks.

Over half our network is located in rural and regional Australia.

We also commenced another significant investment in 2002. Sixteen new Financial Services Centres are being established to provide financial planning, home loans and relationship banking. Two centres, Toowoomba and Marrickville, are now operational.

Linked to the revitalisation initiatives under the Positioning for Growth program, we invested \$55 million in employee training and development this year. At the heart of these initiatives is our desire to create a high performance culture that empowers people, encourages personal development and outstanding quality.

During the year, the Group underlined its commitment to sustainability by becoming a signatory to the United Nations Environment Program Financial Institutions Initiative and in the United Kingdom, Northern Bank improved its environmental ranking to the second quintile of the top 100 companies in Northern Ireland, in part, due to evidence of energy conservation and reduced greenhouse emissions and water consumption.

Many of us – including a number of our employees – have been affected by the terrible tragedy in Bali. The National is assisting the Australian Red Cross Bali Appeal through a \$1 million donation and the collection of donations through our branch network. Approximately \$4.2 million has now been collected for this appeal through the National's channels.

Corporate Governance

The National was the only Australian bank and one of only nine companies to achieve five stars, the highest ranking, in the Horwath 2002 Corporate Governance Report. This surveyed Australia's top 250 listed businesses.

A five star ranking was only awarded to companies whose corporate governance structures were outstanding and met all best practice standards.

In 2002, the company's external audit services were put out to competitive tender by the Principal Board Audit Committee. This was initiated as a matter of good corporate governance and to ensure we had access to best practice audit services. After a thorough selection process, the Board re-appointed KPMG as external auditor.

During the year, the charter of the Principal Board Audit Committee was enhanced and fully integrated with the activities of the Subsidiary Board Audit Committees. In addition, a revised policy has been introduced which limits the range of non-audit services provided by the external auditor to those permitted under US legislation and caps their cost at two times that of statutory audit and assurance services.

The Board has also decided to continue to issue options to reward executives for long-term performance.

As part of its regular review of remuneration structures, the Board has decided that 50% of the value of the long-term incentive will be in the form of executive options and 50% will be performance share rights, to be introduced in the forthcoming year (2002-2003).

The performance hurdle that has been in place for share options will continue to apply for both share options and performance share rights.

The Group has disclosed the fair value of options in its Annual Report for the past three years. In July 2001, the International Accounting Standards Board (IASB) announced that it would review accounting for share-based payments (including employee share options). We intend to adopt the new accounting standard once it has been issued by the IASB and the Australian Accounting Standards Board.

Earnings Outlook

We had a pivotal year and the Group is well placed for the future. Our asset quality is sound and we will continue to deliver on efficiency improvements which are under our control.

Our plans show cash earnings per share growth of more than 10% in 2003. Given the uncertainty in markets today, guidance in the range 8-11% is considered prudent.

We will always strive to achieve the top end of our forecast range, however, in the current environment the level of certainty that can be attached to all forecasts is reduced.

7 November 2002

Further Information

Majella Allen

Brandon Phillips

Group Corporate Affairs

Group Corporate Affairs

0410 440 305

0419 369 058

ATTACHMENT

OPERATIONAL HIGHLIGHTS

Financial Services Australia

Net profit up 29% to \$1,770 million

Housing volumes increased 18% or \$9.2 billion

Deposits up 8% to \$54.7 billion

Cost to Income ratio improves to 48.5% from 49.7%

Financial Services Europe

Net profit up 10% to \$912 million

Net Interest Income up 9%

Retail deposits up 11%

Cost to Income ratio improves to 49.8% from 50.6%

Financial Services New Zealand

Net profit up 31% to \$294 million

Net Interest Income up 14%

Housing volumes up 9% to NZ\$10.6 billion

Cost to income ratio improves to 49.9% from 56.2%

Wholesale Financial Services

Net profit up 12% to \$825 million

Total income marginally lower at \$1,929 million

Asset quality remains satisfactory - 84% of credit exposures investment grade or better

Cost to income ratio slightly higher at 38.4% (37.2% last year)

Wealth Management

Net operating profit of \$284 million before revaluations

Revaluation loss of \$152 million reduces net profit to \$132 million

Performance impacted by volatility in equity markets and \$45 million after tax one off compensation payment to investors

Net retail inflows captured for the year to June 2002 were 22.5% up from 21.5% as at March 2002. (Source: ASSIRT Market Share Reports).

REGIONAL HIGHLIGHTS

Australian cash earnings up 17% to \$2,270 million

Europe cash earnings up 11% to \$1,147 million

New Zealand cash earnings up 34% to \$418 million

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

FINANCIAL SUMMARY

6

Management Discussion & Analysis Reporting Format

REPORTING FORMAT

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

Financial Services Europe

Financial Services New Zealand

Other (including Corporate Centre);

Wholesale Financial Services;

Excess Capital & Group Funding; and

Wealth Management.

Cash earnings by region from ongoing operations (Refer page 10 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.

Michigan National Corporation sold by the Group on 1 April 2001; and

Other non-core operations incorporating writedowns of e-commerce investments and closure of the Vivid business in Great Britain in April 2001.

Significant items

Restructuring expense; and

Profit on the sale of SR Investment, Inc.

DIVISIONAL STATEMENT OF FINANCIAL PERFORMANCE

	Half Year to		Fav/ (unfav) change on Mar 02	Year to		Fav/ (unfav) change on Sep 01
	Sep 02 \$m	Mar 02 \$m	%	Sep 02 \$m	Sep 01 \$m	%
Ongoing Operations						
Retail Banking						
Financial Services Australia	889	881	0.9	1,770	1,377	28.5
Financial Services Europe	441	471	(6.4)	912	826	10.4
Financial Services New Zealand	161	133	21.1	294	224	31.3
Other (incl. Corporate Centre)	(21)	(21)		(42)	(50)	16.0
Retail Banking	1,470	1,464	0.4	2,934	2,377	23.4
Wholesale Financial Services	446	379	17.7	825	740	11.5
Excess Capital and Group Funding	(35)	(74)	52.7	(109)	69	large
Total Banking	1,881	1,769	6.3	3,650	3,186	14.6
Wealth Management operating profit	75	215	(65.1)	290	391	(25.8)
Cash earnings from ongoing operations before significant items	1,956	1,984	(1.4)	3,940	3,577	10.1
Non-cash items						
Wealth Management revaluation profit/(loss)	(389)	237	large	(152)	333	large
Goodwill amortisation	53	48	(10.4)	101	95	(6.3)
Net profit from ongoing operations	1,514	2,173	(30.3)	3,687	3,815	(3.4)
Disposed Operations						
HomeSide	(9)	107	large	98	131	(25.2)
Michigan National and other					78	large
Net profit from disposed operations	(9)	107	large	98	209	(53.1)
Net profit before significant items	1,505	2,280	(34.0)	3,785	4,024	(5.9)
Significant items after tax(1)	(389)	(17)	large	(406)	(1,936)	79.0
Net profit	1,116	2,263	(50.7)	3,379	2,088	61.8
Net profit attributable to outside equity interests	(1)	7	large	6	5	(20.0)
Net profit attributable to members of the Company	1,117	2,256	(50.5)	3,373	2,083	61.9
Distributions	92	95	3.2	187	213	12.2

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Earnings attributable to ordinary shareholders	1,025	2,161	(52.6)	3,186	1,870	70.4
Add back:						
Significant items after tax	389	17	large	406	1,936	79.0
Goodwill amortisation	53	48	(10.4)	101	167	39.5
Deduct:						
Wealth Management revaluation (profit)/loss	389	(237)	large	152	(333)	large
Cash earnings	1,856	1,989	(6.7)	3,845	3,640	5.6
Weighted av no. of ordinary shares (million)	1,544	1,555	(0.7)	1,549	1,539	0.7
Cash earnings per share (cents)	120.3	127.9	(6.0)	248.2	236.6	4.9

(1) March 2002 net profit has been restated to reclassify restructuring expenses incurred in the March 2002 half as a significant item. The restructuring costs were not material to the March 2002 half's net profit but have been restated for September 2002 full year result (Financial Services Australia restated from \$879 million to \$881 million, Other restated from (\$26 million) to (\$21 million), Wholesale Financial Services restated from \$373 million to \$379 million and Wealth Management restated from \$211 million to \$215 million).

GROUP STATEMENT OF FINANCIAL PERFORMANCE

	Note	Half year to			Year to		
		Sep 02 \$m	Mar 02 \$m	Fav/ (unfav) change on Mar 02 %	Sep 02 \$m	Sep 01 \$m	Fav/ (unfav) change on Sep 01 %
Ongoing Operations							
Net interest income	2	3,629	3,573	1.6	7,202	6,676	7.9
Net life insurance income (offset in tax)(1)	6	(250)	240	large	(10)	128	large
Other operating income(2)	7	2,383	2,265	5.2	4,648	4,533	2.5
Net operating income before revaluation profit		5,762	6,078	(5.2)	11,840	11,337	4.4
Other operating expenses(3)	8	3,063	2,886	(6.1)	5,949	5,674	(4.8)
Wealth Management Investor compensation	8	64		large	64		large
Underlying profit		2,635	3,192	(17.4)	5,827	5,663	2.9
Charge to provide for doubtful debts	10	260	387	32.8	647	897	27.9
Cash earnings before tax		2,375	2,805	(15.3)	5,180	4,766	8.7
Income tax (benefit)/expense - net life insurance income (offset in net life insurance income)(1)	12	(354)	106	large	(248)	(212)	17.0
Income tax expense - other	12	773	715	(8.1)	1,488	1,401	(6.2)
Cash earnings from ongoing operations before significant items		1,956	1,984	(1.4)	3,940	3,577	10.1
Wealth Management revaluation profit/(loss)		(389)	237	large	(152)	333	large
Goodwill amortisation		53	48	(10.4)	101	95	(6.3)
Net profit from ongoing operations		1,514	2,173	(30.3)	3,687	3,815	(3.4)
Net profit from disposed operations		(9)	107	large	98	209	(53.1)
Net profit before significant items		1,505	2,280	(34.0)	3,785	4,024	(5.9)
Significant items after tax(4)	13	(389)	(17)	large	(406)	(1,936)	79.0
Net profit		1,116	2,263	(50.7)	3,379	2,088	61.8
Net profit attributable to outside equity interests		(1)	7	large	6	5	(20.0)
Net profit attributable to members of the Company		1,117	2,256	(50.5)	3,373	2,083	61.9
Distributions		92	95	3.2	187	213	12.2
Earnings attributable to ordinary shareholders		1,025	2,161	(52.6)	3,186	1,870	70.4

- (1) Net life insurance income is the profit before tax excluding net interest income of the statutory funds of the life insurance controlled entities of the Group. The contribution of net revenue after tax is \$238 million for the year and compares with \$340 million for the prior year.

- (2) Other operating income excludes net interest income and net life insurance income.

- (3) Other operating expenses excludes life insurance expenses incorporated within net life insurance income.

- (4) March 2002 net profit has been restated to reclassify restructuring expenses incurred in the March 2002 half as a significant item. The restructuring costs were not material to the March 2002 half net profit but have been restated for September 2002 full year result.

CASH EARNINGS BY REGION FROM ONGOING OPERATIONS

	Half year to		Fav/ (unfav) change on Mar 02	Year to		Fav/ (unfav) change on Sep 01
	Sep 02	Mar 02		Sep 02	Sep 01	
	\$m	\$m	%	\$m	\$m	%
Australia	1,130	1,140	(0.9)	2,270	1,943	16.8
Retail Banking (incl. Corporate Centre)	882	857	2.9	1,739	1,338	30.0
Wholesale Financial Services	249	162	53.7	411	311	32.2
Wealth Management operating profit	53	182	(70.9)	235	321	(26.8)
Excess Capital and Group Funding(1)	(54)	(61)	11.5	(115)	(27)	large
Europe	545	602	(9.5)	1,147	1,038	10.5
Retail Banking	434	476	(8.8)	910	824	10.4
Wholesale Financial Services	88	112	(21.4)	200	166	20.5
Wealth Management(2)	23	14	64.3	37	48	(22.9)
New Zealand	221	197	12.2	418	312	34.0
Retail Banking	155	130	19.2	285	214	33.2
Wholesale Financial Services	80	79	1.3	159	124	28.2
Wealth Management	3	4	(25.0)	7	11	(36.4)
Group Funding	(17)	(16)	(6.3)	(33)	(37)	10.8
United States	54	(20)	large	34	190	(82.1)
Retail Banking(3)	1	(1)	large		(1)	large
Wholesale Financial Services	20	(20)	large		71	large
Group Funding(4)	33	1	large	34	120	(71.7)
Asia	6	65	(90.8)	71	94	(24.5)
Nautilus Insurance(5)	(2)	2	large		2	large
Wholesale Financial Services	9	46	(80.4)	55	68	(19.1)
Wealth Management	(4)	15	large	11	11	
Group Funding	3	2	50.0	5	13	(61.5)
Cash earnings from ongoing operations	1,956	1,984	(1.4)	3,940	3,577	10.1

(1) Earnings on excess capital is wholly attributed to Australia. The earnings rate on excess capital for the half years ended September 2002 and March 2002 were 5.72% and 5.26% respectively, and for the years ended September 2002 and September 2001 were 5.49% and 5.68% respectively.

(2) Wealth Management's result in Europe for the year to September 2001 was positively impacted by the receipt

of profit commission on Creditors Insurance business relating to the prior year.

(3) United States Retail Banking incorporates payments clearing operations. There are no traditional retail banking activities within the United States following the sale of Michigan National on 1 April 2001.

(4) United States Group Funding result for the half year to September 2002 has been impacted by an unfavourable interest rate accrual adjustment on an interest rate swap between New York branch and Wholesale Financial Services and the inability to benefit from a tax deduction previously obtained in respect of preference share capital invested in HomeSide. Refer to page 39 for details.

(5) A captive insurance operation.

STATEMENT OF FINANCIAL POSITION

	Note	Proforma Sep 02(1) \$m	As at			Change on Proforma Sep 02(1)	
			Sep 02 \$m	Mar 02 \$m	Sep 01 \$m	Mar 02 %	Sep 01 %
Assets							
Cash assets		8,965	6,294	8,423	7,993	6.4	12.2
Due from other financial institutions		15,839	15,876	18,816	16,472	(15.8)	(3.8)
Due from customers on acceptances		19,474	19,474	20,317	19,353	(4.1)	0.6
Trading securities		19,590	19,590	17,131	19,713	14.4	(0.6)
Available for sale securities		6,192	6,192	6,213	6,665	(0.3)	(7.1)
Investment securities		13,541	13,541	10,556	10,697	28.3	26.6
Investments relating to life insurance business		31,012	31,012	32,865	31,381	(5.6)	(1.2)
Loans and advances		231,300	231,300	207,636	207,797	11.4	11.3
Mortgage loans held for sale			85	101	3,688	large	large
Mortgage servicing rights			1,794	6,044	5,445	large	large
Shares in entities and other securities		1,199	1,199	1,114	1,412	7.6	(15.1)
Regulatory deposits		129	129	334	98	(61.4)	31.6
Property, plant and equipment		2,640	2,640	2,558	2,869	3.2	(8.0)
Income tax assets		1,292	1,292	1,194	1,296	8.2	(0.3)
Goodwill		775	775	828	876	(6.4)	(11.5)
Other assets		24,038	26,194	27,507	38,965	(12.6)	(38.3)
Total assets		375,986	377,387	361,637	374,720	4.0	0.3
Liabilities							
Due to other financial institutions		43,279	43,279	41,194	42,873	5.1	0.9
Liability on acceptances		19,474	19,474	20,317	19,353	(4.1)	0.6
Life insurance policy liabilities		30,425	30,425	32,056	30,257	(5.1)	0.6
Deposits and other borrowings		206,864	206,864	190,627	190,965	8.5	8.3
Income tax liabilities		1,609	1,609	2,045	2,575	(21.3)	(37.5)
Provisions		2,781	2,809	2,202	2,440	26.3	14.0
Bonds, notes and subordinated debt		20,841	22,192	22,499	24,984	(7.4)	(16.6)
Other debt issues		1,866	1,866	1,926	1,985	(3.1)	(6.0)
Other liabilities		25,596	25,618	25,320	35,731	1.1	(28.4)
Net assets		23,251	23,251	23,451	23,557	(0.9)	(1.3)
Equity							
Contributed equity	16	9,931	9,931	10,486	10,725	(5.3)	(7.4)
Reserves	16	2,105	2,105	1,480	2,427	42.2	(13.3)
Retained profits	16	11,148	11,148	11,416	10,337	(2.3)	7.8
Total parent entity interest		23,184	23,184	23,382	23,489	(0.8)	(1.3)
Outside equity interests in controlled entities	16	67	67	69	68	(2.9)	(1.5)
Total equity		23,251	23,251	23,451	23,557	(0.9)	(1.3)

(1) Proforma statement of financial position at 30 September 2002, with SR Investment, Inc. (ie. the HomeSide business) de-consolidated following its sale. SR Investment, Inc. was sold on 1 October 2002.

GROUP KEY PERFORMANCE MEASURES

	Note	Half year to		Year to	
		Sep 02	Mar 02	Sep 02	Sep 01
Shareholder measures					
EVA (\$million)(1)		643	641	1,284	1,129
Cash earnings before significant items per ordinary share (cents)(2)		120.3c	127.9c	248.2c	236.6c
Cash earnings after significant items per ordinary share (cents)(2)		95.1c	126.8c	222.0c	110.7c
Earnings before significant items per ordinary share (cents)		91.6c	140.1c	231.9c	247.4c
Earnings after significant items per ordinary share (cents)		66.4c	139.0c	205.7c	121.5c
Weighted average ordinary shares (no. million)		1,544	1,555	1,549	1,539
Dividends per share (cents)		75c	72c	147c	135c
Performance (after non-cash items)(3)					
Return on equity before significant items		14.5%	20.3%	17.0%	18.4%
Return on equity after significant items		10.5%	20.1%	15.1%	9.0%
Return on assets before significant items		0.77%	1.24%	1.00%	1.07%
Net interest income					
Net interest spread	3	2.36%	2.41%	2.39%	2.34%
Net interest margin	3	2.63%	2.71%	2.67%	2.71%
Profitability					
Cost to income ratio for banking operations (%) (4)		47.9%	47.6%	47.7%	48.5%
Cash earnings per average FTE (before significant items) (\$ 000)(5)		85	85	85	75

(1) Economic Value Added (EVA) measures profitability in excess of the Group's cost of capital. EVA is a registered trademark of Stern Stewart & Co.

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

(3) Includes non-cash items i.e. revaluation profits/(losses) and goodwill amortisation.

(4) Banking operations refers to ongoing operations (excluding Wealth Management).

(5) Full-time equivalent staff include part-time staff (pro-rated) and non-payroll FTE's (ie contractors). Comparative information has been restated to include non-payroll staff.

		As at Sep 02	As at Mar 02	As at Sep 01
Capital				
Tier 1 ratio	16	7.76%	7.91%	7.47%
Tier 2 ratio	16	3.76%	4.03%	3.94%
Deductions	16	(1.31)%	(1.34)%	(1.25)%

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Total capital ratio	16	10.21%	10.60%	10.16%
Common equity to tangible assets		5.02%	5.38%	5.19%
Balance sheet assets				
Gross loans and acceptances (\$billion)		255	232	232
Risk-weighted assets (\$billion)	16	248	237	258
Off-balance sheet assets				
Funds under management and administration (\$billion)		65	70	64
Assets under custody and administration (\$billion)		365	359	345
Asset quality				
Gross non-accrual loans to gross loans and acceptances	11	0.62%	0.75%	0.75%
Net impaired assets to total equity	11	4.7%	4.9%	5.1%
General provision to risk-weighted assets	11	0.82%	0.88%	0.86%
Specific provision to gross impaired assets	11	34.6%	37.0%	33.7%
General and specific provisions to gross impaired assets	11	161.0%	155.7%	160.5%
Other information				
Full-time equivalent employees (no.)(5)	9	43,202	43,658	47,597
Core full-time equivalent employees(6)		41,428	41,969	44,983

(5) Full-time equivalent staff include part-time staff (pro-rated) and non-payroll FTE s (ie contractors). Comparative information has been restated to include non-payroll staff.

(6) Full-time and part-time staff and core full-time equivalent employees excluding the effect of unpaid absences (eg maternity leave) and contractors.

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion & Analysis Overview

OVERVIEW

The year to 30 September 2002 marked the end of a two year period in which the National Australia Bank Group has been reshaped. During this time the Group has:

Integrated the MLC acquisition to form an international Wealth Management division operating in six countries;

Exited retail banking in the United States through the sale of Michigan National Corporation;

Recapitalised and sold the United States mortgage banking operation HomeSide after suffering a \$3.8 billion writedown in this business;

Restructured the Group into three regional retail banking operations and two internationally focused operations - Wholesale Financial Services and Wealth Management.

Implemented a Group-wide productivity improvement program (Positioning for Growth) that will deliver annual expense reductions of \$370 million by September 2004.

This has produced a much more streamlined and tightly focused Group that is well positioned for the future.

The reshaping of the Group has seen the profit impacted by a number of major items, including the funding cost of acquiring MLC for cash, the profit on sale of Michigan National, the writedown and subsequent cost of recapitalising HomeSide and the restructuring expense associated with Positioning for Growth.

Throughout this period the Group has remained focused on core operations. The Group produced a record net profit after significant items for the year ended 30 September 2002 of \$3,379 million, which is 61.8% higher than the previous year impacted by the writedowns related to the United States mortgage servicing operation. The net profit is 4.3% higher than the previous record of \$3,241 million reported in the year ending 30 September 2000.

Final dividend has been increased 3 cents to 75 cents per share compared with the interim dividend and will be 90% franked. This brings the full year dividend to 147 cents 95% franked which represents an increase of 8.9% compared with the 2001 fully franked full year dividend of 135 cents. The success of our offshore operations has resulted in this fall in the level of franking. The Group expects to be able to frank dividends to the extent of 85-100% during the course of 2003 financial year.

Prior to significant items, net profit of \$3,785 million is down 5.9% on last year primarily due to results in the Wealth Management operation which were unavoidably impacted by global equity markets. This result was also impacted by several non-cash items including a goodwill charge of \$101 million and a revaluation loss of \$152 million in relation to subsidiaries of the life insurance operation. Cash earnings before these items of \$3,845 million was 5.6% higher than last year. Cash earnings per share before significant items increased 11.6 cents (4.9%) to 248.2 cents.

(1) Reflects loss of profit contribution

Cash earnings (before significant items) from ongoing operations of Banking and Wealth Management produced 10.1% growth on last year. This is the figure that management has focused most closely on since these are the businesses that will continue to drive the Group's profit into the future.

Banking

Banking operations generated \$3,650 million of total Group cash earnings, an increase of 14.6% on last year. The retail banking operations – the heart of the business – produced \$2,934 million, a growth rate of 23.4%. Australia and New Zealand retail banking operations had outstanding results with growth rates of 28.5% and 31.3% respectively. Europe contributed a solid 10.4% increase.

Wholesale Financial Services had a good result with an 11.5% increase in net profit in tough market conditions.

Wealth Management

Operating profit from Wealth Management fell by 25.8%. Whilst funds inflows remained strong the value of funds under management increased only 1% over the year as a result of the decline in global equity values. This had a significant impact on the level of fees earned which are an important component of the overall profitability of the business.

The fall in global equity markets adversely impacted investment earnings on capital which also contributed to the decline in operating profit.

The Wealth Management operation continues to garner an increasing share (22.5%) of retail funds inflows in Australia. A substantial investment program in both Australia and United Kingdom will underpin future growth in this business.

Regional Performance

The National is unique amongst Australian banks in operating successful businesses structured as international operations. The Group's reporting is organised to reflect the way the businesses are managed and this does not highlight the total performance across all of the businesses in a geographic region. Peer comparisons are more readily made by viewing results across geographic regions.

Results by geographic regions are set out on page 10. This demonstrates the strong performance in the Australian and New Zealand operations. The Australian operation produced a cash profit growth of 16.8% and New Zealand 34.0%. European operations also had a solid year growing at 10.5%.

The overall result was adversely affected by two significant factors associated with the United States operations: the recapitalisation of the Group's former US subsidiary HomeSide and provisioning required for one major corporate customer in our New York Branch.

Significant items

The Group's September 2002 results contained two significant items totalling \$406 million after tax - restructuring expenses of \$412 million and the gain on sale of SR Investment, Inc. (HomeSide) of \$6 million. Refer to note 13 on page 68 for further details.

Restructuring expenses

During 2002, the Group recognised restructuring costs of \$412 million after tax resulting from its Positioning for Growth (PfG) program and related restructuring activities. The initiative comprises a fundamental reorganisation of the structure of the Group as well as a series of revenue and cost enhancement initiatives. Restructuring expenses primarily relate to redundancies of \$230 million, technology write-downs of \$88 million, surplus leased space of \$54 million, and other restructuring costs of \$40 million. During 2002, payments of \$101 million (before tax) were incurred in relation to 859 redundancies.

Staff reductions resulted from changes to head office, back office, IT, operations and front office areas and the re-engineering of the lending, distribution and transaction processing functions. Fixed asset write-offs related to assets which are no longer considered to have future economic benefits as a result of PfG initiatives including the global component of assets that will not provide benefits in our regionally focused business model.

Technology write-downs included \$38 million (after tax) in relation to the Group's ISI Program. This follows a full project review taking into account the move from a global to a regional business model as a result of PfG.

The restructuring expenses were necessarily incurred to deliver a significant portion of the announced PfG cost reductions of \$370 million per annum by September 2004. Of these savings, 80% relate to personnel costs. Redundancy payments will have a payback period of approximately one year.

The benefit from asset write-offs is driven primarily by the cessation of future amortisation and depreciation in relation to those assets. Surplus leased space provisioning benefits will be reflected through reduced future lease rental expense.

Sale of HomeSide

On 27 August 2002, the National agreed to sell all of its shares in SR Investment, Inc., the parent company of HomeSide Lending, Inc., to Washington Mutual Bank, FA. Total proceeds are approximately US\$1.5 billion (A\$2.7 billion), comprised of the interim settlement amount of approximately US\$1.3 billion based on an agreed estimated value of the net assets sold as at closing, plus approximately US\$0.2 billion representing amounts receivable in relation to the sale of bulk MSR. The majority of these receivables have now been collected and paid. The share sale was completed on 1 October 2002. The total proceeds received are subject to final adjustments, which will occur during the first half of the 2003 financial year.

This resulted in a profit on sale of US\$3 million (A\$6 million), which has been recognised in the Group's accounts as a significant item for the year ending 30 September 2002.

As a result of the sale the National has exited all mortgage servicing rights and associated hedges, and consequently reduced the Group's balance sheet and earnings risk exposure.

Asset Quality

The Group's asset quality improved over the course of the financial year. Gross non-accrual loans declined from \$1,732 million at September 2001 to \$1,590 million at September 2002.

Gross non-accrual loans to gross loans and acceptances fell to 0.62%, the lowest percentage for the Group since 1986.

This trend reflects the continuing effectiveness of the Group's credit risk policies. This includes the matching of lending growth strategies with asset quality risk appetite covering the alignment of strategic planning, risk based pricing and measurement and allocation of credit risk capital. The measures adopted include:

Inclusion of sensitivity analysis within the lending approval decision processes and the use of early warning indicators, incorporating behavioural analysis tools, to identify emerging problem loans;

The diversification of the portfolio by sector and geography and the limited exposures to riskier segments of the corporate sector including through the use of portfolio management tools post-origination;

Implementation of new policy initiatives to limit concentrations of credit risk capital attributable to poorer credit risk grades; and

Ongoing reviews of the quality of the loan book incorporating retain/exit lending strategies.

The longer term influences of matching of strategy with risk appetite is reflected in the National's internal estimates of its credit risk capital requirements that shows a reduction over the past year despite the continuing expansion of the loan book. This reflects not simply the relatively stronger growth of housing lending within the portfolio but also the substitution of better quality corporate credits in place of weaker ones.

Asset quality remains strong from the perspective of its rating, security coverage and diversification. Investment grade and secured lending represents 84% of the portfolio. Wholesale Financial Service's loan portfolio across all regions has a similar percentage of investment grade or above exposures. Investment grade is equivalent to Standard & Poor's BBB- and better.

The National's lending exposures are diversified across a range of industry sectors.

Exposures by selected industry sectors

	Exposures \$bn	% of total Group Exposures	Investment Grade %	Non- Accrual \$bn
Energy	10.9	2.7	87	0.1
Australia/ New Zealand	6.6		90	0.0
Europe	1.6		68	0.0
United States	2.2		95	0.1
Asia	0.5		100	0.0
Media	1.6	0.4	85	0.0
Australia/ New Zealand	0.9		100	0.0
Europe	0.5		85	0.0
United States	0.1		58	0.0
Asia	0.1		0	0.0
Technology	1.1	0.3	51	0.0
Australia/ New Zealand	0.4		69	0.0
Europe	0.2		27	0.0
United States	0.1		26	0.0
Asia	0.4		58	0.0
Telecommunications	2.7	0.7	78	0.0
Australia/ New Zealand	1.1		76	0.0
Europe	1.2		100	0.0
United States	0.3		72	0.0
Asia	0.1		96	0.0

Exposures to the energy, telecommunications, technology and media sectors remain low as a proportion of total exposures. These exposures are predominantly to investment grade counterparties.

The Group continually monitors its housing loan and other consumer portfolios through reviews to ensure that changes to historical standards are investigated with corrective action instituted as needed. The book continues to perform satisfactorily with delinquency levels below long-term trends.

Stress testing of the Australian home loan portfolio has shown that a 30% reduction in property prices in combination with a fivefold increase in default rates would be likely to result in losses of less than \$100 million.

The Australian agriculture portfolio retains a high level of security coverage at approximately 95%. Total non-accrual loans to the Australian agriculture sector account for only 0.86% of total agricultural outstandings as at 30 September 2002. The Group will continue to closely monitor our exposure to this sector as well as businesses that service the agricultural sector.

The recognition of impaired exposures and associated provisioning continues to be treated conservatively. Management is satisfied that the level of current provisions is adequate for known problem loans and trends.

The total provisioning coverage of impaired assets increased over the past six months to 161%. The latest full-year charge to provide for doubtful debts of \$697 million compares with \$989 million for 2001.

Management Discussion & Analysis Profitability**PROFITABILITY**

The following analysis covers major movements set out in the Group Statement of Financial Performance on page 9.

Net Interest Income

Group net interest income increased 3.8% from the prior year which included Michigan National Corporation. Net interest income from ongoing operations increased 7.9%, with Retail Banking increasing 8.1% and Wholesale Financial Services increasing 20.3%. This result has been driven primarily by strong volume growth across all divisions.

Volumes by Division

Interest earning assets grew by 10% year on year with very strong performances from the Australian and New Zealand retail operations.

Retail Banking volume growth across all regions has been largely driven by strong housing growth and subdued business lending. Wholesale Financial Services increased volumes in the Markets Division which offset the decline in Corporate Lending.

	Sep 02	Year to Sep 01	Change on Sep 01
Average interest earning assets(1)	\$bn	\$bn	%
Retail Banking	165	150	10
Financial Services Australia	96	85	13
Financial Services Europe	52	49	6
Financial Services New Zealand	18	16	13
Wholesale Financial Services	99	90	10
Other	7	7	
Group interest-earning assets	271	247	10

(1) Interest-earning assets exclude intercompany balances and Michigan National.

Net interest margin

The Group's average net interest margin decreased by 4 basis points to 2.67% from the September 2001 year. The margin decline has come from lower deposit margins arising from interest rate declines and a higher mix of home lending in the retail loan portfolio.

Net interest margin September 2001 year v. September 2002 year

Wholesale Financial Services contributed positively to margin growth as a result of funding and liquidity management activities in the Markets Division in the first half of the year.

Retail Banking margins showed a small decline in contribution due to a 19 basis point decline in Financial Services Australia's margin partly offset by an 8 and 4 basis point improvement in the margin in Financial Services Europe and New Zealand respectively.

The 19 basis point reduction in Financial Services Australia's margin was primarily due to a higher mix of home lending in the loan portfolio and the impact of low interest rates on retail deposit margins.

Financial Services Europe's margin increased 8 basis points driven by an increase in its lending margin across fixed rate personal, business and home loans.

Financial Services New Zealand's margin improved 4 basis points resulting from 15% growth in the level of retail deposits and a higher level of retained capital.

The steeper yield curve in the US enabled HomeSide to earn a positive spread on its loan warehouse in the first half of the year. This was offset by the need to recapitalise this subsidiary.

The sale of Michigan National on 1 April 2001 reduced the Group margin by 4 basis points.

The impact through Group Funding of the recapitalisation of HomeSide net of the benefit of the proceeds from the sale of Michigan National on the Group margin, was a reduction of 3 basis points.

Net life insurance income

The Group reports its results in accordance with Australian Accounting Standard AASB 1038 Life Insurance Business (AASB 1038). AASB 1038 requires that the interests of policyholders in the statutory funds of the life insurance business be reported in the consolidated results.

Net life insurance income is the profit before tax excluding net interest income of the statutory funds of the life insurance controlled entities of the Group. As the policyholders receive the tax benefits, the movement in net life insurance income should be reviewed on an after tax basis. The statutory funds of the life insurance controlled entities conduct superannuation, investment and insurance-related businesses (ie. Protection business including Term & Accident, Critical Illness and Disability insurance and Traditional Whole of Life and Endowment).

	Half year to		Fav/ (unfav) change on Mar 02	Year to		Fav/ (unfav) change on Sep 01
	Sep 02	Mar 02		Sep 02	Sep 01	
	\$m	\$m	%	\$m	\$m	%
Net life insurance income/(loss)	(250)	240	large	(10)	128	large
Income tax expense/(benefit)	(354)	106	large	(248)	(212)	17.0
Net life insurance income after tax	104	134	(22.4)	238	340	(30.0)

Net life insurance loss of \$10 million has moved adversely by \$138 million from the prior year. This deterioration was primarily due to reduced investment revenue of \$111 million in 2002 reflecting the decline in global equity values.

Tax benefit in relation to net life insurance income has increased from \$212 million to \$248 million for the year ended 30 September 2002 resulting in a 30.0% decline in net life insurance income after tax to \$238 million.

Net life insurance income after tax reduced 22.4% to \$104 million for the September 2002 half compared to March 2002.

For detailed discussion on the results of Wealth Management refer pages 34 – 38.

Other Operating Income

Other operating income from ongoing operations increased by 2.5% from the prior year to \$4,648 million.

Retail Banking contributed solidly to the result, with other operating income increasing 7.6%. This included higher lending fees from housing loan volumes, and volume driven increases in Cards income due to strong retail sales. Other operating income in Financial Services Australia and New Zealand grew strongly in the second half due to strong home loan lending and growth in deposit products. Growth in Financial Services Europe was subdued (up 1.5%).

A 19.5% fall in other operating income within Wholesale Financial Services resulted from low volatility in financial markets. This lowered the demand for risk management products and reduced fee income from Corporate Finance activity. The second half of the year saw a turnaround in the trend with other operating income up 7.3% on the first half.

Operating Expenses

Operating expenses for ongoing operations increased 4.8% from the prior year to \$5,949 million (excluding investor compensation in Wealth Management). The increase was driven by three primary factors:

Higher depreciation and amortisation as a result of the significant investments in Australia and Europe in particular. This involved the building of the Wealth Management platform, an internet banking platform and a second call centre in the UK, preparations for EMU and significant investment in the National's CRM capability in Australia.

Volume related expenses in credit card operations and outsourced call centre in Financial Services Europe; and

Expenses associated with internet enabling the Australian operations.

Personnel expenses increased by 2.9%. The impact of salary increases was significantly offset by restructuring which resulted in a net reduction of 1,069 of full time equivalent staff (excluding the impact of the HomeSide sale).

Income Tax Expense

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Income tax expense on cash earnings from ongoing operations excluding life insurance has increased 6.2% to \$1,488 million, primarily reflecting profit growth. The net effective taxation rate for the ongoing operations excluding life insurance has fallen from the prior year largely due to the reduction in the Australian corporate taxation rate from 34% to 30%. A reconciliation of the total Group income tax expense is incorporated in note 12.

Management Discussion & Analysis Capital and Performance Measures

CAPITAL AND PERFORMANCE MEASURES

Performance Measures

Economic Value Added (EVA)

EVA is a profitability measure designed to recognise the requirement to generate a satisfactory return on the economic capital invested in the business. If the business produces profit in excess of its cost of capital then value is created for shareholders. Senior management are required to place a significant percentage of total remuneration at risk depending upon the outcome of Group EVA for the year. This aligns management interests with those of shareholders. The Group's target is for 5% growth per annum in EVA.

Strong profit growth in the ongoing businesses and restrained capital growth have contributed to the creation of \$1,284 million of EVA during the 2002 year. This represents growth of 13.7% compared with the prior year.

Earnings per share

Earnings per share increased 84.2 cents to 205.7 cents (69.3%). The large increase reflecting the impact of the significant items in the 2001 year in relation to the HomeSide writedown.

On 27 August 2002 the Group confirmed its commitment to the 10% cash earnings growth to ongoing operations before significant items, and announced a reduction in the cash earnings per share outlook to 3% - 5%. Reported results are in line with the revised projections with a 10.1% increase in cash earnings from ongoing operations and 4.9% increase in cash earnings per share.

Return on equity

Return on equity before significant items is 17.0% which is 1.0% below target. This reflects Wealth Management's lower earnings and revaluation loss resulting from the fall in the global investment markets.

Balance Sheet

Capital Position

The Group's capital ratios remained strong through the year with all key measures above their target ranges.

The Group's Tier 1 capital represents 7.76% of risk-weighted assets (6.68% excluding hybrid equity) and total capital represents 10.21% of risk-weighted assets. This is an improvement on the Total Regulatory Capital ratio of 10.16% at September 2001. The Group's targets for the regulatory ratios are 6.25% - 6.75% for Tier 1 capital and 9.00 - 9.50% for Total Regulatory Capital.

The National uses the ratio of adjusted common equity to tangible assets (tangible common ratio) as another measure of the Group's capital position. In contrast to the regulatory capital adequacy ratios, which focus solely on the capital available to support the banking operations, the tangible common ratio reflects the common equity available to support all the Group's operations. Adjusted common equity is calculated by subtracting from total shareholders equity, goodwill (including Wealth Management intangible assets), Tier 1 hybrid securities, asset revaluation reserve and adding back the accrued benefit of expected new equity to be issued under the National's dividend re-investment plan (as included in Tier 1 capital). Tangible assets are calculated by subtracting goodwill and investment-linked life insurance assets from total assets.

The Group's ratio of adjusted common equity to tangible assets was 5.02% compared to 5.19% at September 2001. The reduction is primarily due to the growth in the loan and investment securities coupled with the ongoing share buy-back program. The Group's target range for this ratio is 4.25% - 4.75%.

The National adopts a conservative approach to its capital levels consistent with maintaining a AA long term rating with Standard and Poor's (Moody's Aa3). The National's strong capital position supports the continuation of our strategy of active capital management. This strategy incorporates the use of on-market buy-backs to reduce surplus capital and our ongoing policy to buy-back all new shares issued under the National's dividend re-investment plan and other share plans.

Share Buy-back

In November 2001, the Group adopted a policy of buying back shares equal to new shares issued under the Group's various dividend plans and staff share and option plans. In May 2002, the Group announced further capital management initiatives, the buy-back program was increased by \$1.0 billion and extended until September 2003. A cap of 15,000 was placed on the number of shares per shareholder eligible to participate in the Dividend Reinvestment Plan, effective from the July 2002 interim dividend.

Following the announcement of the sale of HomeSide in August 2002, the Group further increased the value of the shares subject to its buy-back program by \$750 million. All buy-backs are subject to appropriate pricing parameters and an assessment of the circumstances facing the Group at the relevant time.

During the year ending September 2002, the Group has bought back 36.2 million shares at an average price of \$34.52 thereby reducing ordinary equity by \$1.2 billion. The highest price paid was \$36.06 and the lowest price paid was \$31.00. The volume weighted average price of shares purchased on the days in which National was purchaser was \$34.61. The National's purchases represented 8.9% of market turnover on the days in which the National was purchaser.

Share buy-back activity

Number of days traded	88 days	
National's buy-back average price	\$	34.52
Percentage of market turnover on days traded	8.9	%
Percentage of market turnover since buy-back commenced	3.9	%
Volume weighted average share price on days traded		
all shares traded	\$	34.61
shares traded excluding buy-back	\$	34.62

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A comparison of the Group's buy-back activities relative to total market in National Australia Bank shares, highlights that the Group continues to execute the buy-back program in modest volumes, avoiding any market disruptions.

Software Capitalisation

The Group has capitalised the development and purchase of software in accordance with international accounting standards for classification as an asset. Total capitalised software as at 30 September 2002 was \$884 million (\$840 million at 30 September 2001).

The level of software capitalisation at 30 September 2002 equates to 0.2% of total assets or 2.7% of total equity.

Software is amortised over a period of 3-10 years commencing from date of implementation. The only assets amortised over a period of 10 years are the ISI program and the Global Data Warehouse. The amortisation period aligns to the expected useful life. The software amortisation charge for the year to 30 September 2002 was \$106 million (\$65 million for year to 30 September 2001).

The largest investments, which are included within the software capitalised balance at 30 September 2002, include:

	\$m
Integrated Systems Implementation Program (ISI)	279
Customer relationship management system	88
Wealth Management platform in the UK	35
e-Business Lending Web enabled end-to-end business lending system	23
e-Consumer Lending streamlined consumer lending system	17
Global Data Warehouse (Australia and UK)	17
Wealth Management on-line adviser reporting, e-commerce facility and call centre systems	13
Internet banking Australia	13
EMU compliant systems in Europe	10
Foundations branch enabling PC technology	10
Cards interface systems	10

Integrated Systems Implementation (ISI)

The ISI program is a multi-stage project designed to provide the Group with a common global enterprise resource planning system across all our lines of operations. The program was conceived under the former global operating model of the Group and originally contemplated a sequential roll-out of globally integrated modules covering human resources, e-procurement and finance.

The ISI program is a key enabler for the following:

Provision of a strategic infrastructure platform for the future;

Transformation of the finance and HR functions which will result in staff savings, improved processes and more timely decision making based on more accurate, comprehensive and consistent information;

Significant procurement savings;

Improved risk and balance sheet management, and;

Replacement of legacy systems.

As a result of the Group restructure away from the global business units, the program has been reshaped to provide three regional roll-outs with the key modules ie: HR, Finance etc, staggered within each region. Project management, which was outsourced, has now been brought back in-house. The regional roll-out represents a lower risk implementation strategy. The program is stage-gated with the release of funds for each stage approved depending upon the achievement of milestones in respect to previous stages.

The program costs have been capitalised and amortisation will begin during the 2003 financial year. Carrying costs of the project (software and hardware) at 30 September 2002 was \$294 million. As a result of the reshaping of the project, the roll out of some modules have been deferred and certain aspects of the global design have become redundant. It has been decided to write-off the carrying cost of these items and accordingly a charge of \$38 million (after tax) has been taken to restructuring expense.

RETAIL BANKING

Principal Activities

The Regional Financial Services Divisions include the business, agribusiness and consumer financial services retailers as well as cards, payments and leasing units together with supporting shared services. These operate in Australia, Europe and New Zealand. They exclude Wealth Management and Wholesale Financial Services. The regional financial services businesses aim to develop long-term relationships with their customers by providing products and services that consistently meet the full financial needs of customers.

Statement of Financial Performance

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	Half year to		Fav/ (unfav) change on Mar 02 %	Year to		Fav/ (unfav) change on Sep 01 %
	Sep 02 \$m	Mar 02 \$m		Sep 02 \$m	Sep 01 \$m	
Net interest income	3,148	3,082	2.1	6,230	5,763	8.1
Other operating income	1,627	1,561	4.2	3,188	2,962	7.6
Total income	4,775	4,643	2.8	9,418	8,725	7.9
Other operating expenses	2,374	2,305	(3.0)	4,679	4,457	(5.0)
Underlying profit	2,401	2,338	2.7	4,739	4,268	11.0
Charge to provide for doubtful debts	272	241	(12.9)	513	678	24.3
Profit before tax	2,129	2,097	1.5	4,226	3,590	17.7
Income tax expense	659	633	(4.1)	1,292	1,213	(6.5)
Net profit	1,470	1,464	0.4	2,934	2,377	23.4

By Division

Financial Services Australia	889	881	0.9	1,770	1,377	28.5
Financial Services Europe	441	471	(6.4)	912	826	10.4
Financial Services New Zealand	161	133	21.1	294	224	31.3
Other	(21)	(21)		(42)	(50)	16.0
Retail Banking	1,470	1,464	0.4	2,934	2,377	23.4

Financial Services Australia

Refer to page 26 for a detailed discussion of financial performance.

Financial Services Europe

Refer to page 28 for a detailed discussion of financial performance.

Financial Services New Zealand

Refer to page 30 for a detailed discussion of financial performance.

Other

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Other includes corporate centre, which comprises the following non-operating units group finance, corporate development, people & culture and office of the ceo. Other also includes group eliminations.

Management Discussion & Analysis Financial Services Australia

FINANCIAL SERVICES AUSTRALIA

Statement of Financial Performance

	Half year to		Fav/ (unfav) change on Mar 02 %	Year to		Fav/ (unfav) change on Sep 01 %
	Sep 02 \$m	Mar 02 \$m		Sep 02 \$m	Sep 01 \$m	
Net interest income	1,665	1,619	2.8	3,284	3,092	6.2
Other operating income	961	906	6.1	1,867	1,741	7.2
Total income	2,626	2,525	4.0	5,151	4,833	6.6
Other operating expenses	1,258	1,238	(1.6)	2,496	2,403	(3.9)
Underlying profit	1,368	1,287	6.3	2,655	2,430	9.3
Charge to provide for doubtful debts	100	46	large	146	324	54.9
Profit before tax	1,268	1,241	2.2	2,509	2,106	19.1
Income tax expense	379	360	(5.3)	739	729	(1.4)
Net profit	889	881	0.9	1,770	1,377	28.5

Key Performance Measures

Performance & profitability					
Return on assets (annualised) (%)	1.52%	1.56%		1.52%	1.32%
Cost to income ratio (%)	47.9%	49.1%		48.5%	49.7%
Profit per average FTE (annualised) (\$ 000)	92	89		91	70
Net interest income					
Net interest margin (%)	3.35%	3.51%		3.42%	3.61%
Net interest spread (%)	2.85%	3.05%		2.94%	3.10%
Balance sheet (\$bn)					
Gross loans and acceptances (average)	118.7	110.9		114.8	102.7
Average interest-earning assets	98.3	91.5		95.0	85.6
Retail deposits (average)	55.6	53.9		54.7	50.7

	As at		As at		Sep 01
	Sep 02	Mar 02	Sep 02	Mar 02	
Asset quality (%)					
Gross non-accrual loans to gross loans and acceptances	0.52	%	0.56	%	0.69
Specific provision to gross impaired assets	25.5	%	29.2	%	24.7
Other (no.)					
Full-time equivalent employees (FTE)(1)	19,138		19,525		19,631
Core full-time equivalent employees(2)	18,264		18,534		18,705

(1) Full-time equivalent staff include part-time staff (pro-rated) and non-payroll FTE s (ie contractors). Comparative information has been restated to include non-payroll staff.

(2) Full-time and part-time staff and core full time equivalent employees excluding the effect of unpaid absences (eg maternity leave) and contractors.

Financial performance

Financial Services Australia (FSA) produced a strong performance gaining market share in both housing and business segments. The result reflects FSA's focus on efficient capital use and asset quality. It also demonstrates its strong market position in Australia.

Net profit increased 28.5% or \$393 million over the prior year. Underlying profit increased 9.3% over the same period, with the September half increasing 6.3% over the March 2002 half year.

The cost to income ratio for the year was 48.5% compared to the previous year ratio of 49.7%. Good progress has been made towards achieving the 46.0% cost to income target in 2004.

Total income

Net interest income increased 6.2% reflecting 11.0% growth in lending volumes partially offset by a 19 basis point reduction in net interest margin. Key factors were:

Strong volume growth from housing lending of 18.4% or \$9.2 billion;

Improved business lending volume growth in the second half of the year;

Retail deposit growth of 7.9%; and

Lower net interest margin of 19 basis points caused by the increased proportion of housing in the loan portfolio and impact of lower market rates on deposit margins.

Other operating income increased 7.2% due to stronger housing volume growth and higher transaction levels.

Expenses

Operating expenses were 3.9% higher due to:

Personnel expense increased 5.0%. The impact of lower staff numbers of 493 has been offset by Enterprise Bargaining Agreement increases over the past year and the impact in the second half of the year of superannuation contribution increase from 8% to 9%;

Outside service expenses increased 10.1% associated with upgrade of the credit card transaction processing system, increased credit card reward point costs and software expense due to continued enhancement of the network; and

Occupancy expense increased 7.4%. Higher security costs following September 11, lease back expense on property sold in 2002 and GST charged on renewed lease agreements contributed to this increase.

Expenses in the September 2002 half-year are slightly higher when compared to the March 2002 half resulting from the full impact of the Enterprise Bargaining Agreement and increase in superannuation contribution.

Asset quality

The charge to provide for doubtful debts for the period was 54.9% lower than prior year. The 2002 year has seen improvement in both the specific and statistical provision charges driven by improving economic conditions and active credit risk management.

The low first half charge to provide for doubtful debts included favourable impact from extensive review of the business loan portfolio. FSA has undertaken a comprehensive program to improve capital efficiency and reduce credit risk over the past 18 months.

Management's Discussion & Analysis Financial Services Europe

FINANCIAL SERVICES EUROPE

Statement of Financial Performance

Australian dollars

	Half year to			Year to		
	Sep 02	Mar 02	Fav/ (unfav) change on Mar 02	Sep 02	Sep 01	Fav/ (unfav) change on Sep 01
	\$m	\$m	%	\$m	\$m	%
Net interest income	1,172	1,184	(1.0)	2,356	2,157	9.2
Other operating income	512	535	(4.3)	1,047	1,032	1.5
Total income	1,684	1,719	(2.0)	3,403	3,189	6.7
Other operating expenses	849	845	(0.5)	1,694	1,613	(5.0)
Underlying profit	835	874	(4.5)	1,709	1,576	8.4
Charge to provide for doubtful debts	190	188	(1.1)	378	348	(8.6)
Profit before tax	645	686	(6.0)	1,331	1,228	8.4
Income tax expense	204	215	5.1	419	402	(4.2)
Net profit	441	471	(6.4)	912	826	10.4

Statement of Financial Performance

Pounds sterling

	£m	£m	%	£m	£m	%
Net interest income	428	425	0.7	853	782	9.1
Other operating income	187	192	(2.6)	379	374	1.3
Total income	615	617	(0.3)	1,232	1,156	6.6
Other operating expenses	309	303	(2.0)	612	584	(4.8)
Underlying profit	306	314	(2.5)	620	572	8.4
Charge to provide for doubtful debts	69	67	(3.0)	136	125	(8.8)
Profit before tax	237	247	(4.0)	484	447	8.3
Income tax expense	75	77	2.6	152	145	(4.8)
Net profit	162	170	(4.7)	332	302	9.9

Key Performance Measures

Expenses

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Performance & profitability				
Return on assets (annualised) (%)	1.26%	1.33%	1.31%	1.20%
Cost to income ratio (%)	50.4%	49.2%	49.8%	50.6%
Profit per average FTE (annualised) (£ 000)	27	28	27	25
Net interest income				
Net interest margin (%)	4.10%	4.00%	4.05%	3.97%
Net interest spread (%)	3.82%	3.64%	3.73%	3.45%
Balance sheet (£ bn)				
Gross loans and acceptances (average)	19.3	19.2	19.3	18.0
Average interest-earning assets	20.5	21.0	20.7	19.4
Retail deposits (average)	12.9	12.4	12.6	11.4

	Sep 02	As at Mar 02	Sep 01
Asset quality (%)			
Gross non-accrual loans to gross loans and acceptances	0.96%	1.09%	1.23%
Specific provision to gross impaired assets	30.3%	32.0%	31.3%
Other (no.)			
Full-time equivalent employees (FTE)(1)	11,848	12,077	12,122
Core full-time equivalent employees(2)	11,597	11,876	12,007

(1) Full-time equivalent staff include part-time staff (pro-rated) and non-payroll FTE s (ie contractors). Comparative information has been restated to include non-payroll staff.

(2) Full-time and part-time staff and core full time equivalent employees excluding the effect of unpaid absences (eg maternity leave) and contractors.

Financial performance

Net profit increased 9.9% in local currency terms compared with the prior year. The cost to income ratio has improved over the year from 50.6% to 49.8%.

Total income

Net interest income grew 9.1% from the prior year reflecting the success of core retail strategies including:

Growth in retail deposit volumes of 11%;

Lending increased 6.0% driven by mortgage lending growth of 8.5% and growth in business lending of 4.0%;
and

An 8 basis point improvement in net interest margin as a result of lower deposit margins offset by higher lending margins on fixed rate loans.

In the half year to September 2002 net interest income was flat with improvement in net interest margins being offset by lower income from interest rate risk management. Average assets fell in the second half due to the repayment of intercompany loans. Excluding this impact, loans increased 1% in the second half.

Other operating income increased 1.3% with growth in lending fees offset by lower Wealth Management income and transition of customers to lower cost channels.

Expenses

Operating expenses grew 4.8%, due to:

Flat personnel costs as a result of annual salary reviews, which have been offset by reductions in overall staff numbers. Increased customer-facing staff has been offset by reductions in back-office and support functions;

Increased occupancy costs resulting from the opening of a number of new business banking centres, as well as higher costs resulting from rental and rate reviews; and

Opening of a second European call centre in October 2001.

Asset quality

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The charge to provide for doubtful debts has increased 8.8%. Asset quality across financial services europe has improved with gross non-accrual loans to gross loans and acceptances falling to 0.96% from 1.23%.

Management Discussion & Analysis Financial Services New Zealand

FINANCIAL SERVICES NEW ZEALAND

Statement of Financial Performance

Australian dollars

	Half year to			Year to		
	Sep 02	Mar 02	Fav/ (unfav) change on Mar 02	Sep 02	Sep 01	Fav/ (unfav) change on Sep 01
	\$m	\$m	%	\$m	\$m	%
Net interest income	319	280	13.9	599	525	14.1
Other operating income	146	137	6.6	283	273	3.7
Total income	465	417	11.5	882	798	10.5
Other operating expenses	230	210	(9.5)	440	449	2.0
Underlying profit	235	207	13.5	442	349	26.6
Charge to provide for doubtful debts	(13)	8	large	(5)	13	large
Profit before tax	248	199	24.6	447	336	33.0
Income tax expense	87	66	(31.8)	153	112	(36.6)
Net profit	161	133	21.1	294	224	31.3

Statement of Financial Performance

New Zealand dollars

	NZ\$m	NZ\$m	%	NZ\$m	NZ\$m	%
Net interest income	373	344	8.4	717	654	9.6
Other operating income	172	168	2.4	340	340	
Total income	545	512	6.4	1,057	994	6.3
Other operating expenses	269	258	(4.3)	527	557	5.4
Underlying profit	276	254	8.7	530	437	21.3
Charge to provide for doubtful debts	(16)	10	large	(6)	16	large
Profit before tax	292	244	19.7	536	421	27.3
Income tax expense	102	81	(25.9)	183	141	(29.8)
Net profit	190	163	16.6	353	280	26.1

Key Performance Measures

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Performance & profitability				
Return on assets (annualised) (%)	1.49%	1.27%	1.36%	1.17%
Cost to income ratio (%)	49.5%	50.4%	49.9%	56.2%
Profit per average FTE (annualised) (NZ\$ '000)	98	83	91	71
Net interest income				
Net interest margin (%)	2.93%	2.77%	2.85%	2.81%
Net interest spread (%)	3.00%	2.91%	2.96%	2.97%
Balance sheet (NZ\$bn)				
Gross loans and acceptances (average)	21.3	20.9	21.1	19.6
Average interest-earning assets	25.3	24.7	25.0	23.1
Retail deposits (average)	15.1	14.2	14.7	12.8

	Sep 02		As at Mar 02		Sep 01	
Asset quality (%)						
Gross non-accrual loans to gross loans and acceptances	0.14	%	0.21	%	0.25	%
Specific provision to gross impaired assets	37.2	%	29.5	%	21.7	%
Other (no.)						
Full-time equivalent employee (FTEs)(1)	3,860		3,866		4,001	
Core full-time equivalent employees(2)	3,798		3,783		3,844	

(1) Full-time equivalent staff include part-time staff (pro-rated) and non-payroll FTEs (ie contractors). Comparative information has been restated to include non-payroll staff.

(2) Full-time and part-time staff and core full time equivalent employees excluding the effect of unpaid absences (eg maternity leave) and contractors.

Financial performance

Net profit for the year ended 30 September 2002 was NZ\$353 million, an increase of 26.1% from the previous year.

Total income

Net interest income grew 9.6%, reflecting the success in the core retail strategies with new product launches and focused targeting of key customer groupings.

8.6% increase in core lending assets, particularly in fixed rate housing mortgages and term lending. Housing volumes up 9.2% to NZ\$10.6 billion;

14.8% increase in retail deposit volumes;

Net interest income also benefited from a higher level of retained capital; and

Increase in net interest margin from 2.81% to 2.85%.

Other operating income remained flat with increased lending fees offset by lower income from the transition to lower costs channels.

Expenses

Operating expenses decreased 5.4% and the cost to income ratio improved from 56.2% to 49.9% in 2002. Key factors contributing to this result include:

Improved efficiencies and continued focus on cost management disciplines; and

Lower non-lending losses and branch refurbishment costs incurred in the prior year.

Second half-operating expenses grew 4.3% compared to the March 2002 half due to an increase in credit card related expenses, and timing of project expenditure.

Asset Quality

The charge to provide for doubtful debts decreased on the previous year. Gross non-accrual loans to gross loans and acceptances improved from 0.25% to 0.14%.

Management Discussion & Analysis Wholesale Financial Services

WHOLESALE FINANCIAL SERVICES

Principal Activities

Wholesale Financial Services (Wholesale) is responsible for managing the Group's relationships with large corporate clients and financial institutions worldwide. Wholesale operates through an international network of offices in Australia, Europe, New Zealand, North America and Asia.

Wholesale comprises Corporate Banking, Markets, Specialised Finance, Financial Institutions Group, and a Support Services unit. The business also incorporates Custodian Services, which provides custody and related services to institutions within the Australian, NZ and UK markets.

Statement of Financial Performance

	Half year to		Fav/ (unfav) change on Mar 02 %	Year to		Fav/ (unfav) change on Sep 01 %
	Sep 02 \$m	Mar 02 \$m		Sep 02 \$m	Sep 01 \$m	
Net interest income	518	559	(7.3)	1,077	895	20.3
Other operating income	441	411	7.3	852	1,058	(19.5)
Total income	959	970	(1.1)	1,929	1,953	(1.2)
Other operating expenses	380	361	(5.3)	741	726	(2.1)
Underlying profit	579	609	(4.9)	1,188	1,227	(3.2)
Charge to provide for doubtful debts	21	146	85.6	167	216	22.7
Profit before tax	558	463	20.5	1,021	1,011	1.0
Income tax expense	112	84	(33.3)	196	271	27.7
Net profit	446	379	17.7	825	740	11.5

*Key Performance Measures***Performance & profitability**

Total income to risk-weighted assets (annualised) (%)	2.9%	2.7%	2.8%	2.9%
Cost to income ratio (%)	39.6%	37.2%	38.4%	37.2%
Profit per average FTE (annualised) (\$ 000)	358	301	329	302

Net interest income

Net interest margin (%)	0.74%	0.82%	0.79%	0.73%
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Balance sheet (\$bn)

Core lending and acceptances (average)	42.3	44.5	43.4	45.0
Average interest-earning assets	137.9	135.8	136.3	122.4
Risk-weighted assets (average)	65.1	71.4	68.1	68.3

	Sep 02		As at Mar 02		Sep 01	
Asset quality (%)						
Gross non-accrual loans to gross loans and acceptances	0.69	%	0.97	%	0.48	%
Specific provision to gross impaired assets	55.0	%	50.2	%	47.2	%
Other (no.)						
Full-time equivalent employee (FTEs)(1)	2,467		2,492		2,596	
Core full-time equivalent employees(2)	2,344		2,386		2,419	

(1) Full-time equivalent staff include part-time staff (pro-rated) and non-payroll FTEs (ie contractors). Comparative information has been restated to include non-payroll staff.

(2) Full-time and part-time staff and core full time equivalent employees excluding the effect of unpaid absences (eg maternity leave) and contractors.

Financial performance

Wholesale produced a net profit of \$825 million for the year, an increase of 11.5% on the prior year result driven by improved performance for bad and doubtful debts which was partly offset by marginally lower income.

Total income

Total income of \$1,929 million was marginally lower as a result of a more challenging market environment and a more concentrated focus on long term relationships.

The split of income between net interest income and other operating income can vary considerably in the wholesale market, depending on activity and environmental conditions. This was particularly evident in this year's results.

Net interest income of \$1,077 million grew 20.3% from the previous year mainly due to the continuing reduction in interest rates, enabling strong growth in Markets' net interest income from funding and liquidity management activities in the US, Europe and Australia. Reduced volatility in interest rates and lower lending volumes resulted in net interest income for the September 2002 half-reducing by 7.3% from the March 2002 half year. Net interest margin for the full year increased by 6 basis points to 0.79%.

Other operating income of \$852 million decreased 19.5% from the prior year result. Key factors contributing to this result were subdued volatility in foreign exchange and interest rate markets lowered demand for sales of risk management products and also constrained risk management income and lower Corporate Finance fees.

Expenses

Total operating expenses increased by 2.1% to \$741 million primarily due to increased technology expenses. Other expenses were held flat or reduced compared with the previous year.

The cost to income ratio increased slightly to 38.4% for the year.

Asset quality

The quality of the Wholesale loan portfolio across all regions remains satisfactory, with approximately 84% of credit exposures equivalent to investment grade or above. The charge to provide for doubtful debts decreased 22.7% to \$167 million. The ratio of gross non-accrual loans to gross loans and acceptances improved from 0.97% at March 2002 to 0.69% at September 2002.

WEALTH MANAGEMENT

Principal Activities

Wealth Management operates a diverse portfolio of financial services businesses. It provides financial planning, insurance, private banking, superannuation and investment solutions to both retail and corporate customers and portfolio implementation systems and infrastructure services to financial advisers. The businesses operate across four regions, Australia, Europe (Great Britain & Ireland), New Zealand and Asia.

Sources of Operating Profit

	Half year to		Fav/ (unfav) change on	Year to		Fav/ (unfav) change on
	Sep 02	Mar 02	Mar 02	Sep 02	Sep 01	Sep 01
	\$m	\$m	%	\$m	\$m	%
Life company planned profit margins	141	122	15.6	263	240	9.6
Life company experience profit/(loss)	(34)	1	large	(33)	7	large
Capitalised losses	2	(6)	large	(4)	(1)	large
Life company operating margins(1)	109	117	(6.8)	226	246	(8.1)
Operating profits from non-life businesses						
Operating profits(2)	68	63	7.9	131	134	(2.2)
NAFM investor compensation	(45)		large	(45)		large
Investment expenditure	(19)	(4)	large	(23)	(4)	large
Investment earnings on shareholders retained profits and capital	(37)	32	large	(5)	10	large
Operating profit after tax and outside equity interest	76	208	(63.5)	284	386	(26.4)
Revaluation profit/(loss) after tax	(389)	237	large	(152)	333	large
Net profit after outside equity interest	(313)	445	large	132	719	(81.6)

(1) Life Company operating margins are net of outside equity interest.

(2) Operating profits from non-life businesses includes Private Bank and the shareholders funds of life insurance companies and other businesses.

Wealth Management net profit (after outside equity interests) for the year to 30 September 2002 was \$132 million, comprising \$284 million of profit generated through operations and \$152 million of revaluation losses. The operating result includes the impact of \$45 million (after tax) in compensation provided to National Australia Financial Management (NAFM) investors and associated costs; and the impact of unfavourable equity investment markets in the half year to September 2002. Despite the difficult investment climate the business continues to position itself for future growth, with \$23 million of investment expenditure included within the above result to fund strategic investment programs in both Australia and the UK.

Life company operating margins

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Life company operating margins were down 8.1% to \$226 million.

The impact of strong net funds inflows and growth of inforce annual premiums, contributed to a planned profit growth of \$23 million this was offset by experience losses.

Wealth Management encountered increased disability claims incidence, duration and reserving and this accounted for \$27 million of the \$33 million of experience losses. The disability business remains profitable and underwriting standards remain a priority. Fee income was \$22 million lower as a result of lower than planned funds under management and fees forgone on member protected superannuation guarantee business (a legislative requirement). This was offset by expense containment and a beneficial tax outcome.

Capitalised losses of \$4 million were incurred resulting primarily from increased annuitant life expectancy experience.

Operating profits from non-life businesses

Operating profit from non-life businesses decreased \$3 million. A number of factors influenced this result. Strong growth in the Private Bank and the UK General Insurance business was offset by the impact of unfavourable investment market conditions in the UK Investments business. The market value of the Thai Life Insurance joint venture interest was written-down by \$9 million.

In August 2002 Wealth Management announced that investors in certain NAFM funds would be compensated for the reduction in unit prices which occurred in October 2001. The investor compensation and associated costs reduces operating profit by \$45 million after tax in the September 2002 year.

As part of the Positioning for Growth program it was announced that \$200 million will be invested in the Australian business over the next four years. The high level design of the strategic investment program has been completed. The program will enable the business to deliver enhanced advice and service to advisers and their customers. The after tax impact of this investment expenditure (including operational and amortised capitalised expenditure) in the current result is \$10 million.

In the UK, more than \$90 million was invested to build an investment service offering under the development name of Endeavour. The after tax impact of this investment expenditure in the current result is \$13 million (including operational and amortised capitalised expenditure). Further, as part of the Positioning for Growth program \$90 million is being invested to build bank and IFA distribution.

Investment earnings on shareholders retained profit and capital

Global investment market conditions have deteriorated significantly since March 2002. This has impacted earnings (after tax) generated on shareholders invested capital, declining from a profit of \$32 million in the March 2002 half year, to a loss of \$37 million for the second half of the year.

From March 2002 to September 2002 the MSCI world index fell 26%. Unfavourable investment conditions and associated reduced returns on shareholder invested capital adversely impacted Australia and Asia where the invested capital profile is more weighted to global equity markets. However, returns in the UK have been favourable as a higher proportion of capital is invested in cash.

Key Performance Measures

	Half year to		Year to	
	Sep 02	Mar 02	Sep 02	Sep 01
Total sales				
Sales (\$billion)	9.7	7.4	17.1	15.6

	Sep 02	As at Mar 02	Sep 01
Total funds under management and administration (\$ bn)	64.6	69.5	63.8
Market share Australia			
Retail funds management (%) ⁽¹⁾	14.5	14.4	14.4
Net annual retail inflows (%) ⁽¹⁾	22.5	21.5	17.2
Corporate funds management (%) ⁽¹⁾	5.7	6.0	5.7
Net annual corporate inflows (%) ⁽¹⁾	5.8	6.2	0.3
Retail risk insurance (%) ⁽²⁾	13.7	13.3	12.9
New retail risk annual premiums (%) ⁽²⁾	14.9	13.7	13.8
Other			
Number of financial advisers ⁽³⁾	3,309	3,313	3,478
Bank channels	783	838	858
Aligned dealerships	2,526	2,475	2,620
Full-time equivalent employees (FTEs) (no.) ⁽⁴⁾⁽⁵⁾	5,547	5,351	5,559
Core full-time equivalent employees ⁽⁴⁾⁽⁶⁾	5,098	5,062	4,978

(1) Source: ASSIRT Market Share Reports as at June 2002, December 2001 and June 2001.

(2) Source: DEXX&R Research Reports. Retail risk insurance includes term, trauma and disability insurance at March 2002, and September 2001.

(3) Significant business is also sourced from Independent Financial Advisers (IFAs). There are currently active relationships with over 1,300 IFAs. The number of financial advisers has been restated to exclude financial advisers of joint venture interests.

(4) In comparative periods, full-time and core full-time equivalent employee numbers include employees of joint venture interests (March 2002: 231 FTEs and September 2001: 184 FTEs).

(5) Full-time equivalent staff include part-time staff (pro-rated) and non-payroll FTE s (ie contractors). Comparative information has been restated to include non-payroll staff.

(6) Full-time and part-time staff and core full time equivalent employees excluding the effect of unpaid absences (eg maternity leave) and contractors.

Funds under management / administration and insurance

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Declining returns in global equities markets and the impact of investor uncertainty has seen funds under management decline by 7.1% since March 2002:

Fee revenue has contracted and new business sales for the Investments businesses grew marginally at 4.2% for the year. Retail sales declined 9% on the prior year. Competitively the business continues to capture market share in a difficult environment - net retail inflows captured for the year to June 2002 were 22.5% (up from 21.5% at March 2002), this compares to a market share of 14.5%.

Corporate sales continue to perform strongly with sales growth of 50% for the year.

In the UK, Investment sales have increased 29% since launch of the Wealth Management investment services offering in November 2001 at a time when market sales dropped 4%. Average investment size has increased to \$33,400 at September 2002 from \$20,400 in October 2001;

The Australian Insurance business performed strongly with sales growth of 19.9% for the year. The business continues to capture market share annual new business sales captured for the 12 months to March 2002 were 14.9%, which compares to a market share of inforce annual premiums at March 2002 of 13.7%; and

Operating performance of the Insurance business in Asia was flat, with growth constrained by distribution capacity combined with negative returns generated on capital reflecting unfavourable investment market conditions.

Efficiency Measures

Cost to premiums income for the year achieved 22%, compared with 23% for the prior year and against a 2004 target of 21%.

Cost to funds under management for the investment business achieved 67 basis points (excluding NAFM compensation), compared with 70 basis points for the prior year and against a 2004 target of 65 basis points. The cost to funds under management ratio was impacted by investment market volatility and the subsequent erosion of funds under management levels during the year.

The Australian integration program was completed in December 2001, and pre-tax integration synergies of \$118 million per annum were achieved to September 2002. The business is on track to deliver the targeted \$140 million per annum in pre-tax synergies by 30 September 2003.

Valuation and Revaluation Profit/(Loss)

Valuation of businesses held in the mark to market environment increased by \$484 million from \$5,991 million at 30 September 2001 to \$6,475 million at 30 September 2002. Values shown are directors' market valuations. The valuations are based on Discounted Cash Flow (DCF) valuations prepared by Tillinghast Towers Perrin (Tillinghast), using, for the Australian and New Zealand entities, risk discount rates specified by the directors. The components comprising the increase in value are summarised below:

NAFM subsidiaries

Market value summary (\$m)

	Net assets(1)	Value of inforce business	Embedded value	Value of future new business(7)	Value of future synergy benefits	Market value
Market value at 30 September 2001	710	2,138	2,848	2,676	467	5,991
Operating profits after tax of NAFM subsidiaries(2)	260		260			260
Net capital transfers(3)	379		379			379
Increase in shareholders net assets	639		639			639
Revaluation profit /(loss) components before tax:						
- Business assumptions & roll forward						
Roll forward of DCF(4)		358	358	99	26	483
Change in assumptions & experience		(820)	(820)	(373)		(1,193)
Expected synergies		30	30	463	(493)	
- One off transactions						
Acquisition of Europe & NZ businesses		345	345	57		402
Transfers of business		153	153			153
Revaluation profit/(loss) before tax(5)		66	66	246	(467)	(155)
Excess of internal restructure(6)	(48)	48				
Market value at 30 September 2002	1,301	2,252	3,553	2,922		6,475

(1) Net assets represent the shareholder capital reserves and retained profits. A portion of these net assets is non-distributable as it is required to support regulatory capital requirements. The cost of this capital support is reflected in the value of inforce business.

(2) Operating profit after income tax is before revaluations and excludes operating profits of entities outside the market value accounting environment; ie. the operating profits after tax from NAFM's own business, and other entities not owned by NAFM.

(3) Net capital transfers represent movements in value that do not impact on the revaluation and operating profit, such as the payment of dividends, capital injections, net assets of entities acquired, FX movement on market value due to intra group funding and debt funding on internal restructure.

(4) The roll forward represents the growth over the period at the valuation discount rate over and above operating profit.

(5) The revaluation profit before tax does not include revaluation uplift in respect of NAFM's own business. AASB 1038 requires assets of a life company to be valued at net market value; since NAFM is the parent life entity, the change in market value of its own life business is not brought to account.

(6) Excess of internal restructure represents foreign exchange movement on market value due to intra group funding and surplus debt funding on internal restructure.

(7) For some smaller entities the projection of future new business and inforce business is combined for the purposes of valuation. For these entities the value of future new business is reflected in the embedded value.

Entities held within the mark to market environment include operations in Australia, Europe, New Zealand and Asia. Distribution of value by both region and business segment are summarised below:

NAFM subsidiaries

Market value summary (\$m)

	Net assets	Value of inforce business	Embedded value	Value of future new business	Market value
Market value summary by region					
Australia	890	1,771	2,661	2,769	5,430
Europe	279	324	603	13	616
New Zealand	22	49	71	26	97
Asia	110	108	218	114	332
Market value at 30 September 2002	1,301	2,252	3,553	2,922	6,475
Market value summary by business segment					
Investments	694	1,043	1,737	2,110	3,847
Insurance	444	1,188	1,632	812	2,444
Other	163	21	184		184
Market value at 30 September 2002	1,301	2,252	3,553	2,922	6,475

Revaluation Profit/(Loss)

The components that contributed to the \$155 million revaluation loss comprised:

Transfer on 1 January 2002, of the life insurance and funds management businesses of Bank of New Zealand and National Australia Group Europe to a controlled entity of NAFM as part of an internal restructure. In accordance with AASB 1038 Life Insurance Business, these controlled entities are required to be carried at their net market value. The difference between the acquired entities' net assets and the directors' net market value results in an increase in the valuation of \$402 million before tax.

Transfer of certain unit linked NAFM businesses to MLC Limited in line with integration initiatives and the inclusion of \$16 million in respect to the New Zealand General Insurance brokerage business in the September half. Future profit margins on these businesses will be earned in the market value environment. These transactions increased the valuation by \$153 million before tax.

The effect of assumption and experience changes primarily comprises the impact of investment earnings being lower than expected over the period, the overall impact of lower Retail sales volumes, change in mix of new business, and changes in assumptions relating to policy lapses and claims. Additionally there have been changes to management fee and investment expense assumptions for investment linked business following a detailed review of experience relating to the application of BTR and GST legislation and subsequent repricing. These changes decreased the valuation \$710 million before tax (net of the roll forward of the DCF).

As synergy benefits are recognised from the integration of the MLC group with the National's wealth management businesses, the associated value transfers to the value of inforce business and future value of new business. As a result the synergy benefits of \$467 million recognised at 30 September 2001 have been absorbed into the overall business valuation.

Actuarial assumptions applied in the determination of market value

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Actuarial assumptions applied in the determination of market values for significant Wealth Management businesses held within the mark to market environment are summarised as follows:

Assumptions applied in the determination of market value(1)	New business multiplier(2)	September 2002	Franking credit assumptn (%) (4)	New business multiplier(2)	September 2001	Franking credit assumptn (%) (4)
		Risk discount rate(3) (%)			Risk discount rate(3) (%)	
Insurance	10.1	11	70	10.5	11	70
Investments	8.7	11-12	70	8.6	11-12.25	70
New Zealand	8.1	11.75 - 12.75	70			
Hong Kong	9.0	12.5		9.4	12.5	

(1) The bulk of the European valuation was performed on an aggregate basis. Where the European business valuations identified separate values of inforce business and future business, approximate methods were used to derive the value of future business that did not involve new business multipliers. The risk discount rate used in European valuations at 30 September 2002 was 10%.

(2) New business multipliers represent the multiple of value arising from 2001 & 2002 new business experience respectively that equates to the value of future new business. It reflects the risk discount rate, anticipated new business growth and expected industry growth rates thereafter, together with an allowance for the expected pressure to reduce profit margins in the future. The September 2001 multipliers for the Insurance and Investment businesses have been restated to be consistent with the September 2002 multipliers allowing for the inclusion of realised integration synergies, and the realignment of multipliers for the new disclosure categories of Insurance and Investment from the former categories of Australian life insurance companies and Australian funds management/administration companies.

(3) Risk discount rates are gross of tax and have been derived using the Capital Asset Pricing Model. The rates applied in the directors market valuations of the Australian and New Zealand businesses for September 2002, as shown in the table above, are 0.5% higher than Tillinghast's standard rates for DCF valuations of such businesses.

(4) The valuations of Australian and New Zealand entities comprise the present value of estimated future distributable profits after corporate tax, together with the present value of 70% of the attaching imputation credits. The valuations of international entities other than New Zealand comprise the present values of estimated future distributable profits after corporate tax.

Management Discussion & Analysis Excess Capital & Group Funding

EXCESS CAPITAL & GROUP FUNDING

	Half year to		Fav/ (unfav) change on Mar 02 %	Year to		Fav/ (unfav) change on Sep 01 %
	Sep 02 \$m	Mar 02 \$m		Sep 02 \$m	Sep 01 \$m	
Earnings on Excess Capital	68	69	(1.4)	137	94	45.7
Net loss from Group Funding	(103)	(143)	28.0	(246)	(25)	large
Net profit	(35)	(74)	52.7	(109)	69	large

Earnings on Excess Capital

The Group's net interest income and margin are impacted by any excess capital held in the banking operations above the level required to efficiently and prudently run those operations. Variations in capital ratios (and therefore gearing levels) of a bank over time will lead to movements in net interest income and net interest margins. Separating out the earnings on excess capital from the overall operating results of the banking operations removes the distortion caused by varying capital/gearing ratios.

When estimating excess capital, benchmarks are chosen having regard to Australian and international peers and the risk profile and asset base of the Group's banking operations. Excess capital does not represent the total amount of surplus capital held by the Group.

Earnings on excess capital is calculated by applying the average three-year bank bill swap rate of 5.49% (5.68% prior year) to the estimated excess. For balance sheet management purposes, the banking operations use a three-year benchmark for the investment term of capital. Holdings of excess capital reduce the amount of debt required by the banking operations to fund asset growth. Any reduction in excess capital would therefore need to be replaced with debt of the same term in order to maintain the interest rate risk profile of the banking operations.

The Group's earnings on excess capital for the 2002 year is \$137 million compared with \$94 million last year.

Group Funding

Group Funding acts as the central vehicle for movements of capital and structural funding to support the Group's operations. This minimises the earnings distortion to the operating divisions and enhances the comparability of performance over time.

For the year ended 30 September 2002, Group Funding experienced a loss of \$246 million compared to a loss of \$25 million after tax for the prior year.

The main factors contributing to the movement between September 2001 and September 2002 include:

the recapitalisation of HomeSide;

an adverse impact on intra-group funding (loans held in foreign currency) arising from the increase in the Australian dollar during the year;

an unfavourable first half interest rate accrual adjustment on an interest swap between New York branch and Wholesale Financial Services; and

the inability to benefit from a tax deduction previously obtained in the United States in respect of preference share capital invested in HomeSide.

Management Discussion & Analysis HomeSide

HOMESIDE(1)

Statement of Financial Performance

Australian dollars(2)

	Half year to		Fav/(unfav)	Year to		Fav/(unfav)
	Sep 02	Mar 02	change on	Sep 02	Sep 01	change on
	\$m	\$m	Mar 02	\$m	\$m	Sep 01
			%			%
Net servicing revenue	107	80	33.8	187	474	(60.5)
Net interest income/(expense)	(13)	27	large	14	(77)	large
Net mortgage origination revenue		191	large	191	336	(43.2)
Proceeds from the sale of operating assets(3)	15	2,299	(99.3)	2,314		large
Other income	21	24	(12.5)	45	61	(26.2)
Total operating income	130	2,621	(95.0)	2,751	794	large
Carrying value & expenses of assets sold(3)	3	2,219	99.9	2,222		large
Expenses attributable to sale of operating assets(3)	1	99	99.0	100		large
Other operating expenses	114	257	55.6	371	479	22.5
Underlying profit	12	46	(73.9)	58	315	(81.6)
Charge to provide for doubtful debts	18	28	35.7	46	62	25.8
Profit before tax	(6)	18	large	12	253	(95.3)
Income tax expense/(benefit)	3	(89)	large	(86)	74	large
Net profit before goodwill	(9)	107	large	98	179	(45.3)
Goodwill amortisation(4)			large		48	large
Net profit	(9)	107	large	98	131	(25.2)

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United States dollars

	US\$m	US\$m	%	US\$m	US\$m	%
Net servicing revenue	58	42	38.1	100	247	(59.5)
Net interest income/(expense)	(7)	14	large	7	(40)	large
Net mortgage origination revenue		98	large	98	175	(44.0)
Proceeds from the sale of operating assets(3)	8	1,184	(99.3)	1,192		large
Other income	16	12	33.3	28	32	(12.5)
Total operating income	75	1,350	(94.4)	1,425	414	large
Carrying value & expenses of assets sold(3)	1	1,143	99.9	1,144		large
Expenses attributable to sale of operating assets(3)	1	51	98.0	52		large
Other operating expenses	64	132	51.5	196	251	21.9
Underlying profit	9	24	(62.5)	33	163	(79.8)
Charge to provide for doubtful debts	10	15	33.3	25	32	21.9
Profit before tax	(1)	9	large	8	131	(93.9)
Income tax expense/(benefit)		(46)	large	(46)	40	large
Net profit before goodwill	(1)	55	large	54	91	(40.7)
Goodwill amortisation					33	large
Net profit	(1)	55	large	54	58	(6.9)

(I) Financial information for HomeSide relates to SR Investment, Inc., formerly known as HomeSide International, Inc. and its controlled entities. HomeSide Lending, Inc. is a wholly owned subsidiary of SR Investment, Inc.

(2) Operating results are converted to Australian dollars by using the average daily year to date exchange rate.

(3) The sale of the HomeSide operating platform and operating assets to Washington Mutual Bank, FA on 1 March 2002 resulted in a loss of US\$10 (A\$19) million which was recognised in the March 2002 half. Following completion of additional post sale procedures, the loss on sale was reduced to US\$4 (A\$8) million.

Under the terms of the sale of the assets and operating platform HomeSide received cash of US\$1,184 (A\$2,299) million for the operating assets, which consisted primarily of US\$1,072 (A\$2,081) million in warehouse and pipeline mortgage loans. This was subject to final sale adjustments.

(4) Goodwill is translated at the exchange rate at the date of acquisition.

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

DETAILED FINANCIAL INFORMATION

Detailed Financial Information Note 1: Statement of Financial Performance (Annual Report Format)

1. STATEMENT OF FINANCIAL PERFORMANCE (ANNUAL REPORT FORMAT)

This format is based on the revised Australian accounting standard AASB 1018 Statement of Financial Performance . This format includes gross life insurance revenue and expenses, irrespective of whether they relate to policyholders or the Group, as required by AASB 1038 Life Insurance Business and AASB 1018. This format is provided to allow comparability to the Group s annual financial report 2002.

	Note	Half Year to		Fav/ (unfav) change on	Year to		Fav/ (unfav) change on
		Sep 02	Mar 02	Mar 02	Sep 02	Sep 01	Sep 01
		\$m	\$m	%	\$m	\$m	%
Net interest income	2	3,619	3,603	0.4	7,222	6,960	3.8
Net life insurance income	6	(250)	240	large	(10)	128	large
Other operating income(1)							
Ongoing	7	2,383	2,265	5.2	4,648	4,533	2.5
Disposed	7	143	2,594	(94.5)	2,737	1,044	large
Eliminations	7	(1)		large	(1)	(18)	(94.4)
Revaluation profit/(loss)	7	(525)	370	large	(155)	510	large
Significant revenue	7	2,671		large	2,671	5,314	(49.7)
Net operating income		8,040	9,072	(11.4)	17,112	18,471	(7.4)
Operating expenses							
Ongoing	8	3,127	2,886	(8.4)	6,013	5,674	(6.0)
Disposed	8	119	2,576	95.4	2,695	814	large
Eliminations	8	(1)		large	(1)	(18)	94.4
Total operating expenses		3,245	5,462	40.6	8,707	6,470	(34.6)
Amortisation of goodwill	8	53	48	(10.4)	101	167	39.5
Charge to provide for doubtful debts	10	280	417	32.9	697	989	29.5
Significant expenses	8	3,242	24	large	3,266	6,866	52.4
Profit from ordinary activities before income tax expense		1,220	3,121	(60.9)	4,341	3,979	9.1
Income tax expense relating to ordinary activities	12	104	858	87.9	962	1,891	49.1
Net profit		1,116	2,263	(50.7)	3,379	2,088	61.8
Net profit attributable to outside equity interest		(1)	7	large	6	5	(20.0)
Net profit attributable to members of the Company		1,117	2,256	(50.5)	3,373	2,083	61.9

(1) Other operating income includes other banking and financial services income and mortgage origination and mortgage servicing revenue as set out in note 4 to the Group s annual financial report 2002.

Detailed Financial Information Note 2: Net Interest Income

2. NET INTEREST INCOME

Group

	Half year to		Fav/ (unfav) change on Mar 02 %	Year to		Fav/ (unfav) change on Sep 01 %
	Sep 02 \$m	Mar 02 \$m		Sep 02 \$m	Sep 01 \$m	
<u>Ongoing operations</u>						
Interest income						
Loans to customers	7,015	6,707	4.6	13,722	14,392	(4.7)
Other interest	1,112	1,371	(18.9)	2,483	4,141	(40.0)
Total interest income	8,127	8,078	0.6	16,205	18,533	(12.6)
Interest expense						
Deposits and other borrowings	3,353	3,349	(0.1)	6,702	8,587	22.0
Other	1,145	1,156	1.0	2,301	3,270	29.6
Total interest expense	4,498	4,505	0.2	9,003	11,857	24.1
Total ongoing operations	3,629	3,573	1.6	7,202	6,676	7.9
<u>Disposed operations</u>						
HomeSide	(13)	27	large	14	(77)	large
Michigan National					350	large
Other non-core operations	3	3		6	11	(45.5)
Total disposed operations	(10)	30	large	20	284	(93.0)
Net interest income	3,619	3,603	0.4	7,222	6,960	3.8

By Division

<u>Ongoing operations</u>						
Financial Services Australia	1,665	1,619	2.8	3,284	3,092	6.2
Financial Services Europe	1,172	1,184	(1.0)	2,356	2,157	9.2
Financial Services New Zealand	319	280	13.9	599	525	14.1
Other	(8)	(1)	large	(9)	(11)	18.2
Retail Banking	3,148	3,082	2.1	6,230	5,763	8.1
Wholesale Financial Services	518	559	(7.3)	1,077	895	20.3
Wealth Management	43	54	(20.4)	97	77	26.0

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Excess Capital and Group Funding	(80)	(122)	(34.4)	(202)	(59)	large
Total ongoing operations	3,629	3,573	1.6	7,202	6,676	7.9
Disposed operations						
Vivid	3	3		6	11	(45.5)
HomeSide	(13)	27	large	14	(77)	large
Michigan National					350	large
Total disposed operations	(10)	30	large	20	284	(93.0)
Net interest income	3,619	3,603	0.4	7,222	6,960	3.8

Detailed Financial Information Note 3: Net Interest Margins and Spreads

3. NET INTEREST MARGINS AND SPREADS

Group

	Half year to		Fav/(unfav) change on Mar 02 basis pts	Year to		Fav/(unfav) change on Sep 01 basis pts
	Sep 02	Mar 02		Sep 02	Sep 01	
	%	%		%	%	
Group interest spread	2.36%	2.41%	(0.05)	2.39%	2.34%	0.05
Group interest margin(2)	2.63%	2.71%	(0.08)	2.67%	2.71%	(0.04)
Group interest margin (excluding earnings on excess capital)(2)	2.56%	2.64%	(0.08)	2.60%	2.66%	(0.06)

By region

Australia(1)

Australia interest spread	2.54%	2.74%	(0.20)	2.63%	2.56%	0.07
Australia interest margin(2)	2.71%	2.87%	(0.16)	2.79%	2.91%	(0.12)
Australia interest margin (excluding earnings on excess capital)(2)	2.57%	2.72%	(0.15)	2.64%	2.79%	(0.15)

Europe(1)

Europe interest spread	2.47%	2.50%	(0.03)	2.49%	2.49%	(0.00)
Europe interest margin(2)	2.90%	2.99%	(0.09)	2.94%	3.12%	(0.18)

Other International(1)

Other International interest spread	1.32%	1.25%	0.07	1.29%	1.57%	(0.28)
Other International interest margin(2)	1.42%	1.43%	(0.01)	1.43%	1.57%	(0.14)

By Division

Net interest margin(2)

Financial Services Australia	3.35%	3.51%	(0.16)	3.42%	3.61%	(0.19)
Financial Services Europe	4.10%	4.00%	0.10	4.05%	3.97%	0.08
Financial Services New Zealand	2.93%	2.77%	0.16	2.85%	2.81%	0.04
Wholesale Financial Services	0.74%	0.82%	(0.08)	0.79%	0.73%	0.06

Net interest spread

Financial Services Australia	2.85%	3.05%	(0.20)	2.94%	3.10%	(0.16)
Financial Services Europe	3.82%	3.64%	0.18	3.73%	3.45%	0.28
Financial Services New Zealand	3.00%	2.91%	0.09	2.96%	2.97%	(0.01)

(1) Australia, Europe and Other International include intragroup cross border loans/borrowings and associated interest.

(2) Interest margin is net interest income as a percentage of average interest-earning assets.

Detailed Financial Information - Note 4: Average Balance Sheet & Related Interest - Full Year**4. AVERAGE BALANCE SHEET & RELATED INTEREST**

The following tables set forth the major categories of interest earning assets and interest bearing liabilities, together with their respective interest rates earned or paid by the Group. Averages are predominantly daily averages. Interest income figures include interest income on non-accruing loans to the extent cash payments have been received. Amounts classified as Other International represent interest-earning assets or interest-bearing liabilities of the controlled entities and overseas branches, excluding Europe, HomeSide and Michigan National. Non-accrual loans are included with interest-earning assets within loans and advances.

Average assets and interest income

	Year ended Sep 02			Year ended Sep 01		
	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %
Interest earning assets						
Due from other financial institutions						
<i>Australia</i>	2,824	102	3.61	1,980	110	5.56
<i>Europe</i>	6,796	223	3.28	5,226	261	4.99
<i>Other International</i>	5,605	114	2.03	8,106	424	5.23
Regulatory deposits						
<i>Europe</i>	142	3	2.11	121	3	2.48
<i>Other International</i>	15			10		
Marketable debt securities						
<i>Australia</i>	13,910	712	5.12	11,813	624	5.28
<i>Europe</i>	11,312	476	4.21	10,238	576	5.63
<i>Michigan</i>				1,813	126	6.95
<i>Other International</i>	10,212	321	3.14	10,010	534	5.33
Loans and advances(1)						
<i>Australia</i>	112,714	7,385	6.55	101,941	7,525	7.38
<i>Europe</i>	69,658	4,278	6.14	60,796	4,606	7.58
<i>HomeSide</i>	21	94	447.62	25	190	760.00
<i>Michigan</i>				8,120	668	8.23
<i>Other International</i>	33,096	2,064	6.24	30,379	2,270	7.47
Other interest earning assets(2)						
<i>Australia</i>	10	751	n/a	13	1,570	n/a
<i>Europe</i>	854	59	n/a	22	2	n/a
<i>HomeSide</i>	3,331	170	n/a	2,990	387	n/a
<i>Michigan</i>				34	4	n/a
<i>Other International</i>	27	(277)	n/a	2,966	39	n/a
Intragroup loans(3)						

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<i>Europe</i>	4,026	236	5.86	1,765	105	5.95
<i>Other International</i>	9,187	219	2.38	8,483	350	4.13
Average interest earning assets and interest income incl intragroup loans by:						
<i>Australia</i>	129,458	8,950	6.91	115,747	9,829	8.49
<i>Europe</i>	92,788	5,275	5.69	78,168	5,553	7.10
<i>HomeSide</i>	3,352	264	7.88	3,015	577	19.14
<i>Michigan</i>				9,967	798	8.01
<i>Other International</i>	58,142	2,441	4.20	59,954	3,617	6.03
Total average interest earning assets and interest income incl intragroup loans	283,740	16,930	5.97	266,851	20,374	7.63

Average assets and interest income

	Year ended Sep 02			Year ended Sep 01		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	\$m	\$m	%	\$m	\$m	%
Intragroup loans eliminations	(13,213)	(455)	3.44	(10,248)	(455)	4.44
Total average interest earning assets by:						
<i>Australia</i>	129,458	8,950	6.91	115,747	9,829	8.49
<i>Europe</i>	88,762	5,039	5.68	76,403	5,448	7.13
<i>HomeSide</i>	3,352	264	7.88	3,015	577	19.14
<i>Michigan</i>				9,967	798	8.01
<i>Other International</i>	48,955	2,222	4.54	51,471	3,267	6.35
Total average interest earning assets	270,527	16,475	6.09	256,603	19,919	7.76
Non-interest earning assets						
Investments relating to life insurance business(4)						
<i>Australia</i>	31,868			30,642		
<i>Europe</i>	620			572		
<i>Other International</i>	93			19		
Acceptances						
<i>Australia</i>	21,231			22,405		
<i>Europe</i>	200			598		
<i>Other International</i>	119			406		
Fixed assets						
<i>Australia</i>	1,381			1,173		
<i>Europe</i>	767			782		
<i>HomeSide</i>	40			92		
<i>Michigan</i>				98		
<i>Other International</i>	172			194		
Other assets						
<i>Australia</i>	20,972			19,422		
<i>Europe</i>	6,533			8,717		
<i>HomeSide</i>	6,481			11,206		
<i>Michigan</i>				1,050		
<i>Other International</i>	3,617			3,624		
Total average non-interest earning assets by:						
<i>Australia</i>	75,452			73,642		
<i>Europe</i>	8,120			10,669		
<i>HomeSide</i>	6,521			11,298		
<i>Michigan</i>				1,148		
<i>Other International</i>	4,001			4,243		
Total average non-interest earning assets	94,094			101,000		
Provision for doubtful debts						
<i>Australia</i>	(1,413)			(1,348)		

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<i>Europe</i>	(936)	(835)
<i>HomeSide</i>	(22)	(32)
<i>Michigan</i>		(165)
<i>Other International</i>	(300)	(235)
Total average assets by:		
<i>Australia</i>	203,497	188,041
<i>Europe</i>	95,946	86,237
<i>HomeSide</i>	9,851	14,281
<i>Michigan</i>		10,950
<i>Other International</i>	52,656	55,479
Total average assets	361,950	354,988
Percentage of total average assets applicable to international operations	43.8%	47.0%

Average liabilities and interest expense

	Year ended Sep 02			Year ended Sep 01		
	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %
Interest bearing liabilities						
Time deposits						
<i>Australia</i>	37,411	1,927	5.15	33,709	1,856	5.51
<i>Europe</i>	37,799	1,173	3.10	29,052	1,581	5.44
<i>Michigan</i>				2,907	191	6.57
<i>Other International</i>	24,367	799	3.28	25,891	1,290	4.98
Savings deposits						
<i>Australia</i>	5,802	255	4.40	5,584	290	5.19
<i>Europe</i>	14,056	300	2.13	12,629	448	3.55
<i>Michigan</i>				2,622	120	4.58
<i>Other International</i>	2,702	62	2.29	2,166	74	3.42
Other demand deposits						
<i>Australia</i>	35,255	890	2.52	30,796	1,050	3.41
<i>Europe</i>	14,384	261	1.81	13,101	380	2.90
<i>Michigan</i>				456	7	1.54
<i>Other International</i>	4,459	160	3.59	2,139	72	3.37
Government and Official Institutions						
<i>Australia</i>	805	31	3.85	750	36	4.80
<i>Michigan</i>				407	25	6.14
<i>Other International</i>	1,706	39	2.29	1,767	93	5.26
Due to other financial institutions						
<i>Australia</i>	4,940	180	3.64	4,178	203	4.86
<i>Europe</i>	11,322	667	5.89	10,157	550	5.41
<i>Michigan</i>				1,263	79	6.25
<i>Other International</i>	17,435	424	2.43	22,218	1,075	4.84
Short-term borrowings						
<i>HomeSide</i>	448	129	28.79	3,084	280	9.08
<i>Other International</i>	4,588	81	1.77	4,300	243	5.65
Long-term borrowings						
<i>Australia</i>	19,633	803	4.09	18,515	1,158	6.25
<i>Europe</i>				1,357	6	0.44
<i>HomeSide</i>	2,848	95	3.34	3,789	211	5.57
<i>Michigan</i>				57	4	7.02
<i>Other International</i>	213	10	4.69	209	30	14.35
Other interest bearing liabilities(4)						
<i>Australia</i>	7,088	767	10.82	4,358	1,365	31.32
<i>Europe</i>	821		n/a	13		n/a
<i>Michigan</i>				52	22	n/a
<i>Other International</i>		29	n/a	(356)	28	n/a
Loan Capital						

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<i>Australia</i>	626	29	4.63	673	42	6.24
<i>Europe</i>	1,167	142	12.17	1,220	150	12.30
Intragroup loans						
<i>Australia</i>	13,213	455	3.44	10,248	455	4.44
Average interest bearing liabilities and interest expense incl intragroup loans by:						
<i>Australia</i>	124,773	5,337	4.28	108,811	6,455	5.93
<i>Europe</i>	79,549	2,543	3.20	67,529	3,115	4.61
<i>HomeSide</i>	3,296	224	6.80	6,873	491	7.14
<i>Michigan</i>				7,764	448	5.77
<i>Other International</i>	55,470	1,604	2.89	58,334	2,905	4.98
Total average interest bearing liabilities and interest expense incl intragroup loans	263,088	9,708	3.69	249,311	13,414	5.38

	Year ended Sep 02			Year ended Sep 01		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	\$m	\$m	%	\$m	\$m	%
Intragroup loans eliminations	(13,213)	(455)	3.44	(10,248)	(455)	4.44
Total average interest bearing liabilities and interest expense by:						
<i>Australia</i>	111,560	4,882	4.38	98,563	6,000	6.09
<i>Europe</i>	79,549	2,543	3.20	67,529	3,115	4.61
<i>HomeSide</i>	3,296	224	6.80	6,873	491	7.14
<i>Michigan</i>				7,764	448	5.77
<i>Other International</i>	55,470	1,604	2.89	58,334	2,905	4.98
Total average interest bearing liabilities and interest expense	249,875	9,253	3.70	239,063	12,959	5.42
Non-interest bearing liabilities						
Deposits not bearing interest						
<i>Australia</i>	4,790			4,287		
<i>Europe</i>	5,542			5,373		
<i>Michigan</i>				1,422		
<i>Other International</i>	1,191			1,365		
Liability on acceptances						
<i>Australia</i>	21,231			22,405		
<i>Europe</i>	200			598		
<i>Michigan</i>				1		
<i>Other International</i>	119			405		
Life insurance policy liabilities(4)						
<i>Australia</i>	30,502			29,550		
<i>Europe</i>	516			509		
<i>Other International</i>	61			5		
Other liabilities						
<i>Australia</i>	13,888			15,097		
<i>Europe</i>	6,404			6,759		
<i>HomeSide</i>	1,372			1,947		
<i>Michigan</i>				193		
<i>Other International</i>	2,412			2,582		
Total average non-interest bearing liabilities by:						
<i>Australia</i>	70,411			71,339		
<i>Europe</i>	12,662			13,239		
<i>HomeSide</i>	1,372			1,947		
<i>Michigan</i>				1,616		
<i>Other International</i>	3,783			4,357		
Total average non-interest bearing liabilities	88,228			92,498		

Equity

	Year ended Sep 02			Year ended Sep 01		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	\$m	\$m	%	\$m	\$m	%
Equity						
Contributed equity	7,878			7,624		
Preference share capital	730			730		
National income securities	1,945			1,945		
Reserves	1,811			2,210		
Retained profits	11,415			10,851		
Outside equity interests in controlled entities	68			67		
Equity	23,847			23,427		
Total liabilities and equity	361,950			354,988		
Percentage of total average liabilities applicable to international operations		46.2%			48.8%	

(1) Includes non-accrual loans.

(2) Includes interest on derivatives and escrow deposits.

(3) The calculations for Australia, Europe, HomeSide, Michigan National and Other International include intragroup cross border loans/borrowings and associated interest.

(4) Included within investments relating to life insurance business are interest-earning debt securities. The interest earned from these securities is reported in life insurance income, and has therefore been treated as non-interest earning for the purposes of this note. The assets and liabilities held in the statutory funds of the Group's Australian life insurance business are subject to restrictions of the Life Insurance Act 1995.

Detailed Financial Information - Note 5: Gross Loans & Advances

5. GROSS LOANS & ADVANCES

By Region

	As at				Change on	
	Sep 02 \$m	Mar 02 \$m	Sep 01 \$m	Mar 02 %	Sep 01 %	Sep 01 excluding fx impact %
Ongoing operations						
Australia	120,885	112,371	106,789	7.6	13.2	13.2
Europe	77,750	65,895	71,889	18.0	8.2	12.0
New Zealand	25,702	24,298	24,011	5.8	7.0	2.0
United States	7,230	5,064	4,618	42.8	56.6	72.8
Asia	3,936	4,173	4,735	(5.7)	(16.9)	(9.7)
Total ongoing operations	235,503	211,801	212,042	11.2	11.1	12.2
Disposed operations						
United States		22	27	large	large	large
Europe	181	235	365	(23.0)	(50.4)	(48.6)
Total disposed operations	181	257	392	(29.6)	(53.8)	(51.9)
Total gross loans and advances	235,684	212,058	212,434	11.1	10.9	12.0
Securitised loans	929	1,175	1,440	(20.9)	(35.5)	(35.5)

By product

Ongoing operations						
Housing	95,987	85,483	81,490	12.3	17.8	18.1
Term lending	85,193	76,710	77,533	11.1	9.9	11.6
Overdrafts	18,765	17,988	20,124	4.3	(6.8)	(4.7)
Leasing	15,882	14,998	15,776	5.9	0.7	2.6
Credit cards	6,584	6,187	6,118	6.4	7.6	8.2
Other	13,092	10,435	11,001	25.5	19.0	17.7
Total ongoing operations	235,503	211,801	212,042	11.2	11.1	12.2
Disposed operations						
HomeSide		22	27	large	large	large
Vivid	181	235	365	(23.0)	(50.4)	(48.6)
Total disposed operations	181	257	392	(29.6)	(53.8)	(51.9)
Total gross loans and advances	235,684	212,058	212,434	11.1	10.9	12.0

Securitised loans	929	1,175	1,440	(20.9)	(35.5)	(35.5)
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By product & region

	As at Sep 02					Total
	Australia	Europe	New Zealand	United States	Asia	
	\$m	\$m	\$m	\$m	\$m	\$m
Housing	68,461	17,502	9,523	13	577	96,076
Term Lending	30,710	35,700	11,872	4,328	2,675	85,285
Overdrafts	5,023	12,445	1,205	92		18,765
Leasing	7,168	8,669	2		43	15,882
Credit cards	3,525	2,182	877			6,584
Other	5,998	1,433	2,223	2,797	641	13,092
Total gross loans and advances	120,885	77,931	25,702	7,230	3,936	235,684

Movement from Sep 2001 excluding foreign exchange

	Movement from Sep 01					Total
	Australia	Europe	New Zealand	United States	Asia	
	%	%	%	%	%	%
Gross loans and advances						
Including:						
Housing	23.1	7.1	8.1	(48.0)	(5.9)	18.0
Term lending	1.1	23.8	14.9	9.7	(12.8)	11.4
Overdrafts	(7.3)	(6.5)	23.6			(4.7)
Leasing	1.3	3.8	(33.3)		(8.5)	2.6
Credit cards	9.9	6.8	5.2			8.2

Movement from March 2002 excluding foreign exchange

	Movement from Mar 02					Total
	Australia	Europe	New Zealand	United States	Asia	
	%	%	%	%	%	%
Gross loans and advances						
Including:						
Housing	11.8	3.4	3.3	(40.9)	13.4	9.3
Term lending	2.5	18.0	0.1	(4.2)	(3.9)	7.5
Overdrafts	0.6	1.6	30.6			3.3
Leasing	2.3	1.5	(33.3)		(2.3)	1.9
Credit cards	3.2	4.8	0.7			3.4

Detailed Financial Information - Note 6: Net Life Insurance Income

6. NET LIFE INSURANCE INCOME

	Half Year to		Fav/ (unfav) change on	Year to		Fav/ (unfav) change on
	Sep 02	Mar 02	Mar 02	Sep 02	Sep 01	Sep 01
	\$m	\$m	%	\$m	\$m	%
Ongoing operations						
Premium and related revenue	652	482	35.3	1,134	1,074	5.6
Investment revenue	(3,169)	2,181	large	(988)	(877)	(12.7)
Life insurance income	(2,517)	2,663	large	146	197	(25.9)
Claims expense	539	417	(29.3)	956	599	(59.6)
Change in policy liabilities	(3,218)	1,581	large	(1,637)	(1,318)	(24.2)
Policy acquisition and maintenance expense	366	385	4.9	751	699	(7.4)
Investment management fees	48	38	(26.3)	86	89	3.4
Other life insurance-related expenses	(2)	2	large			large
Life insurance expenses	(2,267)	2,423	large	156	69	large
Net life insurance income	(250)	240	large	(10)	128	large
Income tax expense/(benefit) - net life insurance income	(354)	106	large	(248)	(212)	17.0
Net life insurance income after tax	104	134	(22.4)	238	340	(30.0)

Net life insurance income is the profit before tax excluding net interest income of the statutory funds of the life insurance controlled entities of the Group. Refer to note 57 of the Group's annual financial report 2002 for further details.

Detailed Financial Information - Note 7: Revenue

7. REVENUE

	Note	Half Year to Sep 02 \$m	Mar 02 \$m	Fav/ (unfav) change on Mar 02 %	Year to Sep 02 \$m	Sep 01 \$m	Fav/ (unfav) change on Sep 01 %
Ongoing operations							
Interest income	2	8,127	8,078	0.6	16,205	18,533	(12.6)
Life insurance income							
Premium and related revenue		652	482	35.3	1,134	1,074	5.6
Investment revenue		(3,169)	2,181	large	(988)	(877)	(12.7)
Life insurance income	6	(2,517)	2,663	large	146	197	(25.9)
Other operating income							
Dividends received		19	16	18.8	35	44	(20.5)
Profit on sale of property, plant and equipment		6	7	(14.3)	13	9	44.4
Loan fees from banking		704	657	7.2	1,361	1,322	3.0
Money transfer fees		515	499	3.2	1,014	960	5.6
Trading income		288	275	4.7	563	715	(21.3)
Foreign exchange income		13	2	large	15	12	25.0
Fees and commissions		748	667	12.1	1,415	1,237	14.4
Other income		90	142	(36.6)	232	234	(0.9)
Other operating income		2,383	2,265	5.2	4,648	4,533	2.5
Revaluation profit/(loss)		(525)	370	large	(155)	510	large
Total revenue from ongoing operations		7,468	13,376	(44.2)	20,844	23,773	(12.3)
Disposed operations							
Interest income		63	207	(69.6)	270	1,386	(80.5)
Other operating income							
HomeSide							
Proceeds from the sale of HomeSide operating assets		15	2,299	large	2,314		large
Other		128	295	large	423	871	large
Michigan National						171	large

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Other disposed operations					2	large
Other operating income	143	2,594	(94.5)	2,737	1,044	large
Total revenue from disposed operations	206	2,801	(92.6)	3,007	2,430	23.7
Significant revenue						
Proceeds from sale of SR Investment (HomeSide)	2,671		large	2,671		large
Proceeds from sale of Michigan National					5,314	large
Group eliminations	(1)		large	(1)	(18)	(94.4)
Total revenue from ordinary activities	10,344	16,177	(36.1)	26,521	31,499	(15.8)

Total revenue from ordinary activities agrees to note 4 in the Group's annual financial report 2002.

Detailed Financial Information - Note 8: Expenses

8. EXPENSES

	Note	Half Year to Sep 02 \$m	Mar 02 \$m	Fav/ (unfav) change on Mar 02 %	Year to Sep 02 \$m	Sep 01 \$m	Fav/ (unfav) change on Sep 01 %
Ongoing operations							
Interest expense	2	4,498	4,505	0.2	9,003	11,857	24.1
Life insurance expenses							
Claims expense		539	417	(29.3)	956	599	(59.6)
Change in policy liabilities		(3,218)	1,581	large	(1,637)	(1,318)	(24.2)
Policy acquisition and maintenance expense		366	385	4.9	751	699	(7.4)
Investment management fees		48	38	(26.3)	86	89	3.4
Other life insurance-related expenses		(2)	2	large			large
Life insurance expenses	6	(2,267)	2,423	large	156	69	large
Other operating expenses(1)							
Personnel expenses							
Salaries and related on costs		1,491	1,437	(3.8)	2,928	2,798	(4.6)
Other		150	155	3.2	305	343	11.1
		1,641	1,592	(3.1)	3,233	3,141	(2.9)
Occupancy expenses							
Rental on operating leases		135	127	(6.3)	262	252	(4.0)
Depreciation and amortisation		37	41	9.8	78	77	(1.3)
Other		106	100	(6.0)	206	208	1.0
		278	268	(3.7)	546	537	(1.7)
General expenses							
Advertising and marketing		106	84	(26.2)	190	176	(8.0)
Non-lending losses		12	36	large	48	69	30.4
Communications, postage and stationery		229	225	(1.8)	454	449	(1.1)
Depreciation and amortisation		170	152	(11.8)	322	251	(28.3)
Fees and commissions		90	80	(12.5)	170	180	5.6
Other expenses(2)		537	449	(19.6)	986	871	(13.2)
		1,144	1,026	(11.5)	2,170	1,996	(8.7)
Sub-total other operating expenses		3,063	2,886	(6.1)	5,949	5,674	(4.8)

Wealth Management investor compensation	64		large	64		large
Other operating expenses	3,127	2,886	(8.4)	6,013	5,674	(6.0)
Total expenses from ongoing operations	5,358	9,814	45.4	15,172	17,600	13.8

(1) September 2001 expense breakdown realigned to current classification

(2) Other expenses includes technology expenses, outside services, travel, legal fees and other general expenses.

	Half Year to		Fav/ (unfav) change on	Year to		Fav/ (unfav) change on
	Sep 02	Mar 02	Mar 02	Sep 02	Sep 01	Sep 01
	\$m	\$m	%	\$m	\$m	%
Disposed operations						
Interest expense	73	177	58.8	250	1,102	77.3
Operating expenses						
HomeSide						
Carrying value and expenses attributable to the sale of HomeSide operating assets	4	2,318	99.8	2,322		large
Other	114	257	55.6	371	479	22.5
Michigan National			large		271	large
Other disposed operations	1	1		2	64	96.9
Operating expenses	119	2,576	95.4	2,695	814	large
Total expenses from disposed operations	192	2,753	93.0	2,945	1,916	(53.7)
Significant expenses						
Provision for restructure	556	24	large	580		large
Carrying value of SR Investment sold	2,686		large	2,686		large
Net operating and non-operating expenses			large		6,866	large
Significant expenses	3,242	24	large	3,266	6,866	52.4
Group eliminations	(1)		large	(1)	(18)	94.4
Total expenses before goodwill	8,791	12,591	30.2	21,382	26,364	18.9
Amortisation of goodwill	53	48	(10.4)	101	167	39.5
Total expenses	8,844	12,639	30.0	21,483	26,531	19.0

Detailed Financial Information - Note 9: Full Time Equivalent Employees

9. FULL TIME EQUIVALENT EMPLOYEES(1)

By Region

	Sep 02	As at Mar 02	Sep 01	Change on Mar 02	Sep 01
	No.	No.	No.	%	%
Ongoing operations					
Australia	24,294	24,481	24,897	(0.8)	(2.4)
Europe	13,540	13,641	13,703	(0.7)	(1.2)
New Zealand	4,560	4,564	4,731	(0.1)	(3.6)
United States	127	133	143	(4.5)	(11.2)
Asia	641	800	757	(19.9)	(15.3)
Total ongoing operations	43,162	43,619	44,231	(1.0)	(2.4)
Disposed operations					
United States	38	37	3,363	2.7	(98.9)
Europe	2	2	3		(33.3)
Total disposed operations	40	39	3,366	2.6	(98.8)
Total full time equivalent employees (FTEs)	43,202	43,658	47,597	(1.0)	(9.2)

By Division

Ongoing operations					
Financial Services Australia	19,138	19,525	19,631	(2.0)	(2.5)
Financial Services Europe	11,848	12,077	12,122	(1.9)	(2.3)
Financial Services New Zealand	3,860	3,866	4,001	(0.2)	(3.5)
Other	302	308	322	(1.9)	(6.2)
Retail Banking	35,148	35,776	36,076	(1.8)	(2.6)
Wholesale Financial Services	2,467	2,492	2,596	(1.0)	(5.0)
Wealth Management(2)	5,547	5,351	5,559	3.7	(0.2)
Total ongoing operations	43,162	43,619	44,231	(1.0)	(2.4)
Disposed operations					
HomeSide	38	37	3,363	2.7	(98.9)
Vivid	2	2	3		(33.3)
Total disposed operations	40	39	3,366	2.6	(98.8)
Total full time equivalent employees (FTEs)	43,202	43,658	47,597	(1.0)	(9.2)
Average half year FTEs	43,682	46,807	47,509	(6.7)	(8.1)

(1) Full-time equivalent staff include part-time staff (pro-rated) and non-payroll FTE s (ie contractors). Comparative information has been restated to include non-payroll staff.

(2) In comparative periods Wealth Management full-time equivalent employees includes employees of joint venture interests, (March 2002: 231 FTE s and September 2001: 184 FTE s).

Detailed Financial Information - Note 10: Doubtful Debts

10. DOUBTFUL DEBTS

Total charge for doubtful debts by Region

	Half year to		Fav/ (unfav) change on	Year to		Fav/ (unfav) change on
	Sep 02	Mar 02	Mar 02	Sep 02	Sep 01	Sep 01
	\$m	\$m	%	\$m	\$m	%
Ongoing operations						
Australia	7	101	93.1	108	473	77.2
Europe	199	182	(9.3)	381	380	(0.3)
New Zealand	(18)	6	large	(12)	10	large
United States	60	109	45.0	169	31	large
Asia	12	(11)	large	1	3	66.7
Total ongoing operations	260	387	32.8	647	897	27.9
Disposed operations						
Europe	2	2		4	16	75.0
United States	18	28	35.7	46	76	39.5
Total disposed operations	20	30	33.3	50	92	45.7
Total charge to provide for doubtful debts	280	417	32.9	697	989	29.5

Total charge for doubtful debts by Division

Ongoing operations						
Financial Services Australia	100	46	large	146	324	54.9
Financial Services Europe	190	188	(1.1)	378	348	(8.6)
Financial Services New Zealand	(13)	8	large	(5)	13	large
Other	(5)	(1)	large	(6)	(7)	(14.3)
Retail Banking	272	241	(12.9)	513	678	24.3
Wholesale Financial Services	21	146	85.6	167	216	22.7
Wealth Management	(1)		large	(1)	3	large
Excess Capital and Group Funding(1)	(32)		large	(32)		large
Total ongoing operations	260	387	32.8	647	897	27.9
Disposed operations						
Retail Banking - Vivid	2	2		4	16	75.0
HomeSide	18	28	35.7	46	62	25.8
Michigan National					14	large

Total disposed operations	20	30	33.3	50	92	45.7
Total charge to provide for doubtful debts	280	417	32.9	697	989	29.5

(1) Reallocation of the Group statistical provisioning reserve to the operating Divisions.

Movement in provision for doubtful debts

	Year to Sep 02			Year to Sep 01		
	Specific \$m	General \$m	Total \$m	Specific \$m	General \$m	Total \$m
Opening balance						
Ongoing operations	586	2,180	2,766	433	1,881	2,314
Homeside		27	27		31	31
Michigan National				38	326	364
Group opening balance	586	2,207	2,793	471	2,238	2,709
Movements relating to ongoing operations						
Transfer to/(from) specific/general provision	788	(788)		708	(708)	
Bad debts recovered	171		171	151		151
Bad debts written off	(985)		(985)	(738)		(738)
Charge to profit and loss		647	647		897	897
Foreign currency translation and consolidation adjustments	(7)	(21)	(28)	32	94	126
Movements relating to disposed operations						
HomeSide						
Charge to profit and loss		46	46		62	62
Provision no longer required		(70)	(70)		(72)	(72)
Foreign currency translation and consolidation adjustments		(3)	(3)		6	6
Michigan National						
Transfer to/(from) specific/general provision				40	(40)	
Charge to profit and loss					14	14
Sale of Michigan National				(58)	(336)	(394)
Foreign currency translation and consolidation adjustments				(20)	36	16
Vivid						
Charge to profit and loss		4	4		16	16
Closing balance						
Ongoing operations	553	2,022	2,575	586	2,180	2,766
HomeSide					27	27
Total provision for doubtful debts	553	2,022	2,575	586	2,207	2,793

Detailed Financial Information - Note 11: Asset Quality

11. ASSET QUALITY

Summary of impaired assets

	Sep 02	As at Mar 02	Sep 01	Change on Mar 02	Sep 01
	\$m	\$m	\$m	%	%
Gross non-accrual loans	1,590	1,750	1,732	(9.1)	(8.2)
Gross restructured loans	6	5	4	20.0	50.0
Gross assets acquired through security enforcement	3	2	4	50.0	(25.0)
Gross impaired assets	1,599	1,757	1,740	(9.0)	(8.1)
Less: Specific provisions - non-accrual loans(1)	(500)	(602)	(528)	(16.9)	(5.3)
Net impaired assets	1,099	1,155	1,212	(4.8)	(9.3)

Total impaired assets by Region

	As at Sep 02		As at Mar 02		As at Sep 01	
	Gross	Net	Gross	Net	Gross	Net
	\$m	\$m	\$m	\$m	\$m	\$m
Ongoing operations						
Australia	894	595	917			