NATIONAL AUSTRALIA BANK LTD
Form 6-K
November 07, 2002

Copy No.1
FILE NO 1-9945

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

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 ý Form 40-F o

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 o No ý

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National Australia Bank Limited and to be part thereof from the date on which this Report, is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

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Group Corporate Affairs

National Australia
Bank Limited
ABN 12004044937

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Melbourne
Victoria 3000
Australia

Telephone: (03) 8641 3580
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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.

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

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

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

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

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RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

FINANCIAL SUMMARY

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	Mar 02		Sep 02	Sep 01	
	$m	$m	%	$m	$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

Significant items

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 Sep 02 $m	Half year to Mar 02 $m	Fav/ (unfav) change on Mar 02 %	Year to Sep 02 $m	Year to 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

			As at			Change on Proforma Sep 02(1)	
		Proforma Sep 02(1)	Sep 02	Mar 02	Sep 01	Mar 02	Sep 01
	Note	$m	$m	$m	$m	%	%
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

		Half year to		Year to	
	Note	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		As at
		Sep 02	Mar 02	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)%

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.

12

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.

Significant items

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%.

Significant items

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.

Restucturing 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.

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.

	Year to		
	Sep 02	**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	Year to		Fav/ (unfav) change
	Sep 02	Mar 02	on Mar 02	Sep 02	Sep 01	on 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

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	

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

	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	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

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.

FINANCIAL SERVICES AUSTRALIA

Statement of Financial Performance

	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	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

	Sep 02	Mar 02		Sep 02	Sep 01	
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				
	Sep 02		Mar 02		Sep 01
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.

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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		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	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

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

	As at		
	Sep 02	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

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		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	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**	