

NATIONAL AUSTRALIA BANK LTD

Form 6-K

November 05, 2004

FILE NO 1-9945

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

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## 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 2004

## 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

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**Group Corporate Affairs**

National Australia  
Bank Limited  
ABN 12004044937

500 Bourke Street  
Melbourne  
Victoria 3000  
Australia

**ASX Announcement**

*Melbourne, Wednesday 3 November 2004*

**Changes and revisions to National s results format**



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The National wishes to advise changes to its Full Year Results announcement pack format and revisions to prior period numbers. Previously reported Group profit numbers have not changed.

A summary of revisions to prior period numbers are:

- 1) September 2003 and March 2004 non-accrual loan balances will be revised upward by \$254 million and \$263 million respectively. This amount relates to a single exposure within Corporate & Institutional Banking, which is adequately provided for. Previously accrued interest of \$38 million will be written-back during the September 2004 half year. The exposure had previously been classified as 90 days past due at 30 September 2003 and 31 March 2004.
- 2) The balance of loans reported as 90 days past due at 30 September 2003 and 31 March 2004 has been revised following the implementation of new processes. The revised balances are \$492 million at 30 September 2003 (previously \$360 million) and \$563 million at 31 March 2004 (previously \$434 million), after adjusting for the non-accrual exposure referred to above.
- 3) Risk-weighted assets at 30 September 2003 and 31 March 2004 have been revised upward by \$1,901 million to \$254,266 million and \$1,438 million to \$278,239 million respectively. The revision primarily relates to New Zealand and the reporting of unutilised limits in Corporate & Institutional Banking and to capture additional retail lending products. Certain categories of residential mortgages across risk-weightings were also reclassified.
- 4) Changes have been made to the classification of average interest-bearing liabilities between categories on the average balance sheet.
- 5) A change has been made to the classification of interest income/expense in relation to certificates of deposit, such that these amounts are now recorded on a net basis rather than gross.
- 6) The calculation of diluted earnings per share for the half year to March 2004 took account of the interest expense on the ExCaps after booking the tax benefit. Removing the tax benefit from the calculation increases the diluted cash earnings per share from 119.9 cents to 121.1 cents.

Further details on these revisions and additional disclosures are provided in the attached explanation and pro forma results template.

**Changes from National Australia Bank's Half Year Results Announcement on 12 May 2004 to the Full Year Results Announcement on 10 November 2004**

*Page references refer to the Full Year Results Announcement Template (attached)*

**Additional Wealth Management-related disclosures**

*Management Discussion & Analysis Wealth Management (page 20)*



Additional disclosures relating to the Wealth Management business will be provided as follows:

Reconciliation of movement in funds under management and administration

Reconciliation of movement in annual inforce premiums

Shareholders retained profits and capital from life business asset mix

*Consolidation of Excess Capital and Group Funding results*



*Management Discussion & Analysis Other (incl. Group Funding & Corp. Centre) (page 29)*

Previously within the Group's segment reporting the Other segment was broken out between Excess Capital, Group Funding and Corporate Centre within the Divisional Performance Analysis Management Discussion & Analysis section. Excess Capital has now been consolidated into Group Funding.

*Additional net interest margin reconciliation*

*Note 2. Net Interest Margins & Spreads (page 37)*

A reconciliation has been provided between the net interest margin for each of the operating divisions and the net interest margin for the Group has been included.

*Reclassification of interest in relation to certificates of deposit*

*Note 2. Net Interest Income (page 35) and Note 4. Average Balance Sheet (page 39)*

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

There is no impact on / change to net profit, net interest income, net interest spread, net interest margin or average asset or average liability balances.

**Reclassification of average balance sheet categories**

*Note 4. Average Balance Sheet (page 39)*





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A change has been made to the classification of average interest-bearing liabilities between categories on the average balance sheet. This has been undertaken to improve the consistency between the classification of categories between the Summary of Financial Position (spot) and the Average Balance Sheet.

The gross up of trading derivatives (non-Australian) in the average balance sheet has been revised, resulting in a change in total average assets, but no change in interest-earning assets.

### *Restatement of non-accrual loans*



Note 11. Asset Quality (page 54)

At 30 September 2001 through to 31 March 2004, a certain Australian exposure was classified as performing, (although from 30 September 2003 to 31 March 2004 this exposure was classified as past due 90 days). However, the classification of this exposure as non-accrual during this period is now considered more appropriate, and comparative information for these years has been restated to include the balance of this exposure (including accrued interest) of \$263 million at 31 March 2004 and \$254 million at 30 September 2003.

*Restatement of past due 90 day loans*



Note 11. Asset Quality (page 55)

90 day past due loans are well-secured loans that accrue interest, but are in arrears 90 days or more. These loans are not classified as impaired assets.

In addition to the above restatement of one large Australian exposure as non-accrual, the Group has revised its data collection procedures used to establish its 90 day past due exposures. This process now includes loans that are identified by the internal categories, watch or substandard, and are in arrears 90 days or more.

In summary, comparative information has been restated as follows:

<b>90 days past due</b>	<b>31 Mar 2004 \$m</b>	<b>30 Sep 2003 \$m</b>
Previously reported	434	360
Loan reclassified as non-accrual	(263)	(254)
Revised data	392	386
Restated comparative	<b>563</b>	<b>492</b>

*Revision to risk-weighted assets*



Note 15. Capital Adequacy (page 61)





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The revision primarily relates to New Zealand and the reporting of unutilised limits in Corporate & Institutional Banking and to capture additional retail lending products. Certain categories of residential mortgages across risk-weightings were also reclassified.

As a result risk-weighted assets as at 30 September 2003 and 31 March 2004 have been restated/increased by \$1,901 million and \$1,438 million respectively.

**Additional disclosures re: the treatment of the Wealth Management business for capital adequacy purposes**

*Note 15. Capital Adequacy (page 63)*

Under guidelines issued by APRA, life insurance and funds management activities are excluded from the calculation of risk-weighted assets, and the controlled entities are deconsolidated for the purposes of calculating capital adequacy. Profits from Wealth Management only benefit the Group's regulatory capital position to the extent they are remitted to the Group by way of dividend. The total deduction from the Group's capital position in respect of Wealth Management entities at 31 March 2004 of \$5,905 million, 30 September 2003 of \$5,697 million.

A reconciliation between the market value of NAFiM subsidiaries and Wealth Management capital deduction has been provided in the Results Announcement.

*Treatment of interest expense relating to the exchangeable capital units (ExCaps)*



Note 16. Cash earnings per share (page 64)

From 1 October 2003 the Group elected not to book the tax benefit on the interest expense relating to ExCaps following the receipt of an ATO assessment.

The calculation of diluted earnings per share for the half year to March 2004 took account of the interest expense on the ExCaps after booking the tax benefit. Removing the tax benefit from the calculation increases the diluted cash earnings per share from 119.9 cents to 121.1 cents.

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**RESULTS TEMPLATE FOR THE YEAR ENDED**

**30 SEPTEMBER 2004**

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**RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2004**

FINANCIAL SUMMARY

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## DIVISIONAL PERFORMANCE SUMMARY

	Note	Half Year to Sep 04 \$m	Mar 04 \$m	Fav / (Unfav) Change on Mar 04 %	Year to Sep 04 \$m	Sep 03 \$m	Fav / (Unfav) Change on Sep 03 %
<b>Cash earnings (1)</b>							
<b>Retail Banking</b>							
Financial Services Australia	1		999			1,871	
Financial Services Europe	1		308			897	
Financial Services New Zealand	1		158			311	
<b>Retail Banking</b>			1,465			3,079	
Corporate & Institutional Banking (2)	1		375			877	
Other (incl. Group Funding and Corporate Centre) (2)	1		(117)			(77)	
<b>Total Banking</b>			1,723			3,879	
Wealth Management operating profit (2) (3)	1		221			374	
<b>Cash earnings before significant items and distributions</b>			1,944			4,253	
Distributions			(94)			(183)	
<b>Cash earnings before significant items</b>			1,850			4,070	
Weighted av no. of ordinary shares (million)	16		1,505			1,516	
<b>Cash earnings per share before significant items (cents)</b>	16		122.9			268.5	
<b>Diluted cash earnings per share before significant items (cents)</b>	16		121.1			262.3	
<b>Reconciliation to net profit</b>							
<b>Cash earnings before significant items</b>			1,850			4,070	
<b>Adjusted for:</b>							
Significant items after tax	13		127				
<b>Cash earnings after significant items</b>			1,977			4,070	
<b>Adjusted for:</b>							
Net profit/(loss) attributable to outside equity interest			63			(8)	
Distributions			94			183	
Wealth Management revaluation profit/(loss)			148			(200)	
Goodwill amortisation			(53)			(98)	
<b>Net profit</b>			2,229			3,947	
Net (profit)/loss attributable to outside equity interest			(63)			8	
<b>Net profit attributable to members of the Company</b>			2,166			3,955	
Distributions			(94)			(183)	
<b>Earnings attributable to ordinary shareholders</b>			2,072			3,772	

(1) Cash earnings is a performance measure used by the management of the Group.

(2) *Cash earnings after outside equity interest.*

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

## GROUP PERFORMANCE SUMMARY

	Note	Half Year to Sep 04 \$m	Mar 04 \$m	Fav / (Unfav) Change on Mar 04 %	Year to Sep 04 \$m	Sep 03 \$m	Fav / (Unfav) Change on Sep 03 %
<b>Banking (1)</b>							
Net interest income	2		3,519			7,302	
Other operating income (1) (2)	7		2,044			4,277	
<b>Banking net operating income (1)</b>			5,563			11,579	
<b>Wealth Management</b>							
Net interest income	2		66			117	
Net life insurance income (3)	6		455			444	
Other operating income (2)	7		412			733	
<b>Net operating income</b>			6,496			12,873	
Banking operating expenses (1)	8		(2,800)			(5,548)	
Wealth Management operating expenses (4)	8		(436)			(806)	
Charge to provide for doubtful debts	10		(305)			(633)	
<b>Cash earnings before tax</b>			2,955			5,886	
Banking income tax expense (1)	12		(730)			(1,512)	
Wealth Management income tax benefit/(expense)	12		(218)			(129)	
<b>Cash earnings before significant items, distributions and outside equity interest</b>			2,007			4,245	
Wealth Management revaluation profit/(loss) after tax	1		148			(200)	
Goodwill amortisation			(53)			(98)	
<b>Net profit before significant items</b>			2,102			3,947	
Significant items after tax	13		127				
<b>Net profit</b>			2,229			3,947	
<b>Net (profit)/loss attributable to outside equity interest</b>							
Wealth Management			(58)			16	
Corporate & Institutional Banking			(5)			(9)	
Other						1	
<b>Net profit attributable to members of the Company</b>			2,166			3,955	
Distributions			(94)			(183)	
<b>Earnings attributable to ordinary shareholders</b>			2,072			3,772	

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

(2) Other operating income excludes net interest income, net life insurance income and revaluation profit/(loss).

(3) Net life insurance income is the profit before tax excluding net interest income of the statutory funds of the life insurance companies of the Group.

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



## REGIONAL PERFORMANCE SUMMARY

	Sep 04 \$m	Half Year to Mar 04 \$m	Fav / (Unfav) Change on Mar 04 %	Sep 04 \$m	Year to Sep 03 \$m	Fav / (Unfav) Change on Sep 03 %
<b>Cash earnings</b>						
<b>Australia</b>						
Retail Banking (1)		991			1,854	
Corporate & Institutional Banking		199			390	
Wealth Management		190			327	
Other		(181)			(146)	
<b>Total Australia</b>		<b>1,199</b>			<b>2,425</b>	
<b>Europe</b>						
Retail Banking (1)		309			899	
Corporate & Institutional Banking		82			253	
Wealth Management		14			26	
Other		(11)			(104)	
<b>Total Europe</b>		<b>394</b>			<b>1,074</b>	
<b>New Zealand</b>						
Retail Banking (1)		165			326	
Corporate & Institutional Banking		59			142	
Wealth Management		5			2	
Other		(11)			(11)	
<b>Total New Zealand</b>		<b>218</b>			<b>459</b>	
<b>United States</b>						
Corporate & Institutional Banking		17			48	
Other		77			165	
<b>Total United States</b>		<b>94</b>			<b>213</b>	
<b>Asia</b>						
Corporate & Institutional Banking		18			44	
Wealth Management		12			19	
Other		9			19	
<b>Total Asia</b>		<b>39</b>			<b>82</b>	
<b>Cash earnings before significant items and distributions</b>		<b>1,944</b>			<b>4,253</b>	

(1) Regional Retail Banking results differ from Financial Services Australia, Europe and New Zealand primarily due to the inclusion of the global fleet management business units within Financial Services Australia.

Refer to the Divisional Performance Summary on page 2 for a reconciliation of cash earnings before

significant items and distributions to net profit.

## SUMMARY OF FINANCIAL POSITION

	Note	Sep 04 \$m	As at Mar 04 \$m	Sep 03 \$m	Mar 04 %	Change on Sep 03 %
<b>Assets</b>						
Cash and other liquid assets			11,641	8,405		
Due from other financial institutions			20,200	29,234		
Due from customers on acceptances			14,988	19,562		
Trading securities			25,691	23,724		
Trading derivatives			24,352	23,644		
Available for sale securities			2,794	6,513		
Investment securities			7,099	8,647		
Investments relating to life ins. business			37,982	35,846		
Loans and advances			233,987	225,735		
Shares in entities and other securities			867	1,445		
Regulatory deposits			436	225		
Property, plant and equipment			2,483	2,498		
Income tax assets			1,248	1,203		
Goodwill			682	740		
Other assets			11,130	10,050		
<b>Total assets</b>			<b>395,580</b>	<b>397,471</b>		
<b>Liabilities</b>						
Due to other financial institutions			43,968	52,530		
Liability on acceptances			14,988	19,562		
Trading derivatives			21,046	21,479		
Deposits and other borrowings			210,624	201,194		
Life insurance policy liabilities			34,059	32,457		
Income tax liabilities			1,238	1,537		
Provisions			1,143	1,262		
Bonds, notes and subordinated debt			25,204	24,257		
Other debt issues			1,693	1,743		
Other liabilities			13,707	14,239		
<b>Net assets</b>			<b>27,910</b>	<b>27,211</b>		
<b>Equity</b>						
Ordinary shares			6,029	6,078		
Preference shares				730		
National Income Securities			1,945	1,945		
Trust Preferred Securities			975	975		
Contributed equity	15		8,949	9,728		
Reserves	15		784	893		
Retained profits	15		14,619	13,786		
<b>Total equity parent entity interest</b>			<b>24,352</b>	<b>24,407</b>		
Outside equity interest in controlled entities	15					
Wealth Management			3,385	2,614		
Corporate & Institutional Banking			173	190		
<b>Total equity</b>			<b>27,910</b>	<b>27,211</b>		





## GROUP KEY PERFORMANCE MEASURES

	Note	Half Year to Sep 04	Mar 04	Sep 04	Year to Sep 03
<b>Shareholder measures</b>					
EVA® (\$ million) (1)			978		2,259
<b>Earnings per share (cents)</b>					
Cash earnings per ordinary share before significant items (2)	16		122.9		268.5
Diluted cash earnings per share before significant items (2)	16		121.1		262.3
Cash earnings per ordinary share after significant items (2)			131.4		268.5
Earnings per ordinary share before significant items			129.2		248.8
Earnings per ordinary share after significant items			137.7		248.8
Weighted average ordinary shares (no. million)	16		1,505		1,516
Weighted average diluted shares (no. million)	16		1,574		1,586
Dividends per share (cents)			83		163
<b>Performance (after non-cash items) (3)</b>					
Return on average equity before significant items			18.8%		18.3%
Return on average equity after significant items			20.0%		18.3%
Return on average assets before significant items			0.96%		0.96%
<b>Net interest income</b>					
Net interest spread	3		1.95%		2.18%
Net interest margin	3		2.40%		2.53%
<b>Profitability (before significant items)</b>					
Cash earnings per average FTE (\$ 000)			86		95
Banking cost to income ratio (4)			50.9%		48.4%

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

(1) Economic Value Added (EVA ®) is a registered trademark of Stern Stewart & Co.

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

- (3) *Includes non-cash items, ie. revaluation profits/(losses) after tax and goodwill amortisation.*
- (4) *Total Banking cost to income ratio is before eliminations (refer note 1). Costs include total expenses excluding significant items, goodwill amortisation, the charge to provide for doubtful debts and interest expense. Income includes total revenue excluding significant items and net of interest expense.*

**RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2004**

GROUP PROFITABILITY & CAPITAL

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## Management Discussion &amp; Analysis Capital &amp; Performance Measures

## CAPITAL &amp; PERFORMANCE MEASURES

## Performance Measures

*Economic Value Added (EVA<sup>®</sup>)*

	Half Year to		Fav/ (Unfav) Change on	Year to		Fav/ (Unfav) Change on
	Sep 04	Mar 04	Mar 04	Sep 04	Sep 03	Sep 03
	\$m	\$m	%	\$m	\$m	%
<b>Cash earnings before significant items</b>		1,850		4,070		
Tax rate variance (1)		41		(7)		
Imputation credits benefit (2)		360		727		
<b>EVA<sup>®</sup> net operating profit after tax</b>		2,251		4,790		
<b>Average shareholders equity</b>		27,055		24,111		
Add average cumulative goodwill amortisation		1,724		1,648		
Add/(deduct) average significant items		(64)				
Deduct average other equity instruments (3)		(6,422)		(3,532)		
Deduct average cumulative WM revaluation		(152)		(220)		
<b>Average economic capital</b>		22,141		22,007		
<b>Capital charge</b>		(1,273)		(2,531)		
<b>EVA<sup>®</sup></b>		978		2,259		

(1) Difference between the EVA<sup>®</sup> tax rate of 30% and the effective tax rate.

(2) Imputation credits are measured at 70% of Australian tax.

(3) Other equity instruments are National Income Securities, Trust Preferred Securities, preference share capital and outside equity interest.

**RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2004**

DIVISIONAL PERFORMANCE ANALYSIS

## Management Discussion &amp; Analysis Total Banking

## TOTAL BANKING

Total Banking includes Retail Banking, Corporate & Institutional Banking and Other (including Group Funding and Corporate Centre). It excludes Wealth Management.

*Performance Summary*

Comparison to September 2003 year	Sep 04 \$m	Year to	Sep 03 \$m	%	Fav / (Unfav)
					Change on Sep 03
					Ex FX (1)
					%
Net interest income			7,302		
Other operating income (2)			4,394		
<b>Total income</b>			11,696		
Pension fund expense			(207)		
Other operating expenses (2)			(5,458)		
<b>Underlying profit</b>			6,031		
Charge to provide for doubtful debts			(632)		
<b>Cash earnings before tax</b>			5,399		
Income tax expense			(1,512)		
<b>Cash earnings before significant items and outside equity interest</b>			3,887		
Net profit attributable to outside equity interest			(8)		
<b>Cash earnings before significant items</b>			3,879		

Comparison to March 2004 half	Sep 04 \$m	Half Year to	Mar 04 \$m	%	Fav / (Unfav)
					Change on Mar 04
					Ex FX (1)
					%
Net interest income			3,519		
Other operating income (2)			2,110		
<b>Total income</b>			5,629		
Pension fund expense			(136)		
Other operating expenses (2)			(2,730)		
<b>Underlying profit</b>			2,763		
Charge to provide for doubtful debts			(305)		
<b>Cash earnings before tax</b>			2,458		
Income tax expense			(730)		
<b>Cash earnings before significant items and outside equity interest</b>			1,728		
Net profit attributable to outside equity interest			(5)		
<b>Cash earnings before significant items</b>			1,723		

*Key Performance Measures*

	Sep 04	Half Year to Mar 04	Sep 04	Year to Sep 03
<b>Performance &amp; profitability</b>				
Cost to income ratio			50.9%	48.4%

(1) *Change expressed at constant foreign exchange rates.*

(2) *Total Banking is before inter-divisional eliminations.*

## Management Discussion &amp; Analysis Retail Banking

## RETAIL BANKING

The regional Retail Banking Divisions include the business, agribusiness and consumer financial services retailers, as well as cards, payments and leasing units together with supporting Customer Service and Operations. These operate in Australia, Europe and New Zealand. They exclude Wealth Management, Corporate & Institutional Banking and Other (including Group Funding & Corporate Centre).

Comparison to September 2003 year	Sep 04 \$m	Year to Sep 03 \$m	Fav / (Unfav) Change on Sep 03	
			%	Ex FX (1) %
Net interest income		6,497		
Other operating income (2)		3,217		
<b>Total income</b>		9,714		
Pension fund expense		(176)		
Other operating expenses (2)		(4,538)		
<b>Underlying profit</b>		5,000		
Charge to provide for doubtful debts		(566)		
<b>Cash earnings before tax</b>		4,434		
Income tax expense		(1,355)		
<b>Cash earnings before significant items</b>		3,079		

Comparison to March 2004 half	Sep 04 \$m	Half Year to Mar 04 \$m	Fav / (Unfav) Change on Mar 04	
			%	Ex FX (1) %
Net interest income		3,177		
Other operating income (2)		1,559		
<b>Total income</b>		4,736		
Pension fund expense		(119)		
Other operating expenses (2)		(2,276)		
<b>Underlying profit</b>		2,341		
Charge to provide for doubtful debts		(217)		
<b>Cash earnings before tax</b>		2,124		
Income tax expense		(659)		
<b>Cash earnings before significant items</b>		1,465		

(1) Change expressed at constant foreign exchange rates.

(2) Retail Banking is the sum total of Financial Services Australia, Financial Services New Zealand and Financial Services Europe, before inter-divisional eliminations.



## Management Discussion &amp; Analysis Financial Services Australia

## FINANCIAL SERVICES AUSTRALIA

*Performance Summary*

	Sep 04 \$m	Half Year to Mar 04 \$m	Fav / (Unfav) Change on Mar 04 %	Sep 04 \$m	Year to Sep 03 \$m	Fav / (Unfav) Change on Sep 03 %
Net interest income		1,799			3,519	
Other operating income		989			1,950	
<b>Total income</b>		2,788			5,469	
Pension fund expense		(29)			(82)	
Other operating expenses		(1,225)			(2,420)	
<b>Underlying profit</b>		1,534			2,967	
Charge to provide for doubtful debts		(105)			(298)	
<b>Cash earnings before tax</b>		1,429			2,669	
Income tax expense		(430)			(798)	
<b>Cash earnings before significant items (1)</b>		999			1,871	

(1) Refer to Note 1 for a reconciliation of Financial Services Australia's result to Group net profit.

*Key Performance Measures*

<b>Performance &amp; profitability</b>		
Return on average assets (annualised)	1.33%	1.39%
Cost to income ratio	45.0%	45.7%
Cash earnings per average FTE (annualised) (\$ 000)	115	104
<b>Net interest income</b>		
Net interest margin	2.91%	3.14%
Net interest spread	2.39%	2.68%
<b>Average balance sheet (\$bn)</b>		
Gross loans and acceptances	145.0	132.4
Interest-earning assets	122.5	111.2
Retail deposits	65.4	60.6

	Sep 04	As at Mar 04	Sep 03
<b>Asset quality</b>			
Gross non-accrual loans (\$m)		429	494

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Gross loans and acceptances (\$bn)	148.8	140.5
Gross non-accrual loans to gross loans and acceptances	0.29%	0.35%
Specific provision to gross impaired assets	34.0%	27.6%
<b>Full-time equivalent employees (FTE)</b>	17,663	17,233

	Sep 04	As at Mar 04	Sep 03
<b>Market share (1)</b>			
Housing		14.6%	14.9%
Business (including Corporate & Institutional Banking)		19.0%	19.2%
Other Personal		15.7%	16.1%
Retail deposits (Personal & Business)		15.0%	14.7%

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(1) Source: RBA

## Management Discussion &amp; Analysis Financial Services Europe

## FINANCIAL SERVICES EUROPE

*Performance Summary*

Australian dollars	Sep 04 \$m	Half Year to Mar 04 \$m	Fav / (Unfav) Change on Mar 04 %	Sep 04 \$m	Year to Sep 03 \$m	Fav / (Unfav) Change on Sep 03 %
Net interest income		1,043			2,327	
Other operating income		410			938	
<b>Total income</b>		1,453			3,265	
Pension fund expense		(92)			(93)	
Other operating expenses		(803)			(1,626)	
<b>Underlying profit</b>		558			1,546	
Charge to provide for doubtful debts		(100)			(247)	
<b>Cash earnings before tax</b>		458			1,299	
Income tax expense		(150)			(402)	
<b>Cash earnings before significant items (1)</b>		308			897	

(1) Refer to Note 1 for a reconciliation of Financial Services Europe's result to Group net profit.

Pounds sterling	£m	£m	%	£m	£m	%
Net interest income		436			887	
Other operating income		172			357	
<b>Total income</b>		608			1,244	
Pension fund expense		(39)			(36)	
Other operating expenses		(335)			(621)	
<b>Underlying profit</b>		234			587	
Charge to provide for doubtful debts		(42)			(94)	
<b>Cash earnings before tax</b>		192			493	
Income tax expense		(63)			(153)	
<b>Cash earnings before significant items</b>		129			340	

*Key Performance Measures*

	Sep 04 £m	Half Year to Mar 04 £m	Fav / (Unfav) Change on Mar 04 %	Sep 04 £m	Year to	Sep 03 £m	Fav / (Unfav) Change on Sep 03 %
<b>Performance &amp; profitability</b>							
Return on average assets (annualised)		0.97%				1.36%	
Cost to income ratio		61.5%				52.8%	
Cost to income ratio (excl. pension fund expense)		55.1%				49.9%	
Cash earnings per average FTE (annualised) (£ 000)		22				29	
<b>Net interest income</b>							
Net interest margin		4.16%				4.30%	
Net interest spread		3.69%				3.82%	
<b>Average balance sheet (£bn)</b>							
Gross loans and acceptances		19.1				18.3	
Interest-earning assets		20.6				20.3	
Retail deposits		14.9				14.6	

	Sep 04	As at Mar 04	Sep 03
<b>Asset quality</b>			
Gross non-accrual loans (£m)		101	122
Gross loans and acceptances (£bn)		19.2	18.7
Gross non-accrual loans to gross loans and acceptances		0.53%	0.65%
Specific provision to gross impaired assets		43.7%	39.9%
<b>Full-time equivalent employees (FTE)</b>		11,661	11,411

## Management Discussion &amp; Analysis Financial Services New Zealand

## FINANCIAL SERVICES NEW ZEALAND

*Performance Summary*

Australian dollars	Half Year to Sep 04 \$m	Mar 04 \$m	Fav / (Unfav) Change on Mar 04 %	Year to Sep 04 \$m	Sep 03 \$m	Fav / (Unfav) Change on Sep 03 %
Net interest income		335			651	
Other operating income		160			329	
<b>Total income</b>		495			980	
Operating expenses		(246)			(493)	
<b>Underlying profit</b>		249			487	
Charge to provide for doubtful debts		(12)			(21)	
<b>Cash earnings before tax</b>		237			466	
Income tax expense		(79)			(155)	
<b>Cash earnings before significant items (1)</b>		158			311	

(1) Refer to Note 1 for a reconciliation of Financial Services New Zealand's result to Group net profit.

New Zealand dollars	NZ\$m	NZ\$m	%	NZ\$m	NZ\$m	%
Net interest income		382			725	
Other operating income		182			367	
<b>Total income</b>		564			1,092	
Operating expenses		(280)			(549)	
<b>Underlying profit</b>		284			543	
Charge to provide for doubtful debts		(14)			(23)	
<b>Cash earnings before tax</b>		270			520	
Income tax expense		(90)			(173)	
<b>Cash earnings before significant items</b>		180			347	

*Key Performance Measures*

<b>Performance &amp; profitability</b>			
Return on average assets (annualised)		1.17%	1.25%
Cost to income ratio		49.6%	50.3%
Cash earnings per average FTE (annualised) (NZ\$ '000)		85	81
<b>Net interest income</b>			
Net interest margin		2.56%	2.71%
Net interest spread		2.78%	3.00%

**Average balance sheet (NZ\$bn)**

Gross loans and acceptances	25.6	23.5
Interest-earning assets	29.6	26.6
Retail deposits	16.6	15.9

	Sep 04	As at Mar 04	Sep 03
<b>Asset quality</b>			
Gross non-accrual loans (NZ\$m)		39	30
Gross loans and acceptances (NZ\$bn)		26.2	24.6
Gross non-accrual loans to gross loans and acceptances		0.15%	0.12%
Specific provision to gross impaired assets		59.5%	34.5%
<b>Full-time equivalent employees (FTE)</b>		4,238	4,257
<b>Market share</b>			
Cards		30.2%	30.6%
Housing		15.6%	15.6%
Agribusiness		18.5%	18.8%
Retails deposits		19.0%	19.1%

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(1) Source: RBNZ



## Management Discussion &amp; Analysis Corporate &amp; Institutional Banking

## CORPORATE &amp; INSTITUTIONAL BANKING

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

CIB comprises Corporate Banking, Markets, Specialised Finance, Financial Institutions Group, Transactional Solutions 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.

*Performance Summary*

	Sep 04	Year to	Sep 03	Sep 03	Fav / (Unfav) Change on	Sep 03 Ex FX(1)
	\$m		\$m	%		%
Net interest income			848			
Other operating income			1,102			
<b>Total income</b>			1,950			
Operating expenses			(755)			
<b>Underlying profit</b>			1,195			
Charge to provide for doubtful debts			(70)			
<b>Cash earnings before tax</b>			1,125			
Income tax expense			(239)			
<b>Cash earnings before significant items (2)</b>			886			
Net profit attributable to outside equity interest			(9)			
<b>Cash earnings before significant items and after outside equity interest</b>			877			

	Sep 04	Half Year to	Mar 04	Mar 04	Fav / (Unfav) Change on	Mar 04 Ex FX(1)
	\$m		\$m	%		%
Net interest income			371			
Other operating income			596			
<b>Total income</b>			967			
Operating expenses			(400)			
<b>Underlying profit</b>			567			
Charge to provide for doubtful debts			(88)			
<b>Cash earnings before tax</b>			479			
Income tax expense			(99)			
<b>Cash earnings before significant items (2)</b>			380			
Net profit attributable to outside equity interest			(5)			

Cash earnings before significant items and after  
outside equity interest

375

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- (1) *Change expressed at constant exchange rates.*
- (2) *Refer to Note 1 for a reconciliation of Corporate & Institutional Banking's result to Group net profit.*

Key Performance Measures	Sep 04	Half Year to Mar 04	Sep 04	Year to Sep 03
<b>Performance &amp; profitability</b>				
Cost to income ratio		41.4%		38.7%
Cash earnings per average FTE (annualised) (\$ 000) (3)		279		344
<b>Net interest income</b>				
Net interest margin		0.56%		0.62%
<b>Average balance sheet (\$bn)</b>				
Core lending		37.6		39.4
Gross loans and acceptances		42.8		45.1
Interest-earning assets		130.8		135.9

(3) *Cash earnings before significant items and after outside equity interest.*

Asset quality	Sep 04	As at Mar 04	Sep 03
Gross non-accrual loans (\$m)		719	793
Gross loans and acceptances (\$bn)		43.0	44.5
Gross non-accrual loans to gross loans and acceptances		1.67%	1.78%
Specific provision to gross impaired assets		28.4%	24.6%
<b>Full-time equivalent employees (FTE)</b>		2,720	2,624

## Management Discussion &amp; Analysis Wealth Management

## WEALTH MANAGEMENT

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.

*Operating Profit*

	Half Year to		Fav / (Unfav) Change on	Year to		Fav / (Unfav) Change on
	Sep 04	Mar 04	Mar 04	Sep 04	Sep 03	Sep 03
	\$m	\$m	%	\$m	\$m	%
Investments (1)		77			142	
Insurance (2)		121			204	
Private Bank		32			56	
Other (including regulatory programs) (3)		(37)			(58)	
Strategic investment expenditure		(16)			(28)	
<b>Profit from operations (after tax)</b>		177			316	
Investment earnings on shareholders' retained profits and capital from life businesses		44			58	
<b>Operating profit after tax and outside equity interest</b>		221			374	
Revaluation profit/(loss) after tax		148			(200)	
<b>Net profit before significant items and after outside equity interest</b>		369			174	

(1) Investments include funds management, funds administration and asset management. Investments exclude prior year adjustments.

(2) Insurance includes retail insurance (retail risk insurance encompassing term, trauma and disability insurance, life insurance and general insurance agency) and group insurance.

(3) Other includes Advice Solutions and other businesses and shareholders branches of the life companies. The costs of NAFiM investor compensation and enforceable undertakings are included in this line.



*Key Performance Measures*

	Sep 04 \$m	Half Year to Mar 04 \$m	Fav / (Unfav) Change on Mar 04 %	Sep 04 \$m	Year to Sep 03 \$m	Fav / (Unfav) Change on Sep 03 %
<b>Investment sales</b>		7,104			12,189	
<b>Insurance sales</b>		98			243	
<b>Debt sales</b>		661			1,200	

	Sep 04	As at Mar 04	Sep 03	Mar 04 %	Increase/ (Decrease) on Sep 03 %
<b>Full-time equivalent employees (FTEs) (No.)</b>		6,068	6,174		
<b>Bank channels:</b>					
- Australia		477	456		
- Europe		171	187		
<b>Total Bank channels</b>		648	643		
<b>Aligned channels:</b>					
- Australia		909	947		
- Europe		55	64		
- Asia		1,541	1,561		
<b>Total Aligned channels</b>		2,505	2,572		
<b>Financial advisers (No.) (1)</b>		3,153	3,215		

## Management Discussion &amp; Analysis Wealth Management

*Investments*

	Half Year to	Fav /	Year to	Fav /
	Sep 04	(Unfav)	Sep 04	(Unfav)
	\$m	Change on	\$m	Change on
		Mar 04		Sep 03
		\$m		\$m
		%		%
<b>Total funds under management and administration (\$bn)</b>				
Spot		76.7		73.1
Average		74.3		68.3

	Jun 04	As at	Sep 03
		Mar 04	
<b>Market share Australia% (1)</b>			
Total Master Funds (2)		15.9	16.3
Annual Master Funds inflows		10.9	11.7
Annual Master Funds outflows		12.8	13.9
Retail funds management (ex cash mgmt)(2)		12.2	12.3
Annual Retail inflows (ex cash mgmt)		8.8	9.3
Annual Retail outflows (ex cash mgmt)		9.6	10.1
Corporate Master Funds (2)		12.6	14.5
Net annual Corporate Master Funds flows		18.4	5.3

(1) Source: Plan for Life Australian Retail & Wholesale Investments Market Share & Dynamics Reports as at June 2004, March 2004 and September 2003. Plan for Life is now used to report Investments market share (previously ASSIRT) due to the additional reporting provided by Plan for Life on business drivers such as gross inflows and outflows.

(2) Plum funds under administration included in market share reporting for the first time at June 2004. Corporate Master Funds are a subset of Total Master Funds and Retail Funds Management.

## Year ended 30 September 2004

Funds Under Management and Administration	Opening Balance Sep 03 \$m	Inflows \$m	Outflows \$m	Investment Earnings \$m	Other (1) \$m	Closing Balance Sep 04 \$m
Platforms	36,992					
Wholesale	16,538					
Other Retail and Trustee	12,695					
<b>Australia</b>	<b>66,225</b>					
<b>International</b>	<b>6,868</b>					
<b>Total</b>	<b>73,093</b>					

## Year ended 30 September 2003

Funds Under Management and Administration	Opening Balance Sep 02 \$m	Inflows \$m	Outflows \$m	Investment Earnings \$m	Other \$m	Closing Balance Sep 03 \$m
Platforms	34,258	6,296	(5,595)	3,188	(1,155)	36,992
Wholesale	11,366	3,818	(1,854)	825	2,383	16,538
Other Retail and Trustee	13,358	493	(1,684)	466	62	12,695
<b>Australia</b>	<b>58,982</b>	<b>10,607</b>	<b>(9,133)</b>	<b>4,479</b>	<b>1,290</b>	<b>66,225</b>
<b>International</b>	<b>6,590</b>	<b>1,559</b>	<b>(1,233)</b>	<b>222</b>	<b>(270)</b>	<b>6,868</b>
<b>Total</b>	<b>65,572</b>	<b>12,166</b>	<b>(10,366)</b>	<b>4,701</b>	<b>1,020</b>	<b>73,093</b>

(1) Other includes trust distributions and flows due to the sale/purchase of businesses and product closures.



## Management Discussion &amp; Analysis Wealth Management

## Insurance

	Sep 04	As at Mar 04	Sep 03	Mar 04 %	Fav / (Unfav) Change on Sep 03 %
<b>Annual InForce Premiums (\$m) (1)</b>					
Retail risk insurance		469.3	445.2		
Group insurance		108.2	109.1		
<b>Market share Australia (%) (2)</b>					
Retail risk insurance		15.0	14.7		
New retail risk annual premiums		15.4	16.5		

(1) Annualised inforce premiums for Australia and New Zealand only. Inforce premiums for Asia are not shown in this table as they are Traditional in nature

(2) Source: DEXX&R Life Analysis Reports as at March 2004, December 2003 and June 2003. Retail risk insurance includes term, trauma and disability insurance.

Australia and New Zealand Annual Inforce Premiums (1)	Year ended 30 September 2004			Closing Balance Sep 04 \$m
	Opening Balance Sep 03 \$m	Sales/New Business \$m	Lapses & other movements \$m	
Retail risk	445.2			
Group risk	109.1			
<b>Total</b>	<b>554.3</b>			
Australia	526.0			
New Zealand	28.3			
<b>Total</b>	<b>554.3</b>			

Australia and New Zealand Annual Inforce Premiums (1)	Opening Balance Sep 02 \$m	Year ended 30 September 2003		Closing Balance Sep 03 \$m
		Sales/New Business \$m	Lapses & other movements \$m	
Retail risk	389.1	87.6	(31.5)	445.2
Group risk	103.2	36.2	(30.3)	109.1
<b>Total</b>	<b>492.3</b>	<b>123.8</b>	<b>(61.8)</b>	<b>554.3</b>
Australia	465.5	121.8	(61.3)	526.0
New Zealand	26.8	2.0	(0.5)	28.3
<b>Total</b>	<b>492.3</b>	<b>123.8</b>	<b>(61.8)</b>	<b>554.3</b>

(1) Inforce premiums for Asia are not shown in this table as they are Traditional in nature.

*Investment earnings on shareholders retained profits and capital from life businesses*

Asset mix - shareholder retained profits and capital from life business	As at Sep 04 %	As at Mar 04 %	As at Sep 03 %
Equity		24.4	29.0
Fixed interest		22.8	24.0
Cash and others		56.6	51.8
Subordinated debt		(3.8)	(4.8)
<b>Total</b>		<b>100.0</b>	<b>100.0</b>

The asset mix is consistent with the investment profile of policyholder assets and regional regulatory requirements.

Investment earnings on shareholders retained profits and capital from life business	Sep 04 \$m	Half Year to Mar 04 \$m	Fav / (Unfav) Change on Mar 04 %	Sep 04 \$m	Year to Sep 03 \$m	Fav / (Unfav) Change on Sep 03 %
Investments			28			31
Insurance			16			27
<b>Total</b>			<b>44</b>			<b>58</b>

**Valuation and revaluation profit**

NAFiM subsidiaries

Market value summary (\$m)