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Global Corporate Relations

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Media Release

10 May 2001

NATIONAL REPORTS STRONG FIRST HALF RESULT

National Australia Bank today announced a 28.7% increase in net profit after tax to $2,025 million for the six months to 31 March 2001.

Earnings per share increased 26.2% to 125.3 cents. Return on average shareholders funds was 19.0%.

The Directors declared a fully franked interim dividend of 67 cents a share, payable on 4 July 2001, an increase of 13.6% over the previous corresponding half.

Managing Director and Chief Executive Officer of the National, Mr Frank Cicutto, said, "This is a strong result that confirms our position as a leading, diversified financial services group.

"It also demonstrates that our strategies are working.

"The National's unique combination of business and geographic diversity is delivering profits and providing significant growth opportunities.

"Offshore earnings from continuing operations contributed 41% of our net profit and represented export income for Australia of almost $800 million," Mr Cicutto said.

"The Retail Banking businesses performed strongly, while the newer Wealth Management and Wholesale Financial Services have really started delivering. Wealth Management contributed $364 million for the half – an excellent result for the first full period after the acquisition of MLC.

"We said 12 months ago that we would accelerate the growth in these businesses and enhance their capabilities, and that's what we're doing."

The results include:

- **Banking and Other Financial Services** reported a 15.3% increase in profit to $1,520 million, driven by a 12.2% increase in total income to $5,064 million. This category comprises Business and Personal Financial Services, Wholesale Financial Services, Specialist and Emerging Businesses and National Shared Services.

  Net interest income for these businesses increased 13.1% to $3,089 million and other operating income grew by 10.8% to $1,975 million, representing 39.0% of total income. The cost income ratio improved from 51.4% to 49.7% and although expenses increased by 8.5%, much of this related to income growth.

  Business and Personal Financial Services increased profit after tax by 13.4% to $1,119 million, due to strong lending and deposit growth, including significant home loan growth in each of the Group's markets.

  Wholesale Financial Services produced a record $347 million profit for the half, up 29.0% on the March 2000 half, with particularly strong contributions from the markets and structured finance areas.

- **Wealth Management** produced an excellent result driven by significant growth in new business. The $364 million contribution comprises $175 million operating profit and $189 million after tax revaluation profit, and compares with the $65 million earned in the March 2000 half before the MLC acquisition. The integration with MLC is proceeding successfully and is on track to deliver major synergies.

- **HomeSide's** contribution fell to $71 million after tax from $84 million, however this represents an improvement on the September 2000 half contribution of $48 million. The improvement is due to a 9.7% increase in profit from the US operations, which reflects the recent recovery of production volumes in the US due to falling mortgage interest rates, the development of the Australian business, and the impact of the weaker Australian dollar.
- **Offshore earnings** increased by $129 million or 19.9% to $778 million, or 10.2% excluding the impact of the falling Australian dollar.

Leveraging capabilities and diversity to drive growth

During the half, the National's businesses continued to leverage capabilities and diversity to drive growth. The initiatives include:

- The ongoing successful implementation of the Group's market leading Customer Relationship Management model. "National Leads", the predictive sales leads generation tool used in Australia, is being launched in each region, further enhancing the Group's leadership in customer relationship management. During the half to March 2001 National Leads generated over 570,000 new leads which resulted in $4.4 billion of new business.
- Expansion of the financial planning capacity continued in Australia and Great Britain, supporting the delivery of National and MLC wealth management products to our customers. In Australia the financial planning force was increased from 243 to 1,556 planners and advisers, as a result of the MLC acquisition and a recruiting campaign.
- The establishment of the MLC service platform in the UK is advancing well and is expected to be launched in the fourth quarter 2001. This will position the business strongly for expansion into the UK funds management industry.
- Leveraging HomeSide US's expertise in the origination market, HomeSide Australia has greatly expanded the wholesale (broker) channel for sourcing home loans. HomeSide's Australian volumes now routinely exceed $200 million per month, compared with an average of $56 million per month two years ago. Mortgage origination through the HomeSide channel in Australia accounted for 12.8% of total inflows in the half year.
- Our internet-based home loan business, HomeSide Solutions, has written $US500 million of new business since last November.
- The Wholesale Financial Services Australian risk management products were successfully exported to the UK and Ireland, which has contributed to the competitiveness of the Group's regional banks in those markets.

Outlook

Mr Cicutto said that while he expected the economic environment and trading conditions to be softer in the second half, the Group was on track to achieve the targets set last year of earnings per share growth in excess of 10%, and EVA (Economic Value Added) growth of more than 5%.

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Media Conference is at 10.00am, Thursday 10 May 2001

- Sydney – Intercontinental Hotel, 117 Macquarie Street (Fort Macquarie Room, Level 2)
- Melbourne – Level 7, 500 Bourke Street (by videoconference)
- Telephone dial-in on 1800 500 931 - password is NAB 10

Full copy of results pack may be collected from

- Website www.national.com.au
- Level 29, 500 Bourke Street, Melbourne or Level 28, 255 George Street, Sydney

FINANCIAL HIGHLIGHTS

- Group net profit before distributions up 28.7% to $2,025 million
- Earnings per ordinary share growth 26.2% to 125.3 cents per share
- Interim dividend up 13.6% to 67 cents per share, fully franked
- Return on shareholders' funds of 19.0%
- Profit from continuing operations up 30.8% to $1,897 million
- Cash earnings per share up 13.5% to 119.4 cents
- Offshore earnings up 19.9%
  - Great Britain up 19.1% (local currency 10.2%)
  - Ireland up 17.8% (local currency 10.0%)
  - New Zealand up 36.0% (local currency 36.0%)
- Wealth Management contribution of $364 million
  - Operating profit of $175 million up 13.6% on a proforma basis
- Wholesale Financial Services contribution up 29.0% to $347 million
- Improved performance from Banking & Other Financial Services (business, personal, wholesale and specialist businesses together with shared services)
  - Net interest income growth of 13.1% to $3,089 million
  - Other operating income growth of 10.8% to $1,975 million
  - Cost to income ratio down to 49.7% from 51.4%
- Gross loans and acceptances up 15.9% to $241 billion
- Asset quality maintained

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2001

Financial Summary

FINANCIAL OVERVIEW

	Total		Discontinuing		Continuing	
	Mar 01 $m	% Chng Mar 00	Mar 01 $m	% Chng Mar 00	Mar 01 $m	% Chng Mar 00
Net interest income	3,406	9.1	350	14.4	3,056	8.5
Other income						
Operating	3,556	26.1	171	17.9	3,385	26.5
Revaluations	273	large	-	-	273	large
Total income	**7,235**	**21.7**	**521**	**15.5**	**6,714**	**22.2**
Expenses						
Operating	3,843	(20.5)	271	(14.8)	3,572	(21.0)
Goodwill	98	-	24	-	74	.
Total expenses	**3,941**	**(19.9)**	**295**	**13.5**	**3,646**	**(20.5)**
Profit before provision for doubtful debts	3,294	23.9	226	18.1	3,068	24.4
Provision for doubtful debts	411	(58.1)	14	-	397	(47.0)
Profit before tax expense	**2,883**	**20.2**	**212**	**5.5**	**2,671**	**21.6**
Tax Expense						
Operating	770	6.7	80	(2.6)	690	7.6
Revaluations	84	-	-	-	84	-
Total tax expense	**854**	**(3.5)**	**80**	**(2.6)**	**774**	(3.6)
Net profit after tax	**2,029**	**29.0**	**132**	**7.3**	**1,897**	**30.8**
Outside equity interests	4	-	-	-	4	-
Net profit attributable to members of the parent entity	**2,025**	**28.7**	**132**	**7.3**	**1,893**	**30.6**
Distributions	112	(20.4)	0	-	112	(20.4)
Earnings attributable to ordinary shareholders	**1,913**	**29.3**	**132**	**7.3**	**1,781**	**31.2**

	Total	
Earnings per ordinary share	125.3c	26.2
Cash earnings per ordinary share	119.4c	13.5
Dividend per share	67.0c	13.6
Return on shareholders funds	19.0%	+160 bp

STATEMENT OF FINANCIAL PERFORMANCE

		Half Year to			Favourable/ (Unfavourable) Change from	
		Mar 01	Sept 00	Mar 00	Sept 00	Mar 00
	Note	$m	$m	$m	%	%
Continuing Operations						
Banking & Other Financial Services						
Net interest income	**1**	3,089	2,898	2,731	6.6	13.1
Other operating income	**5**	1,975	1,828	1,783	8.0	10.8
Total Banking & Other Financial Services income		5,064	4,726	4,514	7.2	12.2
Other operating expenses	**6**	2,519	2,387	2,321	(5.5)	(8.5)
Underlying profit		2,545	2,339	2,193	8.8	16.1
Provision for doubtful debts	**7**	362	271	244	(33.6)	(48.4)
Banking & Other Financial Services profit before tax expense		**2,183**	**2,068**	**1,949**	**5.6**	**12.0**
Income tax expense	**9**	663	626	631	(5.9)	(5.1)
Net profit from Banking & Other Financial Services		**1,520**	**1,442**	**1,318**	**5.4**	**15.3**
Wealth Management						
Net premium income & other revenue	**5**	867	531	141	63.3	large
Investment revenue	**5**	79	640	430	(87.7)	(81.6)
Net decrease/(increase) in net policy liabilities	**6**	83	(456)	(280)	large	large
Claims, administration and other expenses	**6**	(884)	(553)	(185)	(59.9)	large
Operating profit before tax expense and revaluations		**145**	**162**	**106**	**(10.5)**	**36.8**
Income tax expense/(benefit) - operating profit	**9**	(30)	71	52	large	large
Operating profit after tax expense before revaluations		**175**	**91**	**54**	**92.3**	**large**
Revaluation profit	**5**	273	191	11	42.9	large
Income tax expense - revaluation profit	**9**	84	56	-	50.0	large
Revaluation profit after tax		**189**	**135**	**11**	**40.0**	**large**
Net profit from Wealth Management		**364**	**226**	**65**	**61.1**	**large**
HomeSide						
Net mortgage servicing and origination revenue	**5**	406	307	308	32.2	31.8
Other operating expenses	**6**	252	202	166	(24.8)	(51.8)
Underlying profit		154	105	142	46.7	8.5
Provision for doubtful debts	**7**	35	32	26	(9.4)	(34.6)
HomeSide profit before tax expense		**119**	**73**	**116**	**63.0**	**2.6**
Income tax expense	**9**	48	25	32	(92.0)	(50.0)
Net profit from HomeSide		**71**	**48**	**84**	**47.9**	**(15.5)**
Excess Capital						
Earnings on excess capital	**1**	25	67	89	(62.7)	(71.9)
Income tax expense		9	24	32	62.5	71.9
Net earnings on Excess Capital		**16**	**43**	**57**	**(62.8)**	**(71.9)**
Net profit from Continuing Operations before goodwill and abnormal items		**1,971**	**1,759**	**1,524**	**12.1**	**29.3**
Goodwill amortisation		74	75	74	(1.3)	-
Net profit from Continuing Operations before abnormals		**1,897**	**1,684**	**1,450**	**12.6**	**30.8**
Abnormal items		-	204	-	large	large
Tax benefit attributable to abnormal items		-	(68)	-	large	large
Abnormal items after tax		-	136	-	large	large
Net profit from Continuing Operations		**1,897**	**1,548**	**1,450**	**22.5**	**30.8**
Net profit from Discontinuing Operations	**14**	132	120	123	10.0	7.3
Net profit attributable to outside equity interests		4	2	-	large	large
Net profit attributable to members of the parent entity		**2,025**	**1,666**	**1,573**	**21.5**	**28.7**
Distributions - Trust Units & National Income Securities		112	105	93	(6.7)	(20.4)
Earnings attributable to ordinary shareholders		**1,913**	**1,561**	**1,480**	**22.5**	**29.3**

STATEMENT OF FINANCIAL POSITION

		As at			Movement from	
		Mar 01	Sept 00	Mar 00	Sept 00	Mar 00
	Note	$m	$m	$m	%	%
Assets						
Cash and short-term liquid assets		6,319	6,868	5,102	(8.0)	23.9
Due from other financial institutions		23,000	12,780	13,097	80.0	75.6
Due from customers on acceptances		23,285	22,945	22,926	1.5	1.6
Trading securities		19,368	15,112	13,998	28.2	38.4
Available for sale securities		8,044	3,047	2,491	large	large
Investment securities		18,347	7,452	9,724	large	88.7
Investments relating to life insurance business		31,828	31,103	5,804	2.3	large
Loans and advances		212,619	195,492	180,646	8.8	17.7
Mortgage loans held for sale		3,275	2,656	1,270	23.3	large
Mortgage servicing rights		9,046	8,226	6,670	10.0	35.6
Shares in entities and other securities		1,455	1,376	1,288	5.7	13.0
Regulatory deposits		210	135	192	55.6	9.4
Fixed assets		2,732	2,437	2,161	12.1	26.4
Goodwill		2,518	2,617	2,741	(3.8)	(8.1)
Other assets		42,263	31,431	17,883	34.5	large
Total Assets		404,309	343,677	285,993	17.6	41.4
Liabilities						
Due to other financial institutions		58,292	29,685	23,560	96.4	large
Liability on acceptances		23,285	22,945	22,926	1.5	1.6
Deposits and other borrowings		202,966	185,097	175,688	9.7	15.5
Life insurance policy liabilities		30,282	29,879	5,470	1.3	large
Income tax liability		2,676	2,920	2,292	(8.4)	16.8
Provisions		2,188	2,154	1,684	1.6	29.9
Bonds, notes and subordinated debt		23,264	21,051	14,747	10.5	57.8
Other debt issues		1,986	1,907	1,675	4.1	18.6
Other liabilities		35,488	26,632	18,032	33.3	96.8
Total Liabilities		380,427	322,270	266,074	18.0	43.0
Net Assets		23,882	21,407	19,919	11.6	19.9
Shareholders' Equity						
Issued and paid-up capital		10,248	9,855	9,476	4.0	8.1
Reserves		3,141	2,006	1,457	56.6	large
Retained profits		10,439	9,500	8,986	9.9	16.2
Shareholders' equity attributable to members		23,828	21,361	19,919	11.5	19.6
Outside equity interests in controlled entities		54	46	-	17.4	large
Total Shareholders' Equity	11	23,882	21,407	19,919	11.6	19.9

The Statements of Financial Position include the assets and liabilities of the Statutory Funds of the life insurance entities of the Group which are subject to restrictions under various local legislative requirements and restrictions under the Life Insurance Act 1995.

KEY PERFORMANCE MEASURES

	Half Year to		
	Mar 01	Sept 00	Mar 00
All ratios are pre abnormal items unless otherwise stated.	$m	$m	$m
Group			
Shareholder Measures			
EVA ($ million) (1) (6)	761	690	689
Earnings per ordinary share (2)	125.3c	112.0c	99.3c
Cash earnings per ordinary share (3)	119.4c	109.6c	105.2c
Return on shareholders' funds (4)	19.0%	19.3%	17.4%
Return on assets (4)	1.08%	1.15%	1.07%
Capital			
Tier 1 ratio (5)	6.57%	6.64%	7.72%
Tier 2 ratio (5)	3.81%	4.00%	2.71%
Deductions (5)	(1.18%)	(1.36%)	(0.45%)
Total capital ratio (5)	9.20%	9.28%	9.98%
Common equity to tangible assets	4.47%	4.48%	5.30%
Net Interest Income (7)			
Net interest spread	2.28%	2.39%	2.40%
Net interest margin	2.66%	2.84%	2.93%
Assets			
Gross loans and acceptances ($ billion) (5)	241	223	208
Assets under custody and administration ($ billion) (5)	325	285	239
Funds under management/administration/trusteeship ($ billion) (5)	64	61	10
Average US Mortgage Servicing Portfolio (US$ billion)	189	165	153
Banking & Other Financial Services			
Net Interest Income (7)			
Net interest spread	2.25%	2.39%	2.38%
Net interest margin	2.73%	2.85%	2.87%
Other Operating Income			
Other operating income to total income	39.0%	38.7%	39.5%
Asset Quality			
Gross non-accrual loans to gross loans and acceptances (5)	0.79%	0.65%	0.78%
General provision to risk weighted assets (5)	0.87%	0.92%	0.95%
Specific provision to gross impaired assets (5)	30.2%	31.2%	29.1%
Efficiency Measures (excluding goodwill)			
Cost/income ratio	49.7%	50.5%	51.4%
Costs to average assets (4)	1.80%	1.97%	1.92%
Profit per FTE ($'000) (4)	82	77	70

(1) Economic Value Added or EVA measures profitability in excess of the Group's cost of capital. EVA is a registered trademark of Stern Stewart & Co.
(2) Based on earnings attributable to ordinary shareholders.
(3) Calculations are based on cash earnings attributable to ordinary shareholders, which excludes revaluation profits and goodwill amortisation.
(4) Prepared on an annualised basis.
(5) Calculation as at period end.
(6) Refer Management Discussion and Analysis, page 17.
(7) Refer Management Discussion and Analysis, pages 15 and 16.

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2001

Management Discussion and Analysis

OVERVIEW

A Strong Result

National Australia Bank Limited reported a strong performance for the six months to 31 March 2001. Group net profit increased 28.7% to a record $2,025 million from $1,573 million, and Group operating profit from continuing operations (ie. excluding Michigan National) increased 30.8% to $1,897 million.

Earnings per share increased 26.2% to 125.3 cents per share, and return on shareholders' funds was 19.0%.

The result confirms the National's position as a leading diversified financial services group, with all the major businesses reporting solid profits and strong growth.

Highlights include:

- Business and Personal Financial Services increased profit after tax by 13.4% to $1,119 million
- Wholesale Financial Services produced a record $347 million profit, up 29.0% on the March 2000 half
- Wealth Management contributed $364 million, an excellent result for the first full period after the acquisition of MLC
- Offshore earnings from continuing operations increased 19.9% to $778 million, or 10.2% excluding the impact of the falling Australian dollar.

The National continued to actively manage its portfolio of businesses during the half as part of the ongoing drive to sharpen operating focus and realise maximum value from its businesses. The MLC acquisition in June 2000 was followed by the successful disposals of Michigan National Corporation and County Investment Management, and the acquisitions of Deutsche Financial Planning and Portfolio Management businesses and John A Nolan & Associates.

The National sees excellent opportunities for continuing growth through expansion both internationally and across its range of businesses.

Business Mix

The Group has pursued a consistent strategy of diversifying its income base away from reliance on net interest income. The acquisitions of MLC and HomeSide and the growth of Wholesale Financial Services are examples of this strategy. The funding of the purchase of MLC and the funding of HomeSide's growing book of mortgage servicing rights, incur interest expense but generate fee, rather than interest income. The impact of this has been a reduction in the Group's reported net interest margin. Similarly, Wholesale Financial Services writes large volumes of low risk investment grade assets where the margin is lower and the return is often a combination of fee and interest income. Each of these businesses has grown rapidly during the last 12 months; the growth of these businesses has significantly contributed to the fall in reported margins for the Group from 2.93% to 2.66%.

It is important to note that margins generated by the businesses that rely most heavily on net interest income: Business and Personal Financial Services and Wholesale Financial Services, have increased over the period. Business and Personal Financial Service's margin increased from 3.78% to 3.79% over the half year and Wholesale Financial Service's margin increased from 0.61% to 0.64%. However, the percentage of the Group's interest earning assets attributable to Wholesale Financial Services has increased from 30.3% at March 2000 to 32.7% at March 2001.

A detailed analysis of these movements is set out under 'Net Interest Margins' on pages 15 and 16.

Reporting Format

To assist with interpretation of the Group's results, earnings have been reported under four categories:

- Banking & Other Financial Services; comprising the traditional banking operations of Business and Personal Financial Services, Wholesale Financial Services, Specialist and Emerging Businesses, National Shared Services and Other lines of business;
- Wealth Management;
- HomeSide; and
- Excess Capital.

In addition, the results for the recently sold Michigan National Corporation (Michigan) have been shown separately from the results for the Group's continuing operations.

RESULTS BY LINE OF BUSINESS [1]

	Half Year to			Favourable / (Unfavourable) Change from		
	Mar 01 $m	Sept 00 $m	Mar 00 $m	Sept 00 %	Mar 00 %	Mar 00 excluding fx impact %
Continuing Operations						
Banking & Other Financial Services						
Business & Personal Financial Services	1,119	1,031	987	8.5	13.4	10.8
Wholesale Financial Services	347	327	269	6.1	29.0	23.2
Specialist & Emerging Businesses	134	145	164	(7.6)	(18.3)	(20.2)
National Shared Services	(28)	(61)	(71)	54.1	60.6	58.4
Other Lines Of Business	(52)	-	(31)	large	67.7	48.4
Banking & Other Financial Services	**1,520**	**1,442**	**1,318**	**5.4**	**15.3**	**10.6**
Wealth Management [2]	**364**	**226**	**65**	**61.1**	**large**	**large**
HomeSide	**71**	**48**	**84**	**47.9**	**(15.5)**	**(26.9)**
Earnings on Excess Capital [3]	**16**	**43**	**57**	**(62.8)**	**(71.9)**	**(71.9)**
Operating profit after tax before goodwill from Continuing Operations [1]	**1,971**	**1,759**	**1,524**	**12.1**	**29.3**	**25.2**
Discontinuing Operations						
Michigan National Corporation [4]	156	144	147	8.3	6.1	(11.8)
Operating profit after tax before goodwill	**2,127**	**1,903**	**1,671**	**11.8**	**27.3**	**22.0**
Goodwill amortisation	98	99	98	1.0	-	-
Net profit attributable to outside equity interests	4	2	-	Large	large	large
Net profit attributable to members of the parent entity [1]	**2,025**	**1,802**	**1,573**	**12.4**	**28.7**	**22.0**

(1) The results have been presented before abnormal items. There were no abnormal items in the current period. In the September 2000 half year, abnormal items of $136 million after tax loss were recorded.

(2) MLC was acquired on 30 June 2000.

(3) The earnings rate on excess capital for March 2001, September 2000 and March 2000 was respectively 5.73%, 6.67% and 6.83%.

(4) On 1 April 2001 the Group sold Michigan National Corporation in the United States to ABN Amro. Proceeds from the sale of US$2.75 billion (A$5.262 billion) gave rise to an expected profit on sale after all disposal costs, including taxation, of A$1.6 billion, and including realisation of foreign exchange movements, a total gain of A$2.3 billion.

Banking & Other Financial Services

Operating profit for these businesses increased by 15.3% on the March 2000 half to $1,520 million. The increase was driven by excellent performances in Australia and all of our overseas retail businesses, with particularly strong growth in Wholesale Financial Services and home loans operations.

In Australia the National grew its share of home loans from 15.9% to 16.8% and its share of term deposits from 18.4% to 20.1%, while in Great Britain it increased its share of mortgages in its market area by 8.5%. Group Total Deposits grew from $175.7 billion to $203.0 billion, and total housing loan outstandings from $66.7 billion to $76.5 billion. In Australia the National also has a 31% market share in loans provided to small business customers and a 26% market share in loans provided to medium business customers. The National has a share of services in these market segments of 74% and 57% respectively.

Net interest income increased to $3,089 million or by 13.1% (9.2% in local currency) as a result of a 17.6% (11.6% in local currency) increase in total lending assets, partially offset by a 14 basis point reduction in the net interest margin.

Net interest margin declined by 14 basis points from 2.87% for the half year to March 2000 to 2.73% for the half year to March 2001. This reduction has been driven by a change in the business mix, with strong growth in the New York and London wholesale operations. Excluding this business mix impact, the net interest margin has been stable with a favourable contribution from Business and Personal Financial Services. This was mainly in Australia due to steady lending margins. Great Britain and Ireland contribution to Banking and Other Financial Services margin was also steady with a favourable mix impact from strong lending growth offset by reduced lending margins reflecting growth in the competitive mortgage portfolio.

Other operating income grew by 10.8% (7.7% in local currency).

The cost income ratio improved from 51.4% to 49.7%, with expenses increasing by 8.5%, or 5.4% excluding movements in foreign exchange, however, much of this related to income growth. Overhead expenditure was well controlled. Additional variable costs were incurred to increase total income and boost profits, in particular within Wholesale Financial Services, where a $75 million increase in costs contributed to a $275 million increase in income.

Asset quality in Banking & Other Financial Services remains sound. Gross non-accrual loans as a proportion of gross loans and acceptances is stable at 0.79% compared to March 2000 of 0.78%. Through close monitoring of the loan book and pro-active management of loans that become non-accrual, the Group has maintained this ratio at around 0.8% over the last four years. Specific provisions as a proportion of gross impaired assets of 30.2% compare to 29.1% at March 2000. Within Business & Personal Financial Services, asset quality has improved with the proportion of gross non-accrual loans to gross loans and acceptances falling from 0.92% to 0.90% due to the overall good quality of the personal and SME portfolio. This improvement is offset by the deterioration of the ratio in Wholesale Financial Services from 0.38% to 0.59% as a result of a reclassification of a small number of major exposures into non-accrual status. However 90% of loans are of investment grade or equivalent. This has seen an increase in the Group's doubtful debts provisioning from $244 million to $362 million. Recognition of loans as non-accrual and associated provisioning continues to be treated on a conservative basis within the Group. Management is confident that current provisions against these loans are sufficient and prudent.

Wealth Management

Wealth Management contributed $364 million, including $175 million operating profit and $189 million after tax from revaluation profit, compared to $65 million in the March 2000 half before the MLC acquisition. This represents an excellent result during a time of major structural change. On a proforma basis Wealth Management's operating profit after tax represents a 13.6% increase on the half year to March 2000.

The integration is proceeding successfully and is on track to deliver the synergies identified at acquisition in full and on time. Significant work is underway in Great Britain and Ireland to develop an investment service platform similar to the MLC MasterKey Platform for those markets. The rollout to the bank planner force in Great Britain and Ireland, expected to take place in the final quarter of 2001, represents the first major initiative in leveraging Wealth Management's capabilities across the National's international businesses.

HomeSide

HomeSide continues to operate in a difficult environment. Its contribution decreased to $71 million after tax from $84 million, however this represents an improvement on the September 2000 half contribution of $48 million. The improvement is due to the development of the Australian business, the impact of foreign exchange and a 9.7% increase in the profit from the US operations from September 2000.

With US interest rates falling, origination volumes have picked up considerably and production margins have returned to more normal levels. However as customers seek to re-finance their mortgages, pre-payment speeds have increased, resulting in more rapid amortisation of the servicing asset and increased cost on the servicing side of the business. HomeSide's on-line mortgage origination arm, 'HomeSide Solutions' is exceeding expectations and has originated in excess of US$500 million of mortgages in the first half, at margins significantly in excess of more traditional channels.

Earnings on Excess Capital

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

The National uses a range of capital ratios to assess its capitalisation against market, regulatory and ratings agency expectations. When estimating excess capital, benchmarks are chosen having regard to the ratios of Australian and international peers and the National's own risk profile, asset base and capital structure. All excess capital is assumed to reside within the Banking and Other Financial Services business because specific capitalisation levels are established and maintained for HomeSide and Wealth Management.

Earnings on excess capital is calculated by applying the average three-year bank bill swap rate to the estimated excess. For balance sheet management purposes, the banking operations use a three-year benchmark for the investment term of capital. Holdings of excess capital reduce the amount of debt, which must be held by the banking operations to fund asset growth. Any reduction in excess capital would therefore need to be replaced with debt of the same term in order to maintain the interest rate risk profile of the banking operations. Accordingly, it is assumed that the return earned on excess capital is equal to the cost of raising three-year debt, which decreased from 6.83% in the half year to March 2000 to 5.73% in the March 2001.

The Group's results for the current half include earnings on excess capital before tax of $25 million compared with $67 million and $89 million respectively for the half years to 30 September 2000 and 31 March 2000. The acquisition of the MLC Group on 30 June 2000 significantly decreased the excess capital which, combined with the fall in interest rates experienced this half, resulted in the above decrease. The receipt of proceeds from the disposal of Michigan National Corporation on 1 April 2001 is expected to increase earnings on excess capital in the second half of this year.

Net Interest Margin

Net interest margin in the key business units has increased over the half year to March 2001. The growth in HomeSide's mortgage servicing asset has had an adverse impact on its margin. Overall Group net interest margin has declined by 27 basis points from 2.93% for the half year to March 2000 to 2.66% for the half year ending March 2001.

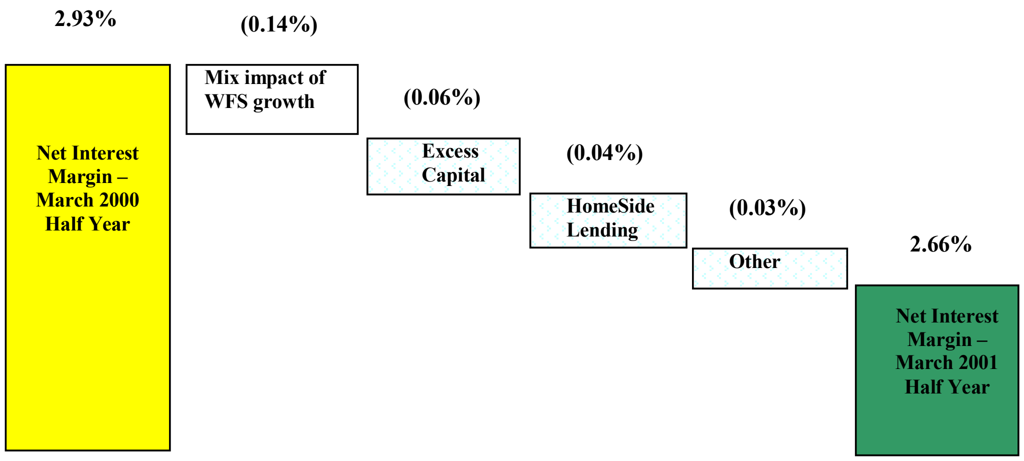
Margins by line of business	Half Year to		Change
	Mar 01	Mar 00	%
Group Margin	**2.66%**	**2.93%**	**(0.27)%**
Business & Personal Financial Services	3.79%	3.78%	0.01%
Wholesale Financial Services	0.64%	0.61%	0.03%
HomeSide US	(5.60)%	(1.73)%	(3.87)%

Margins by the key lines of business, excluding HomeSide US' have been maintained or show slight improvement.

The main driver of the Group margin reduction is reflected in the change of business mix. The following table shows the change in the composition of average interest earning assets from March 2000 to March 2001. Business and Personal Financial Services, as a proportion of the average interest earnings assets, reduced by 3.5% over the year while Wholesale Financial Services share increased by 2.4%. The growth in the other category includes HomeSide and Asset and Liability Management.

Interest earning assets by Line of business	Half Year to		Half Year to	
	Mar 01 $bn	Mar 01 %	Mar 00 $bn	Mar 00 %
Business & Personal Financial Services	149	58.0%	131	61.5%
Wholesale Financial Services	84	32.7%	65	30.3%
Other	24	9.3%	17	8.2%
Group interest earning assets	**257**	**100.0%**	**213**	**100.0%**

Key drivers of the reduction in Group net interest margin are highlighted in the chart below.



- Strong growth in Wholesale Financial Services had a 14 basis point mix impact on the Group margin. This growth was associated with positioning the balance sheet to take advantage of the lower interest rate environment and to fund growth in Project and Structured Finance, Capital Markets and Corporate and Institutional Financial Services businesses. The average margin for Wholesale Financial Services was lower than the Group margin as most of the exposures are to investment grade equivalent customers. In addition, some income associated with Project and Structured Finance and bond transactions does not flow through net interest income, but is recorded within other operating income.

- The level of Excess Capital in the Group decreased following the acquisition of the MLC Group on 30 June. The earnings on Excess Capital fell $64 million over the period as a result of this decrease and had a 6 basis points impact. Redeployment of this excess capital has given rise to a substantial increase in wealth management related income.

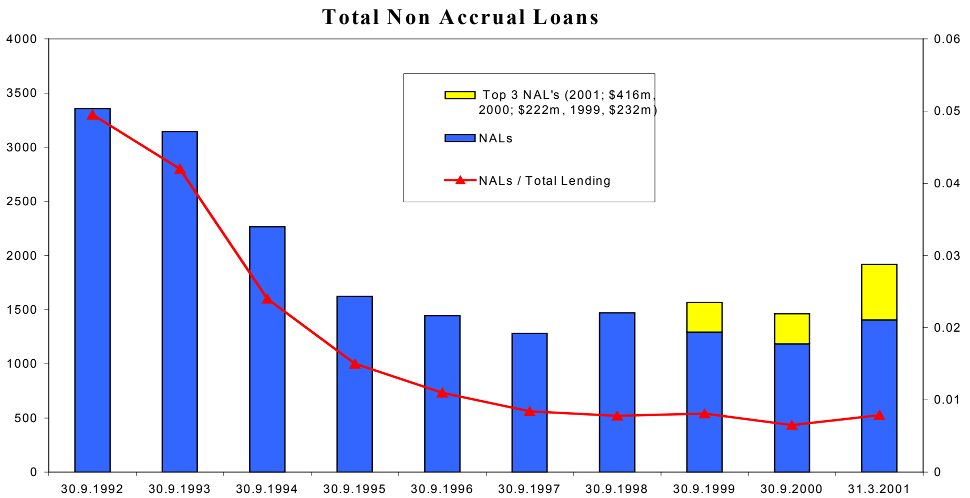
- HomeSide US' net interest income was impacted by increased borrowings to fund growth in the mortgage servicing asset. This additional interest cost was more than offset by growth in net servicing revenue, which is reported within other operating income. The HomeSide reduction had a 4 basis points impact on the Group margin.

- The "other" reduction of 3 basis points in margin is largely associated with additional wholesale costs of funding interest earning assets growth.

Asset Quality

Group asset quality remains sound. Gross non-accrual loans as a proportion of gross loans and acceptances in Banking & Other Financial Services is stable at 0.79% compared to March 2000 of 0.78% and specific provisions as a proportion of gross impaired assets of 30.2% compared to 29.1% at March 2000. Foreign currency movements have caused a $79 million increase in March 2001 gross non-accrual loans as compared to September 2000.

The graph below illustrates that asset quality has been maintained and is well within the bounds of that which should be expected in a softening economy.



Within the core Business & Personal Financial Services (B&PFS) division, asset quality has improved due to the overall good quality of the personal and SME portfolio, and management has prudently provided against the risks of any future deterioration in economic conditions.

Within Wholesale Financial Services (WFS) gross non-accrual loans as a proportion of gross loans and acceptances has increased from 0.38% to 0.59% as a result of a reclassification of a number of exposures into non-accrual status. Recognition of loans as non-accrual and associated provisioning continues to be treated on a conservative basis within the Group. Management is confident that current provisions against these loans are sufficient and prudent, and in Wholesale Financial Services 90% of loans are of investment grade or equivalent.

Line of business breakdown

	Mar 01 %	Mar 00 %
Gross non-accrual loans to gross loans and acceptances		
Business & Personal Financial Services	0.90%	0.92%
Wholesale Financial Services	0.59%	0.38%

Discontinuing Operations

The March 2001 half results include Michigan's results for the full period. Effective 1 April 2001, the Group sold Michigan to ABN Amro and these results reflect Michigan as a discontinuing operation. Proceeds from the US$2.75 billion (A$5.26 billion) sale give rise to an expected gain of $2.3 billion after all disposal costs. This gain will be booked by way of $1.6 billion through the Statement of Financial Performance and a $0.7 billion transfer from the foreign currency translation reserve to distributable retained earnings.

Michigan's profits before goodwill increased 6.1% from $147 million in the March 2000 half to $156 million this period. In local currency the result was 11.8% lower than the March 2000 result

Economic Value Added

With the purchase of MLC and the resulting increase in contribution of Wealth Management to net operating profit after tax, the basis on which Group EVA is calculated has been amended to take full account of AASB 1038. This has resulted in a revision of the EVA for the year to September 2000, from $1,477 million to $1,379 million. For comparison purposes this figure has been allocated equally between the two half years. Group EVA to March 2001 was $761 million, which represents a 10.4% increase on the notional March 2000 half year.

Capital Position

Tier 1 capital represents 6.6% of risk weighted assets (5.6% excluding hybrid equity) and total capital represents 9.2% of risk weighted assets, which represents a strong capital position, similar to that at September 2000. The Group's tangible common ratio was 4.5%. These ratios are within or above the Group's target ratios. Subsequent to the disposal of Michigan National Corporation tier 1 capital is estimated to be 8.0% and total capital 10.9%.

Operating Environment

Following strong economic growth in most of the Group's major trading regions in the first half of 2000, the sharp deterioration in economic activity in the US in the latter part of the year has given way to weaker economic conditions in most operating regions. The weaker outlook for international economic conditions has resulted in an easing in interest rates in most operating regions in 2001. Credit conditions have suffered on the back of weaker activity.

BUSINESS & PERSONAL FINANCIAL SERVICES

Principal Activities

Business & Personal Financial Services (B&PFS) is the retailing arm of the Group. This encompasses our small and medium business banking and personal banking operations. The division aims to develop long term relationships through the provision of a range of financial products and services that are tailored to the needs of business and personal customers across four regions: Australia, Great Britain, New Zealand and Ireland.

Financial Performance

Profit & Loss

	Half Year to			Favourable / (Unfavourable) Change from		
	Mar 01 $m	**Sept 00 $m**	**Mar 00 $m**	**Sept 00 %**	**Mar 00 %**	**Mar 00 excluding fx impact %**
Net interest income	2,517	2,414	2,235	4.3	12.6	9.9
Other operating income	1,133	1,173	1,111	(3.4)	2.0	(0.8)
Total operating income	**3,650**	**3,587**	**3,346**	**1.8**	**9.1**	**6.3**
Other operating expenses	1,779	1,755	1,639	(1.4)	(8.5)	(5.7)
Underlying profit	**1,871**	**1,832**	**1,707**	**2.1**	**9.6**	**6.9**
Provision for doubtful debts	191	268	207	28.7	7.7	11.1
Profit before tax	**1,680**	**1,564**	**1,500**	**7.4**	**12.0**	**9.4**
Income tax expense	561	533	513	(5.3)	(9.4)	(6.8)
Profit after tax	**1,119**	**1,031**	**987**	**8.5**	**13.4**	**10.8**

Key Performance Measures

Net interest margin	3.79%	3.85%	3.78%
Other operating income / total income	31.0%	32.7%	33.2%
Cost income ratio	48.7%	48.9%	49.0%
Gross non-accrual loans to gross loans and acceptances	0.90%	0.85%	0.92%
Profit / FTE ($'000)	91	83	79

Highlights

Satisfactory profit growth

B&PFS performed satisfactorily in the half year with profit after tax up 13.4% to $1,119 million.

Total income increased 9.1% to $3,650 million with net interest income increasing $282 million or 12.6% (9.9% in local currency terms) and other operating income increasing $22 million or 2.0% (decrease 0.8% in local currency) on the prior corresponding period. The creditor insurance activities of Great Britain have been transferred to Wealth Management in the current period. Allowing for the creditor insurance transfers, other operating income was up 5.4%.

The growth in net interest income was driven by strong lending and deposit growth, particularly in the core products of housing and term deposits. Housing loan outstandings increased 13.7% from $60.7 billion to $69.0 billion, or 11.7% in local currency, whilst term deposits increased 10.6% from $31.1 billion to $34.4 billion, or 8.1% in local currency, in comparison to March 2000. In Australia the National grew its share of home loans from 16.0% to 16.9% and currently has a 15.0% share of retail deposits. The National also has a 19.6% market share of business credit which represents an increase of more than 1%.

Clydesdale and Yorkshire Bank's share of the mortgage market in their natural market area (Scotland and the North East, North West and Midlands areas of England) has increased from 1.89% to 2.05%, an increase of 16 basis points (8.5%).

The increased use of home loan introducers (ie. referral partners such as real estate agents and accountants), continuing product enhancements and the transfer of proven products into new regions have all been instrumental in driving the housing loan volume growth. The launch in Great Britain of the Rapid Repay housing loan (developed in New Zealand) and Flexiplus Mortgage (developed in Australia) during the last twelve months have driven the increase in market share in the region during a period of increased competition.

Margins have remained stable between March 2000 and March 2001 at approximately 3.8%.

Growth in other operating income after foreign exchange impact was steady. The mix of other operating income has changed through increased fees from the higher volumes of wealth management products being provided to customers through the financial planning force. The increase in sales of wealth management products was particularly the case in Australia, where financial planning sales grew by 57% from $1.4 billion in the half year to 31 March 2000 to $2.2 billion in the current half year. Financial planning resources within B&PFS have increased significantly during the past two years as the business has invested to capture a greater share of the rapidly growing wealth management opportunity. The number of financial planners increased from 243 to 355 over the last year. The MLC acquisition has greatly enhanced the product range, servicing resources and technical skills available to the financial planners, particularly within Australia. The development of similar wealth management capabilities in Great Britain and Ireland will be one of the primary initiatives of the next couple of years in order to continue to drive this growth.

After adjusting for creditor insurance fees included in the comparatives, other fee income has increased moderately due principally to the impact of increased customer migration to lower fee electronic channels. The dual strategy of demonstrating the benefits to customers of using channels such as contact centres and the internet, and the provision of fee incentives, has driven the proportion of over the counter transactions down by 10% during the last six months. These transactions now represent 12% of total transactions in Australia. Registered internet banking users in Australia and New Zealand are now approaching 10% of customers. Over the past year, transactions conducted through PC's have increased from 12% to 15% of total Australian transactions, thereby exceeding the level of over the counter transactions.

The impact of the reduced fee levels has been offset by the lower costs of servicing these channels**.** As a result the cost/income ratio has continued to reduce from 49.0% to 48.7%, highlighting the success of the Group's channel migration strategy.

Other operating expenses increased 8.5%. In local currency terms the increase was 5.7% and was due mainly to wage increases, with no increase in staffing levels.

Asset quality has improved slightly with the proportion of gross non-accrual loans to gross loans and acceptances falling from 0.92% to 0.90% due to the overall good quality of the personal and SME portfolio. This improvement has led to a decrease in the bad and doubtful debt charge of 7.7% to $191 million.

Restructuring Initiatives

During 2000, restructuring costs of $86 million resulting from a major initiative were recognised. The majority of these costs are expected to be recovered by the end of 2003 from annual productivity improvements and revenue enhancements. The initiative involves a significant transformation of Business & Personal Financial Services' Australian distribution network to meet the rapidly changing customer preferences for accessing financial services. During the start up phases of the restructuring initiatives, the benefits arising are in line with those planned and will accelerate during the course of the year as restructuring initiatives gather momentum.

As at the end of March 2001, charges against the Australian component of the above provision totalled $8 million. This includes $5 million in personnel costs relating to FTE savings of 92 Head Office and support roles.

Improving Customer Facilities and Relationship Management

The Group's channel management strategy involves providing customers with a hierarchy of contact points ranging from branches and other 'bricks and mortar' facilities, through to ATMs and telephone and internet banking. The strategy will enable a wider range of services and an enhanced experience to be offered to customers.

Highlights of the program during the March 2001 half year included:

- An agreement to provide banking services through 2,800 Australia Post outlets around Australia. The project has been through a trial phase and is now operational at around 1,000 post offices.
- An upgrade of the ATM network, including increased provision of ATMs and Automatic Deposit Machines with improved functionality, and the closure, relocation and re-configuration of selected outlets. This program is nearing completion in all regions.
- A customer education campaign.

In Australia and New Zealand the National continued implementing its market leading Customer Relationship Management (CRM) program, which includes the roll-out of the Siebel based platform to relationship managers and contact centre representatives, and the implementation of "National Leads", the predictive sales leads generation tool used in Australia. The rollout is expected to be completed by year-end and will provide the National with a significant competitive marketing advantage.

In Great Britain the Group is establishing a second contact centre in Kilmarnock, Scotland, with partners Merchants and Concert. The centre will be fully operational in the second half of the year, progressively handling calls from customers of all the Group's banks in Great Britain and Ireland.

An HTML-based internet banking service will be launched during the second half of the year, which will replace the current Java-based platform operating in Australia and New Zealand. This will include the launch of internet banking in Great Britain.

WEALTH MANAGEMENT

Principal Activities

Wealth Management (WM) is a diverse financial services business servicing both the retail and corporate markets, and providing integrated insurance, superannuation and investment solutions to build and protect customers' wealth throughout their lives.

WM's operations include:

- funds management, covering superannuation and investment services for retail and corporate clients;
- funds administration, providing retail clients with the ability to direct their investments to fund managers and investment products of their choice, through one point of service;
- investment management, providing strategic advice, asset management and investment portfolio management services to corporate and institutional clients;
- retail insurance (covering life insurance, income insurance and general insurance agency) and group insurance;
- business support services to financial advisers, offering total business solutions that enhance their efficiency and provide flexibility and choice in investment and planning; and
- financial advice services to both retail and corporate clients.

Financial Performance

Profit & Loss (1)	Half Year to			Favourable / (Unfavourable) Change from	
	Mar 01 $m	Proforma Sept 00 (2) $m	Proforma Mar 00 (2) $m	Sept 2000 %	March 2000 %
Net premium income and other revenue	867	738	640	17.5	35.5
Investment revenue	79	1,601	2,123	(95.1)	(96.3)
Net decrease/(increase) in net policy liabilities	83	(1,349)	(1,513)	large	large
Claims, administration and other expenses	(884)	(806)	(861)	(9.7)	(2.7)
Operating profit before tax and revaluations	**145**	**184**	**389**	**(21.2)**	**(62.7)**
Income tax benefit/(expense)	30	(35)	(235)	large	large
Operating profit after tax and before revaluations	**175**	**149**	**154**	**17.4**	**13.6**
Revaluation profit	273	158	24	72.8	large
Income tax expense – revaluation profit	(84)	(46)	(4)	(82.6)	large
Revaluation profit after tax	**189**	**112**	**20**	**68.8**	**large**
Operating profit after tax	**364**	**261**	**174**	**39.5**	**large**
Outside equity interests in profit after tax	(4)	(6)	(1)	33.3	large
Profit after tax and outside equity interests	**360**	**255**	**173**	**41.2**	**large**

Refer to page 24 'Financial Highlights' for details of Sources of Operating Profit.

Key Performance Measures

	Half Year to		
	Mar 01	Proforma Sept 00 (2)	Proforma Mar 00 (2)
Sales ($ billion)	7.0	7.4	5.4
Funds under Management / Administration / Trusteeship ($ billion)	64.1	61.0	n/a
Market Share Ranking – Retail (3)	2	2	n/a
Net Retail Inflows Year (3)	2	2	n/a
Market Share Ranking – Retail Risk Insurance (4)	3	3	n/a
New Retail Risk Annual Premiums (4)	2	3	n/a

(1) The profit and loss statement above has been prepared based on disclosure requirements under Accounting Standard AASB 1038: Life Insurance Business. As a result revenue and expense items include both policyholder and shareholder components.

(2) Proforma half year results (unaudited) represent the combined results of the National's funds management and life insurance businesses, the general insurance business of the Group's banks in Great Britain and Ireland and the MLC Group. The proforma half year result for 31 March 2000 reflects the MLC Group half year results to 31 December 1999 and the proforma half year result to 30 September 2000 reflect the MLC Group half year result to 30 June 2000. The three month results for the MLC Group reflected in the National's September 2000 results have been excluded to ensure consistent durations in accounting periods. The MLC Group results are in line with the former balance dates of the MLC Group prior to acquisition by the National.

(3) Source: ASSIRT Market Share Reports.

(4) Source: Rice Kachor Research Reports, retail risk insurance includes term, trauma and disability insurance.

Highlights

Solid profit & growth in new business, funds under management, administration and trusteeship

The WM business produced a strong result for the half year, contributing $360 million after outside equity interests to the Group's result.

This result is indicative of all WM retail businesses having grown substantially:

- Overall new business sales have increased by 30% on the same period last year. Existing retail business (including MasterKey, FlexiPlan and National All in One) have increased 35%, new and emerging businesses (including Your Prosperity and Plum) by 163%, and insurance businesses (including protection and group life business) by 46%.
- Retail funds management has captured 17% of net fund flows to December 2000 versus a current market share of retail funds under management of 15%, (Source: latest ASSIRT Market Share Report December 2000).
- Retail funds administration businesses grew substantially capturing 29% of annual net funds flows to December 2000 relative to a market share of retail funds under administration of 14%, (Source: latest ASSIRT Market Share Report December 2000).
- Retail life insurance captured 13.2% of annual sales to September 2000 versus inforce market share of 12.4%, (Source: latest Rice Kachor Research September 2000).
- Group life insurance captured 16.3% of annual sales to September 2000 versus inforce market share of 10.7%, (Source: latest Rice Kachor Research September 2000).

Excluding the impact of the sale of Michigan National Corporation ($2.4 billion), funds under management, administration and trusteeship increased 8% to $64.1 billion over the half year to 31 March 2001. The increase has primarily been driven by strong sales performance and better than expected fund retention in a difficult investment climate. Over 55% of the underlying funds under management and administration of Wealth Management are in the retail segment. This business is higher margin business with lower exposure to large individual client outflows than wholesale business.

The volatility of investment market conditions confirmed the quality of earnings within this business, which has a high ratio of earnings derived from operating margins relative to income generated from investments. The low reliance on investment earnings meant WM's exposure to the prevailing economic volatility was limited.

MLC integration on track to deliver major benefits

The integration of the MLC Group with the National's WM businesses made good progress during the half year. Anticipated synergies arising from the integration remain unchanged, with $26 million in annualised synergy benefits achieved to date and annual pre tax synergies of $140 million on track to be delivered by 30 September 2003. A major project that is well advanced is the rationalisation of WM platforms to the MasterKey and FlexiPlan platforms. Both the WM dealerships and the Group's retail banking arm, Business and Personal Financial Services, are now better placed to give comprehensive advice covering wealth management, protection products and debt management. This was achieved through the launch of a new financial planning channel to service the Personal Financial Services' Australian client base, resulting in an immediate increase in adviser capacity with aggressive growth plans over the next two years. The Australian support services arm of the Business and Personal Financial Services existing financial planning network was also restructured, with the introduction of a modern dealership structure and the ThreeSixty adviser support offering. This will further improve the quality of financial planning advice.

The costs of integrating the WM operations are estimated to be $108 million, of which $77 million refers to integration related expenditure to be incurred during 2001 to 2002. This was fully provided for in the 30 September 2000 results and as at 31 March 2001, $22 million of costs have been charged against this provision.

Leveraging the Group's capabilities for growth

WM businesses represent a diversified portfolio across international markets that are at different stages of financial services evolution. WM have strong businesses in the highly evolved Australian market from which it can leverage capabilities and expertise to capitalise on opportunities in the evolving markets of Great Britain/Ireland and lead the evolution of the Asian market.

WM's Manager of Managers investment capability and existing distribution reach of the banking franchise in Great Britain and Ireland provides a strong base for expansion. The development of an investment service platform for the National's businesses in Great Britain and Ireland has commenced and the rollout to the region's bank planner force is expected to take place in the final quarter of 2001. This represents the first major initiative in leveraging WM capabilities across the National's international businesses.

The WM insurance business significantly improved its market share position in life insurance due to increased support of the offering by independent financial advisers. This increase in support for retail life insurance products has largely been driven by our sustainable pricing strategy and disciplined underwriting and claims management.

WM has in place a number of growth strategies focused on tailoring wealth management solutions through enhanced platform capabilities and quality multi channel distribution. The prospects for the Australian operation have been improved through recent acquisition and divestment activity, and it now offers a comprehensive multi channel distribution and advice capability, with relationship management and quality advice being core to the business.

The corporate division of WM is undertaking a significant repositioning to capture a share of the growing superannuation market. Initiatives during the half year include the acquisition of leading corporate advice provider John A. Nolan and Associates, and the launch of MLC Implemented Consulting in November 2000, providing flexible and cost effective solutions to corporate clients to manage sector specialist investment portfolios. In addition WM recently launched MLC MasterKey Business Super, providing market leading superannuation master trust solutions for small and medium enterprises which will be distributed by financial advisers and Business Financial Services of the Group.

The acquisition of Deutsche Bank's financial planning and portfolio management businesses, which was settled on 2 April 2001, will further strengthen the WM's financial planning advice capabilities and provide additional scale for the investment platform. The financial planning business will be integrated with the existing MLC MasterKey Investment Platform and Godfrey Pembroke dealership to build a premium national dealership with over 175 advisers focused on servicing high net worth customers.

The decision to divest County Investment Management from the WM operations was undertaken following a strategic review of the WM business after the acquisition of the MLC Group. This resulted in the successful sale of County to Invesco in December 2000, allowing WM to focus on its core growth strategies.

Financial Highlights

Sources of Operating Profit

	Half Year to			Favourable / (Unfavourable) Change from	
	Mar 01 $m	Proforma Sept 00 $m	Proforma Mar 00 $m	Sept 2000 %	March 2000 %
Life company – planned profit margins	119	112	108	6.3	10.2
Life company – experience profit/(loss)	4	(21)	4	large	-
New business losses	-	-	(3)	-	large
Operating margins	**123**	**91**	**109**	**35.2**	**12.8**
Operating profits from shareholders' funds and other businesses	35	5	22	large	59.1
Investment earnings on shareholders' retained profit and capital	13	47	22	(72.3)	(40.9)
Revaluation profit	189	112	20	68.8	large
Profit after tax and outside equity interests	**360**	**255**	**173**	**41.2**	**large**

WM contributed net profit of $360 million after outside equity interests to the Group's operating result for the half year. Operating profit after tax and before revaluations of $175 million, represents an increase of 13.6% on the corresponding proforma result. Of this, 93% related to operational profit derived from life company statutory funds and other shareholder businesses and 7% from earnings on invested capital.

Operating Margins

Operating margins increased by 12.8% on the corresponding proforma result to $123 million, reflecting strong growth in new business sales. Highlights include a 38% increase in retail superannuation business, a 47% increase in retail unit trust business and a 17% increase in wholesale business.

The experience profit of $4 million was influenced by the following factors:

- Improved mortality experience; and
- A continued focus on controllable expense containment.

The above experience profits were offset by lower than expected sales from operations in Hong Kong and Great Britain and the impact of continuing volatility in global investment markets on fee revenue.

Operating Profits from Shareholders' Funds and Other Businesses

Operating profit from shareholders' funds and subsidiaries of $35 million after tax refers to the shareholders' funds and their subsidiaries, as well as other businesses including the general insurance activities of the Group's retail banks in Great Britain and Ireland.

Investment Earnings on Shareholders' Retained Profits and Capital

Shareholders' investment earnings of $13 million were generated in respect of capital supporting solvency and capital adequacy requirements of the Life Company statutory funds.

The assets under management profile of the WM Group is predominantly investment linked, enabling WM to operate with efficient capital requirements. This reduces the risks associated with investment performance volatility allowing a greater reliance on operating margins, which provide more consistent profits. Investment returns were generated from exposure to a balanced multi sector fund weighting.

Revaluation Profit

The net operating profit includes a revaluation profit of $273 million before tax, reflecting the movement in the excess of market value over the net assets of subsidiaries owned by National Australia Financial Management Limited (NAFM), adjusted for capital. Values shown are Directors' valuations based on Discounted Cash Flow (DCF) valuations determined by Tillinghast - Towers Perrin.

NAFM Subsidiaries Market Value Summary	**Market Value Sept 00 (1)**	**Net Capital Transfers (2)**	**Operating Profit after tax(3)**	**Revaluation Profit before tax (4)**	**Market Value Mar 01**
	$m	**$m**	**$m**	**$m**	**$m**
Net Assets	785	(201)	99	-	683
Value of Inforce Business	1,773	-	-	55	1,828
Embedded Value	**2,558**	**(201)**	**99**	**55**	**2,511**
Value of Future New Business	1,499	-	-	139	1,638
Value of Synergy Benefits	1,306	-	-	79	1,385
Market Value	**5,363**	**(201)**	**99**	**273**	**5,534**

(1) The recognition of revenue and expense synergies arising from the integration of the MLC and NAFM operations, which amounts to $140 million per annum to be achieved by 2003, was reflected in the opening net market value at 30 September 2000. The discounted values of these synergies increases over time as the duration of their realisation reduces. This movement is reflected in revaluation profit.

(2) Net capital transfers represent movement in value that do not impact on the revaluation and operating profit, such as the payment of dividends, capital injections, and the acquisition/divestment of subsidiaries.

(3) Operating profit after income tax before revaluations shown in this table, excludes operating profits of entities outside the market value accounting environment; i.e the operating profits after tax from NAFM's own business, and other Wealth Management entities not owned by NAFM.

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

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

The main drivers of the revaluation profit comprised:

- The broad achievement of the WM business plan, which generated the expected increase in the market valuation of the business from "rolling forward" at the discount rate for entities valued on a DCF basis, and investment earnings on net assets of other (mainly smaller) subsidiaries. This contributed $201 million before tax and $139 million after tax to the revaluation profit.
- A 1.0% p.a. reduction in the discount rate applied in the DCF valuation, together with a commensurate reduction in the rate of future expected investment earnings on funds under management and a reduction in future inflation and business growth rates, reflecting decreases in the 10 year bond rate since 30 September 2000, which contributed $130 million before tax and $91 million after tax to the revaluation profit.
- A reduction in the value of imputation credits of $47 million before tax and $33 million after tax associated with the payment of dividends during the period (and passing of benefit of the imputation credits to shareholders).

WHOLESALE FINANCIAL SERVICES

Principal Activities

Wholesale Financial Services (WFS) is responsible for the Group's 1500 major corporate and institutional relationships worldwide. WFS operates across four continents and 21 financial centres with a presence in each of the principal markets outside Australia.

Financial Performance

Profit & Loss

	Half Year to			Favourable / (Unfavourable) Change from		
	Mar 01 $m	**Sept 00 $m**	**Mar 00 $m**	**Sept 00 %**	**Mar 00 %**	**Mar 00 excluding fx impact %**
Net interest income	363	274	233	32.5	55.8	47.6
Other operating income	490	450	345	8.9	42.0	27.7
Total operating income	**853**	**724**	**578**	**17.8**	**47.6**	**35.4**
Other operating expenses	304	268	229	(13.4)	(32.8)	(13.2)
Underlying profit	**549**	**456**	**349**	**20.4**	**57.3**	**51.5**
Provision for doubtful debts	83	15	2	Large	large	large
Profit before tax	**466**	**441**	**347**	**5.7**	**34.3**	**29.0**
Income tax expense	119	114	78	(4.4)	(52.6)	(49.4)
Profit after tax	**347**	**327**	**269**	**6.1**	**29.0**	**23.2**

Key Performance Measures

Net interest margin	0.64%	0.66%	0.61%
Profit / FTE ($'000) [(1) (2)]	417	397	336
Total income/risk weighted assets (ave) [(1)]	2.6%	2.5%	2.2%
Cost income ratio	35.6%	37.0%	39.6%
Gross non-accrual loans to gross loans and advances	0.59%	0.22%	0.38%
Gross loans and advances ($ billion) (ave)	42.2	36.2	35.4
Total risk weighted assets ($ billion) (ave)	65.1	58.2	52.0

(1) Prepared on an annualised basis.

(2) Prior year calculation based on adjusted FTE numbers, to reflect the inclusion of Asia Support Services.

Highlights

Strong Performance

WFS produced a record $347 million profit for the half, a 29.0% increase on the March 2000 half year.

WFS's focus on its client relationships contributed to continued improvement in the total income margin.

Net interest income increased strongly to $363 million from $233 million for the March 2000 half year. Strong volume growth, margin management and favourable positioning for changes in interest rates during the period resulted in improved margins and strong net interest income.

Other operating income increased 42% to $490 million for the half year to March 2001. Increased volatility in foreign exchange and debt markets during the period resulted in strong sales of foreign exchange and interest rate risk management products to clients and favourable risk management income.

Leveraging for Growth

A new relationship-based organisational model is being implemented in WFS which builds on the business' existing product expertise. This will enable WFS to maximise relationship opportunities and leverage product leadership into a total solution for the client, based on intimate knowledge of the client and the industry sector. At 30 September 2000 restructuring costs of $11.7 million were provided for these change initiatives. As at 31 March 2001, the design phase of these strategies has been completed and the focus during the next six months will be on implementation, which is expected to be completed within this timeframe.

WFS is successfully leveraging its relationships with large corporates and institutions to offer a range of non-wholesale products, including payments, securities services and wealth management solutions. For example WFS recently concluded sales of Master Trust superannuation products to WA Newspapers.

The WFS risk management services model was successfully migrated to Great Britain and Ireland, where the combination of tailored product and effective delivery has contributed to the competitive advantage achieved by the Group's regional banks in that region. The National's range of structured products continues to be expanded, for example in commodity risk management, structured finance and securitisation.

All business lines growing strongly

The National continued to expand its product range to enable it to service clients' risk management needs better. Income generated from commodity derivatives, credit derivatives and foreign currency options all increased during the period. The continued success of the Tailored Business Loan in Great Britain and Ireland also contributed to the growth in sales of solution-based structured products to clients.

The Capital Markets business performed strongly and, with $950 million of new domestic bond issues originated so far this year, is ranked amongst the leading houses in the Australian bond market. The National was awarded 'Debt Deal of the Year 2000' (INSTO, Asiamoney) for the ETSA Utilities bond issue, which was the largest corporate issue ever in Australian capital markets.

A continued strong focus on risk adjusted pricing resulted in solid growth in fee income for the Corporate & Institutional Financial Services business during the half year, and improved returns on capital deployed within the business.

The Project & Structured Finance business continued its strong performance with total income increasing 43% on the March 2000 half. Growth was particularly strong in European structured finance activity. The National remains ranked the #1 Arranger for Project Finance facilities in Asia-Pacific. In addition a number of major key transactions were completed globally in the period including a co-lead position on the oversubscribed US$1 billion securitisation for HomeSide.

During the period WFS also continued the growth in its project advisory, structured property, project finance and securitisation businesses.

Higher expenses due to strong growth with cost to income ratio falling

The continued growth in the business over the last 12 months resulted in higher operating expenses, at $304 million for the half year, mainly reflecting increases in personnel expenses and legal and professional fees. Occupancy and equipment expenses also increased as WFS relocated to new premises in London as a result of the continued growth in this region. However, the cost to income ratio for WFS decreased from 39.6% for the March 2000 half to 35.6% for the current half year, reflecting underlying efficiency improvements as a $75 million increase in costs led to a $275 million increase in income.

The charge to the bad and doubtful debt provision has increased significantly from the March 2000 half year to $83 million, reflecting increased statistical provisioning as a result of volume growth and the impact on credit quality of changes in the economic cycle. The deterioration in the ratio of gross non-accrual loans to gross loans and acceptances from 0.38% to 0.59% was as a result of a reclassification of a small number of major exposures into non-accrual status. Notwithstanding this, the credit quality of the WFS portfolio continues to be strong, with 90% of credit exposures equivalent to investment grade. Recognition of loans as non-accrual and associated provisioning continues to be treated on a conservative basis within the Group. Management is confident that current provisions against these loans are sufficient and prudent.

SPECIALIST & EMERGING BUSINESSES

Principal Activities

Specialist & Emerging Businesses (SEB) comprise five specialist product units:

- **Securities Services** – holds and safeguards the assets of large pension and superannuation funds and fund managers – provides settlement functions, back office processing and performance monitoring of investments – has more than $325 billion of assets under custody and administration;
- **Cards & Payments** – manages the National's credit card business with 4 million credit cards on issue and is responsible for the processing and completion of electronic payment transactions, and the development of electronic payment processes and systems, particularly in the emerging areas of smartcards and e-commerce;
- **International Trade and Business Finance** – provides services to customers on the sale, processing and finance of import/export transactions and settlement of trade debts through the National's subsidiary Banks and network of correspondent banking partners in more than 170 countries. Business Finance is primarily an invoice discounting business;
- **Asset Finance and Fleet Management** – the National's product specialist in plant, equipment and motor vehicle leasing and in the fleet management business – Custom Fleet; and
- **National Australia Investment Capital Limited**, the National's Australian venture capital arm.

Financial Performance

Profit & Loss

	Half Year to			Favourable / (Unfavourable) Change from		
	Mar 01 $m	**Sept 00 $m**	**Mar 00 $m**	**Sept 00 %**	**Mar 00 %**	**Mar 00 excluding fx impact %**
Net interest income	312	280	271	11.4	15.1	11.5
Other operating income	436	475	461	(8.2)	(5.4)	(7.0)
Total operating income	**748**	**755**	**732**	**(0.9)**	**2.2**	**(0.2)**
Other operating expenses	474	482	437	1.7	(8.5)	(6.1)
Underlying profit	**274**	**273**	**295**	**0.4**	**(7.1)**	**(9.5)**
Provision for doubtful debts	72	52	47	(38.5)	(53.2)	(47.8)
Profit before tax	**202**	**221**	**248**	**(8.6)**	**(18.5)**	**(20.3)**
Income tax expense	68	76	84	10.5	19.0	20.4
Profit after tax	**134**	**145**	**164**	**(7.6)**	**(18.3)**	**(20.2)**

Highlights

Exceptional Growth in Securities Services.

Securities Services experienced strong growth in master custody transactions and custody fees, with a significant increase in new business during the period, which gave rise to a 58.0% increase in profit after tax to $27 million.

At March 2001 Securities Services had assets under custody and administration of $325 billion, an increase of 37% or almost $90 billion, in the twelve months since March 2000. In Australia the business has a 38% share of the Master Custody market, which is growing at about 30% per annum and 41% of the Core Custody market. In the UK it has a 13% Custody/Trustee market share.

This growth was supported by the continuing expansion of the superannuation market, currently increasing by about 30% per annum, as well as a growing reputation for excellent capabilities.

The highlight for this business was the launch of custody and related value-added services in Great Britain, where the potential to leverage existing capabilities is substantial.

Cards outstandings growing at 20% per annum

During the period Cards and Payments were brought under a single management structure. The Payments business was significantly impacted by a slow down in retail sales in Australia and Great Britain and the loss of a major customer in Australia. The combined unit produced a profit of $93 million which was down significantly on the comparable period.

The Cards business performed strongly during the half year with the level of outstandings growing at about 20% per annum which had a favourable impact on income. The growth is attributable to increased consumer credit and expenditure aided by management initiatives to optimise the portfolio through selective limit increase and cardholder upgrade campaigns. With increased volumes and a refinement of the statistical provisioning methodology for Cards, the bad and doubtful debts charge increased by $16 million.

A number of initiatives have been implemented or are near completion which impacted costs this half but are expected to improve the profitability of this unit including:

- The implementation of the global cards operating platform at a cost of $6 million continued, with conversion expected to be completed in August 2001;
- The commissioning of new real time fraud prevention software in Payments;
- The introduction by Payments of the currency select product in New Zealand; and
- The roll-out of the National Secure Internet Payment Service (NSIPS) in Australia, Great Britain and Ireland.

Increasing contribution from International Trade & Business Finance.

International Trade and Business Finance increased its contribution from $2 million in the March 2000 half to $6 million this half. International Trade achieved significant productivity gains through process streamlining and automation, leading to a reduction in costs, while maintaining high service standards. The business continues to focus on the electronic processing evolution in global trade.

Business Finance grew strongly in Australia as demand for this service continued to grow. Market share consolidated to 53%. In Europe the business is transforming from primarily a factoring operation to focus on invoice discounting in line with market trends.

Revenue for Business Finance increased by 21% compared to the half year to March 2000. Profit after tax increased by 33% for the same period.

Asset Finance and Fleet Management growing

Profit after tax for Asset Finance and Fleet Management decreased by 57.1% to $12 million, mainly due to $20 million write back in the maintenance provision in the March 2000 half due to a change in accounting treatment. Ongoing operations were strong with income in the Asset Finance (leasing) business growing by 12% reflecting strong sales performance and an increase in market share in Australia and Great Britain. Margins in Australia have been maintained and Great Britain and Ireland margins have been restored to sustainable levels.

A consistent global fleet management platform for Custom Fleet will be completed shortly. Conversion has already been completed in Australia and New Zealand with Great Britain and Ireland expected to be completed during May 2001. Fleet management has been experiencing solid sales growth in Australia. The introduction of the global operating model is showing results in Great Britain and Ireland, with the number of vehicles on the books growing at an annual rate of 30%. This has led to growth in market share.

HOMESIDE

Principal Activities

HomeSide has an exclusive focus on mortgage processing, from originating loans and collecting payments through to the creation of mortgage backed securities which are sold in the secondary market. HomeSide's principal operations are in the US and Australia.

Financial Performance

Profit & Loss

	Half Year to			Favourable / (Unfavourable) Change from		
	Mar 01 $m	Sept 00 $m	Mar 00 $m	Sept 00 %	Mar 00 %	Mar 00 excluding fx impact %
Mortgage servicing fees	805	641	561	25.6	43.5	20.0
Amortisation of mortgage servicing rights	491	351	314	(39.9)	(56.4)	(30.6)
Net servicing revenue	**314**	**290**	**247**	**8.3**	**27.1**	**6.5**
Net interest income	(51)	(39)	(3)	(30.8)	large	large
Net mortgage origination revenue	96	48	57	large	68.4	40.1
Other operating income	47	8	7	large	large	large
Total operating income	**406**	**307**	**308**	**32.2**	**31.8**	**12.3**
Other operating expenses	252	202	166	(24.8)	(51.8)	(28.7)
Underlying profit	**154**	**105**	**142**	**46.6**	**8.4**	**(8.5)**
Provision for doubtful debts	35	32	26	(9.4)	(34.6)	(14.5)
Profit before tax	**119**	**73**	**116**	**63.0**	**2.6**	**(13.5)**
Income tax expense	48	25	32	(92.0)	(50.0)	(24.6)
Profit after tax	**71**	**48**	**84**	**47.9**	**(15.5)**	**(26.9)**

Key Performance Measures

Servicing portfolio – US (US$ billion)	189.4	165.1	152.5
Servicing portfolio – Aus (A$ billion)	39.0	38.0	n/a
Production volume – US (US$ billion)	16.0	10.8	9.4
Production volume – Aus (A$ billion)	1.4	1.0	0.4
Broker originated loan growth – Aus (A$ billion)	40%	31%	40%
Market ranking - US	5	6	7

Highlights

US and Australia mortgage activities report increased operating income

Operating profit after tax increased from $48 million for September 2000 to $71 million for the half year to March 2001, but was below the March 2000 half year profit of $84 million.

HomeSide Australia contributed $6 million compared to a $2 million loss for the prior corresponding period.

HomeSide's combined operating income increased by 32.2% to $406 million, for the current half year compared to the September 2000 half.

Declining US mortgage interest rates during the period led to growth in the overall size of the origination market, resulting in an increase in origination volume and revenue. HomeSide US production volumes increased 48% to US$16.0 billion.

HomeSide continued to expand its operations through diversified variable cost origination channels, expansion of its online mortgage solution, and pursuit of additional loan portfolio acquisitions and strategic origination relationships with mortgage lenders.

In July 2000, HomeSide Solutions, the US partnership with the world's largest mortgage lender, Fannie Mae, was established to create a revolutionary mortgage origination solution that dramatically streamlines loan applications and online mortgage approvals. The implementation of the online mortgage solution operating platform and the success in obtaining new clients has exceeded expectations. In the half year to March 2001 HomeSide Solutions originated in excess of US$0.5 billion of mortgages at margins substantially in excess of those available from more traditional broker correspondent channels.

Increased servicing revenue resulted from growth in the servicing portfolio, which was partially offset by higher amortisation of mortgage servicing rights. The servicing portfolio increased 24.2% on March 2000 to US$189.4 billion. However, the decline in mortgage rates resulted in higher prepayment activity, and hence higher amortisation charges for mortgage servicing rights.

Other operating income included the increased activity by HomeSide Australia.

Other operating expenses increased to $252 million or 51.8%, (28.7% in local currency) on the previous half year, due primarily to increased production volumes, growth in the servicing portfolio and increased loan prepayment activity.

The charge for doubtful debts increased $9m or 34.6% (14.5% in local currency) due to volume related increases.

The effective tax rate increased in the current half year primarily due to the inclusion in the March 2000 half of a $15 million benefit arising from the restatement of the deferred tax balances.

HomeSide continues to operate in a difficult environment although reductions in interest rates have seen the recovery of production volumes and pricing margins. Prepayment speeds have accelerated considerably and this has introduced volatility into the pricing of the servicing receivables. This has made hedging of the value more difficult. With the introduction of SFAS 133 in the United States the 'ineffectiveness' of such hedging activities must be brought to account through the Profit and Loss Statement (previously under US GAAP and currently under Australian GAAP this ineffectiveness was capitalised and amortised). This has introduced volatility into the US GAAP reported earnings of participants in the industry and has encouraged some smaller players to exit the industry, placing further pressure in the pricing of mortgage servicing. HomeSide remains a significant participant in the US mortgage servicing industry with a cost of servicing advantage and innovative technology through its ALSS servicing platform and its HomeSide Solutions joint venture.

Since start-up in October 1998, HomeSide Australia has increased home loan settlement volumes from an average of $56 million per month to routinely exceeding $200 million per month and increased its share of the broker channel market from about 3% to about 15%. HomeSide Australia increased production volumes 40% on the September half year to $1.4 billion. This growth has been driven by the establishment of a robust operating model and high service standards. The servicing portfolio in Australia increased 2.6% to $39.0 billion.

Management is increasingly focusing on how the business can best leverage its strengths for the benefit of the rest of the Group. A major achievement for this year was the development of a fully operational mortgage securitisation capability for the National. In January 2001 the Group concluded its first mortgage backed security issue, with an offering of over US$1 billion in the US, Europe and Asia. The National's Wholesale Financial Services co–led the issue which was oversubscribed and established a new benchmark for Australian mortgage-backed issuers in terms of both pricing and distribution spread.

NATIONAL SHARED SERVICES

Principal Activities

National Shared Services (NSS) comprises a number of operational services provided to the rest of the Group:

- **Corporate Real Estate (CRE) –** provides key strategic and management services in relation to real estate that the Group occupies. This includes the negotiation of leases, advice on new locations, design of outlets and management of fit-out projects.

- **Information Technology (NSITE)** - supplies IT services (systems and infrastructure) sourced either internally or externally. It also provides thought leadership and advice to help customers identify and develop technology-based growth opportunities.

- **Transaction & Business Services (T&BS)** – provides core transaction processing services and general services such as logistics and supply.

- **Lending Services** – provides centralised production of loan and security documents and loan servicing for personal and business lending.

Other services provided include **Human Resources Shared Services**, **Finance Shared Services**, **Collections** and **Strategic Sourcing**.

NSS is not a generator of revenue, (its income being cost recharges to Group businesses) and therefore its major focus is on cost effectiveness as a driver of its contribution to Group performance. The competitive environment is driving the division to transform its internal service delivery for the overall benefit of the Group.

Financial Performance

Profit & Loss	Half Year to			Favourable / (Unfavourable) Change from	
	Mar 01	Sept 00	Mar 00	Sept 00	Mar 00
	$m	$m	$m	%	%
Total Operating income	**708**	**689**	**648**	**2.8**	**9.3**
Personnel expenses	222	246	261	9.8	14.9
Occupancy expenses	240	221	217	(8.6)	(10.6)
Other operating expenses	292	332	275	12.0	(6.2)
Total operating expenses	**754**	**799**	**753**	**5.6**	**(0.1)**
Underlying profit/(loss)	**(46)**	**(110)**	**(105)**	58.2	56.2
Doubtful debts recoveries [(1)]	(1)	(20)	(1)	(95.0)	-
Profit/(Loss) before tax	**(45)**	**(90)**	**(104)**	**50.0**	**56.7**
Income tax expense/(benefit)	(17)	(29)	(33)	(41.4)	(48.5)
Profit/(Loss) after tax	**(28)**	**(61)**	**(71)**	**54.1**	**60.6**
Total Operating Expenses Analysed					
Corporate Real Estate	262	246	245	(6.5)	(6.9)
Information Technology	253	285	251	11.2	(0.8)
Transaction & Business Services	157	147	146	(6.8)	(7.5)
Lending Services	49	53	53	7.5	7.5
Other	33	68	58	51.5	43.1
Total Operating Expenses	**754**	**799**	**753**	**5.6**	**(0.1)**

(1) September 2000 figure relates to recovery of a prior year property investment write off.

Highlights

NSS' total operating expenses were stable compared with the previous corresponding half year and 5.6% down on the September 2000 half year, an excellent overall result in an area which is facing industry-wide rising costs. It reflects the business' commitment to improving productivity and the focus on transforming the delivery of internal service to the Group.

Personnel and occupancy expense are the two largest drivers of cost in NSS, and the current results reflect the continued focus on and control of these costs.

Personnel costs focus and control

Personnel costs are the major driver of costs across all areas of NSS, excluding CRE. Personnel expenses decreased by 14.9% from the March 2000 half year, continuing a trend over the last eighteen months despite increasing wage costs.

There was a significant reduction in the number of FTEs in the business, mainly from the back-office transaction processing area. This was achieved largely through natural attrition and redeployment, with few redundancies and hence minimal redundancy costs. This trend is forecast to continue as the business continues to re-engineer its processes and procedures, and update its technology.

Within Human Resources Shared Services, (included within the Other business unit), incidental personnel expenses have been able to be directed to NSS' customer divisions, to ensure these costs are more visible and managed appropriately. This has resulted a reduction in personnel expenses for the March 2001 half year, compared to the prior corresponding period.

Corporate Real Estate providing efficiencies

The growth in occupancy expense to $240 million for the half year to March 2001 partly reflects the impact of the ongoing sale and leaseback program, which resulted in increased rental expense across all regions. The benefits of the program are that capital released will be more effectively used within other areas of the Group, and the program is expected to drive lower depreciation costs in the future. Occupancy expense was also impacted by increases in rental charges generally, and in energy, rates and tax expenses.

Despite absolute growth in occupancy expense, the Group's property utilisation has continued to improve in efficiency. During the half year to March 2001 total space was reduced by 20,000 square metres, with vacant space decreasing by 12%, reducing the ratio of square metres per full time equivalent (FTE) to 30.15m^2.

Information Technology infrastructure support initiatives

NSITE has been at the forefront of the transformation of the National's technology platform. Over the last six months, it has been involved with the rollout of the Internet Protocol (IP) network across all branches and service centres in Australia, Great Britain and Ireland. This program will be completed in the first half of the next financial year, however, progress to date has seen all major outlets connected.

NSITE is finalising the outsourcing of its Australian desktop services to Telstra subsidiary Advantra. Under the three-year agreement to be sealed in August 2001. NSITE will leverage the newly outsourced capability to progressively upgrade the National's fleet of PCs, to take advantage of the upgraded functionality from our Customer Relationship Management software.

The last 12 months saw significant progress towards the development of the National's corporate intranet, with the initial roll-out having now commenced for some business units in Australia. Benefits will be realised from the replacement of paper based processes (eg. leave, manuals) and new sources of information (news feeds, surveys, internal reporting). The next phase will facilitate a web-enabled workbench with access to bank software applications, saving people time and increasing productivity, efficiency, customer service, profits and EVA.

Following the announcement last year of the choice of Vignette as a content management tool, the product has now been implemented in most of the Group web sites. Bank of New Zealand also completed the first NZ implementation of V Series, the new release of Vignette eBusiness strategy. This is now being leveraged across the organisation to allow a move towards personalisation of the web experience when interacting with any of the Group's corporate web sites.

Online share trading has now been implemented in New Zealand for the ASX, capitalising on our existing Australian online trading capability.

Implementation of an internet payment gateway (NSIPS - National Secure Internet Payment Service) enables online authorisation of credit and debit card transactions over the internet without disclosing card details to the retailer in Australia, Great Britain and Ireland.

Transaction and Business Services generating efficiency

T&BS has a strong culture of generating efficiencies through a focus on continuous improvement. This focus allows the business to continually refine processes, resulting in reduced costs and improved customer service. Since the start of this half year, T&BS has been able to reduce the required work effort by more than 100 FTE, as a result of process improvements and this has been achieved with few redundancy costs.

The 7.5% increase in operating expenses over the prior corresponding period has been driven by higher volumes and the centralisation into T&BS of responsibility for losses associated with cheque fraud. During the March 2001 half year T&BS implemented software, which highlights potentially fraudulent transactions, allowing T&BS to focus its fraud prevention activities based on likelihood. This is expected to reduce future losses.

Lending Services

The March 2001 half year was a period of change for Lending Services, especially in Australia, where the service offering was increased to include the management and processing of small business lending. This is seen as a natural extension of Lending Service's core capabilities, and it has freed bankers up to concentrate on sales and relationship based activities.

REGIONAL PERFORMANCE

The Group's result was broadly based across all regions with good growth compared to March 2000 in Great Britain, Ireland and New Zealand. The strong results in the Australian operations were due largely to the first full period contribution of the MLC Group.

Contribution by Region and Major Entities [(1)(2)]	**Half Year to**			**Favourable / (Unfavourable) Change from**		
	Mar 01 $m	**Sept 00 $m**	**Mar 00 $m**	**Sept 00 %**	**Mar 00 %**	**March 00 excluding fx impact %**
Continuing Operations						
Australia	**1,119**	**979**	**801**	**14.3**	**39.7**	**39.7**
Banking & Other Financial Services	767	717	691	7.0	11.0	11.0
Wealth Management	336	224	56	50.0	large	large
Earnings on Excess Capital	16	43	57	(62.7)	(71.9)	(71.9)
Great Britain	**361**	**327**	**303**	**10.4**	**19.1**	**10.2**
Clydesdale and Yorkshire [(3)] *Banks*	403	372	335	8.3	20.3	10.7
Ireland	**106**	**84**	**90**	**26.2**	**17.8**	**10.0**
Northern and National Irish Banks	105	84	90	25.0	16.7	8.6
New Zealand	**136**	**151**	**100**	**(9.9)**	**36.0**	**36.0**
Bank of New Zealand	172	183	128	(6.0)	34.4	32.8
United States	**133**	**106**	**140**	**25.5**	**(5.0)**	**(23.5)**
HomeSide	65	55	86	18.2	(24.4)	(47.1)
NAB New York	83	70	71	18.6	16.9	(2.2)
Asia	**42**	**37**	**16**	**13.5**	**large**	**large**
Operating profit after tax from Continuing Operations	**1,897**	**1,684**	**1,450**	**12.6**	**30.8**	**26.5**
Discontinuing Operations						
Michigan National Corporation	132	120	123	10.0	7.3	(13.5)
Operating Profit after tax [(1)]	**2,029**	**1,804**	**1,573**	**12.5**	**29.0**	**23.4**
Net profit attributable to outside equity interests	4	2	-	large	large	large
Net profit attributable to members of the parent entity [(1)]	**2,025**	**1,802**	**1,573**	**12.4**	**28.7**	**23.1**

(1) The results have been presented before abnormal items. There were no abnormal items in the current period. In the September 2000 half year, abnormal items of $136 million after tax loss were recorded.

(2) The regional and Michigan National Corporation results include a charge for goodwill and the major entity results are before goodwill charges.

(3) Excluding the results of Vivid and the storecard operations of Yorkshire Bank Retail Services, which have been discontinued.

National

AUSTRALIA

The Australian results exceeded $1 billion for the first time in the half year to 31 March 2001, an increase of 39.7% over March 2000 and 14.3% over the September 2000 half year. This was due to solid performance from Banking & Other Financial Services and an excellent result from Wealth Management (WM). WM includes the operations of the MLC Group acquired on 30 June 2000. The expansion of WM operations in Australia boosts the Australian contribution to Group profit from continuing operations from 55.2% in March 2000 to 59.0% in March 2001.

Banking & Other Financial Services

Banking and Other Financial Services comprises Business and Personal Financial Services, Wholesale Financial Services, Specialist and Emerging Businesses, National Shared Services and other lines of business.

Profit & Loss

	Half Year to			Favourable / (Unfavourable) Change from	
	Mar 01	**Sept 00**	**Mar 00**	**Sept 00**	**Mar 00**
	$m	**$m**	**$m**	**%**	**%**
Net interest income	1,535	1,497	1,427	2.5	7.6
Other operating income	1,110	1,020	981	8.8	13.1
Total operating income	**2,645**	**2,517**	**2,408**	**5.1**	**9.8**
Other operating expenses	1,323	1,286	1,218	(2.9)	(8.6)
Underlying profit	**1,322**	**1,231**	**1,190**	**7.4**	**11.1**
Provision for doubtful debts	173	127	77	(36.2)	large
Profit before tax	**1,149**	**1,104**	**1,113**	**4.1**	**3.2**
Income tax expense	382	387	422	1.3	9.5
Profit after tax	**767**	**717**	**691**	**7.0**	**11.0**

Key Performance Measures

Net interest margin	2.72%	2.75%	2.79%
Other operating income / total income	42.0%	40.5%	40.7%
Cost income ratio	50.0%	51.1%	50.6%
Gross non-accrual loans to gross loans and acceptances	0.79%	0.49%	0.60%

Highlights

Net interest income increased 7.6% from the March 2000 half year to $1,535 million, with solid lending growth and effective margin management reducing the rate of decline in margins. Net interest margin reduced by 7 basis points in comparison with the March 2000 half year. This was driven by an increased proportion of wholesale borrowing costs to fund volume growth.

Other operating income increased 13.1% on the March 2000 half year to $1,110 million, due largely to a strong performance by Wholesale Financial Services (WFS), with growth across all product areas. Increased volatility in foreign exchange and debt markets during the period resulted in strong sales of foreign exchange and interest rate risk management products to clients, and favourable risk management income. The National was ranked the 'Best Bank in the Australian Market for FX Products and Interest Rate Derivatives' (Asia Risk 2000/Asiamoney 2001).

Growth in other operating income, was also attributable to higher lending and account fee income in Business and Personal Financial Services.

The cost to income ratio decreased to 50.0% compared with 50.6% in the March 2000 half year. Operating expenses of $1,323 million, were up 2.9% over the prior period and 8.6% over the previous corresponding period.

The continued growth of WFS has resulted in increased operating costs. This growth reflects the variable nature of these expenses, which have increased as a result of the strong growth in income over the same period.

Also contributing to the increase were higher communication costs reflecting customer transition to non-branch channels and increased fees and commissions, which reflect higher card and electronic transaction volumes. Loyalty program expenditure in the Cards business increased as the volume of outstandings grew over the period. Information technology costs also increased over the half year to March 2001, reflecting higher depreciation and software amortisation charges. Operating expenses were also impacted by market related increases in personnel and occupancy costs in the half year.

The charge for doubtful debts increased to $173 million in the March 2001 half year, reflecting increased statistical provisioning as a result of volume growth and the impact on credit quality of changes in the economic cycle.

Wealth Management

Wealth Management includes MLC Limited, National Australia Financial Management Limited (NAFM), National Australia Asset Management Limited and National Australia Trustees Limited.

Profit & Loss	Half Year to			Favourable / (Unfavourable) Change from	
	Mar 01 $m	Sept 00 $m	Mar 00 $m	Sept 2000 %	March 2000 %
Net premium income and other revenue	777	476	103	63.2	large
Investment revenue	111	651	392	(82.9)	(71.7)
Net decrease/(increase) in net policy liabilities	23	(442)	(247)	large	large
Claims, administration and other expenses	(810)	(528)	(152)	(53.4)	large
Operating profit before tax and revaluations	**101**	**157**	**96**	**(35.7)**	**5.2**
Income tax expense/(benefit)	(46)	68	51	large	large
Operating profit after tax and before revaluation profit	**147**	**89**	**45**	**65.2**	**large**
Revaluation profit	273	191	11	42.9	large
Income tax expense – revaluation profit	84	56	-	(50.0)	large
Revaluation profit	**189**	**135**	**11**	**40.0**	**large**
Profit after tax before goodwill and abnormals	**336**	**224**	**56**	**50.0**	**large**

Highlights

The Wealth Management operations contributed $336 million to the Australian results, including $147 million from operating profit and $189 million from the revaluation profit of NAFM subsidiaries. The WM contribution did not include any contribution from the MLC Group in the previous corresponding half year, and in the prior half year included only a 3 month contribution. Refer to Wealth Management Line of Business Commentary for detailed analysis of WM results, which are currently largely Australian based.

GREAT BRITAIN

The strong growth in operating profit after tax for Great Britain to $361 million reflects strong profit performance in local currency terms (10.2% increase over March 2000 half year) and by the impact of currency movements to generate a 19.1% profit improvement.

Clydesdale and Yorkshire Banks (1)

Profit & Loss Australian Dollars

	Half Year to			Favourable / (Unfavourable) Change from	
	Mar 01	Sept 00	Mar 00	Sept 00	Mar 00
	$m	$m	$m	%	%
Net interest income	858	783	742	9.6	15.6
Other operating income	472	445	431	6.1	9.5
Total operating income	**1,330**	**1,228**	**1,173**	**8.3**	**13.4**
Other operating expenses	599	571	556	(4.9)	(7.7)
Underlying profit	**731**	**657**	**617**	**11.3**	**18.5**
Provision for doubtful debts	142	127	128	(11.8)	(10.9)
Profit before tax	**589**	**530**	**489**	**11.1**	**20.4**
Income tax expense	186	158	154	(17.7)	(20.8)
Profit after tax before goodwill and abnormals	**403**	**372**	**335**	**8.3**	**20.3**

Profit & Loss Pounds Sterling

	Half Year to			Favourable / (Unfavourable) Change from	
	Mar 01	Sept 00	Mar 00	Sept 00	Mar 00
	£m	£m	£m	%	%
Net interest income	314	303	292	3.6	7.5
Other operating income	173	172	169	0.6	2.4
Total operating income	**487**	**475**	**461**	**2.5**	**5.6**
Other operating expenses	224	220	220	(1.8)	(1.8)
Underlying profit	**263**	**255**	**241**	**3.1**	**9.1**
Provision for doubtful debts	52	49	50	(6.1)	(4.0)
Profit before tax	**211**	**206**	**191**	**2.4**	**10.5**
Income tax expense	66	61	60	(8.2)	(10.0)
Profit after tax before goodwill and abnormals	**145**	**145**	**131**	**-**	**10.7**

(1) Excluding results of Vivid and the storecard operations of Yorkshire Bank Retail Services, which have been discontinued.

Key Performance Measures

Net interest margin	4.25%	4.29%	4.41%
Other operating income / total income	35.5%	36.2%	36.7%
Cost income ratio	46.0%	46.3%	47.7%
Gross non-accrual loans to gross loans and acceptances	1.28%	1.37%	1.64%

Highlights

Operating profit after tax for Clydesdale and Yorkshire Banks increased 20.3% to $403 million which reflects a strong profit performance in local currency terms of 10.7% over the March 2000 half year.

Clydesdale and Yorkshire Banks net interest income increased by $116 million or 15.6% (7.5% in local currency), driven by strong growth in core lending of $7.3 billion or 22.5% (10.8% in local currency) primarily in fixed and variable mortgages, variable rate instalment lending through the success of the Tailored Business Loan product, and lease finance. Deposit growth of 8.8% (in local currency) was achieved in retail deposits and higher on-demand deposits.

Margin for Clydesdale and Yorkshire Banks declined by 16 basis points, from 4.41% at March 2000 to 4.25% at March 2001. This reduction was mainly driven by a strategy of changing the business mix through targeting strong growth in building a quality mortgage lending portfolio and from competitive margin pressure in this market.

Other operating income of Clydesdale and Yorkshire Banks grew by $41 million or 9.5% (2.4% in local currency terms), compared to the previous corresponding period primarily due to increased brokerage and commission fee income, creditor insurance income and strong sales of interest rate risk management products. These increases in other operating income were partly offset by lower account fee income as customers change their transactional behaviours.

Other operating expenses increased by $43 million or 7.7% but only 1.8% in local currency. Increased personnel costs due to merit increases in the trading banks were partly offset by a reduction in the number of full time equivalent employees. Tight cost controls were maintained in Clydesdale and Yorkshire Banks with the cost to income ratio declining from 47.7% to 46.0%.

Bad and doubtful debts increased 4.0% in local currency terms due to an increased statistical based provision charge as a result of increased lending volumes.

IRELAND

Northern and National Irish Banks

Profit & Loss *Australian Dollars*	Half Year to			Favourable / (Unfavourable) Change from	
	Mar 01 $m	Sept 00 $m	Mar 00 $m	Sept 00 %	Mar 00 %
Net interest income	248	233	225	6.4	10.2
Other operating income	122	119	106	2.5	15.1
Total operating income	**370**	**352**	**331**	**5.1**	**11.8**
Other operating expenses	210	211	190	0.5	(10.5)
Underlying profit	**160**	**141**	**141**	**13.5**	**13.5**
Provision for doubtful debts	8	16	11	50.0	27.3
Profit before tax	**152**	**125**	**130**	**21.6**	**16.9**
Income tax expense	47	41	40	(14.6)	(17.5)
Profit after tax before goodwill and abnormals	**105**	**84**	**90**	**25.0**	**16.7**

Profit & Loss *Pounds Sterling*	Half Year to			Favourable / (Unfavourable) Change from	
	Mar 01 £m	Sept 00 £m	Mar 00 £m	Sept 00 %	Mar 00 %
Net interest income	91	90	90	1.1	1.1
Other operating income	44	46	41	(4.3)	7.3
Total operating income	**135**	**136**	**131**	**(0.7)**	**3.1**
Other operating expenses	77	82	76	6.1	(1.3)
Underlying profit	**58**	**54**	**55**	**7.4**	**5.5**
Provision for doubtful debts	3	6	4	50.0	25.0
Profit before tax	**55**	**48**	**51**	**14.6**	**7.8**
Income tax expense	17	16	16	(6.3)	(6.3)
Profit after tax before goodwill and abnormals	**38**	**32**	**35**	**18.8**	**8.6**

Key Performance Measures

Net interest margin	3.54%	3.61%	3.74%
Other operating income / total income	32.6%	33.8%	31.3%
Cost income ratio	57.0%	60.3%	58.0%
Gross non-accrual loans to gross loans and acceptances	1.27%	1.21%	0.87%

Highlights

The National's two banks in Ireland increased profit by $15 million to $105 million, or 16.7% on the previous corresponding half year. In GB pounds, operating profit increased 8.6% compared to the previous corresponding period and by 18.8% compared to the prior half. The September 2000 half year contained a number of one off expenses in relation to the Deposit Interest Retention Tax settlement of IP5.3 million and investigation costs in National Irish Bank.

Net interest income increased by GBP 1 million or 1.2% on the previous corresponding period, through growth in business lending and mortgages. The combined Northern Bank and National Irish Bank net interest margin declined by 20 basis points from 3.74% to 3.54% since the March 2000 half year, due to regional competitive pressures on lending margins.

Other operating income increased by GBP 3 million or 7.3% compared to the March 2000 half year, but fell by GBP 2 million or 4.3% compared to the September 2000 half year which benefited from profits on property disposals.

Other operating expenses were steady on the previous corresponding period reflecting sound cost management. After adjusting for the Deposit Interest Retention Tax settlement, other operating expenses remained in line with the September 2000 half year.

In GBP bad and doubtful debts remained steady compared to the previous corresponding period.

NEW ZEALAND

New Zealand contributed profit after tax of $136 million for the March 2001 half year, compared to $100 million in the previous corresponding period, an increase of 36.0%. However profit after tax fell 9.7% from $151 million in the September 2000 half year, due largely to the impact of foreign exchange movements.

Bank of New Zealand

Profit & Loss Australian Dollars	**Half Year to**			**Favourable / (Unfavourable) Change from**	
	Mar 01 $m	**Sept 00 $m**	**Mar 00 $m**	**Sept 00 %**	**Mar 00 %**
Net interest income	288	278	231	3.6	24.7
Other operating income	198	216	179	(8.3)	10.6
Total operating income	**486**	**494**	**410**	**(1.6)**	**18.5**
Other operating expenses	242	256	237	5.5	(2.1)
Underlying profit	**244**	**238**	**173**	**2.5**	**41.0**
Provision for doubtful debts	6	(3)	14	large	57.1
Profit before tax	**238**	**241**	**159**	**(1.2)**	**49.7**
Income tax expense	60	54	27	(11.1)	large
Profit after tax before goodwill and abnormals	**178**	**187**	**132**	**(4.8)**	**34.8**

The above table reflect the legal entity results of Bank of New Zealand. The table below shows the after tax contributions of the major geographic units.

New Zealand operations	172	183	128	(6.0)	34.4
Asian operations	6	4	4	50.0	50.0
Total Bank of New Zealand	**178**	**187**	**132**	**(4.8)**	**34.8**

Profit & Loss New Zealand Dollars	**Half Year to**			**Favourable / (Unfavourable) Change from**	
	Mar 01 $m	**Sept 00 $m**	**Mar 00 $m**	**Sept 00 %**	**Mar 00 %**
Net interest income	364	351	293	3.7	24.2
Other operating income	250	272	227	(8.1)	10.1
Total operating income	**614**	**623**	**520**	**(1.4)**	**18.1**
Other operating expenses	309	345	292	10.4	(5.8)
Underlying profit	**305**	**278**	**228**	**9.7**	**33.8**
Provision for doubtful debts	8	(4)	18	large	55.6
Profit before tax	**297**	**282**	**210**	**5.3**	**41.4**
Income tax expense	75	66	37	(13.6)	large
Profit after tax before goodwill and abnormals	**222**	**216**	**173**	**2.8**	**28.3**

Key Performance Measures

	Half Year to		
	Mar 01	**Sep 00**	**Mar 00**
Net interest margin	2.17%	2.34%	1.99%
Other operating income / total income	40.7%	43.7%	43.7%
Cost income ratio	50.3%	55.4%	56.2%
Gross non-accrual loans to gross loans and acceptances	0.27%	0.32%	0.40%

Highlights

Bank of New Zealand's (BNZ), New Zealand operations contributed profit of $172 million, an increase of 34.4% from the previous corresponding period and a fall of 6.0% from the prior period.

Net interest income grew strongly, increasing by 24.7% (24.2% in local currency terms) over the previous corresponding period to $288 million. This growth was attributable to higher lending volumes over the period, particularly in relation to housing following the successful launch of GlobalPlus Home Loans. Net interest margins have increased from the prior corresponding period from 1.99% to 2.17%, largely due to the stable interest rate environment that allowed for margins to be regained.

Other operating income rose by $19 million or 10.6%, (10.1% in local currency terms) over the previous corresponding period to $198 million. This was largely the result of increased corporate fee income and growth in treasury income for Wholesale Financial Services, as well as increased banking fee income as a result of higher volumes, partly offset by customers migrating to lower cost channels.

Other operating expenses increased 2.1% (5.8% in local currency terms) over the previous corresponding period and declined 5.5% (10.4% in local currency terms) from the prior period to $242 million, reflecting improved efficiencies and the rationalisation of key processes whilst successfully growing revenue streams. The cost to income ratio (in local currency terms) has fallen from 56.2% for the March 2000 half year to 50.3% in the current period.

UNITED STATES

The United States (excluding Michigan National Corporation) contributed profit after tax of $133 million compared to $140 million for the previous corresponding period, a decrease of 5.0%.

HomeSide International Inc (1)

Profit & Loss Australian Dollars	Half Year to			Favourable / (Unfavourable) Change from	
	Mar 01	Sept 00	Mar 00	Sept 00	Mar 00
	$m	$m	$m	%	%
Mortgage servicing fees	805	641	559	25.6	44.0
Amortisation of mortgage servicing rights	491	351	314	39.9	56.4
Net servicing revenue	**314**	**290**	**245**	**8.3**	**28.2**
Net interest income	(71)	(58)	(19)	(22.4)	large
Net mortgage origination revenue	96	48	57	large	68.4
Other income	15	6	7	large	large
Total operating income	**354**	**286**	**290**	**23.8**	**22.1**
Other operating expenses	218	171	147	(27.5)	(48.3)
Underlying profit	**136**	**115**	**143**	**18.3**	**(4.9)**
Provision for doubtful debts	34	30	25	(13.3)	(36.0)
Profit before tax	**102**	**85**	**118**	**20.0**	**(13.6)**
Income tax expense	37	30	32	(23.3)	(15.6)
Profit after tax	**65**	**55**	**86**	**18.2**	**(24.4)**

Profit & Loss United States Dollars	Half Year to			Favourable / (Unfavourable) Change from	
	Mar 01	Sept 00	Mar 00	Sept 00	Mar 00
	$m	$m	$m	%	%
Mortgage servicing fees	428	375	357	14.1	19.9
Amortisation of mortgage servicing rights	261	206	200	26.7	30.5
Net servicing revenue	**167**	**169**	**157**	**(1.2)**	**6.4**
Net interest income	(38)	(35)	(12)	(8.6)	large
Net mortgage origination revenue	51	28	36	82.1	41.7
Other income	8	4	4	large	large
Total operating income	**188**	**166**	**185**	**13.3**	**1.6**
Other operating expenses	116	101	93	(14.9)	(24.7)
Underlying profit	**72**	**65**	**92**	**10.8**	**(21.7)**
Provision for doubtful debts	18	17	16	(5.9)	(12.5)
Profit before tax	**54**	**48**	**76**	**12.5**	**(28.9)**
Income tax expense	20	17	21	(17.6)	4.8
Profit after tax	**34**	**31**	**55**	**9.7**	**(38.2)**

(1) Comprises the US operations of HomeSide only

Highlights

HomeSide US contributed a profit of $65 million compared to $86 million in March 2000, however this represents an improvement on the September 2000 half contribution of $55 million.

Excluding an $11 million credit due to a restatement of deferred tax liabilities in the March 2000 half and the impact of exchange rate movements, HomeSide's profit decreased by 29.2% on the March 2000 half year.

Net servicing revenue increased 28.2% over the previous corresponding period to $314 million (6.4% in local currency terms) due to a US$36.9 billion (24.2%) increase in the average servicing portfolio and a higher amortisation rate, reflecting the impact of declining mortgage interest rates on prepayment activity. Mortgage origination revenue increased by $39 million or 68.4% (41.7% in local currency terms), as a result of increased refinance activity due to the decline in US interest rates. In addition pricing competition and extreme rate volatility in the market caused a decrease in margins.

HomeSide also experienced a significant decrease in net interest income of $52 million ($26 million in local currency), largely due to increased borrowings to fund the mortgage servicing business.

NAB New York

Profit & Loss Australian Dollars	**Half Year to**			**Favourable / (Unfavourable) Change from**	
	Mar 01	**Sept 00**	**Mar 00**	**Sept 00**	**Mar 00**
	$m	**$m**	**$m**	**%**	**%**
Net interest income	109	85	72	28.2	51.4
Other operating income	38	33	17	15.2	large
Total operating income	**147**	**118**	**89**	**24.6**	**65.2**
Other operating expenses	42	36	26	(16.7)	(61.5)
Underlying profit	**105**	**82**	**63**	**28.0**	**66.7**
Provision for doubtful debts	11	5	(5)	large	large
Profit before tax	**94**	**77**	**68**	**22.1**	**38.2**
Income tax expense	11	7	(3)	(57.1)	large
Profit after tax before goodwill and abnormals	**83**	**70**	**71**	**18.6**	**16.9**

Profit & Loss United States Dollars	**Half Year to**			**Favourable / (Unfavourable) Change from**	
	Mar 01	**Sept 00**	**Mar 00**	**Sept 00**	**Mar 00**
	$m	**$m**	**$m**	**%**	**%**
Net interest income	58	51	45	13.7	28.9
Other operating income	20	20	11	-	81.8
Total operating income	**78**	**71**	**56**	**9.9**	**39.3**
Other operating expenses	22	22	16	-	(37.5)
Underlying profit	**56**	**49**	**40**	**14.3**	**40.0**
Provision for doubtful debts	6	3	(3)	large	large
Profit before tax	**50**	**46**	**43**	**8.7**	**16.3**
Income tax expense	6	5	(2)	(20.0)	large
Profit after tax before goodwill and abnormals	**44**	**41**	**45**	**7.3**	**(2.2)**

Highlights

NAB New York operations reported a 2.2% decrease in profit after tax before abnormals from US$45 million to US$44 million. The decrease was due to the inclusion in the March 2000 half results of a one off tax credit in relation to the Group hedging activities. Net interest income increased from March 2000, with stronger treasury income as a result of changes in interest rates, and increased lending to clients. Other operating income increased with stronger sales of foreign exchange and interest rate risk management products to clients and favourable risk management income. This continued growth has resulted in increased operating costs. This growth reflects the variable nature of these expenses, which have increased as a result of the strong growth in income over the same period. Bad and doubtful debts increased reflecting increased statistical provisioning as a result of the impact of changes in the economic cycle on credit quality.

ASIA

The contribution from Asian operations increased to $42 million, compared with $16 million in the March 2000 half year, and $37 million in the September 2000 half year.

The growth in profits has largely been driven by income growth from Wholesale Financial Services. Net interest income increased as a result of higher volumes across the business, which was partly offset by a decline in interest margins. Results were further boosted by a decrease in operating expenses, arising from cost savings following the implementation of the revised Asia strategy which followed a comprehensive review. Improvements in asset quality led to a reduction in the provision for doubtful debts during the March 2001 half year.

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2001

Detailed Financial Information

1. NET INTEREST INCOME

	Half Year to			Favourable/ (Unfavourable) Change from	
	Mar 01	Sept 00	Mar 00	Sept 00	Mar 00
	$m	$m	$m	%	%
Interest income					
Loans to customers	8,051	7,428	6,426	8.4	25.3
Other interest	2,501	2,006	1,657	24.7	50.9
Total Interest Income	**10,552**	**9,434**	**8,083**	**11.9**	**30.5**
Interest expense					
Deposits and other borrowings	4,984	4,434	3,791	(12.4)	(31.5)
Other	2,162	1,752	1,169	(23.4)	(84.9)
Total Interest Expense	**7,146**	**6,186**	**4,960**	**(15.5)**	**(44.1)**
Net Interest Income	**3,406**	**3,248**	**3,123**	**4.9**	**9.1**

Reconciliation to Statement of Financial Performance					
Banking & Other Financial Services					
Net interest income	3,089	2,898	2,731	6.6	13.1
Wealth Management					
Net interest income (1)	(7)	(8)	-	12.5	large
HomeSide					
Net interest income (2)	(51)	(39)	(3)	(30.8)	large
Excess Capital					
Earnings on excess capital	25	67	89	(62.7)	(71.9)
Discontinuing Operations					
Net interest income	350	330	306	6.1	14.4
Net Interest Income	**3,406**	**3,248**	**3,123**	**4.9**	**9.1**

(1) Included in 'Net premium income and other revenue' in the Statement of Financial Performance

(2) Included in 'Net mortgage servicing and origination revenue' in the Statement of Financial Performance

Net interest income for the half year increased by 9.1% from $3,123 million for the half year to March 2000 to $3,406 million. Strong growth in lending and wholesale activities, falling interest rates ahead of movements in official interest rates, and favourable exchange rate movements contributed to the increased net interest income.

The strong growth in interest income of 30.5% was partly offset by an increase in the proportion of wholesale borrowing to fund growth in Wholesale Financial Services assets and Business & Personal Financial Services lending, the impact of the reduction in the level of excess capital and one less day's interest in the March 2001 half year.

Strong volume growth was seen across all key product lines, including instalment loans, home loans and credit cards. In particular there was significant growth in Wholesale average interest earning assets, which grew by 27% over the prior corresponding period. This growth resulted in a $130 million or 55.8% (47.6% before exchange rate movements) increase in net interest income within Wholesale Financial Services. Business and Personal Financial Services net interest income grew by $282 million or 12.6% (9.9% before exchange rate movements), also driven by good volume growth.

Group average interest earning assets have increased by 20.3% (including the impact of a favourable foreign exchange movements) with growth achieved across all regions.

2. NET INTEREST MARGINS AND SPREADS

	Half Year to		
	Mar 01	Sept 00	Mar 00
	%	%	%
Australia [1]			
Australia Interest Spread	2.35	2.43	2.29
Australia Interest Margin [2]	2.82	2.91	3.02
Australia Interest Margin (excluding earnings on excess capital) [2]	2.77	2.78	2.85
Great Britain [1]			
Great Britain Interest Spread	2.48	2.67	2.94
Great Britain Interest Margin [2]	2.88	3.20	3.19
Other International [1]			
Other International Interest Spread	1.86	1.99	2.02
Other International Interest Margin [2]	2.09	2.30	2.48
Group			
Group Interest Spread	**2.28**	**2.39**	**2.40**
Group Interest Margin [2]	**2.66**	**2.84**	**2.93**
Group Interest Margin (excluding earnings on excess capital) [2]	**2.64**	**2.78**	**2.85**

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

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

For a discussion of Group interest margin refer to page 15 and 16.

From a regional perspective, the reduction in Group margin was a reflection of strong growth in Wholesale Financial Services within New York and Asia (7 basis points impact), Great Britain (6 basis points impact) and Australia (1 basis point impact). The remaining margin reduction was mainly caused by the decrease in HomeSide net interest income associated with growth in the servicing portfolio (4 basis points impact).

The Australian net interest margin has declined by 20 basis points in comparison with March 2000 half year, or 8 basis points once earnings on excess capital is excluded. This reduction is primarily due to the increased wholesale costs of funding interest earning assets growth.

The Great Britain net interest margin has declined by 31 basis points in comparison with the March 2000 half year. This reduction was mainly driven by a change in the business mix with substantial growth in the London Wholesale Financial Services operations. When this impact is excluded, the margin reduction in Clydesdale and Yorkshire Banks had a 13 basis point impact on the Great Britain margin. The reduction in margin at Clydesdale and Yorkshire Banks was mainly driven by growth in the mortgage lending portfolio and from competitive pressure in the Great Britain market.

Other International margin has declined by 39 basis points. This has been mainly impacted by increased borrowings to fund HomeSide's mortgage servicing business, a change in the business mix with strong growth in the New York Wholesale Financial Services operation and by reduced lending and deposit margins in Michigan National Corporation. The Bank of New Zealand margin improved 18 basis points.

3. AVERAGE BALANCE SHEET & RELATED INTEREST

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

Average Assets and Interest Income

	Half Year ended Mar 01			Half Year ended Sept 00		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Interest earning assets						
Due from other financial institutions						
Australia	1,648	45	5.48	1,628	44	5.41
Great Britain	2,988	88	5.91	2,354	111	9.43
Michigan	-	-	-	-	-	-
Other International	10,343	290	5.62	7,939	237	5.97
Regulatory deposits						
Great Britain	38	-	-	35	-	-
Other International	89	2	4.51	71	1	2.82
Marketable debt securities						
Australia	11,303	310	5.50	12,269	336	5.48
Great Britain	8,959	251	5.62	5,336	120	4.50
Michigan	3,636	126	6.95	3,090	104	6.73
Other International	10,209	298	5.85	6,567	205	6.24
Loans and advances (1)						
Australia	98,957	3,864	7.83	94,479	3,651	7.73
Great Britain	46,603	1,870	8.05	40,707	1,681	8.26
Michigan	16,285	668	8.23	14,590	594	8.14
Other International	40,936	1,649	8.08	36,690	1,502	8.19
Other interest earning assets (2)						
Australia	11	844	n/a	13	640	n/a
Michigan	69	4	n/a	68	10	n/a
Other International	4,675	243	n/a	3,246	198	n/a
Intragroup loans (3)						
Great Britain	1,142	72	12.64	651	36	11.06
Other International	7,399	224	6.07	4,703	137	5.83
Interest earning assets including intragroup loans by:						
Australia	111,919	5,063	9.07	108,389	4,671	8.62
Great Britain	59,730	2,281	7.66	49,083	1,948	7.94
Michigan	19,990	798	8.01	17,748	708	7.98
Other International	73,651	2,706	7.37	59,216	2,280	7.70
Total interest earning assets including intragroup loans	**265,290**	**10,848**	**8.20**	**234,436**	**9,607**	**8.20**
Intragroup loans eliminations	(8,541)	(296)	6.95	(5,354)	(173)	6.46
Total interest earning assets by:						
Australia	111,919	5,063	9.07	108,389	4,671	8.62
Great Britain	58,588	2,209	7.56	48,432	1,912	7.90
Michigan	19,990	798	8.01	17,748	708	7.98
Other International	66,252	2,482	7.51	54,513	2,143	7.86
Total interest earning assets	**256,749**	**10,552**	**8.24**	**229,082**	**9,434**	**8.24**

Average Assets and Interest Income

	Half Year ended Mar 01			Half Year ended Sept 00		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Non-interest earning assets						
Investments relating to life insurance business (4)						
Australia	30,825			9,670		
Great Britain	604			607		
Acceptances						
Australia	23,477			21,986		
Great Britain	724			557		
Michigan	1			1		
Other International	774			690		
Fixed assets						
Australia	1,094			886		
Great Britain	590			554		
Michigan	196			175		
Other International	508			485		
Other assets						
Australia	19,768			19,176		
Great Britain	5,233			24		
Michigan	2,105			1,947		
Other International	15,400			11,802		
Total non-interest earning assets by:						
Australia	75,164			51,718		
Great Britain	7,151			1,742		
Michigan	2,302			2,123		
Other International	16,682			12,977		
Total non-interest earning assets	**101,299**			**68,560**		
Provision for doubtful debts						
Australia	(1,285)			(1,250)		
Great Britain	(680)			(632)		
Michigan	(330)			(309)		
Other International	(392)			(406)		
Total assets by:						
Australia	185,798			158,857		
Great Britain	65,059			49,542		
Michigan	21,962			19,562		
Other International	82,542			67,084		
Total assets	**355,361**			**295,045**		
Percentage of total average assets applicable to international operations	**47.7%**			**46.2%**		

Average Liabilities and Interest Expense

	Half Year ended Mar 01			Half Year ended Sept 00		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Interest bearing liabilities and loan capital						
Time deposits						
Australia	32,608	970	5.97	34,330	961	5.60
Great Britain	24,654	747	6.08	20,468	574	5.61
Michigan	5,830	191	6.57	5,185	163	6.29
Other International	27,623	770	5.59	21,730	601	5.53
Savings deposits						
Australia	5,556	152	5.49	5,885	158	5.37
Great Britain	9,177	189	4.13	9,144	188	4.11
Michigan	5,259	120	4.58	4,723	102	4.32
Other International	5,137	96	3.75	4,457	85	3.81
Other demand deposits						
Australia	29,341	562	3.84	29,364	455	3.10
Great Britain	10,035	154	3.08	9,180	126	2.75
Michigan	914	7	1.54	869	6	1.38
Other International	4,482	72	3.22	4,151	106	5.11
Government and Official Institutions						
Australia	787	21	5.35	738	18	4.88
Michigan	812	25	6.17	763	22	5.77
Other International	1,640	51	6.24	646	20	6.19
Due to other financial institutions						
Australia	4,635	137	5.93	3,604	99	5.49
Great Britain	9,745	256	5.27	4,252	181	8.51
Michigan	2,533	79	6.25	1,917	60	6.26
Other International	22,879	641	5.62	17,334	511	5.90
Short-term borrowings						
Other International	8,330	296	7.13	8,179	297	7.26
Long-term borrowings						
Australia	17,652	617	7.01	15,341	515	6.71
Great Britain	158	5	6.35	176	4	4.55
Michigan	115	4	6.98	55	2	7.27
Other International	4,070	153	7.54	2,709	100	7.38
Other interest bearing liabilities(4)						
Australia	4,263	709	n/a	4,787	692	n/a
Great Britain	11	-	n/a	12	23	n/a
Michigan	104	22	n/a	161	23	n/a
Other International	3	-	n/a	2	5	n/a
Loan Capital						
Australia	712	27	7.61	524	20	7.63
Great Britain	1,356	73	10.80	996	69	13.86
Intragroup loans						
Australia	8,541	296	6.95	5,354	173	6.46
Interest bearing liabilities & loan capital including intragroup loans by:						
Australia	104,095	3,491	6.72	99,927	3,091	6.19
Great Britain	55,136	1,424	5.18	44,228	1,165	5.27
Michigan	15,567	448	5.77	13,673	378	5.53
Other International	74,164	2,079	5.62	59,208	1,725	5.83
Total interest bearing liabilities & loan capital including intragroup loans	**248,962**	**7,442**	**5.99**	**217,036**	**6,359**	**5.86**

Average Liabilities and Interest Expense

	Half Year ended Mar 01			Half Year ended Sept 00		
	Average Balance $m	Interest $m	Average Rate %	Average Balance $m	Interest $m	Average Rate %
Intragroup loans eliminations	(8,541)	(296)	6.95	(5,354)	(173)	6.46
Total interest bearing liabilities & loan capital by:						
Australia	95,554	3,195	6.71	94,573	2,918	6.17
Great Britain	55,136	1,424	5.18	44,228	1,165	5.27
Michigan	15,567	448	5.77	13,673	378	5.53
Other International	74,164	2,079	5.62	59,208	1,725	5.83
Total interest bearing liabilities & loan capital	**240,421**	**7,146**	**5.96**	**211,682**	**6,186**	**5.84**
Non-interest bearing liabilities						
Deposits not bearing interest						
Australia	4,276			4,260		
Great Britain	3,059			2,816		
Michigan	2,851			2,671		
Other International	3,266			3,007		
Liability on acceptances						
Australia	23,476			21,986		
Great Britain	724			557		
Michigan	1			1		
Other International	774			690		
Life insurance policy liabilities (4)						
Australia	29,523			18,057		
Great Britain	542			544		
Other liabilities						
Australia	13,981			5,238		
Great Britain	3,918			935		
Michigan	387			326		
Other International	5,261			1,434		
Total non-interest bearing liabilities by:						
Australia	71,256			49,541		
Great Britain	8,243			4,852		
Michigan	3,239			2,998		
Other International	9,301			5,131		
Total non-interest bearing liabilities	**92,039**			**62,522**		
Shareholders' equity						
Ordinary share capital	7,403			7,399		
Preference share capital	730			730		
National income securities	1,945			1,945		
Reserves	2,292			1,104		
Retained profits	10,477			9,640		
Outside equity interests in controlled entities	54			23		
Total Shareholders' equity	**22,901**			**20,841**		
Total liabilities & shareholders' equity	**355,361**			**295,045**		
Percentage of total average liabilities applicable to international operations	**49.8%**			**47.4%**		

(1) Includes non-accrual loans.

(2) Includes interest on derivatives and escrow deposits.

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

(4) The assets and liabilities held in the statutory funds are subject to restrictions of the Life Insurance Act 1995.
The assets and liabilities of MLC have been included since the date of acquisition on June 30, 2000.

4. LOAN VOLUMES

Gross Loans & Advances By Region	As at Mar 01 $m	As at Sept 00 $m	As at Mar 00 $m	Movement from Mar 00 %	Movement from Mar 00 excluding fx impact %
Australia	102,021	97,267	92,136	10.7	10.7
Great Britain	51,863	47,991	41,368	25.4	13.5
Ireland	12,234	10,993	10,100	21.1	8.6
New Zealand	23,214	20,617	21,842	6.3	5.6
United States	24,063	19,776	16,361	47.1	19.0
Asia	4,066	3,352	3,085	31.8	12.3
Total	**217,461**	**199,996**	**184,892**	**17.6**	**11.6**

Gross Loans & Advances By Product	As at Mar 01 $m	As at Sept 00 $m	As at Mar 00 $m	Movement from Mar 00 %	Movement from Mar 00 excluding fx impact %
Housing	76,463	71,330	66,738	14.6	11.6
Term Lending	78,153	70,381	65,687	19.0	10.8
Overdrafts	20,953	19,084	17,226	21.6	10.5
Leasing	15,481	14,377	13,698	13.0	8.5
Credit cards	5,756	5,281	4,762	20.9	17.0
Other	20,655	19,543	16,781	23.1	13.1
Total	**217,461**	**199,996**	**184,892**	**17.6**	**11.6**

By Product & Region	As at Mar 01 Australia $m	Great Britain $m	Ireland $m	New Zealand $m	United States $m	Asia $m	Total $m
Housing	50,878	11,632	4,045	8,008	1,162	738	76,463
Term Lending	29,298	16,715	5,128	9,353	15,171	2,488	78,153
Overdrafts	5,748	10,799	2,158	909	1,339	-	20,953
Leasing	7,150	7,754	426	3	93	55	15,481
Credit cards	3,088	1,670	250	748	-	-	5,756
Other	5,859	3,293	227	4,193	6,298	785	20,655
Total	**102,021**	**51,863**	**12,234**	**23,214**	**24,063**	**4,066**	**217,461**

Excluding Foreign Exchange	Movement from March 00 Australia %	Great Britain %	Ireland %	New Zealand %	United States %	Asia %	Total %
Gross Loans and Advances including:	10.7	13.5	8.6	5.6	19.0	12.3	11.6
Housing	13.4	8.8	12.1	7.5	7.0	(9.9)	11.6
Term Lending	11.9	13.2	5.1	1.3	14.2	14.0	10.8
Overdrafts	4.2	19.4	(7.8)	21.3	6.1	-	10.5
Leasing	6.4	10.3	6.0	26.6	60.6	(7.0)	8.5
Credit cards	15.0	18.1	27.7	19.7	-	-	17.0

5. OTHER OPERATING INCOME

	Half Year to			Favourable/ (Unfavourable) Change from	
	Mar 01 $m	Sept 00 $m	Mar 00 $m	Sept 00 %	Mar 00 %
Banking & Other Financial Services					
Loan fees from banking	644	644	581	-	10.8
Money transfer fees	464	468	445	(0.9)	4.3
Fees and comissions - banking	436	437	411	(0.2)	6.1
Treasury related income	401	231	232	73.6	72.8
Other banking income	30	48	114	(37.5)	(73.7)
Total Banking & Other Financial Services	**1,975**	**1,828**	**1,783**	**8.0**	**10.8**
Wealth Management					
Net premium income and other revenue [(1)]	874	539	141	62.2	large
Investment revenue [(1)]	79	640	430	(87.7)	(81.6)
Revaluation profit	273	191	11	42.9	large
Total Wealth Management	**1,226**	**1,370**	**582**	**(10.5)**	**large**
HomeSide					
Net mortgage origination revenue	96	48	57	large	68.4
Net mortgage servicing fees	314	289	246	8.7	27.6
Other HomeSide revenue	47	9	8	large	large
Total HomeSide	**457**	**346**	**311**	**32.1**	**46.9**
Discontinuing Operations - Michigan National Corporation					
Loan fees from banking	12	11	10	9.1	20.0
Money transfer fees	81	71	64	14.1	26.6
Fees and comissions - banking	63	63	53	-	18.9
Treasury related income	6	2	3	large	large
Other banking income	9	14	15	(35.7)	(40.0)
Total Discontinuing Operations	**171**	**161**	**145**	**6.2**	**17.9**
Total Other Operating Income	**3,829**	**3,705**	**2,821**	**3.3**	**35.7**

(1) For the half year to March 2000, the figures include an adjustment of $346 million reflecting the full adoption of AASB 1038: Life Insurance Business.

(2) Excludes 'Net Interest Income' portion included in the Statement of Financial Performance

6. OPERATING EXPENSES [1]

	Half Year to			Favourable/(Unfavourable) Change from		
	Mar 01 $m	Sep 00 $m	Mar 00 $m	Sep 00 %	Mar 00 %	Mar 00 excluding fx impact %
Personnel Expenses						
Salaries and related on costs	1,666	1,548	1,455	(7.6)	(14.5)	(8.9)
Other	201	211	187	4.7	(7.5)	(2.7)
Total Personnel Expenses	**1,867**	**1,759**	**1,642**	**(6.1)**	**(13.7)**	**(8.2)**
Occupancy Costs						
Rental on operating leases	129	120	114	(7.5)	(13.2)	(8.5)
Depreciation and amortisation	40	39	38	(2.6)	(5.3)	(1.9)
Other	118	101	100	(16.8)	(18.0)	(11.9)
Total Occupancy Costs	**287**	**260**	**252**	**(10.4)**	**(13.9)**	**(9.2)**
General Expenses						
Claims	282	184	64	(53.3)	large	large
Net increase/(decrease) in net policy liabilities	(83)	456	280	large	large	large
Advertising and marketing	92	94	84	2.1	(9.5)	(6.9)
Charge to provide for non lending losses	51	21	14	large	large	large
Communications, postage and stationery	257	240	219	(7.1)	(17.4)	(11.1)
Depreciation and amortisation	144	135	119	(6.7)	(21.0)	(14.7)
Fees and commissions	119	100	41	(19.0)	large	large
Other expenses	827	598	473	(38.3)	(74.8)	(68.3)
Total General Expenses	**1,689**	**1,828**	**1,294**	**7.6**	**(30.5)**	**(26.5)**
Total Operating Expenses Excluding Goodwill	**3,843**	**3,847**	**3,188**	**0.1**	**(20.5)**	**(15.5)**
Amortisation of Goodwill	98	99	98	1.0	-	-
Total Operating Expenses including Goodwill	**3,941**	**3,946**	**3,286**	**0.1**	**(19.9)**	**(15.3)**

Reconciliation to Statement of Financial Performance						
Banking & Other Financial Services						
Other operating expenses	2,519	2,387	2,321	(5.5)	(8.5)	(5.4)
Wealth Management						
Net increase/(decrease) in net policy liabilities	(83)	456	280	large	large	large
Claims, administration and other expenses	884	553	185	(59.9)	large	large
HomeSide						
Other operating expenses	252	202	166	(24.8)	(51.8)	(30.1)
Discontinuing Operations						
Other operating expenses	271	249	236	(8.8)	(14.8)	(3.5)
Total Operating Expenses Excluding Goodwill	**3,843**	**3,847**	**3,188**	**0.1**	**(20.5)**	**(15.5)**

[1] For the half year to March 2000, the figures include an adjustment of $346 million reflecting the full adoption of AASB 1038: Life Insurance Business.

Full Time Equivalent Employees	As at Mar 01	As at Sep 00	As at Mar 00	Movement from Sept 00 %	Movement from Mar 00 %
By Region					
Australia	23,466	23,561	20,938	(0.4)	12.1
Great Britain	10,712	10,767	10,715	(0.5)	0.0
Ireland	2,560	2,615	2,540	(2.1)	0.8
New Zealand	4,505	4,532	4,449	(0.6)	1.3
United States	5,970	5,718	5,890	4.4	1.4
Asia	241	224	267	7.6	(9.7)
Total Full Time Equivalents Employees	**47,454**	**47,417**	**44,799**	**0.1**	**5.9**
By Line of Business					
Business & Personal Financial Services	26,475	26,871	26,857	(1.5)	(1.4)
Wealth Management	4,077	3,850	1,138	5.9	large
Wholesale Financial Services	1,723	1,578	1,731	9.2	(0.5)
Specialist & Emerging Businesses	3,103	3,003	2,973	3.3	4.4
HomeSide	3,121	2,835	2,738	10.1	14.0
National Shared Services	7,513	7,670	7,840	(2.0)	(4.2)
Other [1]	1,442	1,610	1,522	(10.4)	(5.3)
Total Full Time Equivalents Employees	**47,454**	**47,417**	**44,799**	**0.1**	**5.9**
Average Full Time Equivalent Employees	**47,247**	**46,054**	**45,132**	**2.6**	**4.7**

(1) Includes Corporate Centre functions

7. DOUBTFUL DEBTS

Total Charge for Doubtful Debts by Region

	Half Year to			Favourable/ (Unfavourable) Change from	
	Mar 01	Sept 00	Mar 00	Sept 00	Mar 00
	$m	$m	$m	%	%
Australia	174	129	78	(34.9)	large
Great Britain	165	130	134	(26.9)	(23.1)
Ireland	7	16	11	56.3	36.4
New Zealand	6	(3)	14	large	57.1
United States	59	59	11	-	large
Asia	-	(3)	12	large	large
Total	**411**	**328**	**260**	**(25.3)**	**(58.1)**
Reconciliation to Statement of Financial Performance					
Banking & Other Financial Services					
Provision for doubtful debts	362	271	244	(33.6)	(48.4)
HomeSide					
Provision for doubtful debts	35	32	26	(9.4)	(34.6)
Discontinuing Operations					
Provision for doubtful debts	14	25	(10)	44.0	large
Total Charge for Provision for Doubtful Debts	**411**	**328**	**260**	**(25.3)**	**(58.1)**

Movement in Provision for Doubtful Debts

	Half Year to Mar 01			Half Year to Mar 00		
	Specific	General	Total	Specific	General	Total
	$m	$m	$m	$m	$m	$m
Opening balance	471	2,238	2,709	474	2,055	2,529
Transfer to/from specific/general provision	336	(336)	-	208	(208)	-
Bad debts recovered	106	-	106	91	-	91
Bad debts written off	(343)	-	(343)	(285)	-	(285)
Charge to profit and loss	-	411	411	-	260	260
Transfer to/from specific/general provision off balance sheet credit exposures	1	-	1	2	29	31
Foreign currency translation and consolidation adjustments	21	76	97	(6)	4	(2)
Total Provision for Doubtful Debts	**592**	**2,389**	**2,981**	**484**	**2,140**	**2,624**

8. ASSET QUALITY

Total Impaired Assets

	As at Mar 01		As at Sept 00		As at Mar 00	
	Gross $m	Net $m	Gross $m	Net $m	Gross $m	Net $m
Australia	961	695	573	377	673	471
Great Britain	533	394	511	378	560	412
Ireland	158	115	135	98	88	61
New Zealand	61	46	66	54	87	67
United States	218	146	194	133	154	109
Asia	4	2	5	2	60	35
Total Impaired Assets	**1,935**	**1,398**	**1,484**	**1,042**	**1,622**	**1,155**

Summary of Impaired Assets

	As at			Movement from	
	Mar 01 $m	Sept 00 $m	Mar 00 $m	Sept 00 %	March 00 %
Non accrual loans	1,919	1,467	1,606	30.8	19.5
Restructured loans	4	4	4	-	-
Assets acquired through security enforcement	12	13	12	(7.7)	-
Gross impaired assets	**1,935**	**1,484**	**1,622**	**30.4**	**19.3**
Less: Specific Provisions - non accrual loans	(537)	(442)	(467)	21.5	15.0
Net Impaired Assets	**1,398**	**1,042**	**1,155**	**34.2**	**21.0**

Memorandum Disclosure

	As at			Movement from	
	Mar 01 $m	Sept 00 $m	Mar 00 $m	Sept 00 %	March 00 %
Accruing loans past due 90 days or more with adequate security (net)	110	107	120	2.8	(8.3)
Accruing portfolio facilities past due 90 to 180 days (net)	16	30	55	(46.7)	(70.9)

Provisioning Coverage Ratios

	As at		
	Mar 01 %	Sept 00 %	Mar 00 %
Specific provision to gross impaired assets	30.6%	31.7%	29.8%
General provision to risk weighted assets	0.87%	0.94%	0.99%
Net impaired assets to shareholders equity	5.8%	4.9%	5.8%

9. INCOME TAX RECONCILIATION

Banking & Other Financial Services	Half Year to Mar 01 $m	Half Year to Sept 00 $m	Half Year to Mar 00 $m
Operating profit before income tax			
Australia	1,149	1,104	1,113
Overseas	1,034	964	836
Prima face income tax at 34% (2000: 36%)	742	743	701
Add/(deduct) tax effect of permanent differences:			
Non-allowable depreciation on buildings	4	4	5
Rebate of tax on dividends, interest etc	(8)	(41)	(36)
Foreign tax rate differences	(30)	(55)	(48)
Future income tax benefits no longer required	(4)	7	3
Restatement of tax timing differences due to changes in the Australian company income tax rate	20	15	33
Over provision in prior year	(13)	(13)	(7)
Non-assessable income - gain on Group hedging activities	-	-	(14)
Other	(48)	(34)	(6)
Total income tax expense	**663**	**626**	**631**
Effective tax rate	**30.4%**	**30.3%**	**32.4%**

Wealth Management	Half Year to Mar 01 $m	Half Year to Sept 00 $m	Half Year to Mar 00 $m
Operating profit before income tax			
Australia	374	348	107
Overseas	44	5	10
Operating profit before tax attributable to the statutory funds of the life insurance business	62	123	99
Total operating profit excluding that attributable to the statutory funds of the life insurance business before income tax	**356**	**230**	**18**
Prima face income tax at 34% (2000: 36%)	121	83	7
Add/(deduct) tax effect of permanent differences:			
Foreign tax rate differences	(4)	-	-
Restatement of tax timing differences due to changes in the Australian company income tax rate	(9)	(5)	-
Under provision in prior year	2	-	-
Other	(4)	(10)	(4)
Total income tax expense on operating profit excluding that attributable to the statutory funds of the life insurance business	**106**	**68**	**3**
Income tax atributable to the statutory funds of the life insurance business	(52)	59	49
Total income tax expense	**54**	**127**	**52**
Effective tax rate	**12.9%**	**36.0%**	**44.4%**

HomeSide	Half Year to Mar 01 $m	Sept 00 $m	Mar 00 $m
Operating profit before income tax			
Australia	-	-	-
Overseas	119	73	116
Prima facie income tax at 34% (2000: 36%)	40	26	42
Add/(deduct) tax effect of permanent differences:			
Impact of lower effective tax rate on HomeSide US's deferred tax liabilities	-	-	(11)
Foreign tax rate differences	8	-	-
Other	-	(1)	1
Total income tax expense	**48**	**25**	**32**
Effective tax rate	**40.3%**	**34.2%**	**27.6%**

10. EXCHANGE RATES

Exchange rates

	Statement of Financial Performance Average half year to date			Statement of Financial Position Spot as at		
	Mar 01	**Sept 00**	**Mar 00**	**Mar 01**	**Sept 00**	**Mar 00**
Great British Pounds	0.3662	0.3902	0.3938	0.3434	0.3710	0.3795
Irish Pounds	0.4680	0.4970	0.4957	0.4381	0.4856	0.4981
United States Dollars	0.5323	0.6102	0.6380	0.4897	0.5427	0.6050
New Zealand Dollars	1.2636	1.2648	1.2625	1.2129	1.3351	1.2205

Impact on Statement of Financial Performance of Exchange Rate Movements since half year March 2000 on the March 2001 Result

	Great Britain $m	Ireland $m	New Zealand $m	United States $m	Asia $m	Total $m
Net interest income	62	16	-	64	8	150
Other operating income	41	8	-	105	1	155
Other operating expenses	50	14	-	90	5	159
Doubtful debts charge	(12)	-	-	(10)	-	(22)
Income tax expense	(14)	(3)	-	(18)	(1)	(36)
Operating profit after tax	27	7	-	51	3	88

Impact on Statement of Financial Position of Exchange Rate Movements since March 2000 on the March 2001 Result

	Great Britain $m	Ireland $m	New Zealand $m	United States $m	Asia $m	Total $m
Total Assets	6,361	1,661	168	8,941	1,958	19,089
Gross Loans and Advances	4,346	1,160	137	3,852	537	10,032
Including:						
Housing	1,017	372	46	207	156	1,798
Term Lending	1,402	510	57	2,533	355	4,857
Overdrafts	989	362	18	241	1	1,611
Leasing	669	40	-	11	11	731
Credit cards	134	20	4	-	-	158
Deposits and other borrowings	4,179	1,150	98	6,131	2,243	13,801

11. CAPITAL ADEQUACY

Regulatory Capital Position

Under Australian Prudential Regulation Authority (APRA) guidelines, the calculation of regulatory capital is based on cost accounting methods. The introduction of AASB1038: Life Insurance Accounting, which requires the adoption of mark to market principles, results in a divergence between capital for regulatory purposes and that evident from the National's statement of financial position as disclosed under Australian Accounting requirements. A reconciliation of capital under the different bases is provided.

Under the regulations adopted by APRA, life insurance and funds management businesses are de-consolidated for the purposes of calculating capital adequacy. The portion of the investment relating to intangible assets (the difference between the purchase price and the embedded value at the date of acquistion) is deducted from Tier 1 and the balance from total capital. The component of embedded value at the date of acquisition represented by inforce business is also deducted from total capital .

	As at		
Reconciliation to Shareholders Funds	**Mar 01**	**Sept 00**	**Mar 00**
Tier 1 Capital	**$m**	**$m**	**$m**
Total Shareholders Equity and outside equity interest	23,882	21,407	19,919
Add: Estimated reinvestment under dividend reinvestment plan	354	283	198
Less: Goodwill	(2,518)	(2,617)	(2,741)
Intangible assets - Wealth Management	(2,332)	(2,290)	-
Fair value adjustment on mortgage servicing rights (10% MSR)	(879)	(804)	(647)
Asset revaluation reserve	(16)	(14)	-
Other	(527)	(134)	-
Tier 1 Capital	**17,964**	**15,831**	**16,729**
Tier 2 Capital			
Asset revaluation reserve	16	14	-
General provision for doubtful debts	1,681	1,562	1,490
Perpetual floating rate notes	511	461	413
Dated subordinated debts	6,899	6,277	2,749
Exchangeable capital units	1,262	1,262	1,262
Notional revaluation of investment securities to market	35	(28)	(51)
Tier 2 Capital	**10,404**	**9,548**	**5,863**
Regulatory Capital Ratios			
Tier 1 Capital	17,964	15,831	16,729
Tier 2 Capital	10,404	9,548	5,863
Deductions	(3,227)	(3,234)	(978)
Total Regulatory Capital	**25,141**	**22,145**	**21,614**
Risk Weighted Assets - Credit Risk (1)	271,207	236,820	215,049
Risk Weighted Assets - Market Risk (2)	2,005	1,769	1,632
Total Risk Weighted Assets (3)	**273,212**	**238,589**	**216,681**
Risk Adjusted Capital Ratios			
Tier 1	6.57%	6.64%	7.72%
Tier 2	3.81%	4.00%	2.71%
Deductions	(1.18%)	(1.36%)	(0.45%)
Total	**9.20%**	**9.28%**	**9.98%**

(1) Risk Weighted Assets compiled for credit risk purposes as outlined in the APRA Prudential Statement C1 (PS C1).
(2) Risk Weighted Assets compiled for market risk purposes as outlined in the APRA Prudential Statement C3 (PS C3). PS C3 requires the measure of market risk to be multiplied by 12.5 (ie the reciprocal of the minimum capital ratio of 8%) to determine a notional Risk Weighted Asset figure.
(3) Included in the Total Risk Weighted Assets for March 2001, Michigan National Corporation reported an amount of $23,260 million.

12. RISK MANAGEMENT

Values at Risk for Physical and Derivative Positions

	Average Value Half Year to		Minimum Value Half Year to		Maximum Value Half Year to	
	Mar 01 $m	Sept 00 $m	Mar 01 $m	Sept 00 $m	Mar 01 $m	Sept 00 $m
Values at risk at 95% confidence level						
Foreign exchange risk	7	10	2	3	15	20
Interest rate risk	9	10	6	6	14	17
Volatility risk	1	1	-	-	2	3
Total	**13**	**15**	**8**	**8**	**22**	**24**

The Value at Risk (VaR) numbers are being sourced from the regulator approved internal model.

VaR is measured individually according to interest rate risk, foreign exchange risk and volatility risk. The individual risk categories do not sum to the total risk number due to portfolio effect. Risk limits are applied in these categories separately, and against the total risk postion.

13. FINANCIAL INFORMATION FOR US INVESTORS

Generally accepted accounting principles applicable in the United States (US GAAP) differ in some respects from those applying in Australia (Australian GAAP). Figures adjusted to a US GAAP basis are set out below.

Consolidated Statements of Profit and Loss

	Half Year to Mar 01		Half Year to Mar 00	
	A$m	US$m [1]	A$m	US$m [1]
Net profit before abnormal item reported using Australian GAAP	2,025	988	1,573	954
Abnormal item reported using Australian GAAP	-	-	-	-
Net profit reported using Australian GAAP	2,025	988	1,573	954
Movement in the excess of the interest in life insurance entities in their controlled entities over their recognised net assets	(273)	(133)	(11)	(7)
Amortisation of goodwill in life insurance entities	(80)	(39)	(2)	(1)
Difference in revenue recognition and change in policy liabilities of life insurance entities	(25)	(12)	-	-
Difference in investment asset values in life insurance entities	(10)	(5)	-	-
Unrealised gains on available for sale securities of life insurance entities	(34)	(16)	-	-
Movement in deferred acquisition cost asset	56	27	-	-
Amortisation of PVFP asset	(19)	(9)	-	-
Movement and elimination of the deferred tax liabilities of life insurance entities	96	47	-	-
Elimination of foreign currency translation gains/losses on subsidiaries of life insurance entities	(19)	(9)	-	-
Movement in market value of subordinated debt	20	10	-	-
Difference in minority interest share of profit	(8)	(4)	-	-
Difference in gain/loss on disposal of life insurance entities subsidiary revalued at historical cost	16	8	-	-
Depreciation charged on the difference between revaluation amount and historical cost of buildings	1	-	1	1
Difference in profit or loss on disposal of land and buildings revalued from historical cost	(2)	(1)	-	-
Amortisation of goodwill - difference resulting from treatment of loan losses as a purchase adjustment	2	1	2	1
Amortisation of goodwill	3	1	2	1
Amortisation of core deposit intangible	(16)	(8)	(13)	(8)
Amortisation of deferred tax associated with core deposit intangible	4	2	3	2
Pension expense	22	11	15	9
Recognition/amortisation of tax losses resulting from IRS ruling	2	1	2	1
Amortisation of profit on sale-leaseback over lease term	7	3	8	5
Transitional adjustment on adoption of SFAS 133	(232)	(113)	-	-
Movement in fair value of derivative instruments	321	157	-	-
Net income according to US GAAP	**1,857**	**907**	**1,580**	**958**
Earnings per share according to US GAAP (cents)				
Basic	114.4	55.8	99.7	60.4
Diluted	110.4	53.9	96.2	58.3

Comprehensive Income Under US GAAP	Half Year to Mar 01 A$m	Half Year to Mar 01 US$m [(1)]	Half Year to Mar 00 A$m	Half Year to Mar 00 US$m [(1)]
Net income according to US GAAP	**1,857**	**907**	**1,580**	**958**
Other comprehensive income				
Foreign Currency Translation Reserve	1,137	555	484	293
Asset Revaluation Reserve	2	1	-	-
Available for sale debt securities	(16)	(8)	2	1
Revaluation surplus	19	9	-	-
Transitional adjustment on adoption of SFAS 133	(17)	(8)	-	-
Movement in fair value of derivative instruments	(194)	(95)	-	-
Total other comprehensive income	931	454	486	294
Total comprehensive income according to US GAAP	**2,788**	**1,361**	**2,066**	**1,252**

Shareholders' Equity

	As at Mar 01		As at Sept 00	
	A$m	US$m (1)	A$m	US$m (1)
Issued and paid up capital	10,248	5,002	9,855	5,336
Reserves				
Reserves reported using Australian GAAP	3,141	1,533	2,006	1,086
Foreign Currency Translation Reserve	(2,707)	(1,321)	(1,570)	(850)
Asset Revaluation Reserve	(16)	(8)	(14)	(8)
Reserves according to US GAAP	418	204	422	228
Retained Profits				
Retained profits less ouside equity interest reported using Australian GAAP	10,439	5,095	9,500	5,144
Excess of the interest of life insurance entities in their controlled entities over their recognised net assets	(4,824)	(2,355)	(4,582)	(2,481)
Goodwill not brought to account for Australian reporting for groups acquired by a life insurance entity	3,014	1,471	3,146	1,704
Difference in revenue recognition and change in policy liabilities of life insurance entities	(918)	(448)	(893)	(484)
Difference in investment asset values in life insurance entities	38	19	48	26
Unrealised profit on available for sale debt securities	(35)	(17)	(19)	(10)
Movement in revaluation surplus	(19)	(9)	(9)	(5)
Movement in deferred acquisition cost assets of life insurance entities	219	107	163	88
Recognition of Present Value of Future Profits (PVFP) asset of life insurance entities	1,776	867	1,795	972
Movement and elimination of the deferred tax liabilities of life insurance entities	165	81	69	37
Movement in market value of subordinated debt	34	17	14	8
Recalculation of minority interest	(109)	(53)	(109)	(59)
Difference in gain/loss on disposal of life insurance entities' subsidiary revalued at historical cost	16	8	-	-
Elimination of revaluation surplus of land and buildings	(94)	(46)	(107)	(58)
Adjustment of provision for depreciation on buildings revalued	86	42	85	46
Additional provisions relating to purchase adjustments, less amortisation	(25)	(12)	(27)	(15)
Pension expense	53	26	31	17
Provision for cash dividend	1,026	501	976	529
Unrealised profit on shares in entities and other securities	140	68	49	27
Amortisation of goodwill, core deposits intangible and associated deferred tax liability	(73)	(36)	(64)	(35)
Recognition of tax losses resulting from IRS ruling	(38)	(19)	(40)	(22)
Unamortised profit on sale-leaseback transactions	(87)	(42)	(80)	(43)
Transitional adjustment on adoption of SFAS 133	(232)	(113)	-	-
Movement in fair value of derivative instruments	321	157	-	-
Retained profits according to US GAAP	10,873	5,309	9,946	5,386
Outside equity interest				
Outside equity interest reported using Austalian GAAP	54	26	46	25
Reclassification of minority interest	(54)	(26)	(46)	(25)
Outside equity interest according to US GAAP	-	-	-	-

Shareholders' Equity (Continued)

	As at Mar 01		As at Sept 00	
	A$m	US$m [1]	A$m	US$m [1]
Accumulated other comprehensive income				
Accumulated other comprehensive income reported using Australian GAAP				
Balance brought forward under US GAAP	1,613	788	640	348
Movement in Foreign Currency Translation Reserve	1,137	555	931	504
Movement in Asset Revaluation Reserve	2	1	14	8
Unrealised profit on available for sale debt securities	(16)	(8)	19	10
Movement in revaluation surplus	19	9	9	5
Transitional adjustment on adoption of SFAS 133	(17)	(8)	-	-
Movement in fair value of derivative instruments	(194)	(95)	-	-
Accumulated other comprehensive income according to US GAAP	2,544	1,242	1,613	875
Total shareholders equity according to US GAAP	**24,083**	**11,757**	**21,836**	**11,824**

Consolidated Balance Sheets

	As at Mar 01		As at Sept 00	
	A$m	US$m (1)	A$m	US$m (1)
Assets				
Total assets reported using Australian GAAP	404,309	197,343	343,677	186,101
Elimination of excess of interest of life insurance entities over their controlled entities over their recognised net assets	(4,824)	(2,355)	(4,582)	(2,481)
Goodwill not brought to account for Australian reporting for entities acquired by a life insurance entity	3,014	1,471	3,146	1,704
Difference in investment asset values in life insurance entities	38	19	48	26
Restatement of deferred acquitision costs to US GAAP	219	107	163	88
Recognition of PVFP asset of life insurance entities	1,776	867	1,795	972
Revaluation surplus of land and buildings	(94)	(46)	(107)	(58)
Adjustment of provision for depreciation on buildings revalued	86	42	85	46
Additional provisions relating to purchase adjustments less amortisation	(25)	(12)	(27)	(15)
Pension fund adjustment	53	26	31	17
Unrealised profit on shares in entities and other securities	140	68	49	27
Unrealised profit on available for sale debt securities	-	-	1	1
Amortisation of goodwill, core deposits intangible and associated provision for doubtful debts	(103)	(50)	(94)	(51)
Recognition of tax losses resulting from IRS ruling	(38)	(19)	(40)	(22)
Deferred acquisition costs relating to life insurance business	-	-	82	44
Fair value adjustments to derivative instruments	1,895	925	-	-
Total assets according to US GAAP	406,446	198,386	344,227	186,399
Liabilities				
Total Liabilities reported using Australian GAAP	380,427	185,686	322,270	174,509
Difference in policy liabilities of life insurance entities	918	448	893	484
Reclass of deferred acquisition costs of life insurance entities	-	-	82	44
Elimination of present value discount on deferred tax liab of life	(165)	(81)	(69)	(37)
Subordinated debt revaluation from market value to cost	(34)	(17)	(14)	(8)
Increase in and reclassification of minority interests	170	83	155	84
Deferral tax associated with core deposit intangible	(30)	(15)	(30)	(16)
Unamortised profit on sale-leaseback transactions	87	42	80	43
Elim of div provided for but not formally declared prior to bal date	(1,026)	(501)	(976)	(529)
Fair value adjustments to derivative instruments	2,068	1,009	-	-
Deferral tax associated with movement in fair value of derivatives	(52)	(25)	-	-
Total Liabilities reported according to US GAAP	382,363	186,629	322,391	174,574
Net assets according to US GAAP	**24,083**	**11,757**	**21,836**	**11,825**

(1) Translated from Australian dollars at the rate of US$0.4881 equals A$1.00 (Sept 2000: US$0.5415 equals A$1.00, March 2000: US$0.6062 equals A$1.00), the "Noon Buying Rate" per the Federal Reserve Bank of New York on 31 March 2001.

NOTE 14. DISCONTINUING OPERATIONS

Michigan National Corporation

Profit & Loss
Australian Dollars

	Half Year to			Favourable/ (Unfavourable) Change from	
	Mar 01	**Sep 00**	**Mar 00**	**Sep 00**	**Mar 00**
	$m	**$m**	**$m**	**%**	**%**
Net interest income	350	330	306	6.1	14.4
Other operating income	171	161	145	6.2	17.9
Total operating income	**521**	**491**	**451**	**6.1**	**15.5**
Other operating expenses	271	249	236	(8.8)	(14.8)
Underlying profit	**250**	**242**	**215**	**3.3**	**16.3**
Provision for doubtful debts	14	25	(10)	44.0	large
Profit before income tax	**236**	**217**	**225**	**8.8**	**4.9**
Income tax expense	80	73	78	(9.6)	(2.6)
Profit after income tax before goodwill and abnormals	**156**	**144**	**147**	**8.3**	**6.1**
Goodwill amortisation	24	24	24	-	-
Profit after tax before abnormals	**132**	**120**	**123**	**10.0**	**7.3**

Profit & Loss
United States Dollars

	Half Year to			Favourable/ (Unfavourable) Change from	
	Mar 01	**Sep 00**	**Mar 00**	**Sep 00**	**Mar 00**
	$m	**$m**	**$m**	**%**	**%**
Net interest income	186	194	195	(4.1)	(4.6)
Other operating income	91	93	93	(2.2)	(2.2)
Total operating income	**277**	**287**	**288**	**(3.5)**	**(3.8)**
Other operating expenses	144	147	151	2.0	4.6
Underlying profit	**133**	**140**	**137**	**(5.0)**	**(2.9)**
Provision for doubtful debts	8	15	(6)	46.7	large
Profit before income tax	**125**	**125**	**143**	**-**	**(12.6)**
Income tax expense	43	41	50	(4.9)	14.0
Profit after income tax before goodwill and abnormals	**82**	**84**	**93**	**(2.4)**	**(11.8)**

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