

MARRIOTT INTERNATIONAL INC /MD/
Form 8-K
July 15, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 14, 2010

MARRIOTT INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-13881
(Commission
File Number)

52-2055918
(IRS Employer
Identification No.)

Edgar Filing: MARRIOTT INTERNATIONAL INC /MD/ - Form 8-K

10400 Fernwood Road, Bethesda, Maryland

(Address of principal executive offices)

Registrant's telephone number, including area code: (301) 380-3000

20817

(Zip Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02. Results of Operations and Financial Condition.
Financial Results for the Quarter Ended June 18, 2010

Marriott International, Inc. (Marriott) today issued a press release reporting financial results for the quarter ended June 18, 2010.

A copy of Marriott s press release is attached as Exhibit 99 and is incorporated by reference.

ITEM 9.01. Financial Statements and Exhibits.

(d) Exhibits. The following exhibit is furnished with this report:

Exhibit 99 - Press release issued on July 14, 2010, reporting financial results for the quarter ended June 18, 2010.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MARRIOTT INTERNATIONAL, INC.

Date: July 14, 2010

By: /s/ Carl T. Berquist
Carl T. Berquist
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99	Press release dated July 14, 2010, reporting financial results for the quarter ended June 18, 2010.

4

idth:1.3%;">

2,327

31

Financial Services New Zealand

24.0

8

651

9

Retail Banking

190.3

65

6,497

88

Wealth Management

7.0

7

Corporate & Institutional Banking

848

11

Other

10.3

4

9

(43

)

(1

)

Inter-divisional eliminations

(50.7

)

(17

)

Group

293.3

100

7,419

100

Reconciliation of divisional margins to Group margin (cont d) Sep 04	Net interest margin		Contribution to Group margin (2)		
	Sep 03	Variance	Sep 04	Sep 03	Variance
Financial Services Australia	3.14%			1.20%	
Financial Services Europe	4.30%			0.79%	
Financial Services New Zealand	2.71%			0.22%	
Retail Banking	3.42%			2.21%	
Wealth Management	1.65%			0.04%	
Corporate & Institutional Banking	0.62%			0.29%	
Other	(0.42)%			(0.01)%	
Inter-divisional eliminations					
Group				2.53%	

(1) *Interest-earning assets include intercompany balances.*

(2) *Divisional net interest margin multiplied by % share of Group average interest-earning assets.*

By Division	Sep 04 %	Half Year to Mar 04 %	Fav / (Unfav) Change on Mar 04 Basis pts	Sep 04 %	Year to Sep 03 %	Fav / (Unfav) Change on Sep 03 Basis pts
Net interest margin						
Financial Services Australia		2.91			3.14	
Financial Services Europe		4.16			4.30	
Financial Services New Zealand		2.56			2.71	
Corporate & Institutional Banking		0.56			0.62	
Net interest spread						
Financial Services Australia		2.39			2.68	
Financial Services Europe		3.69			3.82	
Financial Services New Zealand		2.78			3.00	

Detailed Financial Information - Note 4: Average Balance Sheet & Related Interest

4. AVERAGE BALANCE SHEET & RELATED INTEREST

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

Average assets and interest income

	Year ended Sep 04			Year ended Sep 03		
	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %
Interest-earning assets						
Due from other financial institutions						
<i>Australia</i>				8,022	349	4.35
<i>Europe</i>				19,944	668	3.35
<i>Other International</i>				3,264	76	2.33
Regulatory deposits						
<i>Europe</i>				140	2	1.43
<i>Other International</i>				71		
Marketable debt securities (1)						
<i>Australia</i>				16,433	803	4.89
<i>Europe</i>				9,622	394	4.09
<i>Other International</i>				8,444	254	3.01
Loans and advances (2)						
<i>Australia</i>				125,641	8,528	6.79
<i>Europe</i>				61,826	3,636	5.88
<i>Other International</i>				35,038	2,261	6.45
Other interest-earning assets (3)						
<i>Australia</i>				1,129	(102)	n/a
<i>Europe</i>				2,126	109	n/a
<i>Other International</i>				1,618	44	n/a
Intragroup loans (4)						
<i>Europe</i>				8,719	374	4.29
<i>Other International</i>				9,357	248	2.65
Average interest-earning assets and interest income incl. intragroup loans by:						
<i>Australia</i>				151,225	9,578	6.33
<i>Europe</i>				102,377	5,183	5.06
<i>Other International</i>				57,792	2,883	4.99
Total average interest-earning assets and interest income incl. intragroup loans				311,394	17,644	5.67

	Year ended Sep 04			Year ended Sep 03		
	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %
Intragroup loans eliminations				(18,076)	(622)	3.44
Total average interest-earning assets by:						
<i>Australia</i>				151,225	9,578	6.33
<i>Europe</i>				93,658	4,809	5.13
<i>Other International</i>				48,435	2,635	5.44
Total average interest-earning assets				293,318	17,022	5.80
Non-interest-earning assets						
Investments relating to life insurance business (5)						
<i>Australia</i>				31,246		
<i>Europe</i>				291		
<i>Other International</i>				199		
Acceptances						
<i>Australia</i>				21,346		
<i>Europe</i>				122		
<i>Other International</i>				13		
Property, plant and equipment						
<i>Australia</i>				1,362		
<i>Europe</i>				746		
<i>Other International</i>				119		
Other assets (6)						
<i>Australia</i>				22,454		
<i>Europe</i>				18,120		
<i>Other International</i>				7,269		
Total average non-interest-earning assets by:						
<i>Australia</i>				76,408		
<i>Europe</i>				19,279		
<i>Other International</i>				7,600		
Total average non-interest-earning assets				103,287		
Provision for doubtful debts						
<i>Australia</i>				(1,200)		
<i>Europe</i>				(767)		
<i>Other International</i>				(289)		
Total average assets by:						
<i>Australia</i>				226,433		
<i>Europe</i>				112,170		
<i>Other International</i>				55,746		
Total average assets				394,349		
Percentage of total average assets applicable to international operations				42.6%		

Average liabilities and interest expense

	Year ended Sep 04			Year ended Sep 03		
	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %
Interest-bearing liabilities						
Term deposits and certificates of deposit (1) (7) (8)						
<i>Australia</i>				38,335	1,652	4.31
<i>Europe</i>				30,097	952	3.16
<i>Other International</i>				21,105	863	4.09
Savings (short-term) deposits (7)						
<i>Australia</i>				8,010	337	4.21
<i>Europe</i>				14,347	289	2.01
<i>Other International</i>				3,243	107	3.30
Other on-demand deposits (7)						
<i>Australia</i>				36,290	1,041	2.87
<i>Europe</i>				14,081	221	1.57
<i>Other International</i>				7,730	118	1.53
Government and Official Institutions						
<i>Australia</i>				894	36	4.03
<i>Other International</i>				1,948	23	1.18
Due to other financial institutions						
<i>Australia</i>				13,182	548	4.16
<i>Europe</i>				25,426	980	3.85
<i>Other International</i>				14,764	314	2.13
Short-term borrowings (7)						
<i>Australia</i>				6,665	315	4.73
<i>Europe</i>				45	2	4.44
<i>Other International</i>				4,125	48	1.16
Long-term borrowings						
<i>Australia</i>				22,143	791	3.57
<i>Other International</i>				577	25	4.33
Other interest-bearing liabilities						
<i>Australia</i>				835	424	n/a
<i>Europe</i>				2	1	n/a
<i>Other International</i>				1	371	n/a
Loan Capital						
<i>Australia</i>				399	20	5.01
<i>Europe</i>				1,246	125	10.03
Intragroup loans (4)						
<i>Australia</i>				18,076	622	3.44
Average interest-bearing liabilities and interest expense incl. intragroup loans by:						
<i>Australia</i>				144,829	5,786	4.00
<i>Europe</i>				85,244	2,570	3.01
<i>Other International</i>				53,493	1,869	3.49
Total average interest-bearing liabilities and interest expense incl. intragroup loans						
				283,566	10,225	3.61

	Year ended Sep 04			Year ended Sep 03		
	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %
Intragroup loans eliminations				(18,076)	(622)	3.44
Total average interest-bearing liabilities and interest expense by:						
<i>Australia</i>				126,753	5,164	4.07
<i>Europe</i>				85,244	2,570	3.01
<i>Other International</i>				53,493	1,869	3.49
Total average interest-bearing liabilities and interest expense				265,490	9,603	3.62
Non-interest-bearing liabilities						
Deposits not bearing interest						
<i>Australia</i>				5,215		
<i>Europe</i>				5,776		
<i>Other International</i>				1,273		
Liability on acceptances						
<i>Australia</i>				21,346		
<i>Europe</i>				122		
<i>Other International</i>				13		
Life insurance policy liabilities (5)						
<i>Australia</i>				30,782		
<i>Europe</i>				220		
<i>Other International</i>				310		
Other liabilities (6)						
<i>Australia</i>				16,485		
<i>Europe</i>				18,060		
<i>Other International</i>				5,146		
Total average non-interest-bearing liabilities by:						
<i>Australia</i>				73,828		
<i>Europe</i>				24,178		
<i>Other International</i>				6,742		
Total average non-interest-bearing liabilities				104,748		

Equity

	Year ended Sep 04			Year ended Sep 03		
	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %
Equity						
Ordinary shares				6,559		
Preference share capital				730		
Trust Preferred Securities				5		
National Income Securities				1,945		
Contributed equity				9,239		
Reserves				1,285		
Retained profits				12,735		
Parent entity interest				23,259		
Outside equity interest in controlled entities				852		
Equity				24,111		
Total liabilities and equity				394,349		
Percentage of total average liabilities applicable to international operations						45.8%

- (1) *Interest income associated with NAB-issued certificates of deposit repurchased by the Group has been reclassified from marketable debt securities to term deposits and certificates of deposit. For the September 2003 year, an amount of \$78 million was reclassified.*
- (2) *Includes non-accrual loans.*
- (3) *Includes interest on derivatives and escrow deposits.*
- (4) *The calculations for Australia, Europe and Other International include intragroup cross border loans/borrowings and associated interest.*
- (5) *Included within investments relating to life insurance business are interest-earning debt securities. The interest earned from these securities is reported in life insurance income, and has therefore been treated as non-interest earning for the purposes of this note. The assets and liabilities held in the statutory funds of the Group's Australian life insurance business are subject to the restrictions of the Life Insurance Act 1995.*
- (6) *To ensure consistent classification across notes to the financial statements, the gross up of trading derivatives for Europe and Other International has been revised. For the September 2003 year, these gross up amounts are \$9,934 million (Europe) and \$2,154 million (Other International) respectively.*
- (7) *To ensure consistent classification across notes to the financial statements, some amounts were reclassified within categories of deposits and other borrowings. For the September 2003 year, an amount of \$12,238 million was reclassified from term deposits and certificates of deposit to savings (short-term) deposits \$908 million, other demand deposits \$5,110 million and short-term borrowings \$6,220 million. Associated interest expense was also reclassified.*
- (8) *The sum of term deposits and certificates of deposit equate to time deposits.*

Detailed Financial Information - Note 5: Gross Loans & Advances

5. GROSS LOANS & ADVANCES

	Sep 04 \$m	As at Mar 04 \$m	Sep 03 \$m	Mar 04 %	Fav / (Unfav) Change on Sep 03 %
By region					
Australia		144,075	136,099		
Europe		59,290	59,227		
New Zealand		28,994	27,699		
United States		2,685	3,367		
Asia		3,056	3,516		
Total gross loans and advances		238,100	229,908		
Securitized loans		426	585		

By product					
Housing		118,866	111,487		
Term lending		75,258	74,230		
Overdrafts		16,656	17,205		
Leasing		15,288	14,977		
Credit cards		6,645	6,609		
Other		5,387	5,400		
Total gross loans and advances		238,100	229,908		

By product & region	As at Sep 04					Total \$m
	Australia \$m	Europe \$m	New Zealand \$m	United States \$m	Asia \$m	
Housing						
Term lending						
Overdrafts						
Leasing						
Credit cards						
Other						
Total gross loans and advances						

Movement from March 2004 excluding foreign exchange	Increase / (Decrease) from Mar 04					Total %
	Australia %	Europe %	New Zealand %	United States %	Asia %	
Housing						
Term lending						
Overdrafts						
Leasing						
Credit cards						
Other						
Total gross loans and advances						

Movement from September 2003 excluding foreign exchange	Increase / (Decrease) from Sep 03					Total %
	Australia %	Europe %	New Zealand %	United States %	Asia %	
Housing						
Term lending						
Overdrafts						
Leasing						
Credit cards						
Other						
Total gross loans and advances						

By Division	FSA \$m	FSE \$m	FSNZ \$m	CIB \$m	WM \$m	Other (1) \$m	Total Group \$m
As at 30 September 2004							
Housing lending							
Non-housing lending							
Total gross loans and advances							
As at 31 March 2004							
Housing lending	84,319	17,184	12,236	601	4,952	(426)	118,866
Non-housing lending	41,335	29,218	10,584	37,122	2,211	(1,236)	119,234
Total gross loans and advances	125,654	46,402	22,820	37,723	7,163	(1,662)	238,100
As at 30 September 2003							
Housing lending	79,062	16,570	11,309	590	4,541	(585)	111,487
Non-housing lending	39,277	29,287	10,178	38,072	2,000	(393)	118,421
Total gross loans and advances	118,339	45,857	21,487	38,662	6,541	(978)	229,908

(1) Other housing lending includes securitised loans. Other non-housing lending includes Group Funding, Corporate Centre and intra-group elimination entries.

Detailed Financial Information - Note 6: Net Life Insurance Income

6. NET LIFE INSURANCE INCOME

	Sep 04 \$m	Half Year to Mar 04 \$m	Fav / (Unfav) Change on Mar 04 %	Sep 04 \$m	Year to Sep 03 \$m	Fav / (Unfav) Change on Sep 03 %
Premium and related revenue		456			949	
Investment revenue		2,427			2,759	
Life insurance income		2,883			3,708	
Claims expense		(357)			(958)	
Change in policy liabilities		(1,703)			(1,518)	
Policy acquisition and maintenance expense		(346)			(713)	
Investment management fees		(22)			(75)	
Life insurance expenses		(2,428)			(3,264)	
Net life insurance income		455			444	
Interest expense - life insurance funds		(10)			(20)	
Profit of life insurance funds before income tax		445			424	
Income tax expense - life insurance funds		(213)			(126)	
Net profit of life insurance funds before outside equity interest		232			298	
Net (profit)/ loss attributable to outside equity interest		(58)			16	
Net profit of life insurance funds after outside equity interest		174			314	

Sources of Operating Profit from Life Companies life insurance funds

Life company - planned profit margins	127	240
Life company - experience profit/(loss)	3	6
Capitalised losses		10
Life company operating margins (1)	130	256
Investment earnings on shareholders retained profits and capital from life businesses	44	58
Net profit of life insurance funds after outside equity interest (2)	174	314

(1) Reflects operating profit of all business written through life insurance funds, irrespective of the business type

(investment or insurance).

(2) Net profit after outside equity interest of life companies life insurance funds differs to operating profit after tax and outside equity interest on page 20 as it excludes NAFiM investor compensation and associated costs, strategic investment expenditure, and operating profits from the non-life businesses.

Net life insurance income is the profit before tax excluding net interest income of the life insurance and investments businesses of the life insurance funds of the life insurance companies of the Group. Refer to note 54 of the Group's annual financial report 2004 for further details.

Detailed Financial Information - Note 7: Revenue

7. REVENUE

		Half Year to		Fav / (Unfav) Change on	Year to		Fav / (Unfav) Change on
	Note	Sep 04 \$m	Mar 04 \$m	Mar 04 %	Sep 04 \$m	Sep 03 \$m	Sep 03 %
Interest income	2		9,074			17,022	
Premium and related revenue			456			949	
Investment revenue			2,427			2,759	
Life insurance income	6		2,883			3,708	
Wealth Management other operating income			412			733	
Revaluation profit/(loss)			7			(160)	
Wealth Management total income (1)			419			573	
Total Banking other operating income							
Dividends received			22			39	
Profit on sale of property, plant and equipment and other assets			6			36	
Loan fees from banking			720			1,427	
Money transfer fees			486			1,023	
Trading income (before significant items)			340			625	
Foreign exchange income			(4)			12	
Fees and commissions			367			757	
Fleet service fees			49			85	
Other income			124			390	
Total Banking other operating income			2,110			4,394	
Eliminations			(66)			(117)	
Banking other operating income net of eliminations			2,044			4,277	
Total revenue before significant items			14,420			25,580	
Significant revenue							
Proceeds from the sale of strategic shareholdings	13		993				
Total revenue from ordinary activities			15,413			25,580	

(1) Wealth Management total income excludes life insurance income. Refer to note 6 for further details.

Other operating income (before revaluation profit/(loss) and significant income) by Division

	Sep 04 \$m	Half Year to Mar 04 \$m	Fav / (Unfav) Change on Mar 04 %	Sep 04 \$m	Year to Sep 03 \$m	Fav / (Unfav) Change on Sep 03 %
Financial Services Australia		989			1,950	
Financial Services Europe		410			938	
Financial Services New Zealand		160			329	
Retail Banking		1,559			3,217	
Corporate & Institutional Banking		596			1,102	
Other (incl. Group Funding & Corporate Centre)		(45)			75	
Total Banking		2,110			4,394	
Wealth Management		412			733	
Eliminations		(66)			(117)	
Other operating income		2,456			5,010	

Detailed Financial Information - Note 8: Expenses

8. EXPENSES

	Note	Half Year to		Fav / (Unfav) Change on Mar 04	Year to		Fav / (Unfav) Change on Sep 03
		Sep 04 \$m	Mar 04 \$m	%	Sep 04 \$m	Sep 03 \$m	%
Interest expense	2		5,489			9,603	
Claims expense			357			958	
Change in policy liabilities			1,703			1,518	
Policy acquisition and maintenance expense			346			713	
Investment management fees			22			75	
Life insurance expenses	6		2,428			3,264	
Wealth Management other operating expenses (1)			436			806	
Total Banking other operating expenses							
Personnel expenses							
Salaries and related on costs			1,262			2,538	
Superannuation			136			207	
Other			133			235	
			1,531			2,980	
Occupancy expenses							
Rental on operating leases			124			257	
Depreciation and amortisation			33			65	
Other			121			210	
			278			532	
General expenses							
Advertising and marketing			94			161	
Non-lending losses			47			65	
Communications, postage and stationery			182			379	
Depreciation and amortization			159			310	
Fees and commissions			48			84	
Computer equipment and software			139			277	
Rental on operating leases			36			61	
Professional fees			121			277	
Travel			30			63	
Freight and cartage			37			68	
Operational (bank & bureau) charges			39			88	
Other expenses			125			320	
			1,057			2,153	
Total Banking other operating expenses			2,866			5,665	
Eliminations			(66)			(117)	
Banking other operating expenses net of eliminations			2,800			5,548	
Other operating expenses			3,236			6,354	
Total operating expenses before significant items, goodwill and charge to provide for doubtful debts			11,153			19,221	

(1) Wealth Management other operating expenses excludes life insurance expenses. Refer to note 6 for further details.

	Note	Half Year to Sep 04 \$m	Mar 04 \$m	Fav / (Unfav) Change on Mar 04 %	Year to Sep 04 \$m	Sep 03 \$m	Fav / (Unfav) Change on Sep 03 %
Significant expenses							
Cost of sale of strategic shareholdings	13		678				
Foreign currency options trading losses	13		360				
Reversal of HomeSide non-lending loss provision	13		(64)				
Total significant expenses			974				
Total operating expenses before goodwill and charge to provide for doubtful debts			12,127			19,221	
Amortisation of goodwill			53			98	
Charge to provide for doubtful debts	10		305			633	
Total operating expenses after significant Items			12,485			19,952	

Operating expenses (before goodwill, significant expenses and charge to provide for doubtful debts) by Division

	Half Year to Sep 04 \$m	Mar 04 \$m	Fav / (Unfav) Change on Mar 04 %	Year to Sep 04 \$m	Sep 03 \$m	Fav / (Unfav) Change on Sep 03 %
Financial Services Australia		1,254			2,502	
Financial Services Europe		895			1,719	
Financial Services New Zealand		246			493	
Retail Banking		2,395			4,714	
Corporate & Institutional Banking		400			755	
Other (incl. Group Funding & Corporate Centre)		71			196	
Total Banking		2,866			5,665	
Wealth Management		436			806	
Eliminations		(66)			(117)	
Other operating expenses		3,236			6,354	

Restructuring expenses

During 2002 the Group recognised restructuring costs of \$580 million (\$412 million after tax) resulting from its Positioning for Growth (PfG) program and related restructuring activities.

	Redundancies \$m	Occu- pancy \$m	Other \$m	Total \$m
Total 2002 expenditure/provision	327	68	185	580
Expenditure in 2002 year	(101)	(20)	(177)	(298)
Provision balance as at 30 September 2002	226	48	8	282
Foreign exchange impact	(16)	(3)	(1)	(20)
Expenditure in September 2003 year	(131)	(18)	(3)	(152)
Provision balance as at 30 September 2003	79	27	4	110
Foreign exchange impact				
Expenditure in September 2004 year				

Provision balance as at 30 September 2004

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Detailed Financial Information - Note 9: Full Time Equivalent Employees

9. FULL TIME EQUIVALENT EMPLOYEES (1)

By Region	Sep 04 No.	As at Mar 04 No.	Sep 03 No.	Mar 04 %	Change on Sep 03 %
Australia		24,442	23,880		
Europe		13,307	13,104		
New Zealand		4,661	4,688		
United States		140	136		
Asia		732	732		
Total full time equivalent employees (FTEs)		43,282	42,540		
By Division					
Financial Services Australia		17,663	17,233		
Financial Services Europe		11,661	11,411		
Financial Services New Zealand		4,238	4,257		
Retail Banking		33,562	32,901		
Corporate & Institutional Banking		2,720	2,624		
Other (incl. Group Funding & Corporate Centre)		932	841		
Total Banking		37,214	36,366		
Wealth Management		6,068	6,174		
Total full time equivalent employees (FTEs)		43,282	42,540		
Average half year FTEs		42,986	43,064		

(1) Full-time equivalent staff include part-time staff (pro-rated) and non-payroll FTEs (ie. contractors).

Detailed Financial Information - Note 10: Doubtful Debts

10. DOUBTFUL DEBTS

Total charge for doubtful debts by Region	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
	Sep 04 \$m	Mar 04 \$m	Change on Mar 04 %	Sep 04 \$m	Sep 03 \$m	Change on Sep 03 %
Australia		143			321	
Europe		147			277	
New Zealand		12			11	
United States		4			34	
Asia		(1)			(10)	
Total charge to provide for doubtful debts		305			633	
Total charge for doubtful debts by Division						
Financial Services Australia		105			298	
Financial Services Europe		100			247	
Financial Services New Zealand		12			21	
Retail Banking		217			566	
Corporate & Institutional Banking		88			70	
Other (incl. Group Funding & Corporate Centre)					(4)	
Total Banking		305			632	
Wealth Management					1	
Total charge to provide for doubtful debts		305			633	

Movement in provisions for doubtful debts

	Year to Sep 04			Year to Sep 03		
	Specific \$m	General \$m	Total \$m	Specific \$m	General \$m	Total \$m
Opening balance				553	2,022	2,575
Transfer to/(from) specific/general provision				746	(746)	
Bad debts recovered				217		217
Bad debts written off				(1,015)		(1,015)
Charge to profit and loss					633	633
Foreign currency translation and consolidation adjustments				(38)	(116)	(154)
Total provisions for doubtful debts				463	1,793	2,256

Detailed Financial Information - Note 11: Asset Quality

11. ASSET QUALITY

Summary of impaired assets	Sep 04	As at	Sep 03	Change on	Sep 03
	\$m	Mar 04	\$m	Mar 04	Mar 03
		\$m		%	%
Gross non-accrual loans (1)		1,434	1,633		
Gross restructured loans					
Gross assets acquired through security enforcement			2		
Gross impaired assets		1,434	1,635		
Less: Specific provisions - non-accrual loans		(441)	(422)		
Net impaired assets		993	1,213		

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

Total impaired assets by region	As at Sep 04		As at Mar 04		As at Sep 03	
	Gross \$m	Net \$m	Gross \$m	Net \$m	Gross \$m	Net \$m
Australia			770	559	912	674
Europe			347	199	375	248
New Zealand			37	17	202	187
United States			277	218	145	104
Asia			3		1	
Total impaired assets			1,434	993	1,635	1,213

Movement in gross impaired assets	Australia	Europe	New	United	Asia	Total
	\$m	\$m	Zealand \$m	States \$m	\$m	\$m
Balance at 31 March 2003	1,086	447	35	241	1	1,810
New	238	131	199			568
Written off	(289)	(156)	(3)	(35)		(483)
Returned to performing or repaid	(123)	(20)	(23)	(41)		(207)
Foreign currency translation adjustments		(27)	(6)	(20)		(53)
Balance at 30 September 2003	912	375	202	145	1	1,635
New	158	149	25	160	2	494
Written off	(189)	(34)	(1)			(224)
Returned to performing or repaid	(111)	(135)	(190)	(9)		(445)
Foreign currency translation adjustments		(8)	1	(19)		(26)
Balance at 31 March 2004	770	347	37	277	3	1,434
New						
Written off						
Returned to performing or repaid						
Foreign currency translation adjustments						
Gross impaired assets at 30 September 2004						

Gross non-accrual loans to gross loans & acceptances - by region	Sep 04	As at Mar 04	Sep 03
	%	%	%
Australia		0.48	0.59
Europe		0.58	0.63
New Zealand		0.13	0.73
United States		10.32	4.31
Asia		0.10	0.03
Total gross non-accrual loans to gross loans & acceptances		0.57	0.65
Group provisioning coverage ratios			
Net impaired assets to total equity (1)		4.1	5.0
Net impaired assets to total equity plus general provision (1)		3.8	4.6
Specific provision to gross impaired assets		33.5	28.3
General and specific provisions to gross impaired assets		157.8	138.0
General provision to risk-weighted assets		0.64	0.71

(1) Total parent entity interest in equity.

The amounts below are not classified as impaired assets and therefore are not included in the summary on the previous page.

Memorandum disclosure	Sep 04	As at Mar 04	Sep 03	Change on	
	\$m	\$m	\$m	Mar 04	Sep 03
				%	%
Accruing loans past due 90 days or more with adequate security (net) (2)		563	492		
Accruing portfolio facilities past due 90 to 180 days (net)		28	23		
90 days past due loans - by region (2)					
Australia		517	436		
Europe		33	41		
New Zealand		11	15		
Asia		2			
Total 90 day past due loans (2)		563	492		

(2) The Group has revised its data collection procedures for establishing its 90 day past due exposures. This process now includes loans that are identified by the internal categories watch or substandard and are in arrears 90 days or more.

Detailed Financial Information - Note 12: Income Tax Reconciliation

12. INCOME TAX RECONCILIATION

Group	Half Year to		Year to	
	Sep 04 \$m	Mar 04 \$m	Sep 04 \$m	Sep 03 \$m
Profit from ordinary activities before income tax expense				
Australia		1,967		3,309
Overseas		961		2,319
Add/deduct: (Profit)/loss from ordinary activities before income tax expense attributable to the life insurance statutory funds and their controlled trusts		(445)		(424)
Total profit from ordinary activities excluding that attributable to the statutory funds of the life insurance business, before income tax expense		2,483		5,204
Prima facie income tax at 30%		745		1,561
Add/(deduct) tax effect of permanent differences:				
Assessable foreign income		13		26
Non-allowable depreciation on buildings		4		6
Rebate of tax on dividends, interest etc		(28)		(28)
Foreign tax rate differences		1		(4)
Amortisation of goodwill		16		29
Future income tax benefits no longer recognized				2
Under/(over) provision in prior year		(3)		(6)
Profit on sale of strategic shareholdings		(95)		
Reversal of HomeSide non-lending loss provision		(19)		
Effect of reset tax values on entering tax consolidation - Wealth Management (1)		(150)		
Interest expense on exchangeable capital units		16		
Other		(14)		(31)
Total income tax expense on profit from ordinary activities excluding that attributable to the statutory funds of the life insurance business		486		1,555
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business		213		126
Total income tax expense		699		1,681
Effective tax rate excluding statutory funds attributable to the life insurance business		19.6%		29.9%
By Division				
Financial Services Australia		430		798
Financial Services Europe		150		402
Financial Services New Zealand		79		155
Retail Banking		659		1,355
Corporate & Institutional Banking		99		239
Other (incl. Group Funding & Corporate Centre)		(28)		(82)
Total Banking		730		1,512
Wealth Management				
Operating profit		218		129
Revaluation profit/(loss) - ordinary		9		40
Revaluation profit/(loss) - tax consolidations (1)		(150)		
Total income tax expense before significant items		807		1,681
Significant items		(108)		

Total income tax expense	699	1,681
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(1) Income tax benefit that has arisen due to the National's election to consolidate for Australian income tax purposes.

Supplementary Income Tax Reconciliation Wealth Management	Half Year to		Year to	
	Sep 04 \$m	Mar 04 \$m	Sep 04 \$m	Sep 03 \$m
Operating profit before income tax				
Australia		459		426
Overseas		38		61
Add/deduct: (Profit)/loss from ordinary activities before income tax expense attributable to the life insurance statutory funds and their controlled trusts		(445)		(424)
Total profit from ordinary activities excluding that attributable to the statutory funds of the life insurance business, before income tax expense		52		63
Prima facie income tax at 30%		16		19
Add/(deduct) tax effect of permanent differences:				
Foreign tax rate differences				1
Under/(over) provision in prior year		(3)		(3)
Other		(8)		(14)
Total income tax expense/(benefit) on operating profit excl. that attributable to the statutory funds of the life insurance business		5		3
Income tax attributable to the statutory funds of the life insurance business		213		126
Total income tax expense/(benefit) attributable to operating profit		218		129
Effective tax rate excluding statutory funds attributable to the life insurance business		9.6%		4.8%
Banking operations				
Cash earnings before significant items before income tax				
Australia		1,488		3,047
Overseas		970		2,352
Total cash earnings		2,458		5,399
Prima facie income tax at 30%		737		1,620
Add/(deduct) tax effect of permanent differences:				
Assessable foreign income		13		26
Non-allowable depreciation on buildings		4		6
Rebate of tax on dividends, interest etc		(28)		(28)
Foreign tax rate differences		1		(5)
Distributions outside the Group		(5)		(18)
Non-assessable branch income		(19)		(31)
Future income tax benefits no longer recognised				2
Over provision in prior year				(3)
Interest expense on exchangeable capital units		16		
Other		11		(57)
Total income tax expense on cash earnings before significant items		730		1,512
Effective tax rate		29.7%		28.0%

Detailed Financial Information - Note 13: Significant Items

13. SIGNIFICANT ITEMS

	Half Year to	Fav /	Year to	Fav /
	Sep 04	(Unfav)	Sep 04	(Unfav)
	\$m	Change on	\$m	Change on
		Mar 04		Sep 03
		\$m		\$m
		%		%
Disposal of strategic shareholdings				
Proceeds from the sale of strategic shareholdings	993			
Cost of sale of strategic shareholdings	(678)			
Net profit on sale of strategic shareholdings	315			
Foreign currency options trading losses				
Foreign currency options trading losses	(360)			
Income tax benefit	108			
Net loss on foreign currency options trading losses	(252)			
Cost of foreign controlled entities sold - revision of accounting estimate				
Reversal of HomeSide non-lending loss provision	64			
Significant items after tax	127			

Detailed Financial Information - Note 14: Exchange Rates

14. EXCHANGE RATES

Exchange rates

	Statement of Financial Performance				Statement of Financial Position		
	Average Half Year to		Average Year to		Spot as at		
	Sep 04	Mar 04	Sep 04	Sep 03	Sep 04	Mar 04	Sep 03
British Pounds		0.4182		0.3824		0.4138	0.4072
Euros		0.6071		0.5648		0.6200	0.5850
United States Dollars		0.7409		0.6125		0.7591	0.6804
New Zealand Dollars		1.1400		1.1142		1.1466	1.1446

Impact on Statement of Financial Performance of exchange rate movements

Year to September 2004 since September 2003
Favourable/(unfavourable)

	Europe \$m	New Zealand \$m	United States \$m	Asia \$m	Total \$m
Net interest income					
Other operating income					
Other operating expenses					
Charge to provide for doubtful debts					
Income tax expense					
Cash earnings before significant items, distributions and outside equity interest					

Half year to September 2004 since March 2004
Favourable/(unfavourable)

	Europe \$m	New Zealand \$m	United States \$m	Asia \$m	Total \$m
Net interest income					
Other operating income					
Other operating expenses					
Charge to provide for doubtful debts					
Income tax expense					
Cash earnings before significant items, distributions and outside equity interest					

Impact on Statement of Financial Position of exchange rate movements

Since September 2003 increase/(decrease)	Europe \$m	New Zealand \$m	United States \$m	Asia \$m	Total \$m
Housing					
Term lending					
Overdrafts					
Leasing					
Credit cards					
Other					
Gross loans and advances					
Other assets					
Total assets					
Deposits and other borrowings					

Since March 2004 increase/(decrease)	Europe \$m	New Zealand \$m	United States \$m	Asia \$m	Total \$m
Housing					
Term lending					
Overdrafts					
Leasing					
Credit cards					
Other					
Gross loans and advances					
Other assets					
Total assets					
Deposits and other borrowings					

Detailed Financial Information - Note 15: Capital Adequacy**15. CAPITAL ADEQUACY****Regulatory capital position**

Under guidelines issued by APRA, life insurance and funds management activities are excluded from the calculation of risk-weighted assets, and the related controlled entities are deconsolidated for the purposes of calculating capital adequacy. The intangible component of the investment in these controlled entities (the difference between the appraisal value and the embedded value) is deducted from Tier 1 capital, and the embedded value is deducted from the total of eligible Tier 1 and Tier 2 capital. Additionally, any profits from these activities included in the Group's results are excluded from the determination of Tier 1 capital to the extent that they have not been remitted to the Company in the form of dividends. A reconciliation of capital under the different bases is provided.

Reconciliation to shareholders funds	Sep 04 \$m	As at Mar 04 \$m	Sep 03 \$m
Contributed equity		8,949	9,728
Reserves		784	893
Retained profits		14,619	13,786
Outside equity interest		3,558	2,804
Estimated reinvestment under dividend reinvestment plan		1,265	140
Less:			
Goodwill		(682)	(740)
Estimated final dividend		(1,265)	(1,248)
Intangible assets - Wealth Management		(2,448)	(2,448)
Asset revaluation reserve		(16)	(16)
Deconsolidation of Wealth Management profits (net of dividends)		(535)	(290)
FITB (excluding FITB on the general provision for doubtful debts) (1)			(66)
Non - qualifying outside equity interest		(3,558)	(2,804)
Capitalised expenses			
Tier 1 Capital		20,671	19,739
Asset revaluation reserve		16	16
General provision for doubtful debts		1,254	1,248
Perpetual floating rate notes		329	367
Dated subordinated debts		5,268	5,390
Exchangeable capital units		1,262	1,262
Notional revaluation of investment securities to market		4	37
Tier 2 Capital		8,133	8,320
Other deductions (2)		(2,922)	(3,591)
Total regulatory capital		25,882	24,468
Risk-weighted assets - credit risk (3)		256,489	250,209
Risk-weighted assets - market risk (4)		21,750	4,057
Total risk-weighted assets (3)		278,239	254,266
Risk adjusted capital ratios			
Tier 1		7.43%	7.76%
Tier 2		2.92%	3.27%
Deductions		(1.05)%	(1.41)%
Total capital		9.30%	9.62%

(1) *APRA requires any excess FITB (excluding FITB impact on the general provision for doubtful debts) over the provision for deferred income tax liabilities be deducted from Tier 1 capital.*

(2) *Represents investment in non-consolidated controlled entities, net of intangible component deducted from Tier 1 (Mar 04: \$2,922 million, Sep 03: \$2,959 million).*

(3) *Risk-weighted assets for prior periods have been restated. The revision primarily relates to New Zealand and the reporting of unutilised limits in Corporate & Institutional Banking and to capture additional retail lending products. Certain categories of residential mortgages across risk-weightings were also reclassified. As a result, risk-weighted assets as at 30 September 2003 and 31 March 2004 have been increased by \$1,901 million and \$1,438 million respectively.*

(4) *From 31 March 2004, risk-weighted assets - market risk is calculated based on the Standard Method. Prior periods were based on the Internal Model Approach.*

Adjusted common equity ratio reconciliation	Sep 04 \$m	As at Mar 04 \$m	Sep 03 \$m
Tier 1 Capital		20,671	19,739
Adjusted for:			
National Income Securities		(1,945)	(1,945)
Preference shares			(730)
Trust Preferred Securities		(975)	(975)
Other deductions		(2,922)	(3,591)
Adjusted common equity		14,829	12,498
Total risk-weighted assets		278,239	254,266
Adjusted common equity ratio		5.33%	4.92%

Reconciliation of market value of NAFiM subsidiaries to Wealth Management deduction from capital	As at		
	Sep 04 \$m	Mar 04 \$m	Sep 03 \$m
NAFiM subsidiaries market value		6,662	6,633
Adjusted for:			
Net liabilities of NAFiM not in the mark to market valuation environment		(77)	(286)
Net assets of other WM entities not in the NAFiM group		41	42
Debt from the National used to fund acquisition of existing Europe and NZ businesses on 1 January 2002		(467)	(474)
Market value uplift in NAFiM upon introduction of AASB 1038 in the year to September 2000		(217)	(217)
Cumulative tax on revaluation profit and other adjustments		(37)	(1)
Total Wealth Management deduction from capital		5,905	5,697
Represented by:			
Wealth Management deductions from Tier 1 Capital			
Intangible Assets		2,448	2,448
Deconsolidation of Wealth Management profits (net of dividends)		535	290
Wealth Management deductions from total capital			
Investment in non-consolidated controlled entities (net of intangible component deducted from Tier 1)		2,922	2,959
Total Wealth Management deduction from capital		5,905	5,697

Detailed Financial Information - Note 16: Cash Earnings per Share

16. CASH EARNINGS PER SHARE

	Year to			
	Basic	Sep 04 Diluted (1)	Basic	Sep 03 Diluted (1)
Earnings (\$m)				
Cash earnings before significant items (2)			4,070	4,070
Potential dilutive adjustments				
Interest expense on exchangeable capital units (3)				90
Adjusted cash earnings before significant items			4,070	4,160
Weighted average ordinary shares (no. millions)				
Weighted average ordinary shares			1,516	1,516
Potential dilutive ordinary shares				
Options				4
Partly paid ordinary shares				1
Exchangeable capital units				65
Total weighted average ordinary shares			1,516	1,586
Cash earnings before significant items per share (cents)			268.5	262.3

	Half Year to			
	Basic	Sep 04 Diluted (1)	Basic	Mar 04 Diluted (1)
Earnings (\$m)				
Cash earnings before significant items (2)			1,850	1,850
Potential dilutive adjustments				
Interest expense on exchangeable capital units (3)				55
Adjusted cash earnings before significant items			1,850	1,905
Weighted average ordinary shares (no. millions)				
Weighted average ordinary shares			1,505	1,505
Potential dilutive ordinary shares				
Options				4
Partly paid ordinary shares				
Exchangeable capital units				65
Total weighted average ordinary shares			1,505	1,574
Cash earnings before significant items per share (cents)			122.9	121.1

(1) The weighted average diluted number of ordinary shares includes the impact of options, performance rights, partly paid ordinary shares and potential conversion of exchangeable capital units.

(2) Refer to page 2 for a reconciliation of cash earnings before significant items to Group net profit.

(3) From 1 October 2003, the Group has taken the decision not to book the tax benefit on the interest expense in relation to the exchangeable capital units following the receipt of an ATO assessment.

Detailed Financial Information - Note 17: Risk Management

17. RISK MANAGEMENT

Market risk

The management of market risk will be discussed in detail in the Group's annual financial report 2004, at Risk Management and Note 45 Derivative Financial Instruments. Please refer to that report for detailed information regarding the management of risk.

Trading risk

The following table shows the Group's Value at Risk (VaR) for the Group's trading portfolios, including both physical and derivative positions. The figures reflect the potential losses across products and regions in which the Group operates.

Value at risk at 99% confidence level	Average value Year to		Minimum value Year to (1)		Maximum value Year to (1)	
	Sep 04 \$m	Sep 03 \$m	Sep 04 \$m	Sep 03 \$m	Sep 04 \$m	Sep 03 \$m
Foreign exchange risk		7		2		20
Interest rate risk		17		9		25
Volatility risk		4		2		7
Commodities risk		1				1
Diversification benefit		(7)		n/a		n/a
Total		22		14		35

Value at risk at 99% confidence level	Average value Half Year to		Minimum value Half Year to (1)		Maximum value Half Year to (1)	
	Sep 04 \$m	Mar 04 \$m	Sep 04 \$m	Mar 04 \$m	Sep 04 \$m	Mar 04 \$m
Foreign exchange risk		11		1		39
Interest rate risk		15		9		21
Volatility risk		8		3		20
Commodities risk		1		1		2
Diversification benefit		(8)		n/a		n/a
Total		27		12		55

(1) Value at risk is measured individually according to foreign exchange risk, interest rate risk, volatility risk and commodities risk. The individual risk categories do not sum up to the total risk number due to portfolio effect. Risk limits are applied in these categories separately, and against the total risk position.

VaR measures the adverse changes in the trading portfolio value brought about by daily changes in market rates at a 99% confidence level.

Detailed Financial Information - Note 17: Risk Management**Balance sheet risk****a) Structural interest rate risk**

The table below presents a summary of the aggregated structural earnings at risk relating to non-trading assets and liabilities. Based on the structural interest rate risk position at balance date, the table shows the possible impact on net income for the year ending September 30, 2005 of an immediate 1% parallel movement in interest rates across the whole yield curve.

	Forecast effect on net income 2005 (1)		Forecast effect on net income 2004 (2)	
	Rates 1% up \$m	Rates 1% down \$m	Rates 1% up \$m	Rates 1% down \$m
Australian operations			(45)	45
Non-Australian operations			(45)	31

(1) Represents the forecast effect on net interest income for the year ending September 30, 2005.

(2) Represents the forecast effect on net interest income (as at September 30, 2003) for the year ended September 30, 2004.

b) Structural foreign exchange rate risk

Refer table below.

c) Liquidity risk

Refer to the Group's annual financial report 2004 at Risk Management for a detailed discussion of the management of these risks.

Operational, credit & country risk

Refer to the Group's annual financial report 2004 at Risk Management for a detailed discussion of the management of these risks.

Derivatives fair values

This table shows the fair value of all derivative instruments held or issued by the Group. It includes trading and other than trading contracts.

	Notional principal \$m	As at Sep 04 Credit equivalent \$m	Fair value \$m	Notional principal \$m	As at Sep 03 Credit equivalent \$m	Fair value \$m
Foreign exchange rate-related contracts						
Spot and forward contracts				266,535	7,365	(1,262)
Cross currency swaps				90,249	6,863	(522)
Futures				89		
Options				253,481	4,655	127
				610,354	18,883	(1,657)
Interest rate-related contracts						
Forward rate agreements				86,308	39	1
Swaps				598,155	14,155	236
Futures				306,649		(3)
Options				100,193	582	24
				1,091,305	14,776	258
Other contracts				13,385	899	(143)
Total derivative financial instruments				1,715,044	34,558	(1,542)
Deduct : Non consolidated controlled entities				4,515	182	234
Total derivative financial instruments reported for Capital Adequacy				1,710,529	34,376	(1,776)

SIGNATURE PAGE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

NATIONAL AUSTRALIA BANK LIMITED

Date: 4 November 2004

Title: */s/ Susan Crook*
Associate Company Secretary