

NATIONAL AUSTRALIA BANK LTD
Form 20-F
January 21, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended 30 September, 2004

Commission file number 1-9945

National Australia Bank Limited

ABN 12 004 044 937

(Exact name of Registrant as specified in its charter)

Victoria, Australia

(Jurisdiction of incorporation)

500 Bourke Street, Melbourne, VICTORIA, 3000 Australia

(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

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Title of each class	Name of each exchange on which registered
Ordinary Shares	New York Stock Exchange
American Depositary Shares, each representing five Ordinary Shares	New York Stock Exchange
Exchangeable Capital units consisting of 7⁷/₈% Perpetual Capital Securities and Purchase Contracts	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **NONE**

Indicate the number of outstanding shares of each of the registrant's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares	1,550,782,506
Staff Share Scheme shares	562,873 paid to 25 Australian cents
National Income Securities	20,000,000
Trust Preferred Securities	400,000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

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Presentation of information

Basis of presentation

References in this document to this annual financial report refer to the 2004 annual report on Form 20-F filed with the Securities and Exchange Commission. This annual financial report is prepared in accordance with Australian GAAP, which differs in some respects from US GAAP (*as set out in note 56 in the financial report*). Comparative amounts have been reclassified to accord with changes in presentation made in 2004, except where otherwise stated.

Currency of presentation

All currency amounts are expressed in Australian dollars unless otherwise stated. Merely for the convenience of the reader, this annual financial report contains translations of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of US\$0.7244 = A\$1.00, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (noon buying rate) on September 30, 2004.

Certain definitions and glossary

The Company's fiscal year ends on September 30. As used herein, the fiscal year ended September 30, 2004 is referred to as 2004 and other fiscal years are referred to in a corresponding manner. The abbreviations \$m and \$bn represent millions and thousands of millions (ie. billions) of Australian dollars respectively. Financial statements means the Company's consolidated financial statements for the year ended September 30, 2004, September 30, 2003 and September 30, 2002 included herein at pages 100 to 227. Any discrepancies between total and sums of components in tables contained in this annual financial report are due to rounding.

A glossary of some of the key terms used in this annual financial report is contained at page 255. In addition, non-GAAP financial measures have been defined at page 69.

Forward-looking statements

This annual financial report contains certain forward-looking statements within the meaning of section 21E of the United States *Securities Exchange Act of 1934*. The United States *Private Securities Litigation Reform Act of 1995* provides a safe harbour for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation, so long as the information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. The words anticipate, believe, expect, project, estimate, intend, should, could, may, target, goal, objective, plan and other similar expressions are used in connection with forward-looking statements.

Basis of presentation

In this annual financial report, forward-looking statements may, without limitation, relate to statements regarding:

economic and financial forecasts, including but not limited to statements under the financial review and report on the directors and officers;

anticipated implementation of certain control systems and programs, including, but not limited to those described under the financial review risk management; and

certain plans, strategies and objectives of management.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, that may cause actual results to differ materially from those expressed in the statements contained in this annual financial report. For example:

the economic and financial forecasts contained in this annual financial report will be affected by movements in interest and foreign currency exchange rates, which may vary significantly from current levels, as well as by general economic conditions in each of the Group's major markets. Such variations, if adverse, may materially impact the Group's financial condition and results of operations;

the implementation of control systems and programs will be dependent on such factors as the Group's ability to acquire or develop necessary technology or systems, its ability to attract and retain qualified personnel and the co-operation of customers and third party vendors; and

the plans, strategies and objectives of management will be subject to, among other things, government regulation, which may change at any time and over which the Group has no control. In addition, the Group will continue to be affected by general economic conditions in Australia and worldwide, movements and conditions in capital markets, the competitive environment in each of its markets and political and regulatory policies.

There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in this annual financial report.

Financial summary (1)

Profitability

Net profit attributable to members of the Company decreased 19.7% to \$3,177 million.

Net profit attributable to members of the Company before significant items(2) decreased 10.0% to \$3,561 million.

The current year's result includes the following after tax significant items:

net profit of \$315 million on sale of shareholdings in St George Bank Limited, AMP Limited and HHG PLC;

foreign currency options trading losses of \$252 million;

write-down of impaired application software of \$307 million;

charge to provide for doubtful debts of \$204 million as a result of a revision of an accounting estimate; and

profit of \$64 million on write-back of a provision for costs related to the sale of SR Investment, Inc.

The 2003 result included no significant items.

Net profit attributable to ordinary members of the Company & significant items

Shareholder returns

Diluted earnings per share decreased 19.5% to 196.1 cents. Excluding significant items, diluted earnings per share decreased 9.5% to 220.4 cents.

Diluted cash earnings(2) per share decreased 23.1% to 201.7 cents. Excluding significant items, diluted cash earnings per share decreased 13.8% to 226.0 cents.

Return on average ordinary shareholders funds decreased from 18.3% to 14.0% (15.8% excluding the impact of significant items).

Dividends of 166 cents per share compared with 163 cents per share last year. In 2004, the interim dividend of 83 cents per share was fully franked and the final dividend of 83 cents per share was also fully franked. In 2003, the interim dividend of 80 cents per share was fully franked and the final dividend of 83 cents was also fully franked.

Economic Value Added (EVA[®])(2) decreased 28.4% to \$1,617 million.

EVA[®] is a registered trademark of Stern Stewart & Co. EVA[®] measures the economic profit earned in excess of the Group's cost of capital.

Diluted cash earnings (before significant items), diluted earnings, and dividends per share

Growth and diversification

Total assets grew by 2.4% in local currency terms.

Net assets grew by 8.7% in local currency terms.

Movements in exchange rates increased total assets (in Australian dollar terms) by \$4.2 billion.

Gross loans and advances increased 8.3% in local currency terms.

Assets under management and administration grew by 10.9%.

Assets under management and administration

-
- (1) *Refer to note 57 of the financial report for developments up to the date of signing this annual financial report.*
- (2) *Refer to non-GAAP financial measures on page 69 and reconciliations of non-GAAP financial measures on page 6.*

Selected financial data

The information hereunder has been derived from the audited financial report of the Group, or where certain items are not shown in the Group's financial report, it has been prepared for the purpose of this annual financial report. Accordingly, this information should be read in conjunction with and is qualified in its entirety by reference to the financial report. Comparative amounts have been reclassified to accord with changes in presentation made in 2004, except where otherwise stated.

	2004 \$m	2004 (1) US\$m	2003 \$m	Group 2002 (2) \$m	2001 (3) \$m	2000 (4) \$m
Summary of financial performance						
Australian GAAP						
Net interest income	7,191	5,209	7,419	7,222	6,960	6,371
Net life insurance income	1,012	733	444	(10)	128	332
Other banking and financial services income	4,831	3,500	5,010	7,006	4,749	4,124
Mortgage servicing and origination revenue				378	810	640
Movement in the excess of net market value over net assets of life insurance controlled entities	(137)	(99)	(160)	(155)	510	202
Significant revenue	993	719		2,671	5,314	
Operating expenses	(6,812)	(4,935)	(6,354)	(8,707)	(6,470)	(5,807)
Amortisation of goodwill	(103)	(75)	(98)	(101)	(167)	(197)
Charge to provide for doubtful debts	(559)	(405)	(633)	(697)	(989)	(588)
Significant expenses	(1,675)	(1,213)		(3,266)	(6,866)	(204)
Profit from ordinary activities before income tax expense	4,741	3,434	5,628	4,341	3,979	4,873
Income tax expense relating to ordinary activities	(1,190)	(862)	(1,681)	(962)	(1,891)	(1,632)
Net profit	3,551	2,572	3,947	3,379	2,088	3,241
Net loss/(profit) attributable to outside equity interest - Life insurance business	(365)	(264)	16	(6)	(5)	(2)
Net profit attributable to outside equity interest - Other	(9)	(7)	(8)			
Net profit attributable to members of the Company	3,177	2,301	3,955	3,373	2,083	3,239
Dividends paid/payable (5)	2,405	1,742	2,255	2,266	2,080	1,858
Adjusted to accord with US GAAP						
Net income	2,747	1,990	3,527	3,455	1,794	3,004

	2004 \$m	2004 (1) US\$m	2003 \$m	Group 2002 (2) \$m	2001 (3) \$m	2000 (4) \$m
Summary of financial position						
Australian GAAP						
Investments relating to life insurance business	41,013	29,710	35,846	31,012	31,381	31,103
Loans and advances (after provisions for doubtful debts)	247,836	179,532	225,735	212,929	197,827	187,079

Total assets