

NATIONAL AUSTRALIA BANK LTD

Form 6-K

November 25, 2003

FILE NO 1-9945

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of November 2003

National Australia Bank Limited

ACN 004 044 937

(Registrant's Name)

Level 24

Edgar Filing: NATIONAL AUSTRALIA BANK LTD - Form 6-K

500 Bourke Street

MELBOURNE VICTORIA 3000

AUSTRALIA

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82 -

This Report on Form 6-K shall be deemed to be incorporated by reference in the prospectus included in the Registration Statement on Form F-3 (No. 333-6632) of National Australia Bank Limited and to be part thereof from the date on which this Report, is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

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: 25 November 2003

/s/ Susan E Crook

Title: *Associate Company Secretary*

Growth through
excellent relationships

National Australia Bank Limited

ABN 12 004 044 937

This annual financial report 2003 is lodged with the Australian Securities and Investments Commission and Australian Stock Exchange Limited.

Nothing in this annual financial report 2003 is, or should be taken as, an offer of securities in National Australia Bank Limited for issue or sale, or an invitation to apply for the issue or for the purchase of such securities.

All figures in this document are in Australian dollars unless otherwise stated.

Table of contents

<u>Presentation of information</u>	2
<u>Financial highlights</u>	3
<u>Selected financial data</u>	4
<u>Business overview</u>	8
<u>Introduction</u>	8
<u>Strategy</u>	8
<u>Business operating model</u>	8
<u>Introduction to Financial Services</u>	8
<u>Financial Services Australia</u>	9
<u>Financial Services Europe</u>	10
<u>Financial Services New Zealand</u>	11
<u>Corporate & Institutional Banking</u>	11
<u>Wealth Management</u>	12
<u>Other</u>	13
<u>Competition</u>	13
<u>Regulation of the financial services system</u>	14
<u>Changing regulatory environment</u>	15
<u>Basel II Capital Accord</u>	16
<u>International Financial Reporting Standards</u>	16
<u>Australian tax consolidations regime</u>	16
<u>Payment systems reform in Australia</u>	16
<u>Organisational structure</u>	17
<u>Description of property</u>	17
<u>Certain legal proceedings</u>	17
<u>Financial review</u>	18
<u>Summary</u>	18
<u>Economic outlook</u>	19
<u>Net interest income</u>	20
<u>Net life insurance income</u>	22
<u>Other banking and financial services income</u>	23
<u>Mortgage servicing and origination revenue</u>	24
<u>Movement in the excess of net market value over net assets of life insurance controlled entities</u>	25
<u>Significant revenue</u>	26
<u>Operating expenses</u>	26
<u>Charge to provide for doubtful debts</u>	27
<u>Significant expenses</u>	28
<u>Income tax expense</u>	29
<u>Net profit by segment</u>	30
<u>Employees</u>	35
<u>Assets and equity</u>	37
<u>Return on average equity</u>	37
<u>Earnings and dividends per share</u>	38
<u>Shareholder value</u>	38
<u>Liquidity and funding</u>	39

Edgar Filing: NATIONAL AUSTRALIA BANK LTD - Form 6-K

<u>Capital resources</u>	42
<u>Gross loans and advances</u>	45
<u>Asset quality disclosures, charge to provide and provisions for doubtful debts</u>	46
<u>Deposits and other borrowings</u>	49
<u>Assets under management and administration</u>	50
<u>Risk management</u>	51
<u>Disclosure control and procedures and internal controls over financial reporting</u>	56
<u>Transactions with related and other non-independent parties</u>	56
<u>Risk factors</u>	56
<u>Critical accounting policies</u>	57
<u>Accounting developments</u>	60
<u>Non-GAAP financial measures</u>	60
<u>Corporate governance</u>	62
<u>Report of the directors</u>	70
<u>Financial report</u>	81
<u>Statement of financial performance</u>	82
<u>Statement of financial position</u>	83
<u>Statement of cash flows</u>	84
<u>Notes to the financial statements</u>	85
<u>1 Principal accounting policies</u>	85
<u>2 Supplementary statement of financial position</u>	94
<u>3 Segment information</u>	95
<u>4 Revenue from ordinary activities</u>	98
<u>5 Profit from ordinary activities before income tax expense</u>	99
<u>6 Income tax expense</u>	103
<u>7 Dividends and distributions</u>	104
<u>8 Earnings per share</u>	105
<u>9 Cash assets</u>	105
<u>10 Due from other financial institutions</u>	106
<u>11 Due from customers on acceptances</u>	106
<u>12 Trading securities</u>	106
<u>13 Available for sale securities</u>	107
<u>14 Investment securities</u>	109
<u>15 Investments relating to life insurance business</u>	112
<u>16 Loans and advances</u>	113
<u>17 Provisions for doubtful debts</u>	115
<u>18 Asset quality disclosures</u>	119
<u>19 Mortgage servicing rights</u>	121
<u>20 Shares in controlled entities, joint venture entities and other securities</u>	121
<u>21 Regulatory deposits</u>	122
<u>22 Property, plant and equipment</u>	123
<u>23 Income tax assets</u>	124
<u>24 Goodwill</u>	125
<u>25 Other assets</u>	125
<u>26 Due to other financial institutions</u>	127
<u>27 Deposits and other borrowings</u>	127
<u>28 Life insurance policy liabilities</u>	128
<u>29 Income tax liabilities</u>	129
<u>30 Provisions</u>	129
<u>31 Bonds, notes and subordinated debt</u>	130
<u>32 Other debt issues</u>	132

Edgar Filing: NATIONAL AUSTRALIA BANK LTD - Form 6-K

<u>33 Other liabilities</u>	133
<u>34 Contributed equity</u>	133
<u>35 Reserves</u>	136
<u>36 Retained profits</u>	137
<u>37 Outside equity interest</u>	137
<u>38 Total equity reconciliation</u>	137
<u>39 Employee share, bonus and option plans</u>	138
<u>40 Average balance sheets and related interest</u>	144
<u>41 Maturity analysis</u>	146
<u>42 Interest rate risk</u>	147
<u>43 Notes to the statement of cash flows</u>	152
<u>44 Particulars in relation to controlled entities</u>	154
<u>45 Contingent liabilities and credit commitments</u>	156
<u>46 Derivative financial instruments</u>	159
<u>47 Fair value of financial instruments</u>	165
<u>48 Superannuation commitments</u>	167
<u>49 Operating lease commitments</u>	169
<u>50 Capital expenditure commitments</u>	170
<u>51 Financing arrangements</u>	170
<u>52 Related party disclosures</u>	170
<u>53 Remuneration of directors</u>	173
<u>54 Remuneration of executives</u>	174
<u>55 Remuneration of auditor</u>	175
<u>56 Fiduciary activities</u>	176
<u>57 Life insurance business disclosures</u>	176
<u>58 Reconciliation with US GAAP and other US GAAP disclosures</u>	184
<u>59 Events subsequent to balance date</u>	196
<u>Directors declaration</u>	197
<u>Independent auditor s report</u>	198
<u>Shareholder information</u>	199
<u>Glossary</u>	215
<u>Principal establishments</u>	217

Presentation of information

Basis of presentation

This annual financial report is prepared in accordance with Australian GAAP, which differs in some respects from US GAAP (*as set out in note 58 in the financial report*). Comparative amounts have been reclassified to accord with changes in presentation made in 2003, 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\$0.6797 = 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, 2003.

Certain definitions and glossary

The Company's fiscal year ends on September 30. As used herein, the fiscal year ended September 30, 2003 is referred to as 2003 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, 2003, September 30, 2002 and September 30, 2001 included herein at pages 81 to 197. 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 215. In addition, non-GAAP financial measures have been defined at page 60.

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.

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 of the directors;

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 highlights

Profitability

Net profit attributable to members of the Company increased 17.3% to \$3,955 million.

Net profit before significant items⁽¹⁾ increased 4.3% to \$3,947 million.

The current year's result includes no significant items whilst the 2002 result included the following significant items:

restructuring costs of \$412 million (after-tax); and

net profit on sale of SR Investment, Inc. (formerly known as HomeSide International, Inc.) of \$6 million.

Shareholder returns

Basic earnings per share(1) increased 21.0% to 248.9 cents. Excluding significant items, basic earnings per share increased 7.3% from 231.9 cents.

Basic cash earnings(1) per share increased 20.9% to 268.5 cents. Excluding significant items, basic cash earnings per share increased 8.2% from 248.2 cents.

Return on average ordinary shareholders funds(1) increased from 15.1% (17.0% excluding the impact of significant items) to 18.3%.

Dividends were 163 cents per share compared with 147 cents per share last year. In 2003, the interim dividend of 80 cents per share was fully franked and the final dividend of 83 cents per share will be fully franked. In 2002, the interim dividend of 72 cents per share was fully franked and the final dividend of 75 cents was 90% franked.

Economic Value Added (EVA®)(1) increased 29.9% to \$1,668 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.

Growth and diversification

Total assets grew by 12.5% in local currency terms.

Net assets grew by 42.8% in local currency terms.

Movements in exchange rates decreased total assets (in Australian dollar terms) by \$24.2 billion.

Gross loans and advances increased 13.4% in local currency terms.

Assets under management and administration grew by 13.2%