

NATIONAL AUSTRALIA BANK LTD  
Form 6-K  
November 26, 2004

FILE NO 1-9945

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

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## FORM 6-K

### REPORT OF FOREIGN ISSUER

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

For the month of November 2004

## National Australia Bank Limited

ACN 004 044 937

(Registrant's Name)

Level 24  
500 Bourke Street  
MELBOURNE VICTORIA 3000  
AUSTRALIA

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

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Form 20-F

Form 40-F

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Yes

No

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

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**FULL YEAR RESULTS 04**

[LOGO]

**John Stewart,**

Managing Director and CEO

**Michael Ullmer,**

Group Chief Financial Officer

**November 10, 2004**

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**Agenda**

Introduction	John Stewart
Financial Overview	Michael Ullmer
Issues and Actions	John Stewart
Questions and Answers	

[LOGO]

**Overview of Performance for the September 2004 half**

	v Mar 04 HY		Sep 04 HY	Bank Peer Average**
Cash earnings* growth	12.9%	\$	1,611M	9.3%
Return on assets*	26 bps		0.70%	0.99%
Return on equity*	5.7% points		13.1%	18.2%
<b>Total shareholder return</b>				
1 year			(7)%	13%
3 year			4%	14%
5 year			8%	17%

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\* Before significant items

\*\* Simple average calculated on half year including results for CBA (June 04), ANZ, SGB, WBC (Mar 04)

## **Rebuilding the National**

Progress so far:

Board and executive teams renewed

Underlying problems identified

Transitioning to a new operating model

Embedding cultural change

FX remedial actions

Implementing Europe plans

**Agenda**

Introduction	John Stewart
Financial Overview	Michael Ullmer
Issues and Actions	John Stewart
Questions and Answers	

**Key areas impacting the Group during the second half**

Net interest income

Other operating income

Expenses

Corporate & Institutional Banking

Financial Services Australia

Financial Services Europe

Capital

Significant items and balance sheet adjustments

Business response to regulatory issues

FULL YEAR RESULTS 04

[LOGO]

## Group Results

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**Group profit and loss for September 2004 half**

	Sep 04	Half year to Mar 04	Change on Mar 04 HY %	Change on Sep 03 FY %
Banking net interest income	3,540	3,519	0.6	(3.3)
Banking other operating income	1,952	2,044	(4.5)	(6.6)
Wealth Management income**	1,046	933	12.1	52.9
<b>Net operating income</b>	<b>6,538</b>	<b>6,496</b>	<b>0.6</b>	<b>1.3</b>
Banking operating expenses	(3,115)	(2,800)	(11.3)	(6.6)
Wealth Management operating expenses	(461)	(436)	(5.7)	(11.3)
Charge to provide for doubtful debts	(254)	(305)	16.7	11.7
<b>Cash earnings before tax and OEI*</b>	<b>2,708</b>	<b>2,955</b>	<b>(8.4)</b>	<b>(3.8)</b>
<b>Cash earnings before significant items</b>	<b>1,611</b>	<b>1,850</b>	<b>(12.9)</b>	<b>(15.0)</b>

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\* Before significant items and net of eliminations

\*\* Includes net interest, net life insurance and other operating income

[LOGO]

**Drivers of the Group result**

Margin compression

FSE

FSA

CIB

Other income

Retail banking stalled across the Group

CIB down dramatically

Excessive cost growth across Group

Poor culture of cost containment

Regulatory & compliance

Protecting the Australian franchise

Amortisation of deferred expenditure

Specific provision down

**September 2004 half cash earnings+**

	Sep 04 HY	Mar 04 HY	Change on Mar 04 HY %	Change on Sep 03 FY %
<b>Old Divisions</b>				
Financial Services Australia	877	999	(12.2)	flat
Financial Services Europe	290	308	(5.8)	(33.3)
Financial Services New Zealand	171	158	8.2	5.8
Corporate & Institutional Banking	243	375	(35.2)	(29.5)
Wealth Management	188	221	(14.9)	9.4
<b>New Regional Structure*</b>				
Australia	1,151	1,250	(7.9)	
Europe	324	294	10.2	
New Zealand	191	188	1.6	
Institutional Markets & Services	103	329	(68.7)	
Group Funding & Corporate Centre	(65)	(117)	44.4	

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+ Cash earnings before significant items

\* Regions include the Financial Services business, Wealth Management and former Corporate and Institutional Banking (CIB) Businesses of Transaction Banking, Custodian Services and Corporate Banking. The remainder of the CIB business is within Institutional Markets & Services

**Net interest margin September 2004 down 18bps on the year**

	Sep 03 Yr NIM	NIM Contraction	Sep 04 Yr NIM	AIEA Sep 04 Yr \$Bn	% of Group AIEA		Group NIM Contraction
					Sep 03 Yr	Sep 04 Yr	
Financial Services Australia	3.14%	(33)bps	2.81%	126	38.2%	41.2%	(13)bps
Financial Services Europe	4.30%	(27)bps	4.03%	53	18.5%	17.2%	(4)bps
Financial Services New Zealand	2.71%	(13)bps	2.58%	27	8.2%	8.8%	(1)bp
Corporate & Institutional Banking	0.62%	(12)bps	0.50%	134	46.5%	43.9%	(5)bps
Other (inc WM & Elims)	(0.22)%	(16)bps	(0.38)%	(34)	(11.4)%	(11.1)%	
<b>Sub Total</b>	<b>2.53%</b>		<b>2.35%</b>	<b>306</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(23)bps</b>
Change in Divisional Mix*							5bps
<b>Group Impact</b>							<b>(18)bps</b>

\* In the Results Announcement this is allocated across the Divisional contributions to Group NIM contraction

**Net interest margin September half down 11bps on the March half**

	Mar 04 HY NIM	NIM Contraction	Sep 04 HY NIM	AIEA Sep 04 HY \$Bn	% of Group AIEA		Group NIM Contraction
					Mar 04 HY	Sep 04 HY	
Financial Services Australia	2.91%	(20)bps	2.71%	129	41.2%	41.2%	(8)bps
Financial Services Europe	4.16%	(24)bps	3.92%	56	16.7%	17.7%	(4)bps
Financial Services New Zealand	2.56%	4bps	2.60%	28	8.7%	8.9%	0bp
Corporate & Institutional Banking	0.56%	(11)bps	0.45%	137	43.9%	43.8%	(5)bps
Other (inc WM & Elims)	(0.12)%	(13)bps	(0.25)%	(36)	(10.5)%	(11.6)%	3bps
<b>Sub Total</b>	<b>2.40%</b>		<b>2.29%</b>	<b>314)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(14)bps</b>
Change in Divisional Mix *							3bps
<b>Group Impact</b>							<b>(11)bps</b>

\* In the Results Announcement this is allocated across the Divisional contributions to Group NIM contraction

**Volume growth in the September half**

**Group Lending Growth\***  
(average)

[CHART]

**Retail Deposit Growth\***  
(average)

[CHART]

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\* At constant exchange rates

**Banking other operating income\* down \$83M in the September 2004 half**

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\* Before significant items

**Banking expenses\* increased \$324M in the September 2004 half.**

[CHART]

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\* Before significant items

+ Excludes performance-based remuneration



**Significant drivers of banking expense growth**

	<b>Increase over Mar 04 HY</b>	
<b>1. Regulatory spend</b>		
Basel II and IFRS	\$	23m
Sarbanes Oxley	\$	4m
<b>2. Regulatory spend - NAB specific</b>		
APRA	\$	9m
SEC auditor independence	\$	4m
Management changes and business reviews	\$	32m
<b>3. Australian franchise re-investment</b>		
Branding and advertising	\$	33m
Reversing previous front line staff cuts	\$	13m
Docklands	\$	8m
<b>4. UK Investment</b>		
Strategic review and integration	\$	14m
Growth related initiatives	\$	4m
Regulatory and compliance	\$	5m
<b>5. Corporate &amp; Institutional Banking</b>		
Sale of the UK Custody business	\$	17m

FULL YEAR RESULTS 04

[LOGO]

## **Divisional Contributions**

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**Corporate & Institutional Banking cash earnings\* down 36.3%+ on the March half**

	Sep 04 \$m	Half year to Mar 04 \$m	Mar 04 HY ex FX	% Change on+ Sep 03 FY ex FX
Net interest income	307	371	(19.4)	(15.8)
Other operating income	452	596	(25.5)	(1.0)
<b>Total income</b>	<b>759</b>	<b>967</b>	<b>(23.2)</b>	<b>(7.4)</b>
Total expenses	(458)	(400)	(11.5)	(18.5)
<b>Underlying profit</b>	<b>301</b>	<b>567</b>	<b>(47.6)</b>	<b>(23.8)</b>
<b>Cash earnings*</b>	<b>243</b>	<b>375</b>	<b>(36.3)</b>	<b>(26.5)</b>

**Revenue v expense growth**

[CHART]

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\* Before significant items and after outside equity interest

+ At constant exchange rates

[LOGO]

**CIB income declined 23.2%\* while expense increased 11.5%\* on the March half**

**Income down 23.2%\***

[CHART]

**Expenses up 11.5%\***

[CHART]

Before significant items

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\*At constant exchange rates

**Strategic issues facing CIB**

Deployment of assets in non-core markets - focus on capital, risk-weighted assets consumed, and returns generated.

Earnings decline in transaction driven business - relationship driven business held up

Impact of currency options restrictions.

Clients waiting for full product suite.

External research indicates:

Corporate Banking: % of lead relationships down from 41% to 37% (1)

Transactional Banking: 1.5% improvement in market share but still 4<sup>th</sup> (2)

Markets: Remain strong in the corporate bond market. However, overall league table ranking has slipped from top 3 position (1)

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((1) source: Peter Lee & Associates, Large Corporate Banking Report 2004)

((2) source: East & Partners, Transactional Banking Report 2004)

**Financial Services Australia cash earnings\* down 12.2% on the March half**

	Sep 04 \$m	Half year to Mar 04 \$m	Mar 04 HY %	Change on Sep 03 FY %
Net interest income	1,753	1,799	(2.6)	0.9
Other Operating Income	1,004	989	1.5	2.2
<b>Total income</b>	<b>2,757</b>	<b>2,788</b>	<b>(1.1)</b>	<b>1.4</b>
Total expenses	(1,401)	(1,254)	(11.7)	(6.1)
<b>Underlying profit</b>	<b>1,356</b>	<b>1,534</b>	<b>(11.6)</b>	<b>(2.6)</b>
<b>Cash earnings*</b>	<b>877</b>	<b>999</b>	<b>(12.2)</b>	<b>0.3</b>

**Average Volume Growth**

[CHART]

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\* Before significant items

**Financial Services Australia net interest margin down 20bps on the half year**

[CHART]

22

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**Financial Services Australia expenses\* increased by \$147M in the half**

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\* Before significant items



**Financial Services Australia: current state of the franchise**

Market share	Sep 04	Mar 04	Rank*
Business Lending & (incl Bills <sup>^</sup> )	21.6%	22.0%	#1
Housing (incl Securitisation)	16.7%	17.2%	#2
Credit Cards	16.7%	17.8%	#4
Business Deposits	27.8%	27.7%	#1
Household Deposits	13.4%	13.6%	#3

**FSA Customer Numbers**

[CHART]

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\* Ranking among licensed banks

& Includes Corporate & Institutional Banking

<sup>^</sup> Excludes Bank Held Bills

**Source:** APRA Monthly Banking Statistics / National (September 2004)

**Financial Services Europe cash earnings\* down 11.6% on the half**

£m	Sep 04	Half year to Mar 04	Mar 04 HY %	Change on Sep 03 FY %
Net interest income	428	436	(1.8)	(2.6)
Other operating income	167	172	(2.9)	(5.0)
<b>Total income</b>	<b>595</b>	<b>608</b>	<b>(2.1)</b>	<b>(3.3)</b>
Total expenses	(390)	(374)	(4.3)	(16.3)
<b>Underlying profit</b>	<b>205</b>	<b>234</b>	<b>(12.4)</b>	<b>(25.2)</b>
<b>Cash earnings*</b>	<b>114</b>	<b>129</b>	<b>(11.6)</b>	<b>(28.5)</b>

**Average Volume Growth**

[CHART]

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\* Before significant items

**Financial Services Europe net interest margin down 24bps in the September 2004 half**

[CHART]

26

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**Financial Services Europe expense\* growth driven by projects**

[CHART]

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\* Before significant items

**Financial Services Europe: current state of the franchise**

**Net Movement FSE - Personal Customer Numbers**

[CHART]

**BFS Scotland Core Advances Volumes**

[CHART]

**Financial Services New Zealand cash earnings\* up 5.6% on the March half**

NZ\$m	Sep 04	Half year to Mar 04	Mar 04 HY %	Change on Sep 03 FY %
Net interest income	404	382	5.8	8.4
Other operating income	185	182	1.6	
<b>Total income</b>	<b>589</b>	<b>564</b>	<b>4.4</b>	<b>5.6</b>
Total expenses	(299)	(280)	(6.8)	(5.5)
<b>Underlying profit</b>	<b>290</b>	<b>284</b>	<b>2.1</b>	<b>5.7</b>
<b>Cash earnings*</b>	<b>190</b>	<b>180</b>	<b>5.6</b>	<b>6.6</b>

**Average Volume Growth**

[CHART]

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\* Before significant items

**Financial Services New Zealand net interest margin up 4bps in the September 2004**

[CHART]

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**Financial Services New Zealand: current state of the franchise**

<b>Market share *</b>	<b>Sep 04</b>	<b>Mar 04</b>	<b>Rank</b>
Cards (outstandings)	29.9%	30.2%	#1
Housing	15.6%	15.3%	#4
Agribusiness	17.5%	18.5%	#2
Retail Deposits	19.0%	19.0%	#3
Middle Market <sup>^</sup>	34.7%**	33.0%&	#1

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\* source RBNZ

<sup>^</sup> Corporate Value Associates

\*\* Represents Mar 04 data

& Represents Mar 03 data

**Satisfaction with Main Bank - Personal Market**

How would you rate your main provider of financial services on its overall service?  
 (Margin of error for BNZ = +/-5%)

[CHART]



**Wealth Management profit\* down 14.9% in the September 2004 half**

Operating profit after tax	Half year to			Change on
	Sep 04 \$m	Mar 04 \$m	Mar 04 HY %	Sep 03 FY %
Investments	102	87	17.2	33.1
Insurance	107	121	(11.6)	11.8
Private Bank	30	32	(6.3)	10.7
Other (incl. Regulatory programs)	(15)	(37)	59.5	10.3
Spend on new platforms	(23)	(16)	(43.8)	(39.3)
<b>Profit from Operations (after tax)</b>	<b>201</b>	<b>187</b>	<b>7.5</b>	<b>22.8</b>
Investment earnings shareholders retained profits & capital from life business	27	44	(38.6)	22.4
<b>Underlying operating profit after tax &amp; OEI</b>	<b>228</b>	<b>231</b>	<b>(1.3)</b>	<b>22.7</b>
Prior year adjustments	(40)	(10)	large	large
<b>Operating profit after tax &amp; OEI</b>	<b>188</b>	<b>221</b>	<b>(14.9)</b>	<b>9.4</b>

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\* Operating profit after tax and OEI and before significant items and revaluation profit

**Revaluation profit reflects changing industry dynamics**

[CHART]

**Changes in Assumptions & Experience**

Lower near term sales growth for Retail investments

Lower margins on wholesale business

Impact of business decisions to close products

Continued cost containment

**Wealth Management**

**Master Fund Market Share plus Flows**

[CHART]

**Insurance - Retail Risk Market Share**

[CHART]

**WEALTH MANAGEMENT**

**Share of annual inflows**

[CHART]

**Attrition Rate**

[CHART]

**FULL YEAR RESULTS 04**

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## **Credit Quality & Provisioning**

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**Restatements**

**Gross Non-Accrual Loans**

[CHART]

**90 Days Past Due Loans**

[CHART]

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**Adjustment to the general provision**

Review undertaken of emerging trends in industry practice

Consideration of developments in accounting literature

Discount rate applied to cumulative probabilities of default reduced

Increase general provisions by \$292m

Treated as a significant item

**General provisioning coverage levels have increased**

**Provision Coverage Ratios**

[CHART]

**General Provisions to Risk Weighted Assets (Excluding Housing)**

[CHART]



**Portfolio remains sound with write off levels down and key quality indicators improving**

**Total Net Write-offs to Risk-Weighted Assets (excl Housing)**

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**Group Fully Secured lending % of Total Balance\***

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**CRS 1-6\* % of Total Balance**

[CHART]

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\* Excludes Housing and All Personal Loans

**Non-accrual levels down but impacted by reclassifications**

**Gross Non-Accrual Loans**

[CHART]

**90+ Delinquency and Gross 12 Month Rolling Write Off Rates Total Personal Lending**

[CHART]

**FULL YEAR RESULTS 04**

[LOGO]

## **Other Matters**

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**Review of particular balance sheet items**

Capitalised software    Significant item \$409m

General loan loss provision - Significant item \$292m

Defined benefit pension accounting

Wealth Management internally generated goodwill

Capitalised mortgage broker commissions

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**Capital remains within or above target ranges**

[CHART]

<b>Targets</b>	<b>Target Ranges</b>		<b>Sep 04</b>
	(%)		<b>Actual</b>
ACE/RWA	4.75	5.25	5.30
Tier 1	7.00	7.50	7.34
Total Regulatory	10.00	10.50	10.58

**Movement in ACE & regulatory capital**

**Movement in ACE Ratio**

[CHART]

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**Dividend maintained**

**Dividend Growth**

[CHART]

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**Regulation & compliance update**

Wide range of regulatory reviews.

Significant direct and indirect costs.

Must embed effective regulatory and compliance behaviours.

Response to APRA

Have submitted 65 of 81 remedial actions

24 actions have been closed



**Project / investment spend - IFRS and Basel II**

<b>IFRS Project (\$m)</b>	<b>Global/ Aust</b>	<b>Wealth Management</b>	<b>Europe</b>	<b>NZ</b>	<b>Total</b>
Enabling Infrastructure	32	2	15		49
Process Automation	11		4	2	17
Compliance Delivery	35	12	24	3	74
<b>Total Cash Budget</b>	<b>78</b>	<b>14</b>	<b>43</b>	<b>5</b>	<b>140</b>
Operational Expense					99
Capital Budget					41
Cash spend to date					60
Estimated Completion					Sep 05

<b>Basel II Project (\$m)</b>	<b>Global/ Aust</b>	<b>Wealth Management</b>	<b>Europe</b>	<b>NZ</b>	<b>Total</b>
Enabling Infrastructure	11		19	1	31
Process Automation	56	1	27	9	93
Compliance Delivery	52	1	2	2	57
<b>Total Cash Budget</b>	<b>119</b>	<b>2</b>	<b>48</b>	<b>12</b>	<b>181</b>
Operational Expense					125
Capital Budget					56
Cash spend to date					55
Estimated Completion					Jan 06

**Taxation**

**Wealth Management**

Concessionally taxed life product fees to be taxed at the corporate tax rate from 1 July 2005.

<b>Other Issues</b>	<b>Received Assessment</b>		<b>Potential Assessment*</b>	
NZ Structured Finance deals	NZ\$	57M	NZ\$	387M
EXCAPS	\$	307M	\$	135M
TrUEPrS	\$	150M	\$	20M

No provisions have been raised

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\* Based on primary tax only; interest and penalties may also apply

**March 05 half**

**Restructuring Charges**

Developing detailed plans to move to the regional model

Changes already underway within wealth management

Some regions more progressed than others

Restructuring activity ongoing through the first half

Plans and charges finalised by the 04/05 half year result

**Agenda**

Introduction	John Stewart
Financial Overview	Michael Ullmer
<b>Issues and Actions</b>	<b>John Stewart</b>
Questions and Answers	

**Underlying issues identified**

**1. Culture and People**

**3. Business Inefficiency**

Complexity  
Bureaucratic

**2. Regulatory & Compliance**

**3. Stalled Revenue**

Inward looking  
Business processes not customer focused

**Employee engagement**

NAB Employee Engagement	36%
Australian Financial Services	54%
Global High Performing Companies	69%
Australian Best Employers	77%

[CHART]

Benchmark Averages

**People and behaviours**

Michael Ullmer

Ahmed Fahour

Cameron Clyne

Gavin Slater

Graeme Willis

Ian MacDonald

Peter Scott

John Hooper

Lynne Peacock

Elizabeth Hunter\*

Ross Pinney\*

Peter Thodey\*

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\* Not at results presentation

**Embedding cultural change**

New Leadership team

Corporate principles

Clarity of roles and responsibilities

Reward strategy

Performance Management Framework

Talent Management Strategy



**Group compliance and risk**

**Compliance and Quality Failures**

	<b>Cost</b>
Homeside	\$ 3,873m
NAFiM unit repricing issues	\$ 110m
UK investment sales review	\$ 61m
FX options trading	\$ 360m
NIB Investigations	\$ 98m

**Compliance and risk actions**

New Finance and Risk structure

FX remedial actions

Clarifying roles and responsibilities

Compliance embedded in performance management framework

**Indirect costs**

**Proportion of costs charged to one business unit by another business unit**

	2002	2003	2004
<b>Europe</b>			
Clydesdale	36%	36%	38%
Yorkshire	36%	38%	41%
National Irish	33%	32%	34%
Northern	34%	31%	39%
<b>Australia</b>			
Business	58%	55%	56%
Personal	55%	59%	52%
Cards	39%	41%	47%
Agri Business	42%	43%	47%

**Amortisation burden**

\$m	2001	2002	2003	2004	CAGR (2001-04)
<b>Cash Spend</b>	<b>(814)</b>	<b>(510)</b>	<b>(496)</b>	<b>(489)</b>	<b>-16%</b>
<b>Amortisation</b>	<b>(65)</b>	<b>(106)</b>	<b>(152)</b>	<b>(189)</b>	<b>43%</b>
Software write-downs	(18)	(147)	(59)	(444)	
Year End Software Balance	840	884	955	655	

**Process Inefficiency**

**Purchase of John Stewart's Computer**

[GRAPHIC]

60

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**Regional operating model**

**Old Model**

One customer

Three discrete offerings

By Three separate businesses

With Three separate infrastructures

**New Model**

One customer

One integrated offering

By One customer focused business

With One streamlined infrastructure

**Europe**

**Integration and efficiency**

Legal entity merger

Moving from 77 to 16 core products

Integrating back offices

New operating model

**Europe**

**Growth**

Brand repositioning

New products    offset mortgage

IFS opened 8 new centres

Third party mortgage distribution launched in April 04

Customer attrition has declined by 5.8% in 2004

Customer acquisition has grown 6% in last 6 months after declining for the prior 2 years



**Projects and technology**

Clear benefits tracking

Six sigma

Technology to support customer

**Business Australia**

**Full Time Employees**

[CHART]

65

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**Tightening risk settings**

**Housing Lending - Australia**

Annual Growth Rates (%)

[CHART]

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Source: RBA/FSA

**Restoring risk settings**

**Consumer risk settings**

More high rated approvals at front line

Restore LVR ratios for investment properties

**Business risk settings**

Removing 24 restrictions on banker s authorities

Simplify credit applications and processes

**Outlook**

Poor result

Baked in costs and slowing revenue momentum make our starting point for 05 difficult

Expect earnings to bottom in current half and recover in following 12 months

Expect to maintain first half dividend at current levels

**Looking Forward**

Platform for change

Relentless execution is the key

Great franchises

Know what needs to be done

**Disclaimer**

The preceding material is a presentation of general background information about the National's activities current at the date of the presentation, November 10, 2004. It is information given in a summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

**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: 10 November 2004

Title: *Susan Crook*  
*Associate Company Secretary*

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