Concise Annual Report 2003

Growth through excellent relationships

National

Contents

www.nabgroup.com

This is a concise report. To view the full annual financial report online, visit the Shareholder Centre at www.nabgroup.com Alternatively, to arrange for a copy of the full annual financial report to be sent to you free of charge, call Shareholder Services on 1300 367 647 in Australia. See pages 54–56 if calling from outside Australia.

*The financial statements and specific disclosures included in the concise financial report have been derived from the annual financial report 2003. The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position, operating, financing and investment activities of the Group as the annual financial report. All figures quoted are in Australian dollars unless otherwise stated.

References to "the National" are to National Australia Bank Limited. The "Group" refers to the National and its controlled entities. References to 2003 are references to the National's financial year ended September 30, 2003, and other financial years are referred to in a corresponding manner.

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National Australia Bank Limited ABN 12 004 044 937

National

National Australia Bank

MLC
A National Company

Bank of New Zealand
Tailored Financial Solutions

Clydesdale Bank
Tailored Financial Solutions

Yorkshire Bank
Tailored Financial Solutions

Northern
Tailored financial solutions

National Irish Bank
Tailored Financial Solutions.

Growth through excellent relationships

About the National

The Group is an international financial services organisation that provides a comprehensive and integrated range of financial products and services.

Our retail bank brands are the National Australia Bank (Australia), Bank of New Zealand (New Zealand), Yorkshire Bank, Clydesdale Bank and Northern Bank (United Kingdom) and National Irish Bank (Ireland). The Group also has two businesses organised along global lines, which are Wealth Management and Corporate & Institutional Banking. The Company traces its history back to the establishment of The National Bank of Australasia in 1858. National Australia Bank Limited is a public limited company, incorporated in Australia on June 23, 1893.

Our Purpose

Growth through excellent relationships.

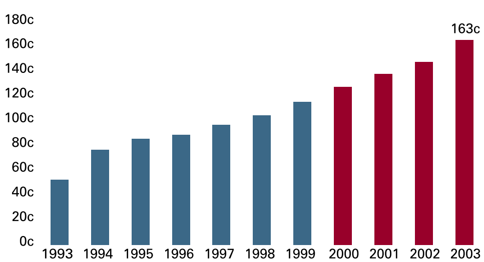
Our Vision

We will be a leading international financial services company which is trusted by you and renowned for getting it right.

Net profit*
up **16.8%** to
$3,947 million

*after significant items

Dividends up **10.9%**



The total dividend for 2003 is 163 cents per share compared with 147 cents last year. The final dividend is 83 cents and will be fully franked.

Strong and sustainable shareholder returns*

Cash earnings per share (EPS)#	268.5c
Cash EPS growth#	8.2%
Economic Value Added (EVA®)	$1,668 million
Return on equity#	18.3%

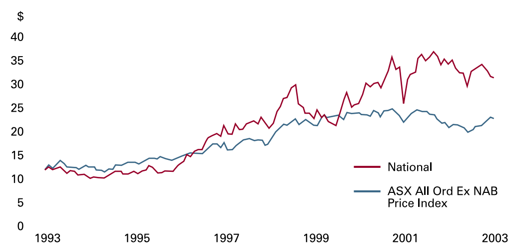
The 8.2% increase in cash earnings per share reflects, in part, the benefit of our share buy-back activity.

*For further detail about these measures refer to the annual financial report 2003.

#before the after-tax impact of significant items

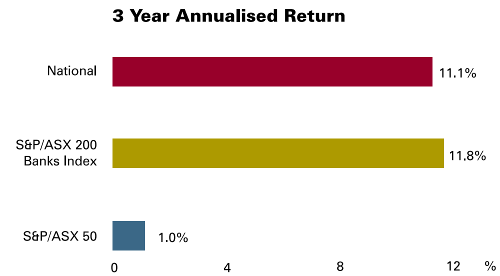
EVA® is a registered trademark of Stern Stewart & Co. It measures the economic profit earned in excess of the Group's cost of capital.

Share price performance*



*National share price at September 30, 1993, used as a base for the ASX All Ordinaries Index.

Total shareholder return#



#Total shareholder return measures the growth in the value of the investment in shares, assuming reinvestment of dividends. The calculation does not take into account tax on returns or franking credits.

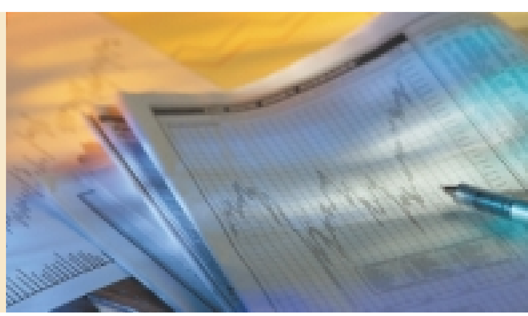
Our winning performance

We have:

- Approximately 7.8 million banking customers and 2.8 million wealth management customers;
- $397 billion in total assets; and
- A market capitalisation of $46.3 billion.

We are:

- The only bank in the Asia Pacific region and one of a small number in the world to hold an AA long-term credit rating*;



- The only Australian financial services company to be ranked amongst the world's 30 most profitable financial services organisations (*Fortune* magazine, July 2003); and
- The largest Australian financial institution by market capitalisation listed on Australian Stock Exchange Limited.

*Standard & Poor's Corporation and Fitch, Inc. long-term ratings

Achievements

MLC was awarded the 2003 Life Insurance Company of the Year for the second year running. (*Personal Investor* Awards for Excellence in Financial Services).

BNZ Investment Management Limited (part of Wealth Management New Zealand) was named the 2003 *FundSource* Fund Manager of the Year for the third year in a row.

Yorkshire Bank was awarded Best Regional Lender by *Your Mortgage* magazine (United Kingdom) for the fifth year in a row.

Building trusted relationships

This year the National's share price was included in the Dow Jones Sustainability Index. The index tracks the sustainability performance of global companies.

Member of Dow Jones Sustainability Indexes 04

Our retail network

	Australia	New Zealand	United Kingdom and Ireland#	Total
Number of branches	790	178	631	1,599
Other outlets*	435	14	125	574
Number of ATMs**/ADMs (automated deposit machines)	1,700	391	1,257	3,348
Australia Post giroPost outlets	3,010	-	-	3,010
Internet banking	✓	✓	✓	
Phone banking	✓	✓	✓	

*includes Private Banking Suites and Business, Agribusiness and Financial Service Centres
**includes non-National branded ATMs
#includes Clydesdale Bank, Yorkshire Bank, Northern Bank and National Irish Bank

Supporting the community

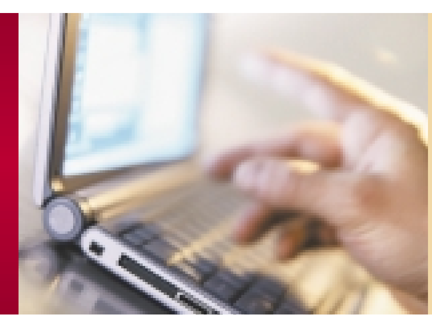
In Australia, the United Kingdom and Ireland, we now provide more than 96,000 low-fee bank accounts to customers in need and over 39,000 bank accounts to not-for-profit/community groups.

Great place to work

The Group is a major employer with 42,540 full-time equivalent employees, globally. Our workforce consists of 76% full-time employees and our global employee turnover is 9.8% pa*.

We were the joint award winner for outstanding achievement in the 2003 Victorian Excellence and Leadership in Diversity Awards in the category of Employer of People with a Disability.

*year ended July 1, 2003



Chairman's Message

Charles Allen
Chairman

2003 has been a year of considerable progress as we continued to grow our core banking and wealth management businesses for the benefit of shareholders.

The Group has delivered an increased dividend to shareholders for more than 10 consecutive years. The latest increase in dividend follows solid growth in earnings, despite business conditions varying widely in the countries in which we operate.

This progress was made against a backdrop of economic uncertainty and generally low world economic growth, especially in the United States.

Increased earnings were achieved while maintaining sound asset quality and after absorbing additional expenses, mainly associated with European staff pensions and compliance issues, as well as adverse exchange rate movements in the United Kingdom.

The Group's total assets increased to $397 billion driven by growth in lending, particularly in housing lending which rose 16.0%.

The continuation of the share buy-back program reduced ordinary equity by $1.6 billion during the year.

We intend to continue to buy back shares equal to the number issued under the Group's dividend re-investment and staff share and option schemes.

The National remains the only bank in the Asia Pacific region with a long-term AA rating and the Group's capital ratios remain strong.

We continued our focus on productivity gains through our Positioning for Growth program and at the same time invested for future growth.

Due to the geographic spread of our operations, the Group has a unique position that creates the opportunity to grow organically by leveraging skills and capabilities across its different businesses.

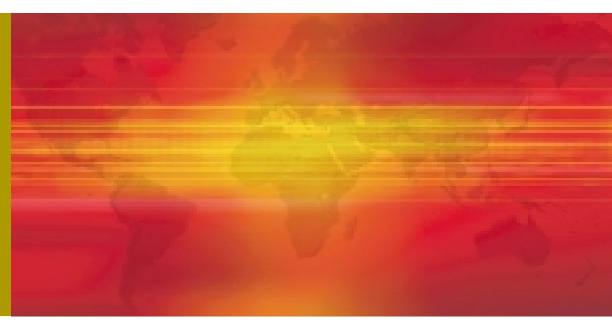
We are the only Australian financial services company ranked amongst the 30 most profitable financial services organisations in the world (*Fortune* magazine, July 2003).

Our income is earned from retail banking businesses in Australia, New Zealand, the United Kingdom and Ireland. We have operations in Asia and the United States as a result of our Corporate & Institutional Banking business. Wealth Management also has a presence in Asia.

This diversity provides organic growth opportunities not available to our domestic peers.

We have developed a vibrant organic growth strategy to ensure we can deliver long-term value to shareholders regardless of the outcome of rationalisation or changes within the industries in which we operate.

"We have developed a vibrant organic growth strategy to ensure we can deliver long-term value to shareholders..."



From time to time opportunities to grow through acquisition also arise. We have a patient and disciplined approach to assessing these situations.

It is in the interest of shareholders that the Group keeps its options open to participate in strategic changes in the financial services industry.

This year we increased our focus on corporate social responsibility.

Building trusted relationships with all stakeholders is a central part of our strategic agenda. We are committed to considering each stakeholder in a balanced way as we develop our business.

We have included a Stakeholder Scorecard as part of this report. Please refer to pages 10 to 13.

Another significant advance in this area was the inclusion of the National in the Dow Jones Sustainability Index. To be included, a company must be in the top 10% of companies rated on a range of sustainability criteria.

Our inclusion in the index is recognition of our economic, environmental and social performance and management, and puts us among global sustainability leaders within the banking sector.

Corporate governance also remains an area of significant community interest. The Group is committed to proper corporate governance. Maintaining investor confidence in the standards of corporate behaviour is a foundation stone for attracting and retaining capital.

During the year we had the opportunity to add to the depth of experience of the Board and announced two new directors.

British banker, John Stewart, was appointed Managing Director of National Australia Group Europe and joined the Board of the National.

John was previously Deputy Chief Executive of Barclays PLC and will bring valuable international banking experience and insights into European banking to the Group.

The second appointment to the Board was John Thorn in October 2003. John was previously the managing partner of PricewaterhouseCoopers (PwC) in Australia. John's 37-year career with PwC included more than 20 years as a partner.

His experience includes audit and accounting practice and standards, client audit committees, corporate governance, business advisory, mergers and acquisitions and risk management.

I welcome both appointments and appreciate their contributions to date. I would like to thank all directors for their efforts this year in assisting the Group to report a strong performance.

I would also like to congratulate our management and staff and thank them for their efforts to grow our business and deliver an excellent result for shareholders.

We are focused on continued growth in shareholder value for the future.

CEO's Message

Frank Cicutto
Managing Director & Chief Executive Officer

This year the Group adopted a new strategy to build on its track record of delivering strong and sustainable shareholder returns.

We start from a strong base. This year net profit after significant items rose 16.8% to $3,947 million.

Before significant items, cash earnings per share increased 8.2% to 268.5 cents and return on equity increased from 17.0% to 18.3%. Economic Value Added (EVA®), which measures capital efficiency, increased 29.9% (after significant items).

Our new strategy builds on these strengths, our core capabilities and the competitive advantages across the Group.

Because the strategy was developed with a strong link to what made the Group successful, it has been called the National Story. During the course of the year, we have communicated the National Story to our people and to shareholders through various presentations. Many of the presentations are available on our website, www.nabgroup.com

After several years of change, the Group has been re-focused around its core capabilities in banking and wealth management in Australia, New Zealand, the United Kingdom and Ireland.

The acquisition of MLC in 2000, the sale of Michigan National Bank and HomeSide in the United States, and considerable investment over recent years in our businesses in Australia and now the United Kingdom represent a series of steps toward integrated financial services and a seamless customer experience.

The Positioning for Growth initiative that was announced in October 2001 provided a platform to deliver productivity gains and rejuvenate our management throughout the top four levels of the Group.

It was therefore the right time to review our overall strategy and provide a new purpose and vision for the National.

Our purpose is: "Growth through excellent relationships".

This simple, yet powerful, statement encapsulates all stakeholders – customers, employees, shareholders, suppliers, communities and regulators.

It is not limited by national boundaries and is a platform for creating real change.

Growth through excellent relationships helps focus us on the relationship values that brought us success in the past and must always be paramount despite the challenges of product complexity, technological change and more complex business models.

For shareholders, earnings per share and return on equity are important measures of growth.

These measures are central to our corporate strategy.

"Growth through excellent relationships means personal growth for our employees, providing quality service and products to our customers, and making a contribution to the communities in which we operate."

However, to be a truly great business, growth is much more than that.

It means personal growth for our employees, providing quality service and products to our customers, and making a contribution to the communities in which we operate.

Our vision is: "We will be a leading international financial services company which is trusted by you and renowned for getting it right."

This vision maintains our focus on integrated financial services and an international presence.

It also emphasises the twin challenges of building trust with all of our stakeholders and getting the basics right.

I acknowledge that we have some way to go to achieve our vision, but we are focused on doing so.

Operating performance

This year's result was driven by good performances by our retail operations in Australia and New Zealand, where loan growth has been strong, especially in the mortgage market.

In retail banking in Australia, our credit quality improved with gross non-accrual loans as a percentage of gross loans and acceptances improving from 0.52% to 0.35%. Our cost to income ratio also improved by 250 basis points to 45.7%.

New Zealand's retail banking performance also included a substantial cost to income ratio improvement from 53.3% to 50.3% and stable interest margins and credit quality.

Our businesses in the United Kingdom and Ireland provide diversification of our income streams. Profit from retail banking in these regions was steady in local currency terms due to growth in lending offset by increased pension and compliance costs.

Organic growth and broad-based transformation is a key part of our strategic agenda in the United Kingdom and Ireland.

We are moving to the next phase in completing the legal entity merger of Clydesdale Bank PLC and Yorkshire Bank PLC during 2004, subject to regulatory approval.

As the Group moves towards an integrated model in Europe, we will also be considering legal structures for Northern Bank and National Irish Bank in due course.

Operating as one bank will free resources, simplify processes and systems and reduce bureaucracy.

During 2003, four new integrated financial services centres were opened in Liverpool, Bristol, Reading and Southampton. A further eight are scheduled to open in 2004.

It will take time to achieve stronger growth in Europe but we have the right management team in place. The team is making good progress towards building our presence in new areas.

Wealth Management showed an improvement on the prior year, driven by a strong performance from insurance and improved investment income due to the recovery in equity markets in the second half of the year.

We continue to invest in our Wealth Management business with the objective of providing integrated financial services to customers and to attract the long-term savings of the baby-boomer generation.

Corporate & Institutional Banking recorded a solid result while maintaining sound asset quality. The increased focus on client-based income offset softer income from risk and trading operations.

The combination of this strong portfolio of businesses offers diversification benefits and growth opportunities. We also have clarity of purpose and vision, and alignment around a strategic agenda.

I am confident that the Group is well placed to continue to grow shareholder value.

I would like to thank all employees and management this year who have worked hard to make this year one of progress for all our stakeholders.

Our Vision is: "We will be a leading international financial services company which is trusted by you and renowned for getting it right."

Over the last 18 months, the Group has completed a substantial review of its business plans and developed a strategy for future growth. Our five key strategies are outlined below.

DELIVER SOLUTIONS THAT HELP MEET CUSTOMERS' COMPLETE FINANCIAL NEEDS

Get the basics right
Deliver a high quality, consistent, customer experience by getting the basics right every time

Build relationships
Build valued relationships by developing a superior understanding of our customers' needs and their relationship preferences

Integrated solutions
Deliver integrated banking and wealth management advice and solutions

BUILD AND SUSTAIN A HIGH PERFORMANCE CULTURE

Great people
Recruit, develop and retain people who have the skills and attitude to build excellent relationships and deliver on customer promises

Great place
Create an environment that values diversity and encourages people to perform to their full potential

Winning performance
Measure and reward to drive individual and organisational performance

BUILD TRUSTED RELATIONSHIPS WITH ALL STAKEHOLDERS

Balanced decisions
Consider each stakeholder group in a balanced way to inform all decisions and actions

Build trust
Build trust through consistent behaviour, dialogue, transparency and accountability

Great reputation
Protecting and enhancing our reputation as a responsible corporate citizen

BUILD AND MANAGE OUR PORTFOLIO OF BUSINESSES FOR STRONG AND SUSTAINABLE TOTAL SHAREHOLDER RETURN

Sustainable revenue growth
Pursue sources of sustainable revenue growth in selected markets

Value-based decisions
Base investment and resource allocation decisions on value to the portfolio

Efficient portfolio
Manage risk and capital to optimise economic profit

CREATE AND LEVERAGE STRATEGIC ASSETS AND CAPABILITIES FOR COMPETITIVE ADVANTAGE

Build core capabilities
Build an organisation based on core capabilities defined around providing advice and solutions for customers

Leverage for value
Capture efficiencies and generate revenue growth by leveraging assets and capabilities, within and between businesses

Members of our senior leadership team at a workshop in September 2003.
◄◄ (from left to right) Mike Laing, EGM, Corporate Development; Peter Thodey, Managing Director, Bank of New Zealand; Ian Crouch, Chief Information Officer; Ian MacDonald, EGM, Financial Services Australia.
◄ Christopher Lewis, EGM, Risk Management; Ian Scholes, EGM, Corporate & Institutional Banking; Frank Cicutto, Managing Director & CEO; Peter McKinnon, EGM, People & Culture; Peter Scott, EGM, Wealth Management.
(not present: John Stewart, Managing Director, National Australia Group Europe and Richard McKinnon, Chief Financial Officer)

People, Leadership & Culture

Building a high performance culture means developing great people, creating a great place and achieving a winning performance. Initiatives undertaken across the Group this year have accelerated our progress down this path.

Our people

This year we pursued our objectives by focusing on building leadership capabilities, revitalising our culture and aligning our people policies to business success.

Globally more than 10,000 people have engaged in this work and delivered significant cultural change.

Leadership

Our leaders have championed our transformation. The National Leadership Standard (NLS) is our enduring blueprint for leadership. It articulates the behaviours that drive excellent performance and are critical to our vision and goals.

Tailored leadership programs have stretched our current leaders and high potential employees and are building leadership capability across all levels of the organisation for the future.

Our Executive Coaching program has involved 120 senior executives globally and has been recognised by the International Consortium for Executive Development Research. The National presented its executive coaching program to the 'Innovations in Executive Education and Leadership Development Forum' at Henley-on-Thames in the United Kingdom in October 2003.

The program has also come to the attention of the global Corporate Leadership Council, which has described it as amongst "the most innovative and effective methods" discovered in its research on coaching activities (Maximising Returns on Professional Executive Coaching, Corporate Leadership Council, May 2003).

Revitalised culture

A number of initiatives are transforming our culture. The Breakthrough program engages our people, captures their ideas, and empowers them to find new ways of meeting customer needs. The program is delivering cost-saving and revenue-generation opportunities.

The National, jointly with IBM, won the award for outstanding achievement in the 2003 Victorian Excellence and Leadership in Diversity Awards in the category of Employer of People with a Disability. The National was also a finalist in the category of Employer of Indigenous Australians.

In New Zealand, more than 1,700 employees have participated in work/life balance seminars.

We have transformed the way we manage people processes and provide people-related information. In Australia and New Zealand, employees can now efficiently access information and learning solutions online, or direct enquiries through dedicated people advisory centres.

As part of our ongoing commitment to employee engagement, we conducted another global employee opinion survey. The results show a continued upward trend in employee satisfaction and are being used to target additional opportunities to create a high performance culture.

Business alignment

From 2004, globally, all employees will have the opportunity to participate in the Economic Value Added (EVA®) Share Offer, which is a reward for their contribution to the Group's results through the granting of National shares.

THE NATIONAL LEADERSHIP STANDARD

Creating movement
Focus on action, encourage talent, harness energy.

Display superb balance
Balance work, home and stakeholder demands while valuing community, diversity and your team. Balance short- and long-term interests.

Challenge boundaries
Use collaboration and flexibility to challenge thinking. Anticipate change; challenge assumptions.

Consistently deliver
Be customer-focused and outcome-driven. Commit to Group goals and personal performance.

Positive and transparent
Speak and act honestly and openly. Display respect, trust, fairness and loyalty.

Peter McKinnon
EGM, People & Culture

Employees Ferila Jay To-Niko (left) and Celia Patrick at a Bank of New Zealand Breakthrough celebration in Wellington in January 2003. The Breakthrough program has built global momentum this year with 95 project teams established since mid-2002.

Stakeholders' Scorecard

Our commitment to corporate social responsibility

The quality of our relationships with stakeholders is critical to our business success. Stakeholder engagement and management is therefore a key part of our business strategy.

Corporate social responsibility is not just a catch-phrase. We take our role seriously and are committed to improving on our efforts.

The Stakeholders' Scorecard discloses our performance for the year ended September 30, 2003, against global key performance indicators covering customers, employees, communities and the environment. Unless otherwise stated, the data includes our operations in Australia, the United Kingdom, Ireland and New Zealand.

In 2004, our aspiration is to complete an externally verified, full triple bottom line report, consistent with the Global Reporting Initiative Finance Sector Supplement.

Balanced stakeholder management: This year the National's Board approved a global decision-making framework that is designed to embed balanced stakeholder management as an integral part of managing every day business. A global Corporate Social Responsibility Council, in conjunction with Regional Councils and community forums, is being established to ensure alignment on important corporate social responsibility issues in all of our businesses, regardless of their location. Balancing decision-making and building trust with all stakeholders, including monitoring our progress towards achieving our goals, is essential. The Board will discuss progress quarterly and receive formal benchmark reports twice a year.

GLOBAL DECISION-MAKING FRAMEWORK

Corporate governance: We are committed to greater transparency in our decision-making processes. We have made available information on our corporate governance procedures and practices on pages 26–31. Information is also available on the Group's website at www.nabgroup.com

The table below discloses internal and external audits of our business practice and financial performance conducted globally.

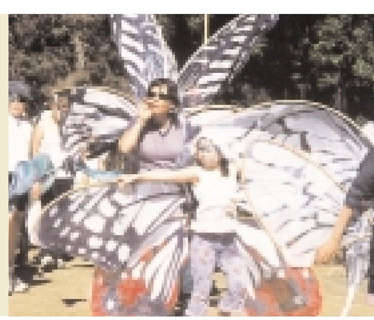
Internal & External Audits in 2003

	No	Hours
Internal Group audits	215	139,760
Internal occupational health & safety	–	436*
External occupational health & safety	–	395*
External financial audits†	1,807	–

* Australia only

† includes Group statutory audits and prudential supervision reviews, and audits of self-managed superannuation funds where a Wealth Management company is the responsible entity

Political donations: The Group's policy and practice of not making donations to any political party in any of our countries of operation was adhered to throughout the year.



◀ **The Mt Wellington Festival in Hobart, Tasmania.** The Festival Committee was a state winner for "Art and Culture" in the 2002 National Volunteer Awards.

Our customers

We are committed to offering a wide range of financially inclusive products and services tailored for the communities in which we operate globally.

The Group has developed several low or no transaction fee products to assist those customers that rely on government benefits or are considered financially vulnerable.

Yorkshire Bank, National Irish Bank and Clydesdale Bank have 75,200 accounts open to customers in need. National Irish Bank and Northern Bank also have more than 10,500 accounts that assist charities with concessionary interest rates and account fees. Additional to these accounts, we continue to support the Universal Banking Services in the United Kingdom.

In Scotland, we support Social Investment Scotland, a Community Development Finance Initiative which provides finance to develop and sustain social entrepreneur programs in the charitable sector that would not normally meet lending approval criteria.

In Australia, the National has 21,784 concession card accounts for people receiving government benefits. We also have 28,901 community accounts for not-for-profit organisations.

This year in Australia the National sponsored a not-for-profit conference. One of the key financial inclusion issues identified was the need to re-integrate people into the financial mainstream. In 2004, the National, in partnership with Good Shepherd, will set up a new scheme in which a low interest loan between $2,000 and $5,000 will become available to qualifying customers.

The National continues to support a Bankcard credit card in Australia that is fee-free with a lower interest rate and relatively low credit limits.

Wealth Management offers several socially responsible investment products through its investment portfolios. The value of investments in these funds throughout Australia and New Zealand is $151 million.

Transparency on fees and charges: The Group discloses its fees and charges in relation to transaction accounts through publications that are available in all branches and on our websites.

Wealth Management discloses trailing commissions as required by law. MLC passes shelf space fee rebates from fund managers on to its customers in a move to further clarify fees for consumers. Fees are also disclosed in product documents and when advice is given. Our financial planners are required to disclose to customers other commissions when giving advice.

Accessibility of services: We have an extensive network of outlets, ATMs, Internet banking, telephone banking and other customer services in Australia, New Zealand, the United Kingdom and Ireland. In Australia, we have 790 branches or agencies and 435 other outlets. Our global network is disclosed in detail on page 3.

In Australia, we are taking steps to improve access to banking services for customers with disabilities, assisting them to achieve financial independence. Following a pilot of audio-enabled ATMs with the Royal Victorian Institute for the Blind, we now have over 60 ATMs for the visually impaired. We plan to add to our network of audio-enabled ATMs next year.

Our extensive regional and remote network is part of our commitment to remote communities. Clydesdale Bank operates three mobile bank vans on Mull, Skye and Shetland Islands. The vans tour these communities to provide deposit and withdrawal services to customers.

In Australia, we also offer banking via 3,010 Australia Post outlets; 43% of these are in rural and regional locations.

The National's commitment to rural Australia goes beyond access to banking facilities. Early in 2003, the National hosted a televised expert panel discussion, viewed by over 1,600 farming customers, on expected weather patterns.

"Our reputation directly affects customer satisfaction. Stakeholder management is therefore a hard-nosed business strategy."

Frank Cicutto

Managing Director & CEO

We welcome your feedback on the Stakeholders' Scorecard.

Contact us via email:
corporate_social_responsibility@national.com.au

Or send a letter to:
The Corporate Social Responsibility Team
Group Corporate Affairs
National Australia Bank Limited
500 Bourke Street, Melbourne Vic 3000, Australia

Stakeholders' Scorecard

Our community

Stakeholder engagement: In 2003, we engaged our stakeholders through a wide variety of open forums that helped us understand the social and environmental impacts of our business.

We became an Organisational Stakeholder of the United Nations' sponsored Global Reporting Initiative and are committed to contributing to the international debate on triple bottom line reporting standards through this forum. Visit www.globalreporting.org for further information.

In the United Kingdom, we developed networks with a wide range of external forums that tackle issues of community concern. These forums enabled our senior managers to discuss matters covering financial awareness, youth development, numeracy and social inclusion with community leaders.

A number of senior managers have active roles in community forums. The Chief Operating Officer of National Irish Bank participates in the Board of Business in the Community Ireland; the Chief Operating Officer of Yorkshire Bank is on the leadership teams of both the Business in the Community and Leeds Cares community programs; and the Chief Operating Officer of Clydesdale Bank is on the Board of Scotland Against Drugs.

The National's Community Consultation Forum in Australia was established in 2000. The forum members include senior representatives from major community organisations. The Reverend Tim Costello chairs this forum. The Community Forum's input has assisted the National in a number of key outcomes, including the establishment of the National's concession card account for customers who receive a government benefit. The National is keen to engage the Community Forum on a wider range of issues in the future, including the building of social capital, financial literacy and environmental matters.

Building social capital: This year, the Group donated $17.5 million through a range of activities and partnerships that promote skills for life and foster bio-diversity (as shown below).

Through the Yorkshire Region Business In the Community, Yorkshire Bank supports the literacy program for children, Right to Read, and a numeracy program, Numbers Partners.

Northern Bank, in conjunction with Business in the Community, developed the numeracy program, Time 2 Count.

Clydesdale Bank provides administration support and head office accommodation to Scotland Against Drugs.

In Australia, through the National Australian Football League (AFL) Pathway program, we provide recognition, resources and support to local football communities while sponsoring the development of young Australians seeking to reach their ultimate goal of playing AFL football.

Wealth Management's People and Community Trust is a global team, sponsoring programs and initiatives that focus on interaction with communities and personal growth.

Our people

Having an ethically-based business is crucial to earning and maintaining the trust of all our stakeholders.

Standards of ethical behaviour are reflected in our codes of conduct and our values, which represent the very heart of our organisation. The Code of Banking Practice in Australia is located on our Australian website, www.national.com.au

Developing and sustaining a high performance culture is critical to achieving our strategic agenda globally.

As an equal opportunity employer, we are developing practices to ensure that diversity includes the issues of gender, disability and indigenous employment. Specific activities have been undertaken in the areas of flexible work patterns for work/life balance, and recruitment policies including targeted employment programs for both indigenous and disabled employees. Details of our Australian Disability and Discrimination Action Plan can be found at www.national.com.au

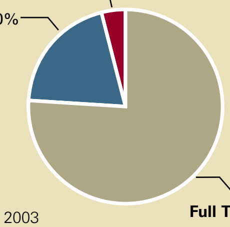
The stewardship of diversity is managed by the senior leadership team. In Australia, this activity is headed by a Diversity Guiding Coalition that develops strategies and tracks and monitors outcomes.

Former Kangaroos player and Bali victim, Jason McCartney, and Dr Anna Lavelle from the Australian Red Cross Blood Service at the 2003 launch of the National Blood Donor Recognition Week.

Community Investment

	$m
Charitable gifts	3.0
Community investment	4.2
Eco projects	1.6
Commercial sponsorships	6.0
In kind	1.2
Management costs	1.5
Total	**17.5**

Workforce Profile#



#year ended July 1, 2003

We reward our people based on market remuneration regardless of gender. Details of senior executive remuneration are disclosed on pages 36–37.

In Ireland, we participate fully with the Fair Employment programs monitoring both gender balance and religious diversity.

Our indigenous employment program in Australia this year focused on creating vocational pathways to permanent employment. The senior leadership team has also approved funding of an integrated suite of scholarships for indigenous students in partnership with the University of Melbourne's scholarship program and the Melbourne Business School, spanning secondary and TAFE sectors as well as undergraduate and post-graduate education.

We have also entered into agreements with the relevant financial service unions in Australia, the United Kingdom, Ireland and New Zealand. These agreements recognise a wide range of employee entitlements, including rates of pay and conditions, training and parental leave.

Occupational health & safety: Quarterly performance reports are presented to the Board covering a wide range of occupational health and safety issues. The Group's lost time injury frequency rate is 4.5 injuries per million hours of work.

We are committed to a high performance culture and we value the intellectual capital embedded in our workforce. This commitment includes assisting tertiary students to make the transition into the workforce. We employed over 145 graduates in Australia, the United Kingdom, Ireland and New Zealand this year.

Our workforce demographics are shown below. Our global employee turnover was 9.8% for the year ended July 1, 2003.

Employee satisfaction: Satisfaction has increased by 11.5% since the Employee Opinion Survey was last conducted in October 2000. Strategies are being put in place to address areas of low engagement.

Environment

In December 2002, the National signed an agreement to become a member of the United Nations Environment Program Statement for Financial Institutions. This membership recognises the importance of working with other global financial institutions in managing environmental risk in their operations, lending and investment decisions. Our environmental policy statement that details our commitment can be found at www.nabgroup.com

We specifically consider environmental risk when assessing lending risk – including project finance and institutional lending. Our global lending profile on an industry basis is set out on page 46 of the annual financial report 2003.

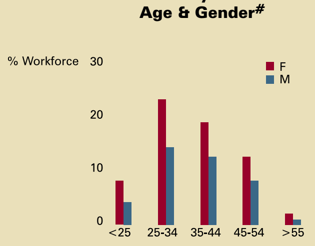
This year, the Group has begun the journey to implement, globally, a single environmental management system that is consistent with ISO14001. Implementation will align operational processes and data from the United Kingdom, Ireland, Australia and New Zealand while respecting regional standards and legislative differences. Copies of the Australian Greenhouse Challenge Report for 2001/2002 can be found at www.greenhouse.gov.au

Environmental champions: In 2002, the Environment Council of Senior Managers and 250 Environment Champions formed a coalition for developing further environmental efficiency programs throughout Australia in regard to office management.

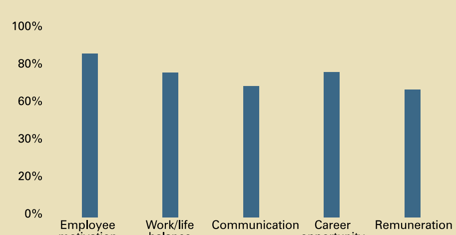
Northern Bank has purchased green energy for the majority of its branch network. This energy is 100% generated by wind turbines. This year, Northern Bank consumed 2,600,000 kWh, which is a reduction of 1,118 tonnes of CO_2.

Kiwi Trust: In November 2002, Bank of New Zealand relaunched the bio-diversity program, Kiwi Recovery, under the new banner of The Bank of New Zealand Kiwi Recovery Trust. The Kiwi Trust is responsible for increasing awareness of the plight of the kiwi through education, coordinating fundraising and sponsorship nationally, as well as continuing to invest in research, predator control, population growth, surveys and monitoring.

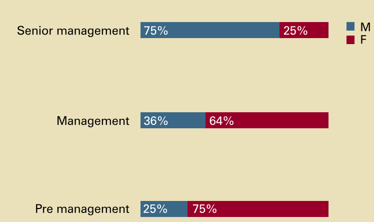
Diversity Profile Age & Gender#



Employee Satisfaction#



Gender by Hierarchy#



Energy Efficiency*

	UK	Aus	NZ
Energy Use mWh	137,129	149,290	26,700
CO_2-e tonnes	44,934	171,101	12,015
CO_2-e tonnes/employee	3.46	3.96	2.06
CO_2-e tonnes/m^2	0.13	0.26	0.08

*year ended September 30, 2002

Financial Services Australia

Financial Services Australia invested in its retail network this year to improve customer service and create a better work environment for staff.

The business recorded another strong performance with a 6.3% increase in net profit*, which was $1,868 million.

Financial Services Australia enjoyed a 20.3% increase in home lending as the real estate market continued to grow. The National held 17.9% of the home mortgage market in Australia as at August 2003 (Reserve Bank of Australia/National).

Our fleet management business, Custom Fleet, acquired Custom Service Leasing (New Zealand) Limited, creating an even stronger presence in the fleet management industry. The acquisition and integration, including systems conversion, was completed during the year. The acquisition, combined with the synergies achieved, has boosted Custom Fleet's income by 46.8% on last year.

Business lending volumes increased by 8.9% and deposits grew by 10.6%. Our cards business also recorded a solid performance with a net profit* 30% higher than last year's.

Despite Australia experiencing possibly its most severe drought in 100 years, our Agribusiness segment performed well with specialist Agribusiness Managers able to respond promptly to customer requests for carry-on finance.

By combining income growth with the adoption of new technologies and more streamlined processes, we improved our cost to income ratio to 45.7% from 48.2%.

Customer relationship management — more than technology

We are working towards achieving our goal to be the financial services provider Australians trust to meet their financial needs.

With this in mind we continued to build on the strength of our customer relationship management platform. Our approach is about more than just technology. By bringing together people, processes, systems and capabilities, we can work smarter and deliver improved products and outstanding service to customers.

The launch of the Transition to Advice program by our personal banking and wealth management teams this year was a practical example of our integrated financial services strategy, helping to ensure customers benefit from our Group's wide range of products, services and experience.

After a pilot in South Australia and Queensland this year, our Life Events program was launched nationally. The program allows us to enhance our customer relationship management capabilities and recognise significant customer events, such as saving for a home or retirement. This means we can address our customers' current and future needs proactively. An advertising campaign to promote the program was launched in September 2003.

Extending our network

This year we invested in our physical network. New branches at Ocean Keys in Western Australia and Menai in New South Wales were opened. We also refurbished 40 branches and completed merchandising upgrades across 160 locations.

Twenty new Financial Service Centres were opened in regional cities including Geelong, Bendigo, Coffs Harbour, Mackay, Darwin, Albury, Cairns and Townsville. We expect to open another 20 next year. By bringing together the range of skills and experience our business has to offer, Financial Service Centres provide a one-stop-shop for our customers' financial advice needs.

Our arrangement with Australia Post was extended to offer business transactions at 201 locations; 127 of these are in rural and regional areas.

A new Internet banking platform was launched this year. Usage has grown by 27% with more than 125,000 average daily logins.

*Net profit excludes the after-tax impact of significant items

About Financial Services Australia

Financial Services Australia provides personal, business and agribusiness financial solutions for the National's customers in Australia.

Ian MacDonald
EGM, Financial Services Australia

John Eales, the former Australian rugby great, launches the Rugby World Cup 2003 National Visa Card in July. ▶

Looking for a home of your own? One of the National's new advertisements aimed at first home buyers to promote the Life Events program. ▶▶

Former Melbourne Football Club champion and National AFL Pathway program ambassador, **Garry Lyon**, with talented young players going through the program. ▶▶▶

Following a pilot of audio ATMs with the Royal Victorian Institute for the Blind, we now have over 60 audio-enabled ATMs for the visually impaired and are planning to enable 50% of ATMs by the middle of next year.

Delivering quality service and advice

Regulatory change continues to impact our business and our people, particularly the Financial Services Reform Act, the Privacy Act, the Revised Code of Banking Practice, and the updated Uniform Consumer Credit Code. We are investing to ensure all staff impacted by these changes receive adequate skills and compliance training.

Substantial investments have also been made in new technology, improved processes, training programs, and better staff and customer information, to improve the sales and service delivery process through all of our distribution channels. Now all personal and business lending applications are processed through a new technology platform and all branches have access to intranet tools and facilities.

We continue to work closely with customers with a particular focus on helping farmers through the drought. Reflecting the National's commitment to the farming sector, this year we recruited our largest Agribusiness graduate intake of 45 young agricultural enthusiasts.

Engaging our people

A number of people and culture initiatives were undertaken during the year, including programs to assist leaders and team members with all elements of performance development.

We created an intranet-based feedback tool to encourage an open and transparent culture; sponsored Breakthrough programs that support people in turning ideas into business improvements; and established the FSA Leadership Coalition of 150 senior leaders, to promote quality leadership practice.

In consultation with employees we also developed a new Performance Incentive Plan, which provides a fair and transparent means of rewarding performance and links remuneration to individual and business performance.

Our role in the community

Our people listen and work closely with communities all over Australia.

We have strong partnerships with organisations, such as: the Australian Red Cross; the Australian Football League (AFL) through the National AFL Pathway program; Lions Australia; Rotary Australia through its Corporate Alliance Program; and the Ovarian Cancer Research Foundation.

We are also developing new relationships with community organisations to help employees make the most of the two days' community leave available to them each year.

Each branch has an allocation of $1,000 to be donated at its discretion, providing our people with an opportunity to connect with individuals and community groups. This has proven to be one of our most successful programs, involving more than 1,000 different community initiatives at a local level across Australia this year.

Sheree Sanson (Banker) with Julian Barrans (customer) at the Albury Financial Service Centre, one of the 20 new Financial Service Centres to open during the year.

Ways in which we made a difference this year

- **A donation of $100,000 to the Canberra Bushfire Appeal.**
- **The National Staff Volunteer Grant Program allocated $96,000 to over 48 community groups.**
- **The donation of more than $45,000 to 10 charities as part of the employee giving program.**
- **The 2003 launch of the National Blood Donor Recognition Week attracted more than 1,700 new donors.**
- **Our participation in the Ovarian Cancer Research Foundation's Silver Ribbon campaign raised $200,000.**
- **More than 100 not-for-profit and community groups received $375,000 through the 2002 National Community Volunteer Awards.**
- **Pictured left, logistics and transport provided for a donation of 450 tonnes of hay from south-west Victoria to drought-affected areas.**
- **The National AFL Pathway program has provided almost $200,000 in equipment for more than 30 junior football clubs across Australia.**

Financial Services Europe

Financial Services Europe intensified its focus on customers through its One Bank, One Team initiative this year. This was designed to generate a greater sense of unity for those working not only across its four retail brands, but also those in Corporate & Institutional Banking and Wealth Management.

One bank, one team, one focus: the customer

The focus of all our efforts in Europe is to provide integrated financial services to our customers delivered through excellent relationships.

The new agenda for Europe includes investment, primarily in the retail banks. We are planning to upgrade the teller, sales and service platform with a phased deployment beginning next year. Alongside streamlined back office functions, this will deliver a faster and more efficient service to our customers.

This year has been a transitional one for Financial Services Europe. We have achieved a satisfactory performance, posting an $866 million net profit.

Mortgage lending volumes increased 9.0% during the year and retail deposits grew with higher levels of liquidity in the banking system.

An important development during the year was the appointment of John Stewart as Managing Director of National Australia Group Europe and as an executive director of the National.

Our priorities this year have been the pursuit of growth, efficiency and quality. These will continue to be our focus in 2004.

Growth

We began to expand Clydesdale and Yorkshire Banks' networks by opening four new Integrated Financial Services Centres located in Liverpool, Bristol, Reading and Southampton. This expansion, which is creating 60 new jobs, is the latest evidence of the Group's commitment to grow its business in the United Kingdom and Ireland. The new centres will focus on relationship management, with integrated financial services available from the specialist areas of Wealth Management and risk management services.

Additional investment in Ireland saw the opening of Ballymena Business Centre, which is our biggest stand-alone business centre in Ireland.

Other growth initiatives have focused on increasing the number of premium and private banking customers and growth in mortgage lending.

Yorkshire Bank posted an all-time record in mortgage sales at GBP1.25 billion (up 30% on the previous year). Particularly strong sales were achieved as a result of the summer mortgage initiative at Clydesdale Bank with a GBP113 million increase in sales of fixed rate mortgages. Mortgage volumes for National Irish Bank grew by over 10% (in local currency terms).

Investment in Internet banking continued with the extension of the service to Northern and National Irish Banks.

Efficiency

We are committed to removing duplication of effort and maximising the efficiency of our current business model.

We are now working towards delivering one product, one process and one system through four regional retail brands. It will allow us to operate as one bank in Europe and deliver new solutions across the four brands through a single operating system and platform.

At Clydesdale Bank, we have significantly simplified and streamlined the administration and lending processes in the branch network, freeing up staff time to focus on customers. Significant branch refurbishment was completed in a number of Scottish cities, with a major branch reconfiguration in Glasgow city centre.

A further 14 branches of Northern Bank have implemented our latest customer experience program, which is part of a multi-million pound investment in the Bank's busiest branches across Northern Ireland. It includes improvements to service areas, electronic banking channels and customer training for all staff.

About Financial Services Europe

Financial Services Europe is the retail banking arm of the Group in the United Kingdom and Ireland. This includes all European-based consumer, business and agribusiness banking, together with cards, payments, leasing and customer service and operations. Our brands are Clydesdale Bank, Yorkshire Bank, Northern Bank and National Irish Bank.

▶ **Showing "Leeds Cares"**, a community centre gets a makeover thanks to Yorkshire Bank employees.

◀ **The modernised Queen Street branch** of Clydesdale Bank in Glasgow.

Quality

The key to success is our people. They will deliver the new agenda of transformation and growth agreed at our Senior Leaders Forum, a major event in June that brought together the top 170 leaders across Europe.

We continue to invest heavily in the development of our people at all levels. Our aim is to create a culture in which staff can help customers to the best of their ability and take part in resolving challenges in the workplace.

Initiatives during the year included the Managing People Better program, which provides front-line managers with coaching in leadership skills as well as a number of programs designed to stimulate and support cultural change. We are seeing results from our quality initiatives.

In the 2002 Forum for Private Business survey, Yorkshire Bank was ranked ahead of the UK's big four banks for customer service. Clydesdale Bank was named the "UK's Most Improved Business Bank". The Forum represents more than 25,000 businesses, which collectively employ 600,000 people.

Yorkshire Bank also won the 2002–2003 *Your Mortgage* award for Best Regional Lender for the fifth consecutive year.

Northern and National Irish Banks recorded their best ever scores in independent customer satisfaction surveys, reflecting the significant investment in staff training in recent years.

Community

During the year, Clydesdale Bank launched the Art for All program with Glasgow School of Art. The program is aimed at more than 1,500 teenage school children in Scotland's west and seeks to promote social inclusion through art. In addition, we further developed our partnership with **basketball**scotland, which promotes youth development.

Yorkshire Bank supports the Leeds Cares program, run by Business in the Community, which focuses on promoting volunteering activity. This year, our staff helped make improvements at a community centre in Leeds.

Northern Bank won the special award for "Developing Entrepreneurs Today for Business Tomorrow" as a result of its successful relationship with Young Enterprise.

In March 2003, National Irish Bank began a pilot version of Time 2 Count at St Thomas Senior Primary School in Dublin with the assistance of Business in the Community (Ireland) and the government-supported Staying in School Retention Initiative.

Counting on success – National Irish Bank employee, Ruth Cooney, takes part in the Time 2 Count numeracy project with pupils at St Thomas Senior Primary School, Dublin.

National Irish Bank won the Business 2 Arts 2003 Judges Special Recognition Award for its support of the Galway and Kilkenny Arts Festivals and the Baboró International Arts Festival for Children.

Clydesdale Bank Tailored Financial Solutions
Yorkshire Bank Tailored Financial Solutions
Northern Tailored financial solutions
National Irish Bank Tailored Financial Solutions.

Financial Services Europe

- **has 3.4 million customers**
- **employs 11,423 people***
- **has a network of 756 branches and other outlets and 1,257 ATMs****

*Full-time equivalent employees
**Includes automated deposit machines

John Stewart
Managing Director
National Australia Group Europe

Building and extending relationships have been crucial to the success of Financial Services New Zealand this year.

The business enjoyed another year of strong profit growth. Net profit* increased by 21.6% to $310 million, largely driven by lending and deposit growth, margin management, continuing asset quality and cost containment.

The focus on increasing home loan market share contributed strongly to the result, with housing lending 17.9% higher than last year.

Improving the customer experience

Initiatives aimed at improving the customer experience have been key drivers in our success during the year.

In February 2003, we launched a program based on enhancing our main customer communication and service channels. Included was telephone banking, where we significantly reduced the time required for customers to complete their telephone banking transactions, resulting in a 12% decrease in average call duration from 110 seconds to 97 seconds per call.

Internet banking was relaunched in April 2002. Enhancing the service to make it more user-friendly has had a positive impact on customer satisfaction levels, which increased from 51% to 65% between April 2002 and September 2003. (ACNielsen September 2003). Internet banking has been growing faster than any other customer service channel.

*Net profit excludes the after-tax impact of significant items

In addition, Bank of New Zealand made good progress in this year's University of Auckland Business School Residential Bank Customer Survey. Our residential customer satisfaction score increased from 57% to 71%. (University of Auckland Business School Residential Bank Customer Survey, September 2002 – September 2003.)

Bringing the brand to life

Bank of New Zealand undertook a brand program to re-energise and grow its brand profile in the New Zealand market during the year.

Following customer and employee research, a brand position was established, focusing on the key brand values of leadership, empowerment and performance. Alongside staff communications, a number of customer-focused initiatives were introduced, such as re-branding debit and credit cards and a new look for our advertising campaigns.

Home loan market share

During the year, we sought to increase significantly our share of the home loan market. A key element of our approach was to improve the retention of existing customers.

A targeted customer-acquisition campaign backed by a comprehensive and integrated sales and marketing program was also undertaken.

Helped by these campaigns, our home loan market share improved from 15.1% to 15.6% this year. We were one of only two banks in New Zealand to grow market share for the six months ended June 2003. (General Disclosure Statements of Banks June 2003.)

Community-focused sponsorship programs

Perhaps the most significant demonstration of our active involvement in the community is The Bank of New Zealand Kiwi Recovery Trust. This high-profile environmental program was established to secure the future of New Zealand's national icon.

Over the past 11 years, our staff and customers have contributed more than NZ$4 million to the kiwi recovery effort.

We have also played a major role in assisting Heart Children New Zealand to raise awareness of the prevalence of heart problems in children and provided funding through sponsorship to help support the children and their families.

About Financial Services New Zealand

Bank of New Zealand is the face of the Group in New Zealand. We are a leading financial services company providing innovative and empowering financial solutions to all market sectors.

Thanks to the generosity of our staff, customers and the wider public, over NZ$500,000 was raised this year for Heart Children.

◄ New Zealand's Olympic rowing champion, Sonia Waddell, enjoying a Heart Children event.

◄◄ One of Bank of New Zealand's 'new look' home loan advertisements.

Both these sponsorships owe much of their success to the activities of our staff, who have been involved in fundraising efforts at a community level, and the support of customers.

Streamlining delivers best practice

Bank of New Zealand has been the first business in the Group to participate in the Integrated Systems Implementation (ISI) program. Over the past 18 months this has delivered standardised processes and streamlined systems – based on the SAP product – which have empowered staff to access their own personal information and undertake a range of human resource activities online.

In addition, ISI provides key financial information to our financial specialists, operational staff and management, and it is also transforming the way our staff order and purchase goods.

Work carried out to date in New Zealand has provided methodologies and experience that will benefit the rest of the Group.

Trusted relationships are key to our success

This year we again confirmed our position as the currency exchange and banking services provider of first choice for New Zealand's major international airports.

Despite competition from all the major banks and several large international currency exchange companies, we successfully tendered to continue as the sole provider of banking services at Auckland International Airport for the next five years.

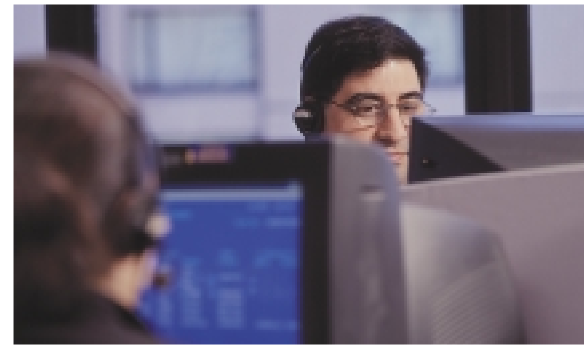
This was followed by a five-year extension to our lease as sole provider of services at Christchurch International Airport.

This continued presence at the two main airport gateways to New Zealand reflects the relationships and trust that have been built over a 30-year period and our expertise in currency exchange services.

Committed to staff satisfaction

Programs to improve staff satisfaction continued to run at both a business unit and bank-wide level. This commitment to continuous improvement saw us carry out an Employee Opinion Survey during the year.

The survey results showed a high level of employee satisfaction and are being used to develop priorities and ongoing action plans.



▲ Customer Solutions Adviser, Hoshang Tata, at the Auckland Customer Contact Centre.

▲ Bank of New Zealand is the sole provider of currency exchange and bank services at Auckland International Airport.

Bank of New Zealand
Tailored Financial Solutions

Peter Thodey
Managing Director
Bank of New Zealand

Wealth Management demonstrated that its business model is strong and sustainable. This year the business maintained its market position and continued to deliver and refine its strategy to ensure a diversified and resilient earnings base.

Wealth Management achieved a strong net profit* of $174 million which was 24.3% higher than the previous year.

This result was positively impacted by the performance of our insurance business and the turnaround in investment markets in the second half of the year.

We held the largest share of the total Australian retail life insurance market as at June 30, 2003, with a 16.5% share of annual new business sales and a 14.7% share of premiums in force. (DEXX&R Life Analysis, June 2003)

At the same time, we ranked as the number one provider of retail investment platforms (master funds and wraps) with a 19.2% market share (Assirt, June 30, 2003).

During the year, we continued to evolve our strategic vision and invest for future growth. The full acquisition of superannuation provider Plum Financial Services Limited in June accelerated enhancements to member education and strengthened our strategic position in the corporate superannuation market.

*Net profit is before the after-tax impact of significant items and after outside equity interest

In the United Kingdom, we established a strategic alliance with the insurer, Legal & General. This alliance will enable us to provide customers with a flexible and competitive suite of wealth protection products.

Leading the evolution towards holistic advice

In Australia, the developments in our business reflect our intention to lead the evolution towards holistic advice and partner with advisers to assist them in the delivery of quality financial solutions for their customers.

We are committed to raising the professional standards of our advice businesses and are working with our advisers to assist them to achieve an Advanced Diploma of Financial Services (Financial Planning), or equivalent qualification, by December 2004. This is above the minimum educational standard required by the industry in Australia.

We have a quality advice business model and in 2003 focused on enhancing our National Australian Financial Planning business.

The quality advice model recognises that today's customers want strategic financial advice, based on a detailed understanding of their total lifestyle goals, rather than product-focused solutions.

We have also enhanced our investment offerings to improve functionality for advisers and offer greater flexibility and transparency for customers.

On our MLC MasterKey investment platform, we expanded customer investment choice with the addition of new funds and introduced a new fee structure to ensure greater transparency. We also enhanced our web-based reporting capabilities to provide a single view of the customer's investment and insurance holdings.

Delivering an integrated financial services experience

Working closely with other areas of the Group, we aim to deliver an integrated financial services experience and make it easy for customers to access a wide range of services.

This year, there were a number of specific initiatives to advance the customer experience, which included:

- Advising customers to use debt more effectively as part of plans to achieve their lifestyle goals. Our planners have leveraged the National's lending capabilities introducing more than $1 billion in lending business – an increase of 12% on last year;
- Increasing access to specialists who provide advice and solutions to the National's business customers on key business risk insurance, employee superannuation and specialists employee remuneration programs, such as salary packaging; and

About Wealth Management

Wealth Management partners with financial advisers to provide quality financial planning services and a range of wealth creation, wealth protection, banking, superannuation and retirement solutions to build and protect customers' wealth throughout their lives. We also provide corporate and institutional customers with outsourced investment, superannuation and employee benefit solutions.

Peter Scott

EGM, Wealth Management

Our Group's vision is to be a leading, international financial services company which is trusted by you and renowned for getting it right. Wealth Management will achieve this by: leveraging our core capabilities into selected international markets, leading the evolution towards holistic advice in Australia and delivering an integrated financial services experience for our customers.

- Delivering complex and unique financial planning advice and solutions to customers through the integration of Private Bank into the Wealth Management business.

Leveraging our core capabilities

During 2003, we continued to leverage our core capabilities by selectively exporting components of our model to targeted international markets.

In the United Kingdom, we launched a new adviser service offering to expand further into the growing external advice market. The offering, branded Pivotal, will provide external financial advisers with the MLC multi-manager investment process and will include a range of consultancy and business services.

Our differentiated offer and bank customer base provides us with a strong foundation in a competitive market.

In Hong Kong, our customers now have greater investment choice following enhancements to our offer and improvements in our multi-distribution capability.

We continued to increase our focus on the Greater China region, with a representative office in Beijing due to open in December 2003.

For our New Zealand customers, we have piloted an innovative and simplified life insurance sales process. This joint initiative with Bank of New Zealand has delivered outstanding pilot results, recording higher levels of sales and customer satisfaction.

Our people and the community

The importance of relationships and delivering lasting benefits to the community was demonstrated by our People and Community Trust, once again sponsoring our annual Community Day.

More than 2,000 people in Australia and the United Kingdom have spent in excess of 10,000 hours rolling up their sleeves for the community, taking part in over 200 projects for a diverse range of community groups.

In 2003, we became a member of the National's Community Consultation Forum designed to enhance further our dialogue with community organisations.

Next year, more than 1,000 Wealth Management people will relocate to the National's new flagship building in Melbourne's Docklands.

Building upon the success of Campus MLC in Sydney, National @ Docklands will set a new standard in workplace design and further strengthen our relationships with our people, our customers and the community. Importantly, it makes possible the co-location of Wealth Management with Financial Services Australia – a key step in realising the synergies inherent in the acquisition of MLC.

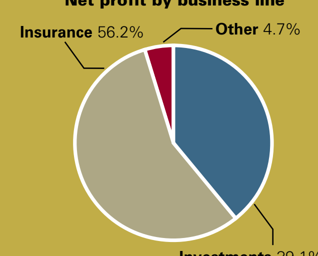
▲ From left to right: Financial Planner, Con Gianna, and Banker, Rebecca Licciardi (both of Private Bank), consider investment options for clients Bruce and Valerie Kean.

▲ Under construction, National @ Docklands in Melbourne will house 3,500 employees, including 1,000 from Wealth Management.

MLC A National Company

▶ **Community Day:** Employees at MLC Indonesia help to build a greener environment at a school in West Jakarta.

Net profit by business line



Success

MLC was awarded the 2003 Life Insurance Company of the Year for the second consecutive year in the *Personal Investor* Awards for Excellence in Financial Services. MLC was recognised as the fourth largest manager of managers in the world (Cerulli, 2003).

Corporate & Institutional Banking

In line with the Group's vision to be a leading international financial services company, Corporate & Institutional Banking is working towards building a reputation for delivering the best and smartest solutions for clients.

The business recorded a net profit* of $846 million, up 3.4% on last year.

Growing with our clients

By working more closely with clients this year, we added 325 new clients and increased client-based banking income by 10.7% (14.4% at constant exchange rates). This increase offset lower income in our risk and trading operations, resulting from tougher market conditions.

Strong performances by our teams in Markets, Corporate Banking, Financial Institutions and Specialised Finance contributed to the growth in client-based income.

Furthermore, in 2003, our European operations started laying the foundations to extend our client focus from FTSE 200 companies to FTSE 500 companies to bridge a previously untapped market segment for the National. We remain committed to growth in all regions where we operate and have seen good performances by our off-shore operations in Asia, the United Kingdom, New Zealand, and the United States.

*Net profit is before the after-tax impact of significant items and after outside equity interest

In June, we were successful in tendering to acquire the client custody contracts of Commonwealth Custodial Services Limited and Commonwealth Bank of Australia, subject to the approval of clients. The acquisition boosts National Custodian Services' presence in the Australian market.

While meeting the needs of our existing clients and marketing to targeted new clients, we have maintained a strong focus on the quality of our loan portfolio. As at September 30, 2003, 91.4% of our portfolio is investment grade or above.

Excellence and innovation

Corporate & Institutional Banking lifted its focus on product innovation this year. A number of external appointments were made to help drive future product innovation in Project Finance, Transactional Banking, Structured Finance and Foreign Exchange.

In the area of risk management, we continued to leverage our strengths for the benefit of clients. We wrote our first precipitation option, in conjunction with the National's Australian Agribusiness division, enabling a client to manage the risk of low rainfall in September 2003.

Our strength in the Australian dollar bond market was evident in 2003. We led the field in corporate bond issues in the $100 million plus category between January 1 and September 30, 2003, arranging 13 transactions which totalled $2,192 million (*Insto – Australian Finance & Capital Markets*, October 2003). This included medium-term note issues for CitiPower ($675 million) and Westfield Trust ($500 million) where we were the joint lead manager.

We are now leveraging this competitive strength in other markets, such as the United Kingdom, and during the year arranged GBP359 million in sterling corporate bond issues.

In the securitisation arena, we ranked number two in Australia with $1,522 million in transactions between January 1 and September 30, 2003 (*Insto*, October 2003).

Amongst our securitisation transactions this year were two medium-term note issues for the Medfin Trust, each raising $151.5 million, and backed by automobile and equipment loans, leases and hire purchase agreements to medical practitioners. These issues followed the success of the first Medfin issue, which won *Insto's* Structured Deal of the Year Award (December 2002).

Syndicated loans proved to be another area of competitive strength, especially in Australia and New Zealand. For the period January to September 2003, we ranked number two by value with US$1,777 million in syndicated loans (*basis point*, October 3, 2003). Transactions contributing to this excellent result included a US$1,000 million syndicated global multi-currency revolving facility for Amcor Limited and a

◀◀ Tony O'Grady (General Manager, Custodian Services) with team members Anna Morgan (left) and Sally Roberts (centre).

◀ Ron Erdos (General Manager, Markets) with members of the Securitisation team, Philippe Blin (centre) and Jacqueline Fox (right).

About Corporate & Institutional Banking

Corporate & Institutional Banking manages the Group's relationships with large corporations, financial institutions, supranationals and government bodies. We operate in Australia, New Zealand, Europe, the United States and Asia and employ 2,612 people*.

*Full-time equivalent employees

$1,446 million project finance facility for WestLink Motorway Limited.

We continue to develop our distribution strength domestically and internationally. In Japan we have established a new securities company to add to our current trading capability in Hong Kong, Singapore, London, New York, Melbourne and Sydney. Our new Tokyo-based business, in conjunction with our London-based teams, has had success arranging eight bond issues, totalling $516 million, which were privately placed with local securities houses.

As part of operating a more efficient global business, we have established a new 24-hour processing centre in Melbourne, which supports all our trading centres. The centre is a highly automated operational environment, which creates greater business efficiency through scale and an expanded use of technology. It handles foreign exchange and money market transactions, and will be expanded to support a wider range of products over the next 12 to 24 months.

People make the difference

Having motivated and highly skilled people working in Corporate & Institutional Banking is the key to our business success. During the year, we launched a values program to promote a consistent framework for decision making across all areas of our business. This is helping to strengthen the customer ethos of our business and foster greater teamwork.

Training has also been a major focus for us in 2003, with an emphasis on compliance and accreditation.

Legislative reforms for providers of financial services in Australia and the United Kingdom have established new training requirements for advisers concerning financial products. This involves both formal accreditation and ongoing professional development. Our Markets area was well prepared, with over 90% of bankers having already obtained accreditation with the relevant industry bodies.

We also raised awareness of the new International Financial Reporting Standards and the likely impact on clients in those countries where the standards will be adopted over the next few years.

As part of managing the talent of our people, we have continued the employee rotation program launched last year with Credit Risk Management. This initiative, combined with the launch of a two-week residential credit training program, is enhancing skill levels, capabilities, speed of delivery and relationships between Credit Risk Management and Corporate & Institutional Banking. The credit training program focuses on credit analysis and assessment. This year 125 people have participated in the program.

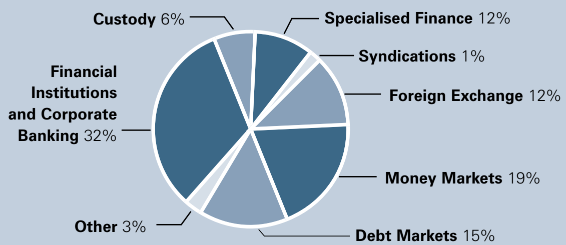
▲ Corporate Banking Director, John Swift (right), with Andrew Martin (left), Group Finance Director of UK leisure travel company, First Choice Holidays PLC, talk about jet fuel hedging solutions.

▲ Brian Smart (right) of PaperlinX, Australian paper manufacturer and international paper distributor, discussing the company's leading Reflex brand with National client directors, Gary Chan (left) and Stephen Graetz (centre).

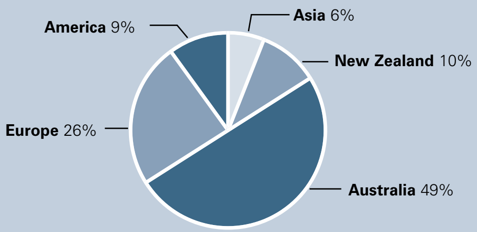
National Australia Bank

Ian Scholes
EGM, Corporate & Institutional Banking

Income by Area



Income by Region



The Board of Directors

Two new directors, John Stewart and John Thorn, have been appointed to the Board of the National. Further information about our board members is on pages 32–33.

Mr Charles Allen
Mr Allen was appointed Chairman in September 2001 and has been an independent non-executive director since 1992. He is Chairman of the Nomination Committee.

Mr Frank Cicutto
Mr Cicutto, the Managing Director and Chief Executive Officer, was appointed to the Board as an executive director in 1998. He is a member of the Nomination Committee and the Risk Committee.

Dr Brian Clark
Dr Clark is an independent non-executive director, appointed in 2001. He is a member of the Compensation Committee and the Nomination Committee.

Mr Peter Duncan
Mr Duncan is an independent non-executive director, appointed in 2001. He is a member of the Audit Committee, the Nomination Committee and the Risk Committee.

Mr Graham Kraehe
Mr Kraehe is an independent non-executive director, appointed in 1997. He is Chairman of the Risk Committee and a member of the Nomination Committee.

Dr Kenneth Moss
Dr Moss is an independent non-executive director, appointed in 2000. He is Chairman of the Compensation Committee and is a member of the Audit Committee and the Nomination Committee.

Mr John Stewart
Mr Stewart was appointed as an executive director in August 2003. He is the Managing Director and CEO of National Australia Group Europe Limited. Mr Stewart is a member of the Nomination Committee.

Mr John Thorn
Mr Thorn was appointed as an independent non-executive director in October 2003. He is a member of the Audit Committee, the Compensation Committee and the Nomination Committee.

Mr Geoffrey Tomlinson
Mr Tomlinson is an independent non-executive director, appointed in 2000. He is Chairman of National Wealth Management Holdings Limited and is a member of the Nomination Committee.

Dr Edward Tweddell
Dr Tweddell is an independent non-executive director, appointed in 1998. He is a member of the Compensation Committee, the Nomination Committee and the Risk Committee.

Mrs Catherine Walter
Mrs Walter is an independent non-executive director, appointed in 1995. She is Chairman of the Audit Committee and is a member of the Nomination Committee.

Concise Financial Report 2003

Importance of corporate governance

The Board of directors of the Company (the Board) is responsible for the corporate governance of the Company and its controlled entities (the Group). Corporate governance is a matter of high importance in the Company and is undertaken with due regard to all of the Company's stakeholders and its role in the community. Good corporate governance is a fundamental part of the culture and the business practices of the Group. The main corporate governance practices that were in place during the year to September 30, 2003, or otherwise as referred to below, are discussed in this section.

The Board has approved corporate governance guidelines, which set out the specific roles, duties, responsibilities and rights of the directors of the Company. Each director is expected to have regard to these guidelines in the performance of his or her duties as a director of the Company.

The major processes by which the directors of the Group meet their duties are described in this corporate governance statement.

Responsibilities and functions of the Board

The Board has adopted a formal charter that details the functions and responsibilities of the Board. The most significant responsibilities of the Board are to:

Stakeholder interests

- serve in the interests of all stakeholders, being the shareholders, customers, staff and the communities in the geographic regions in which the Group operates;
- build trust in the Group through consistent behaviour, transparency and accountability; and
- establish, review and monitor processes for corporate governance throughout the Group;

Future strategy

- develop an in-depth understanding of each substantial segment of the Group's business;
- review, approve and monitor corporate strategy and plans and review the assumptions and rationale underlying the annual plans;
- make decisions concerning the Group's capital structure and dividend policy; and
- review, approve, and monitor major investment and strategic commitments;

Review of past performance

- review business results, monitor budgetary control and review, approve and monitor necessary corrective actions and processes;

Integrity of external reporting

- review and monitor the processes, controls and procedures which are in place to maintain the integrity of the Group's accounting and financial records and statements with the guidance of the Audit Committee;
- review and monitor the reporting to shareholders providing objective, comprehensive, factual and timely information to the various markets in which the Company's shares are listed; and
- monitor and receive reports from the Audit Committee in relation to internal controls and internal and external audit reports;

Risk management and compliance

- establish, monitor and review the risk management processes with the guidance of the Risk Committee;
- review and monitor processes for compliance with prudential regulations and standards and other regulatory requirements;
- review and monitor processes for the maintenance of adequate credit quality; and
- review and monitor processes for the documentation and regular review and updating of the Group's risk profile;

Executive review, succession planning and culture

- approve key executive appointments and monitor and review executive succession planning;
- review and monitor the performance of the Managing Director and Chief Executive Officer and senior management;
- review and approve executive remuneration with the guidance of the Compensation Committee;
- approve all appointments of directors to the boards of controlled entities and appointments made by the Group to non-controlled entities; and
- monitor and influence the culture, reputation and ethical standards of the Group; and

Board performance

- monitor Board composition, director selection, Board processes and performance with the guidance of the Nomination Committee;
- monitor and review the processes to assist directors in having sufficient time to devote to Board matters in order that they discharge their duties effectively; and
- review the charter and its continuing adequacy from time to time.

Composition of the Board

The Board requires that each of its directors possess unquestionable integrity and character. The Nomination Committee will assist the Board in identifying other appropriate skills and characteristics required for the Board as a whole and the Board's individual members in order for the Group to fulfil its goals and responsibilities to shareholders and other key stakeholders.

The composition of the Board is based on the following factors:

- the size of the Board will be of a size to assist in efficient decision making;
- the Chairman of the Board should be an independent non-executive director and shall be elected by the directors annually;
- the Chairman must not be a former executive officer of the Group;
- the Board should comprise a majority of independent non-executive directors; and
- the Board should comprise directors with a broad range of expertise, skills and experience from a diverse range of backgrounds.

The Board is comprised of a majority of independent non-executive directors. There are two executive directors and nine independent non-executive directors. The role of Chairman and role of Chief Executive Officer are held by two separate individuals. The Chairman is a non-executive director and the Managing Director and Chief Executive Officer is an executive director.

The skills, experience and expertise of the directors are set out in the report of the directors.

Independence of directors

In judging whether a director is independent for the purposes of services on the Board and Board committees of the Company, the Board has regard to the standards adopted by the Board from time to time to assist it in its regular 'independence' determinations. These standards reflect the independence requirements of applicable laws, rules and regulations, including the Australian Stock Exchange Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations and the United States *Sarbanes-Oxley Act of 2002*. Directors are required to provide all relevant information to allow a regular assessment of independence. The fundamental premise of the standards is that an independent director must be independent of management and free to exercise his or her unfettered and independent judgement.

The non-executive directors meet informally on a regular basis, without the Managing Director and Chief Executive Officer, the other executive director and other members of management being present.

The directors considered by the Board to constitute independent directors are identified, along with their period in office, in the report of the directors.

Disclosure of related party transactions is set out in note 52 in the annual financial report 2003.

Appointment and re-election of Board members

The process for appointing a director is that, when a vacancy exists, the Board, assisted by the Nomination Committee, identifies candidates with the appropriate expertise and experience, using external consultants as appropriate. The most suitable candidate is appointed by the Board but must stand for election by the shareholders at the next annual general meeting of the Company.

The Company has formal letters of appointment for its directors setting out the key terms and conditions of the appointments.

The process for re-election of a director is in accordance with the Company's constitution, which requires that, each year, at least one-third of the directors, except the Managing Director, retire from office at the annual general meeting. The retiring directors may be eligible for re-election.

Prior to each annual general meeting, the Board will assess the performance of each director due to stand for re-election and determine if the Board will recommend to the shareholders that they vote in favour of the re-election, or otherwise, of each such director.

For directors appointed after 1995, the Board has set a limit of 15 years for which an individual may serve as a director. The Board regards this as an appropriate period of service. Directors who have served on the Board for an extended period of time have gained valuable experiences, insights and historical perspectives regarding the Group that would not be easily replaced.

The retirement age for directors is fixed by the Company's constitution at 70 years of age.

Induction and continuing education

Senior management, working with the Board, will provide an orientation program for new directors in order to assist them in fulfilling their duties and responsibilities. The program will include discussions with the Managing Director and Chief Executive Officer and executives, the provision of reading material, tutorials and workshops. These will include detail on directors' rights, duties and responsibilities, the Group's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Conduct, its management structure and its internal and external auditors.

Management will conduct additional presentations and tutorial sessions for directors from time to time regarding the Group, the factors impacting, or likely to impact, on its businesses, and to assist the non-executive directors in gaining a broader understanding and knowledge of the Group. Directors are also encouraged to keep up to date on relevant topical issues.

Board meetings

The frequency of Board meetings and directors' attendance at those meetings is set out in the report of the directors. Directors are expected to prepare adequately, attend and participate at Board meetings and meetings of committees. Some on-site inspections are conducted which directors are also expected to attend. The Board meets once each year in Europe, where the Group has a substantial proportion of its assets, and in New Zealand where there are significant business interests. The amount of work undertaken is considerable. The time requirement varies depending on the number of Board committee meetings and controlled entity board meetings a director attends.

Board performance

The Board reviews and evaluates the performance of the Board with the guidance of the Nomination Committee. The Board receives feedback from shareholders and executives on the performance of the Board. During the year, an external independent expert was enagaged to review many aspects of the Board's activities and to assist in a continuous improvement process to enhance the effectiveness of the Board.

Remuneration of directors

The maximum aggregate amount from which non-executive directors may be remunerated is determined by the shareholders. It is possible that this maximum aggregate amount may not be fully utilised in any one year. From this amount, the individual directors are remunerated based on a philosophy of compensating the directors at around the upper quartile of the market, having regard to the size and complexity of the Company.

The remuneration of non-executive directors involves all the non-executive directors receiving part of their remuneration in the form of shares in the Company.

The Compensation Committee provides guidance to the Board in respect of these matters.

The remuneration policy for the Board and the remuneration of each director is set out in the report of the directors.

Remuneration of senior executives

The Group's remuneration philosophy for senior executives is to reward high levels of sustained performance and contribution through a pay-for-performance model.

Remuneration comprises the following major components:

- fixed remuneration; and
- variable remuneration;
  - short-term incentives; and
  - long term incentives.

Variable remuneration, also known as 'at risk' remuneration, comprises short-term incentives and long-term incentives. In general, the Group aims to target the upper quartile of the market for remuneration to ensure the attraction and retention of talented executives.

The Compensation Committee provides guidance to the Board in respect of these matters.

The remuneration policy for senior executives is set out in the report of the directors.

Conflicts of interest

Directors are expected to avoid any action, position or interest that conflicts with an interest of the Group, or gives the appearance of a conflict. A director who has a material personal interest in a matter that relates to the affairs of the Group must give the other directors notice of such interest. Such notice should be provided in writing to the Company Secretary, who is to ensure that the notice is brought to the attention of the other directors.

The *Corporations Act* 2001 (Cth) together with the constitution of the Company provide that a director who has a material personal interest in a matter that is being considered at a directors' meeting cannot be present while the matter is being considered at the meeting or vote on the matter, except in the following circumstances:

- the directors who do not have a material personal interest in the matter have passed a resolution that identifies the director, the nature and extent of the director's interest in the matter and its relation to the affairs of the company, which states that the remaining directors are satisfied that the interest should not disqualify the director from voting or being present;

- ASIC has made a declaration or order under the *Corporations Act* 2001 (Cth), which permits the director to be present and vote notwithstanding the director's material personal interest;
- there are not enough directors to form a quorum for a directors' meeting because of the disqualification of the interested directors, in which event one or more of the directors (including a director with a material personal interest) may call a general meeting to address the matter; and
- the matter is of a type which the *Corporations Act* 2001 (Cth) specifically permits the director to vote upon and to be present at a directors' meeting during consideration of the matter notwithstanding the director's material personal interest.

However, notwithstanding the exceptions permitted by the *Corporations Act* 2001 (Cth) and the constitution of the Company (as described above), the Group's corporate governance standards provide that generally speaking, when a potential conflict of interest arises, the director concerned does not receive copies of the relevant Board papers and withdraws from the Board meeting while such matters are considered. Accordingly, in such circumstances the director concerned takes no part in discussions nor exercises any influence over other members of the Board. If a significant conflict of interest with a director exists and cannot be resolved, the director is expected to tender his or her resignation after consultation with the Chairman.

Financial services are provided to non-executive directors under terms and conditions that would normally apply to the public. Executive directors are entitled to financial services under terms and conditions that would normally apply to full-time employees. The granting of financial services to directors is subject to any applicable legal or regulatory restrictions, including the United States *Sarbanes-Oxley Act of 2002*.

Access to management

Board members shall have complete and open access to members of management following consultation with the Chairman and the Managing Director and Chief Executive Officer.

Access to independent professional advice

Written guidelines are in place providing for each director to have the right to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairman.

The Board has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at the Group's expense, such legal, accounting or other services, consultants or experts as it considers necessary from time to time in the performance of its duties.

Restrictions on share dealings by directors

Directors are subject to the *Corporations Act* 2001 (Cth) restrictions on applying for, acquiring and disposing of securities in, or other relevant financial products of, the Company (or procuring another person to do so), if they are in possession of inside information. Inside information is that information which is not generally available, and which if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the securities in, or other relevant financial products of, the Company.

Further, directors may only trade in the Company's securities (subject to also complying with applicable law) during each of the eight weeks commencing the day following each half yearly profit announcement or the date of issue of a prospectus. Directors are further required to discuss their intention to trade in the Company's securities with the Chairman prior to trading.

The directors are also subject to legal restrictions on insider trading in other jurisdictions.

Directors must not trade in the shares of any other entity if inside information on such entity comes to the attention of the director by virtue of holding office as a director of the Company.

Shareholding requirements

Within two months after a director's appointment, the director is required to hold at least 2,000 shares in the Company. Non-executive directors are required to receive at least 10% and up to 40% of their annual remuneration in the form of shares in the Company, under the National Australia Bank Staff Share Ownership Plan, which was approved by shareholders at the Company's annual general meeting in 2000 and fresh approval of the non-executive directors' share plan will be sought again at the 2003 annual general meeting. Such shares are acquired at market prices. The executive directors may receive share options and performance rights over shares as approved by shareholders and, as staff members, may also receive shares in the Company.

Details of all shareholdings by directors in the Company are set out in the report of the directors.

Confidential information

Internal control systems are monitored and employee integrity is fostered to ensure that confidential customer information is not disclosed outside the Group or used for financial gain of any other entity with which the director has an association. The directors regard the confidentiality of customer information as highly important. When the directors are serving on the boards of other companies and undertaking private transactions, they have regard to their confidentiality obligations at all times.

Board and committee agendas

Board and committee agendas are structured throughout the year to assist the Board to meet its significant responsibilities. This includes the Board's consideration of strategy and the achievement of financial and other goals. This also includes the Board receiving a detailed overview of the performance and significant issues confronting each business unit and support unit and to identify major risk elements for review to ensure that assets are properly valued and that protective strategies are in place.

Directors receive detailed financial, operational and strategy reports from senior management during the year and management is available to discuss the reports with the Board.

Board committees

The Board may establish committees as it considers necessary or appropriate to assist it in carrying out its responsibilities. The Board has established the following committees and has adopted charters setting out the matters relevant to the composition, responsibilities and administration of these committees:

- Risk Committee;
- Audit Committee;
- Nomination Committee;
- Compensation Committee.

Other matters of special importance in relation to which Board committees are established include consideration of large credit facilities, borrowing programs, projects, capital strategies, major investments and commitments, capital expenditure, delegation of authorities to act, and the allocation of resources.

During the year, the responsibilities of the previous Compensation and Nomination Committee were divided and allocated between two new committees.

Risk Committee

Membership
The Risk Committee was established on August 28, 2003. There were no meetings held during 2003.

The members of the Risk Committee at the date of this concise financial report are:

Mr Graham J Kraehe (Chairman);
Mr Frank J Cicutto;
Mr Peter JB Duncan; and
Dr Edward D Tweddell.

It is appropriate that members of the Risk Committee have a range of different backgrounds, skills and experiences having regard to the operations, financial and strategic risk profile of the Group.

Responsibilities and Risk Committee charter
The roles, responsibilities, composition and membership requirements are documented in the Risk Committee charter, which has been approved by the Board and may be found on the Group's website at www.nabgroup.com

The responsibilities of the Risk Committee include:

- reviewing the Group's risk profile within the context of the Board risk/return profile determined by the Board;
- implementing and reviewing risk management and internal compliance and control systems throughout the Group;
- reviewing the adequacy and effectiveness of the Group's compliance management framework;
- reviewing balance sheet risk management framework and strategies;
- overseeing the Group's credit policies;
- assessing operational risk limits;
- reviewing business risk management;
- reviewing country lines of credit; and
- reviewing the liquidity policies of the Group.

More comprehensive details on risk management appear on pages 51 to 57 of the annual financial report 2003.

Audit Committee

Membership
The members of the Audit Committee at the date of this concise annual report are:

Mrs Catherine M Walter (Chairman);
Mr Peter JB Duncan;
Dr Kenneth J Moss; and
Mr John G Thorn (joined on October 16, 2003).

All members of the Audit Committee must be independent, non-executive directors. 'Independence' for these purposes is determined in accordance with the standard adopted by the Board, which reflects the independence requirements of applicable laws, rules and regulations, including the Australian Stock Exchange Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations and the United States *Sarbanes-Oxley Act of 2002*. Members are appointed for an initial term of three years. Membership is reviewed every three years and periodic rotation is encouraged whereby no more than one member each year can resign as a result of periodic rotation. It is considered appropriate that members of the Audit Committee be financially literate and have a range of different backgrounds, skills and experiences having regard to the operations, financial and strategic risk profile of the Group. The Board recognises the importance of the Audit Committee having at least one member with appropriate accounting or financial expertise, as required by applicable laws, best practice guidelines and listing standards. There is currently a member on the Audit Committee, Mr John G Thorn, who acts as the financial expert for United States regulatory purposes. All members of the Audit Committee are financially literate.

The Chairman of the Board cannot be a member of the Audit Committee.

The qualifications of the Audit Committee members together with the number of meetings attended by each member during the year may be found in the report of the directors.

Responsibilities and Audit Committee charter
The Audit Committee's role, responsibilities, composition and membership requirements are documented in the Audit Committee charter, which has been approved by the Board and may be found on the Group's website at www.nabgroup.com

The Audit Committee is responsible for review and oversight of:

- the integrity of the accounting and financial reporting processes of the Group;
- the Group's external audit;
- the Group's internal audit; and
- compliance with applicable accounting standards to give a true and fair view of the financial position and performance of the Group.

The Audit Committee met on seven occasions during the year. The charter is reviewed at least annually.

The Audit Committee has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at the Company's expense, such legal, accounting or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties.

External auditor
The Audit Committee is responsible for the selection, evaluation, compensation and, where appropriate, replacement of the external auditor, subject to shareholder approval where required. Responsibilities of this nature are a departure from the Australian Stock Exchange Corporate Council Principles of Good Corporate Governance and Best Practice Recommendations which provide that the Audit Committee should recommend to the Board the appointment and removal of the external auditor. The reason for the departure is that United States' laws and regulations require that these responsibilities rest with the Audit Committee.

The Audit Committee is to ensure that the external lead audit partner and concurring review partner are rotated off the Group's audit after no more than five years and are not reassigned to the Group's audit for at least five years.

The Audit Committee meets with the external auditor throughout the year to review the adequacy of the existing external audit arrangements with particular emphasis on the scope, quality and independence of the audit. The Audit Committee meets with internal audit, the external auditor and the consulting actuary separately, without the presence of management, at least annually.

The Audit Committee receives certified assurances from the external auditor and the consulting actuary that they meet the independence requirements of the Company's global regulators.

Non-audit services
The Group has adopted an internal policy requiring the pre-approval of any non-audit services proposed to be

undertaken by the external auditor. The policy incorporates auditor independence requirements of applicable laws, rules and regulations and has been promulgated throughout the Group.

Confidential financial submissions
The Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters. It is a responsibility of the Audit Committee to ensure that employees can make confidential, anonymous submissions regarding such matters.

Nomination Committee

Membership
The Nomination Committee's members at the date of this concise annual report are:

Mr D Charles K Allen (Chairman);
Mr Frank J Cicutto;
Dr J Brian Clark;
Mr Peter JB Duncan;
Mr Graham J Kraehe;
Dr Kenneth J Moss;
Mr John M Stewart;
Mr John G Thorn (joined October 16, 2003);
Mr Geoffrey A Tomlinson;
Dr Edward D Tweddell; and
Mrs Catherine M Walter,
acting in committee.

The Committee has authority from the Board to sub-delegate the authority of the Committee to a Sub-Committee, comprised of a minimum of three members of the Committee, to examine, review, consider and recommend such matters, relevant to the Nomination Committee Charter, as the Committee may consider appropriate from time to time.

The number of meetings attended by each member during the year, may be found in the report of the directors.

Responsibilities and Nomination Committee charter
The Nomination Committee's role, responsibilities, composition and membership requirements are documented in a Nomination Committee charter, which has been approved by the Board, and which is available on the Group's website at www.nabgroup.com

The responsibilities of the Nomination Committee are to:

- monitor, review and make recommendations to the Board regarding its performance;
- monitor, review and make recommendations to the Board as necessary and appropriate regarding the objectives for and assessment of the performance of the Managing Director and Chief Executive Officer;
- review and make recommendations to the Board as appropriate, with regard to:
  - the size and composition of the Board;
  - the criteria for Board membership and desirable qualifications, experience and domicile for individual new appointees to the Board;
  - the induction program for new directors;
  - the continuing education program for directors;
  - identification of potential candidates for appointment to the Board; and
- review the Nomination Committee's charter, as well as its composition, annually.

Succession planning
The Nomination Committee reviews the succession planning for the Board and senior executives and reports to the Board on such issues.

Compensation Committee

Membership
The Compensation Committee's members at the date of this concise annual report are:

Dr Kenneth J Moss (Chairman);
Dr J Brian Clark
Mr John G Thorn (joined November 7, 2003); and
Dr Edward D Tweddell.

The number of meetings attended by each member during the year may be found in the report of the directors.

Responsibilities and Compensation Committee charter
The Compensation Committee's role, responsibilities, composition and membership requirements are documented in a Compensation Committee charter, which has been approved by the Board and may be found on the Group's website at www.nabgroup.com

The responsibilities of the Compensation Committee are to:

- monitor, review and make recommendations to the Board as necessary and appropriate regarding:
  - the compensation arrangements for the Managing Director and Chief Executive Officer, including incentive plans, other benefits and service contracts; and
  - the remuneration arrangements for non-executive directors;
- oversee the remuneration policies of the Group generally;
- review and approve:
  - offers under existing share, option and performance rights plans from time to time on such conditions (not inconsistent with the provisions of the relevant plan) as the Compensation Committee thinks fit, including setting the terms of issue of shares, options and performance rights, within the aggregate number of securities able to be made available under the relevant plan as approved by the Board;
  - remuneration reviews and payments under current incentive plans for senior executives and reward pools under various specialist incentive plans;
  - fees for the members of the boards of controlled entities; and
  - changes to the factors regarding the measurement of Economic Value Added EVA®; and
- review the Compensation Committee's charter, as well as its composition, annually.

EVA® is a registered trademark of Stern Stewart & Co.

Performance review
The Board reviews performance and sets the remuneration package applicable to the Managing Director and Chief Executive Officer following recommendations from the Compensation Committee. This performance review involves meeting established performance-based criteria structured on increasing shareholder value.

The remuneration policy for senior executives is set out in the report of the directors.

Controlled entities

The activities of every Company in the Group are overseen by their own board of directors.

Directors of each of these controlled entities are provided with Corporate Governance Guidelines, which have been approved by the Board. The Corporate Governance Guidelines set out the specific roles, duties, responsibilities and rights of the directors of the controlled entities. Such guidelines set out the key expectations that the Board would have of the boards of controlled entities. The guidelines have been specifically tailored for the different types of entities depending on the nature of their business and their activities.

Mr Geoffrey A Tomlinson is the Chairman of National Wealth Management Holdings Limited, and certain wealth management controlled entities, due to his in-depth background and expertise in wealth management and insurance business. Directors of controlled entities are normally selected from among the outstanding business people in the local market in which the entities operate. A primary pre-requisite to the Board having confidence in the activities of a controlled entity board is to have a high quality subsidiary board with a commitment to the Group objectives. There is a standing invitation to all of the Board directors to attend any board meeting of a controlled entity through consultation with the Chairman. Such visits are undertaken to develop a broader understanding of the Group's total operations.

Communicating with shareholders

Strategy
The Group aims to be open and transparent with all stakeholders, including the owners of the business – the shareholders (direct and indirect). Plain English communications and easy access to company information are important objectives of the Company's communications strategy. Information is communicated to shareholders regularly through a range of forums, publications and online. These include:

- the Company's annual general meeting, which this year will be held in Melbourne on December 19, 2003;
- notices and explanatory memoranda of annual general meetings;
- the concise annual report (unless a shareholder has requested not to receive this);
- the annual financial report (for those shareholders who have requested a copy);
- disclosures to the stock exchanges in Australia, London, Luxembourg, New York, New Zealand and Tokyo, and to the Australian Securities and Investments Commission and the US Securities and Exchange Commission;
- letters from the Managing Director and Chief Executive Officer or the Chairman to specifically inform shareholders of key matters of interest; and
- the Group's website at www.nabgroup.com, where there is a Shareholder Centre which includes access to company announcements and media releases and investor presentations.

In addition to the registered shareholders, there are many thousands who have invested indirectly through the Group's funds management products, and through the funds management products of a large number of organisations. The Group encourages these beneficial owners to take an active interest in the affairs of the Group by visiting the Group's website. Beneficial owners and others may also access the Shareholder Centre.

Meetings
The notice of annual general meeting provides details of the location, time and date of the meeting, the business to be considered by shareholders and details about each candidate standing for election or re-election as a director of the Company. On average, these meetings attract around 1,000 shareholders and stakeholders. For those shareholders who are unable to attend the meeting, the Company provides a webcast. The Company's external auditor attends this meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Continuous disclosure
The Board's policy is that shareholders are informed of all major developments that impact on the Company. There is a detailed continuous disclosure policy in place, which is intended to maintain the market integrity and market efficiency of the Company's shares listed on international stock exchanges. The Company has established written policies and procedures designed to manage the Company's compliance with the continuous disclosure obligations imposed by the various stock exchanges on which the Company's securities are listed (including the ASX) and to attribute accountability at a senior management level for that compliance.

Ethical standards
The operations of the Group are driven by the Group's purpose, vision statement and values. All of the Group's values are important and cover every aspect of daily banking and financial service practices.

The Group's values include the requirement that the business be conducted ethically, with integrity and professionalism to achieve the highest standards of behaviour. These values are reinforced by the Company's Code of Conduct, which requires the observance of strict ethical guidelines. The Code of Conduct applies to all senior executives and employees of the Group, as well as to directors, and temporary workers. In addition, the Board charter also governs the conduct of the Board and each director. The Code of Conduct covers:

- personal conduct;
- honesty;
- relations with customers;
- prevention of fraud;
- financial advice to customers;
- conflict of interest; and
- disclosure.

The Group regularly reviews its relationships with the external suppliers of goods and services. Organisations with high ethical standards are favourably considered. Where there is transition of executives between the Group and major suppliers or customers, appropriate confidentiality and independence issues are addressed in both principle and process.

The Board supports the code of conduct issued by the Australian Institute of Company Directors.

In addition, the Group has adopted a code of conduct for financial professionals which applies to the Managing Director and Chief Executive Officer, Chief Financial Officer and all professionals worldwide serving in finance, accounting, tax or investor relations roles.

The Company strongly supports the Code of Banking Practice 2003, recently launched by the Australian Bankers' Association, which includes:

- major commitments and obligations to customers;
- principles of conduct; and
- the roles and responsibilities of the independent external body, the Code of Compliance Monitoring Committee, which investigates complaints about non-compliance.

Whistleblower Protection Program

The Group has a Whistleblower Protection Program established for the confidential reporting of issues of unacceptable or undesirable conduct. The system enables disclosures to be made to a Protected Disclosure Officer by the Group's employees, or, where applicable, if the matter is highly sensitive and the employee believes it more appropriate, direct to the Audit Committee.

The Group does not tolerate known or suspected incidents of fraud, corrupt conduct, adverse behaviour, legal or regulatory non-compliance, or questionable accounting and auditing matters by its employees.

Nor does the Group tolerate taking reprisals against those who come forward to disclose such conduct. The Group will take all reasonable steps to protect employees who make such disclosures from any reprisal or detrimental action following the disclosure.

The directors of National Australia Bank Limited (the Company) present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the year ended September 30, 2003.

Directors

The Board of directors (the Board) has power to appoint persons as directors to fill any vacancies. Other than the Managing Director, one-third (or the nearest number to but not exceeding one-third) are required to retire by rotation at each annual general meeting, together with any director appointed during the year to fill any vacancy. Both the directors retiring by rotation and any newly-appointed directors are eligible to stand for re-election or election.

Details of directors of the Company in office at the date of this report, and each director's qualifications, experience and special responsibilities are below:

Mr D Charles K Allen

AO, MA, MSc, FTSE, FAICD
Mr Allen was appointed Chairman in September 2001 and has been an independent non-executive director since 1992. He is Chairman of the Nomination Committee.

Experience
35 years in the petroleum industry including 21 years with Shell International and 14 years as Managing Director of Woodside Petroleum Ltd until 1996.

Other directorships
Amcor Limited, The Australian Gas Light Company (AGL), Air Liquide Australia Limited and Earthwatch Australia.

Mr Frank J Cicutto

BCom, FAIBF, FCIBS
Mr Cicutto, the Managing Director and Chief Executive Officer, was appointed to the Board as an executive director in 1998. He is a member of the Risk Committee and the Nomination Committee.

Experience
35 years in banking and finance in Australia and internationally. Previous executive positions within the Group include Head of Credit Bureau, State Manager New South Wales, Chief Executive Clydesdale Bank PLC, and Chief General Manager, Australian Financial Services. Appointed Executive Director and Chief Operating Officer in July 1998, and appointed Managing Director and Chief Executive Officer in June 1999.

Other directorships
Melbourne Business School Limited.

Dr J Brian Clark

DSc
Dr Clark is an independent non-executive director and was appointed in 2001. He is a member of the Compensation Committee and the Nomination Committee.

Experience
30 years as a research physicist and senior manager, including five years as President of CSIR, the largest multi-disciplinary contract research organisation in South Africa. From 1990 he has been involved in telecommunications, first as a non-executive director of Telkom SA Limited, then as its Managing Director and Chief Executive Officer. In 1997, he joined the Vodafone Group where he currently serves as Chief Executive Officer of Asia Pacific and a member of the Group's executive committee.

Other directorships
Chairman of the public company Vodafone Holdings KK in Japan and is a non-executive director of China Mobile (Hong Kong) Limited, Chairman and Board member of a number of Vodafone Group Companies.

Mr Peter JB Duncan

BE (Chem) (1st Class Hons), DBS (with Distinction), MAICD
Mr Duncan is an independent non-executive director and was appointed in 2001. He is a member of the Audit Committee, the Risk Committee and the Nomination Committee.

Experience
36 years with Royal Dutch/Shell Group of companies, including senior finance and general management positions in Australia, New Zealand, South America, Europe and South East Asia. He was Chairman of the Shell Group of Companies in Australia and New Zealand. Former Chairman of the Australian Institute of Petroleum.

Other directorships
Orica Limited, GasNet Australia Limited and Commonwealth Scientific and Industrial Research Organisation (CSIRO). Chairman of Scania Australia Pty Limited. President of the Australian German Association. Honorary member of the Business Council of Australia.

Mr Graham J Kraehe

AO, BEc, FAICD
Mr Kraehe is an independent non-executive director and was appointed in 1997. He is the Chairman of the Risk Committee and a member of the Nomination Committee.

Experience
38 years in the wine, automotive and diversified manufacturing industries. Managing Director of Pacifica Limited from 1985 until 1994. Managing Director and Chief Executive Officer of Southcorp Limited from 1994 until early 2001.

Other directorships
Brambles Industries Limited, Brambles Industries PLC, The News Corporation Limited and Djerriwarrah Investments Limited. Chairman of BHP Steel Limited.

Dr Kenneth J Moss

BE, PhD, FIEAust, CPEng, FAICD
Dr Moss is an independent non-executive director and was appointed in 2000. He is Chairman of the Compensation Committee and a member of the Audit Committee and Nomination Committee.

Experience
35 years in the mining, engineering, marine and hardware industries with BHP Limited and the Howard Smith Group, including seven years as Managing Director of Howard Smith Limited until July 2000.

Other directorships
Adsteam Marine Limited, GPT Management Limited and Hunter Area Health Service. Chairman of Boral Limited and Centennial Coal Company Limited.

Mr John M Stewart

BA, ACII, FCIB
Mr Stewart is an executive director and was appointed in August 2003. He is the Managing Director and Chief Executive Officer of National Australia Group Europe Limited and is a director of Clydesdale Bank PLC, Northern Bank Limited, National Irish Bank Limited and Yorkshire Bank PLC. He is a member of the Nomination Committee.

Experience
26 years in banking and finance in the United Kingdom including four years as Group Chief Executive of Woolwich PLC until its acquisition by Barclays PLC in 2000 when he was appointed Deputy Group Chief Executive of Barclays PLC.

Mr John G Thorn

FCA, MAICD
Mr Thorn is an independent non-executive director and was appointed in October 2003. He is a member of the Audit Committee, the Compensation Committee and the Nomination Committee. He acts as the financial expert on the Audit Committee for United States regulatory purposes.

Experience
37 years in professional services with PricewaterhouseCoopers, over 20 years as a partner responsible for significant international and Australian clients. Australian National Managing Partner and a member of the Global Audit Management Group until 2003.

Other directorships
Salmat Limited.

Mr Geoffrey A Tomlinson
BEc
Mr Tomlinson is an independent non-executive director and was appointed in 2000. He is Chairman of National Wealth Management Holdings Limited. He is a member of the Nomination Committee.

Experience
29 years with the National Mutual Group, six years as Group Managing Director and Chief Executive Officer until 1998.

Other directorships
Amcor Limited and Mirrabooka Investments Limited. Chairman of Reckon Limited, Funtastic Limited and Programmed Maintenance Services Limited. Deputy Chairman of Hansen Technologies Limited.

Dr Edward D Tweddell
BSc, MBBS (Hons), FRACGP, FAICD
Dr Tweddell is an independent non-executive director and was appointed in 1998. He is a member of the Compensation Committee, the Nomination Committee and the Risk Committee.

Experience
25 years in the pharmaceutical and health care industries. Group Managing Director and Chief Executive Officer of FH Faulding & Co Limited from 1993 to 2001.

Other directorships
Chairman of Ansell Limited. Director of Australian Postal Corporation and Commonwealth Scientific and Industrial Research Organisation (CSIRO).

Mrs Catherine M Walter
AM, LLB (Hons), LLM, MBA, FAICD
Mrs Walter is an independent non-executive director and was appointed in 1995. She is Chairman of the Audit Committee and is a member of the Nomination Committee.

Experience
20 years as a solicitor and eight years as a partner in the firm Clayton Utz until 1994, including a period as Managing Partner of the Melbourne office. She also served as a Commissioner of the City of Melbourne.

Other directorships
Australian Stock Exchange Limited, Orica Limited, Australian Foundation Investment Company Limited, Melbourne Business School Limited and The Walter and Eliza Hall Institute of Medical Research.

Board changes

During the year Mr John M Stewart was appointed an executive director and in October 2003, Mr John G Thorn was appointed a non-executive director.

Directors' and officers' indemnity

The Company's constitution
Article 21 of the Company's constitution provides:

Every person who is or has been an officer is entitled to be indemnified out of the property of the Company to the 'relevant extent' against:

- every liability incurred by the person in the capacity as an officer (except a liability for legal costs); and
- all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil, criminal or of an administrative or investigatory nature, in which the officer becomes involved in that capacity,

unless:

- the Company is forbidden by statute to indemnify the person against the liability or legal costs; or
- an indemnity by the Company of the person against the liability or legal costs would, if given, be made void by statute.

The reference to the 'relevant extent' means to the extent and for the amount that the officer is not otherwise entitled to be indemnified and is not actually indemnified.

The Company may also pay, or agree to pay, whether directly or through an interposed entity, a premium for a contract insuring a person who is or has been an officer against liability incurred by the person in their capacity as an officer, including a liability for legal costs, unless:

- the Company is forbidden by statute to pay or agree to pay the premium; or
- the contract would, if the Company paid the premium, be made void by statute.

The Company may enter into a contract with an officer or former officer to give:

- effect to the rights of the officer or former officer conferred by Article 21; and
- an officer or former officer access to papers, including those documents provided from or on behalf of the Company or a related body corporate of the Company to the officer during their appointment and those documents which are referred to in such documents or were made available to the officer for the purpose of carrying out their duties as an officer.

Article 21 does not limit any right the officer otherwise has. In the context of Article 21, 'officer' means a director, secretary or executive officer of the Company or of a related body corporate of the Company.

The existing and former directors, secretaries and executive officers of the Company and of its related bodies corporate are indemnified in terms of Article 21.

The Company has executed deeds of indemnity in terms of Article 21 in favour of each non-executive director of the Company and each non-executive director of a related body corporate of the Company.

Directors' and officers' insurance

During the year, the Company, pursuant to Article 21, paid a premium for a contract insuring all directors, secretaries, executive officers and employees of the Company and of each related body corporate of the Company. The insurance does not provide cover for the independent auditors of the Company or of a related body corporate of the Company.

In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Principal activities and significant changes in nature of activities

The principal activities of the Group during the year were banking services; credit and access card facilities; leasing; housing and general finance; international banking; investment banking; wealth management; funds management; life insurance; and custodian, trustee and nominee services.

Review of operations

A review of the operations of the Group during the year, and the results of those operations are contained on pages 2 to 3, 14 to 23, and 42 to 43 of this concise annual report 2003. For a more detailed review of the operations of the Group, refer to pages 3 to 61 of the annual financial report 2003.

Group results

The net profit attributable to members of the Company for the year ended September 30, 2003 was $3,955 million, an increase of $582 million (17.3%) on the previous year.

A detailed review of the Group results is contained on pages 42 to 43 of this concise annual report 2003. For a more detailed review of the Group results, refer to pages 3 to 61 of the annual financial report 2003.

Dividends

The directors have declared a final dividend of 83 cents per fully paid ordinary share, 100% franked, payable on December 10, 2003. The proposed payment amounts to $1,248 million.

Dividends paid since the end of the previous financial year:

- the final dividend for the year ended September 30, 2002 of 75 cents per fully paid ordinary share, 90% franked, paid on December 11, 2002. The payment amount was $1,151 million; and
- the interim dividend for the year ended September 30, 2003 of 80 cents per fully paid ordinary share, fully franked, paid on July 2, 2003. The payment amount was $1,104 million.

Further information on the dividends paid and declared to date is contained in note 7 to the financial statements in the annual financial report 2003.

The franked portion of these dividends carry imputation tax credits at a tax rate of 30%, reflecting the current Australian company tax rate of 30%.

The extent to which future dividends will be franked, for Australian taxation purposes, will depend on a number of factors including the proportion of the Group's profits that will be subject to Australian income tax and any future changes to Australia's business tax system as a result of the Australian Commonwealth Government's tax reform initiatives.

Significant changes in the state of affairs

On September 29, 2003, the Group raised GBP400 million through the issue by National Capital Trust I (a controlled entity formed in Delaware) of 400,000 Trust Preferred Securities at GBP1,000 each, to be used by the Company's London branch. Each Trust Preferred Security earns a non-cumulative distribution, payable semi-annually in arrears until December 17, 2018 equal to 5.62% per annum and, in respect of each five-year period after that date, a non-cumulative distribution payable semi-annually in arrears at a rate equal to the five-year benchmark UK government bond rate at the start of that period plus 1.93%.

In certain limited circumstances, the Trust Preferred Securities will be exchanged for redeemable preference shares in the Company (TPS preference shares). The Company also has discretion to exchange the Trust Preferred Securities for TPS preference shares at any time. If issued, each holder of a TPS preference share would receive, if declared, non-cumulative dividends calculated at the same rate and payable on the same basis as apply to the Trust Preferred Securities.

With the prior consent of Australian Prudential Regulation Authority, the Trust Preferred Securities and the TPS preference shares (if issued) may be redeemed in certain limited circumstances. In some circumstances, the redemption price may include a 'make-whole' adjustment to compensate the investor for the investment opportunity lost by the early redemption.

The Trust Preferred Securities are listed on the Luxembourg Stock Exchange and on a winding up of the Company will generally rank equally with the holders of other preference shares and will rank for return of capital behind all deposit liabilities and creditors of the Company, but ahead of ordinary shareholders.

In the opinion of the directors, there have been no other significant changes in the state of affairs during the year ended September 30, 2003.

Events subsequent to balance date

At the date of this report, the Company had not made the decision to elect to consolidate for Australian income tax purposes. If such an election is made, the Company would be the head entity in a tax-consolidated group comprising the Company and all of its Australian wholly-owned subsidiaries.

The financial effects of the tax consolidation legislation cannot be estimated reliably at this point in time and have not been brought to account in the financial statements for the year ended September 30, 2003, except as stated in note 23 of the annual financial report 2003.

On October 1, 2003 the Company announced its intention to buy back ordinary shares on market approximately equal to the number of shares issued under the Company's dividend package plans and staff share and option plans. The Company expects this to be up to approximately 25,500,000 ordinary shares. The period of the buy-back is expected to be from November 11, 2003 until September 30, 2004.

At the Company's annual general meeting to be held on December 19, 2003, the Company will seek shareholder approval to buy back the total of 36,008,000 fully paid non-converting non-cumulative preference shares of the Company issued in connection with the issue of 18,004,000 Trust Units Exchangeable for Preferred Shares™ of the Group. Approval of the buy-back will give the Group the flexibility to redeem these capital instruments if it considers the capital is no longer required and/or the instruments no longer offer a cost effective source of Tier 1 capital.

No further matter, item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report that, in the opinion of the directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

Details of the likely major developments in the operations of the Group in future years and the expected results of those operations are referred to on pages 4 to 7 in the concise annual report 2003.

In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the interests of the Group.

Environmental regulation

The operations of the Group are not subject to any particular and significant environmental regulation under a law of the Australian Commonwealth Government or of a State or Territory, but the Group can incur environmental liabilities as a lender. The Group has developed credit policies to ensure this is managed appropriately.

Rounding of amounts

Pursuant to Class Order 98/100 made by the Australian Securities and Investments Commission (ASIC) on July 10, 1998, the Company has rounded off amounts in this report and the accompanying financial report to the nearest million dollars, except where indicated.

Proceedings on behalf of the Company

There are no proceedings brought or intervened in, or applications to bring or intervene in proceedings, on behalf of the Company by a member or other person entitled to do so under section 237 of the *Corporations Act* 2001 (Cth).

Remuneration policy and relationship to Company performance

Non-executive directors

The fees paid to non-executive members of the Board are based on advice and data from the Company's remuneration specialists and from external remuneration advisers. This advice takes into consideration the level of fees paid to board members of other major Australian corporations, the size and complexity of the Company's operations, the achievements of the Company and the responsibilities and workload requirements of Board members.

Because the focus of the Board is on the long-term strategic direction of the Company, there is no direct link between non-executive director remuneration and the short-term results of the Company. The long-term performance of the Company, relative to other large corporations, is considered among other factors in setting the fee pool, which is periodically proposed to shareholders at the annual general meeting for approval. Shareholders will be presented with a proposal to consider a revised fee pool at the Company's annual general meeting to be held on December 19, 2003.

Fees are established annually for the Chairman and non-executive directors. Additional fees are paid, where applicable, for participation in Board committees and for serving on the boards of controlled entities. The total fees paid to members of the Board, including fees paid for their involvement on Board committees and controlled entity boards, are kept within the total approved by shareholders from time to time.

At the Company's annual general meeting held in December 2000, shareholders approved the non-executive directors' share arrangement under the National Australia Bank Staff Share Ownership Plan. Under this arrangement, shares are provided to non-executive directors as part of their remuneration, rather than receiving cash. The shares are either issued or acquired on-market on behalf of participants and allocated to non-executive directors on dates determined by the trustee of the National Australia Bank Staff Share Ownership Plan in its sole discretion. Shareholder approval for the continued provision of shares in accordance with this arrangement will be sought at the Company's annual general meeting to be held on December 19, 2003.

Agreements between the Company and certain non-executive directors provide that upon, and in the consequence of, each of these directors ceasing to be a director by reason of retirement or death, the Company shall pay a lump sum retirement allowance. This retirement benefit, as approved by shareholders, is based on period of service, as follows:

- **Less than 15 years**
  One-third of the average yearly emoluments paid by the Company to the director:
  (a) during the last three years of service; or
  (b) when the period of such service is less than three years, during that period, for each completed year of service and proportionately for part of a year, as a non-executive director; or
- **15 years or more**
  Five times the average yearly emoluments paid by the Company to the director during the last three years of service as a non-executive director.

During 2002, the Board decided not to enter into any new contractual obligations to pay retirement allowance benefits to non-executive directors. For all new non-executive directors, who would have no entitlement to a retirement allowance benefit, their directors' fees have been set at a higher level than the current fees payable. The new directors would then have flexibility in relation to their remuneration, including the opportunity to set aside additional superannuation beyond the compulsory superannuation guarantee levy, if so desired.

It is proposed that the existing contractual arrangements will be frozen. Current directors will move onto similar arrangements to those of new directors. Shareholders will be asked to approve this proposal at the Company's annual general meeting to be held on December 19, 2003.

The following table shows details of the nature and amount of each element of the emoluments of each non-executive director of the Company for 2003. No options or performance rights have been granted to non-executive directors during or since the end of 2003 as part of their remuneration.

	Fees, cash component (1) $	Fees, share component (1) (2) $	Other benefits (3) $	Total remuneration $	Accrual of retirement allowance benefits for the year $	Total accumulated retirement benefit (4) $
Non-executive directors						
D Charles K Allen	251,449	137,266	22,630	411,345	352,911	1,083,218
J Brian Clark	72,800	42,200	6,552	121,552	31,781	65,315
Peter JB Duncan	173,253	29,119	15,593	217,965	55,429	93,470
Graham J Kraehe	114,030	23,200	10,263	147,493	55,620	252,311
Kenneth J Moss	179,436	32,433	16,149	228,018	45,474	124,178
Geoffrey A Tomlinson	226,592	43,788	20,393	290,773	83,366	239,534
Edward D Tweddell	138,530	11,900	12,468	162,898	52,406	252,467
Catherine M Walter	262,615	32,950	23,635	319,200	163,096	546,862

(1) Non-executive directors' remuneration represents fees in connection with their roles, duties and responsibilities as non-executive director, and includes attendance at meetings of the Board, Board committees and boards of controlled entities and includes payments of $78,484 to Mrs Walter and $31,218 to Mr Tomlinson in respect of services performed as non-executive directors of subsidiary boards and committees relating to the prior year.
(2) The aggregate number of shares acquired by non-executive directors as part of their remuneration was 13,299 shares and the average issue price was $29.77.
(3) Reflects compulsory Company contributions to superannuation and includes contributions of $3,320 to Mrs Walter and $531 to Mr Tomlinson in respect of services performed as non-executive directors of subsidiary boards and committees relating to the prior year.
(4) Excludes accumulated compulsory contributions to superannuation and accumulated investment earnings on those contributions.

Senior executives

The Group operates in a number of countries and business segments so it is necessary to consider remuneration for senior executives in the context of the different geographic and specialist remuneration markets in which the Group competes for top executive talent.

Senior executives have a direct impact on the performance of the Group and its future prospects and the Board believes it is imperative that remuneration levels are set to be among the leaders of major corporations, in the appropriate remuneration markets, to ensure that the Group is able to attract and retain the best available executive talent.

Remuneration for senior executives of the Group is determined in accordance with remuneration structures set by the Board, following recommendations from the Compensation Committee (previously the Nomination and Compensation Committee). The Compensation Committee receives advice on the level and form the remuneration should take from the Group's remuneration specialists. This advice incorporates individual performance achievements and competitive market data and analysis from several external remuneration advisers.

Individual performance for senior executives is assessed through a mix of qualitative and quantitative measures using a scorecard approach. An annual review of performance objectives is conducted by the Chief Executive Officer for each senior executive and outcomes are distributed to the Board for noting.

Senior executive remuneration is made up of three components. For out-performance, these amounts can exceed the median of the selected remuneration market:

- **Fixed remuneration**
  This element reflects the scope of the role and the level of skill and experience of the individual and is generally referenced to the median of the applicable remuneration market;

- **Short-term incentive**
  Short-term incentives are structured to reward achievement of individual, business and Group annual performance targets. This is paid depending on the annual performance of the Group (measured by the Group EVA® profitability measure), the individual business unit and the individual executive. The weighting of this component varies depending on the nature of the specific executive role. This aspect of the reward program considers actual achievements over the past year.
  The performance of the Group and individual business units is the key factor in setting the pools to provide these short-term rewards, which generally apply to other staff as well as senior executives; and

- **Long-term incentive**
  Long-term incentives are an integral part of the Group's remuneration program in rewarding an individual's contribution and potential contribution to the Group's performance. They involve the issue of options, performance rights and shares to executives.
  The current long-term incentive plan links the reward of the executive directly to the total shareholder return (TSR) of the Company (based on share price growth, assuming reinvestment of dividends). This aspect of the reward program focuses the executive on the future performance of the Group over the next three to eight years.

Performance rights were introduced in 2003 to rebalance the long-term incentive plan. Prior to their introduction, almost all of a senior executive's long-term incentive was provided in the form of options. From March 2003, half of the remuneration value previously assigned to options is allocated in the form of performance rights. The introduction of performance rights has reduced the number of options granted annually and ensures that part of a senior executive's long-term incentive remains active in situations where the Group has met the assigned performance hurdles but where options have no value.

Before executive share options and performance rights can be exercised, a performance hurdle must be met.

This hurdle compares the TSR of the Company with the TSRs of the top 50 companies in the S&P ASX 100 (excluding the Company) as at the date the options or performance rights are granted or such other date determined by the Board. The number of options or performance rights that may be exercised, if any, depends on the relevant ranking of the Company compared with this comparator group. Only 50% of options and performance rights vest if the median TSR ranking is achieved. For a more detailed description of the performance hurdle, see 'share options and performance rights' below.

Each option and performance right granted is over one ordinary share in the capital of the Company.

The following table shows the remuneration details for all executive directors (including the Managing Director) and the senior executives receiving the highest emoluments from the Company and the Group during 2003:

Executive director emoluments

Name and position	Salary package [(1)] $	Cash performance-based remuneration [(2)] $	Other benefits [(3)] $	Total cash remuneration $	Deferred performance-based remuneration [(4)] $	Allocation of fair value of all unvested options and performance rights [(5)] $	Total remuneration $	Options granted during 2003 [(6)] (No.)	Performance rights granted during 2003 [(7)] (No.)
Frank J Cicutto Managing Director and Chief Executive Officer	1,897,707	1,293,000	153,544	3,344,251	2,586,000	1,844,375	7,774,626	300,000	100,000
John M Stewart [(8)] Managing Director and Chief Executive Officer, National Australia Group Europe Limited	175,798	296,021	55,807	527,626	-	52,161	579,787	125,000	31,250

Senior executive emoluments (current employees at September 30, 2003)

Name and position	Salary package (1) $	Cash performance-based remuneration (2) $	Other benefits (3) $	Total cash remuneration $	Deferred performance-based remuneration (4) $	Allocation of fair value of all unvested options and performance rights (5) $	Total remuneration $	Options granted during 2003 (6) (No.)	Performance rights granted during 2003 (7) (No.)
Peter B Scott Executive General Manager, Wealth Management	663,120	825,000	314,855	1,802,975	139,000	1,082,984	3,024,959	125,000	31,250
Richard E McKinnon Chief Financial Officer	740,000	871,000	59,670	1,670,670	146,000	1,088,709	2,905,379	125,000	31,250
Ian G MacDonald Executive General Manager, Financial Services Australia	636,411	762,000	51,157	1,449,568	144,000	1,030,734	2,624,302	125,000	31,250
Ian F Scholes Executive General Manager, Corporate & Institutional Banking	575,000	1,062,000	43,847	1,680,847	263,000	555,234	2,499,081	125,000	31,250
Ross E Pinney Executive General Manager, Financial Services Europe	663,002	422,000	171,340	1,256,342	128,000	857,641	2,241,983	75,000	18,750

Senior executive emoluments (ceased employees)

Name and position	Salary package (1) $	Performance-based remuneration (2) $	Other benefits (4)(9) $	Allocation of fair value of options and performance rights (5) $	Total remuneration $	Options granted during 2003 (6) (No.)	Performance rights granted during 2003 (7) (No.)
Joseph J Whiteside Former Chairman and Chief Executive Officer, HomeSide Lending, Inc.	-	-	2,710,517	-	2,710,517	-	-
Stephen C Targett Former Executive General Manager, Financial Services Europe	305,397	-	158,925	-	464,322	-	-

(1) Reflects the total remuneration package consisting of both basic salary and packaged benefits, which could otherwise be taken as cash.

(2) Reflects performance-based remuneration accrued but not yet paid in respect of performance for the year to September 30, 2003. Previously, the Group determined the allocation of performance-based remuneration after the signing of the annual financial report and as such reported performance-based remuneration in the year paid. The performance-based remuneration paid in 2003 in respect of performance for the year to September 30, 2002 was: Frank J Cicutto $1,931,288; John M Stewart $nil; Peter B Scott $599,250; Richard E McKinnon $773,746; Ian G MacDonald $666,450; Ian F Scholes $877,762; Ross E Pinney $329,035; Joseph J Whiteside $nil; and Stephen C Targett $753,473.

(3) Reflects non-salary package remuneration and includes Company contributions to superannuation, benefits received under the Group's employee share plans as described in note 39 in the annual financial report 2003 and expatriate benefits.

(4) Reflects above-target performance-based remuneration which has been accrued but not yet paid in respect of performance for the year to September 30, 2003. This above-target remuneration is held in an 'at-risk reserve' and is only paid when an executive has met required service and performance conditions.

(5) Refer over the page for an explanation of fair value based on the guidelines issued by ASIC.

(6) The options were granted on March 21, 2003, and with respect to John M Stewart on August 8, 2003, at an exercise price of $30.46 each and are first exercisable on March 21, 2006. No options have been granted to senior executives since September 30, 2003.Refer to 'share options and performance rights' below for an explanation of the performance hurdle that must be achieved before the options can be exercised.

(7) A notional sum of $1.00 is payable by the holder on exercise of an entire tranche of performance rights. The performance rights were granted on March 21, 2003, and with respect to John M Stewart on August 8, 2003, and are first exercisable on March 21, 2006. No performance rights have been granted to senior executives since September 30, 2003. Refer to 'share options and performance rights' over the page for an explanation of the performance hurdle that must be achieved before the performance rights can be exercised.

(8) Mr John M Stewart commenced service late in 2003.

(9) Reflects payment made to Joseph J Whiteside under contract following the sale of SR Investment, Inc. and its controlled entity, HomeSide Lending, Inc., on October 1, 2002.

The disclosure of the allocation of fair value of options and performance rights in the above tables has been based upon guidelines issued by ASIC in June 2003. These guidelines have regard to the draft accounting standards ED 2 "Share-based Payment" issued by the International Accounting Standards Board (IASB) and ED 108 "Request for Comment on IASB ED 2 'Share-based Payment'" issued by the Australian Accounting Standards Board (AASB). In accordance with these guidelines, each year a portion of the fair value of all unvested options and performance rights is included in the remuneration of senior executives for disclosure purposes. This portion of the fair value is based on a straight-line allocation of fair value over the expected life of each unvested option or performance right. No adjustments are made to reverse amounts in relation to options and performance rights that never vest. Prior to October 1, 2002, the Company disclosed the fair value of options granted during the financial year using a numerical pricing model, but did not allocate those values over their expected life for reporting emoluments. Rather, the full fair value of the grant was disclosed as an emolument in the year of grant. As a result, included in the amounts disclosed above as an allocation of fair value of option and performance rights in relation to 2003, are amounts related to unvested options granted in prior years that were disclosed as part of emoluments in the relevant prior years. This is a result of transitioning to the reporting principles required by ASIC. Note however, when the final accounting standards referred to above are promulgated, they will not require all unvested options and performance rights to be treated in this way, only those granted after November 7, 2002, that are unvested at the date of adoption of the standards. A difference may therefore arise between disclosure under the ASIC guidelines and the remuneration expense recognised under the new accounting standards in the Group's financial performance.

Options and performance rights granted as part of executive emoluments have been valued using a numerical pricing model, which takes account of factors including the option or performance right exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share, the expected life of the option and the probability of the performance hurdle being reached. *For further details, refer to note 39 in the annual financial report 2003*.

Share options and performance rights

The share options and performance rights currently issued by the Company are options and performance rights over ordinary shares granted by the Group under the Company's National Australia Bank Executive Share Option Plan No. 2 (ESOP no. 2) and its National Australia Bank Performance Rights Plan (performance rights plan). Note that the holders of exchangeable capital units have the right to exchange those units for ordinary shares in the Company or, at the Company's option, cash. *Refer to note 32 in the annual financial report 2003 for full details of the number and terms of exchangeable capital units issued by the Group.*

The number and terms of options and performance rights over ordinary shares granted by the Group under the ESOP no. 2 and the performance rights plan, and the Company's valuation of those options and performance rights at grant date are detailed below.

During and since the end of 2003, the following share options and performance rights were granted to 847 senior employees (including the options and performance rights granted to senior executives referred to immediately above):

Grant date	Exercise period (1)	Exercise price (2) $	Held at September 30, 2003 (No.)	Lapsed during the period (3) (No.)	Granted (No.)	Fair value as at grant date (4) $
Options						
March 21, 2003	March 21, 2006 - March 20, 2011	30.46	5,949,000	29,750	5,978,750	26,964,163
August 8, 2003	March 21, 2006 - March 20, 2011	30.46	125,000	-	125,000	563,750
October 31, 2003	March 21, 2006 - March 20, 2011	30.98	127,500	-	127,500	559,725
Performance rights						
March 21, 2003	March 21, 2006 - March 20, 2011	1.00	1,512,394	7,438	1,519,832	33,466,701
August 8, 2003	March 21, 2006 - March 20, 2011	1.00	31,250	-	31,250	688,125
October 31, 2003	March 21, 2006 - March 20, 2011	1.00	31,875	-	31,875	720,056

(1) Share options and performance rights expire on the last day of their exercise period.
(2) A notional sum of $1.00 is payable by the holder on exercise of each tranche of performance rights.
(3) These share options and performance rights lapse 30 days after the termination of employment unless otherwise determined by the Board in accordance with their terms.
(4) Fair values of options and performance rights are based on a numerical pricing model. For the purposes of this table, the fair value at grant date represents the full fair value in the year of grant and has not been allocated over the expected life of the option or performance right. Refer above and to note 39 in the annual financial report 2003 for further information.

The ESOP no. 2 was approved by shareholders by special resolution in January 1997 and again at the 2002 annual general meeting. Options granted under the plan up to September 30, 2003 are detailed in note 39 in the annual financial report 2003.

The ESOP no. 2 provides for the Board to grant options to executives of the Group to subscribe for fully paid ordinary shares in the Company. Options must not be granted if the total number of shares issued in the last five years under the Company's employee share or option plans and of outstanding options and performance rights under its plans, including the proposed offer or grant, exceeds 5% of the number of shares in the issued share capital of the Company at the time of the proposed offer or grant. This calculation does not include offers made or shares or options or performance rights granted as a result of an offer or grant made to a person situated outside Australia at the time of the offer or grant or which did not need disclosure under section 708 of the *Corporations Act* 2001 (Cth) (for example, shares provided for no consideration under the National Australia Bank Staff Share Allocation Plan), otherwise than as a result of relief granted by ASIC.

Options are granted free of charge to participants in the ESOP no. 2. Each option is to subscribe for one fully paid ordinary share in the Company. The exercise price per share for an option is the market price of the Company's fully paid ordinary shares as at the date the option was granted or such other date determined by the Board. The market price is determined as the weighted average of the prices at which the Company's fully paid ordinary shares were traded on Australian Stock Exchange (ASX) in the one week up to and including the relevant day.

Generally, these options may not be exercised before the third anniversary of their grant, and must be exercised before the fifth or eighth anniversary (depending on the particular terms of each option) of grant. Currently options granted under the ESOP no. 2 have a life of eight years. The Board may determine such other terms for the grant of options consistent with the ASX Listing Rules and the *Corporations Act* 2001 (Cth).

The Board may allow the option-holders to exercise the options irrespective of the normal criteria (for example, before the third anniversary of grant and notwithstanding the performance hurdle) where certain events occur, such as the making of a takeover offer or announcement to the holders of fully paid ordinary shares in the Company.

Options will lapse if unexercised on or before their expiry date or, for options granted prior to November 1999, if the Board determines that the holder has acted fraudulently, dishonestly or in breach of the holder's obligations to any entity in the Group and for options granted after November 1999, 30 days after an executive ceases to be employed by the Group otherwise than as a result of death or total and permanent disablement unless otherwise determined.

A loan may be available to executives (except for executive directors) if and when they wish to exercise their options, subject to the provisions of applicable laws and regulations (including the United States *Sarbanes-Oxley Act of 2002*). The ESOP no. 2 rules provide that the rate of interest applicable to such a loan be the Company's base lending rate plus any margin determined by the Board. Dividends payable in respect of a loan share are applied firstly towards payment of any interest which is due, and secondly towards repayment of the principal amount outstanding under the loan.

Exercise of the options is subject to satisfaction of a performance hurdle. The performance hurdle for options granted after November 1999 is measured after the first three years by comparing the performance of the Company with the performance of other companies in which shareholders may potentially invest. Options become exercisable depending on the maximum total shareholder return (based on share price growth, assuming reinvestment of dividends) of the Company relative to the total shareholder return of a group of companies during the relevant performance period. This group of companies is based on the top 50 companies in the S&P ASX 100 (excluding the Company), determined at the date when the options are granted or such other date determined by the Board. If the relative performance of the Company during the relevant vesting period (years three to eight) does not exceed the 49th percentile at any time, then no options will vest with the holder (or be exercisable). If the relative performance of the Company reaches or exceeds the 75th percentile during the performance period at any time, then all options will be exercisable by the holder. If the relative performance of the Company reaches between the 50th and 74th percentile then a formula is applied resulting in a percentage of between 50% and 74%, of the total options granted being exercisable by the holder.

The performance rights plan was approved by shareholders at the 2002 annual general meeting and performance rights granted under this plan are shown in the table above.

The performance rights plan provides for the Board to grant performance rights to executives of the Group to subscribe for fully paid ordinary shares in the Company. Performance rights cannot be granted under the performance rights plan if the number of shares to be received on exercise of those performance rights together with all shares granted under the Company's employee incentive plans over the last five years and the number of outstanding options and performance rights granted under those plans exceeds 5% of the Company's issued share capital. This calculation does not include offers or grants made or shares, options or performance rights granted as a result of an offer or grant made to a person situated outside Australia at the time of the offer or grant or which did not need disclosure under section 708 of the *Corporations Act* 2001 (Cth) (for example, shares provided for no consideration under the National Australia Bank Staff Share Allocation Plan), otherwise than as a result of relief granted by ASIC.

Performance rights cannot be transferred and are not quoted on ASX. Each performance right is to subscribe for one fully paid ordinary share in the Company. Executives do not need to pay any amounts to the Company for the performance rights they receive; however, the holder of performance rights must pay a nominal exercise price to exercise the performance rights. The total exercise price payable by a holder for the exercise of performance rights on a particular day is $1.00, irrespective of the number of rights exercised on that day.

Generally, performance rights may not be exercised before the third anniversary of their grant, and must be exercised before the eighth anniversary of grant. The Board may determine such other terms for the grant of performance rights consistent with the ASX Listing Rules and the *Corporations Act* 2001(Cth).

The Board may allow performance rights holders to exercise the performance rights irrespective of the normal criteria (for example, before the third anniversary of grant and notwithstanding the performance hurdle) where certain events occur, such as the making of a takeover offer or announcement to the holders of fully paid ordinary shares in the Company.

Exercise of the performance rights is subject to substantially the same vesting schedule and performance hurdle as options granted under the ESOP no. 2. A performance right not exercised will lapse in similar circumstances to an unexercised option granted under the ESOP no. 2.

The Group does not recognise an expense in its profit and loss account for options or performance rights. The IASB is currently finalising the drafting of a standard for accounting for share-based payments (including employee share options and their repricing). The Company intends to adopt the new standards in relation to accounting for share options once promulgated by the IASB and the AASB.

There were 6,395,000 fully paid ordinary shares of the Company issued during the year as a result of options granted being exercised, for a total consideration of $135,215,445. There were 77,900 fully paid ordinary shares of the Company issued since the end of the year as a result of options granted being exercised, for a total consideration of $1,890,331. No performance rights were exercised during the relevant time. The amount paid on issue of each of these shares is set out in note 39 to the financial statements in the annual financial report 2003. There are currently 46,296,100 options and 1,575,269 performance rights outstanding under the respective plans.

No person holding an option has or had, by virtue of the options, a right to participate in a share issue of any body corporate other than the Company.

Directors' meetings

The table below shows the number of directors' meetings held (including meetings of Board committees) and number of meetings attended by each of the directors of the Company during the year:

	Directors' meetings of the Company				Audit Committee meetings of the Company		Compensation and Nomination Committee meetings of the Company [6]		Directors' meetings of controlled entities		Additional meetings [8]
Directors	Scheduled meetings attended	Scheduled meetings held [1] [2]	Unscheduled meetings attended [3]	Unscheduled meetings held [2]	Meetings attended	Meetings held [2]	Meetings attended	Meetings held [2]	Meetings attended	Meetings held [2]	Meetings attended [8]
DCK Allen	10	10	6	6	7[4]	7[4]	4	4	8	8	21
FJ Cicutto	10	10	6	6	6[4]	6[4]	3[1]	3[1]	14	14	13
JB Clark	10	10	3[3]	6	-	-	-	-	7	7	7
PJB Duncan	10	10	5[3]	6	7	7	-	-	18	18	13
GJ Kraehe	10	10	4[3]	6	7	7	-	-	7	7	14
KJ Moss	10	10	6	6	7	7	3	4	14	14	7
JM Stewart [5]	1[2]	1[2]	4	4	-	-	-	-	-	-	-
GA Tomlinson	10	10	5[3]	6	1[4]	1[4]	-	-	29	36	9
ED Tweddell	10	10	6	6	-	-	4	4	7	7	31
CM Walter	10	10	6	6	7	7	-	-	15	18	34

(1) Scheduled Board meetings span two days.
(2) Reflects the number of meetings held during the time the director held office during the year. Where a controlled entity holds board meetings in a country other than the country of residence of the director, or where there may be a potential conflict of interest, then the number of meetings held is the number of meetings the director was expected to attend, which may not be every board meeting held by the controlled entity during the year.
(3) Where a director is unable to attend an unscheduled Board meeting called at short notice, the director is provided with a separate briefing on the matters to be considered at the meeting, and the views of the director are obtained.
(4) Reflects the number of committee meetings attended, even though the director is not a member of the committee.
(5) Mr John M Stewart became a director on August 11, 2003.
(6) At the meeting of the Board held on September 4, 2003, the Compensation and Nomination Committee was divided into two separate committees.
(7) At the meeting of the Board held on August 28, 2003, the Risk Committee was established.
(8) Reflects the number of additional formal meetings attended during the year by each director, including committee meetings (other than Audit Committee, Compensation Committee or Nomination Committee) where any two directors are required to form a quorum.

Subsequent to the end of the year, Mr John G Thorn was appointed as an independent non-executive director.

Directors' interests

The table below shows the interests of each director in the issued ordinary shares and National Income Securities of the Company, and in registered schemes made available by the Group as at the date of this report. No director held an interest in the Trust Preferred Securities, the Trust Units Exchangeable for Preferred Shares™ or exchangeable capital units of the Group. Trust Units Exchangeable for Preferred Shares™ is a trademark of Merrill Lynch & Co., Inc.

Directors	Fully paid ordinary shares of the Company	Options over fully paid ordinary shares of the Company	Performance rights	National Income Securities
D Charles K Allen [1]	22,261	-	-	-
Frank J Cicutto [2] [3]	241,122	1,700,000	100,000	-
J Brian Clark [1]	4,825	-	-	-
Peter JB Duncan [1]	4,854	-	-	-
Graham J Kraehe [1]	15,638	-	-	670
Kenneth J Moss [1]	4,957	-	-	-
John M Stewart	-	125,000	31,250	-
John G Thorn [4]	2,000	-	-	-
Geoffrey A Tomlinson [1]	19,204	-	-	500
Edward D Tweddell [1]	4,168	-	-	-
Catherine M Walter [1]	18,011	-	-	-

(1) Includes shares held under National Australia Bank Staff Share Ownership Plan.
(2) Includes National Australia Bank Staff Share Allocation Plan issues.
(3) There were no shares acquired as a result of options exercised.
(4) Mr John G Thorn became a director on October 16, 2003.

There are no contracts, other than those disclosed above, to which directors are a party, or under which the directors are entitled to a benefit and that confer the right to call for or deliver interests in a registered scheme made available by the Company or a related body corporate.

All of the directors have disclosed interests in organisations not related to the Group and are to be regarded as interested in any contract or proposed contract that may be made between the Company and any such organisations.

Signed in accordance with a resolution of the directors:

D Charles K Allen
Chairman

Frank J Cicutto
Managing Director

November 11, 2003

Chief Financial Officer's report

Richard McKinnon

Chief Financial Officer

This year we have maintained good earnings momentum in Australia and New Zealand and undertaken important investment programs to position our Group for further growth.

We have remained focused on our core businesses of banking and wealth management. Our financial strategy has been to improve cost efficiency, actively manage capital and continue investing in our capabilities and brands. We have done this through:

- the implementation of productivity initiatives enabling cost containment within Australia and New Zealand;
- the continuation of the share buy-back program reducing ordinary equity by $1.6 billion;
- the issuance of $975 million of cost-effective Tier 1 hybrid equity securities; and
- continued investment in our European and Wealth Management businesses.

The Group's net profit# of $3,955 million was 17.3% higher than last year. Last year's result was adversely affected by the recapitalisation of the wholly-owned subsidiary HomeSide Lending, Inc., restructuring expenses and the downturn in equity markets. A key feature of the result was growth in Wealth Management, Financial Services Australia and Financial Services New Zealand. The latter two were underpinned by strong growth in housing lending and cost saving initiatives.

There were no significant items recognised in 2003 (2002: $406 million).

Net profit before significant items increased 4.7% to $3,955 million. Higher pension fund expenses in Europe and the appreciating Australian dollar depressed this result.

Cash earnings of $4,070 million (net profit attributable to members of the company excluding goodwill amortisation, revaluation of the life insurance controlled entities and distributions on other equity instruments and after outside equity interest), increased 5.9% from the prior year.

Cash earnings per share* increased 8.2% to 268.5 cents reflecting the benefit of our share buy-back activity.

Return on equity* (ordinary shareholders funds) increased from 17.0% to 18.3%.

Dividends totalled 163 cents per share for the year, compared with 147 cents per share last year. This represents an increase of 16 cents or 10.9%. The final dividend of 83 cents will be 100% franked.

#Net profit is after outside equity interest.

*Before the after-tax impact of significant items.

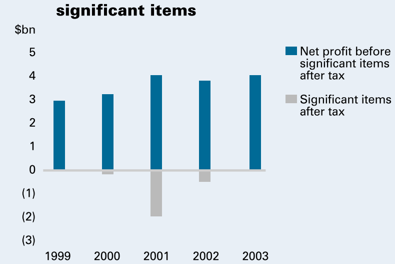
Business divisions perform well

Our combination of business and geographic diversity is delivering profits and providing growth opportunities, creating an integrated financial services group.

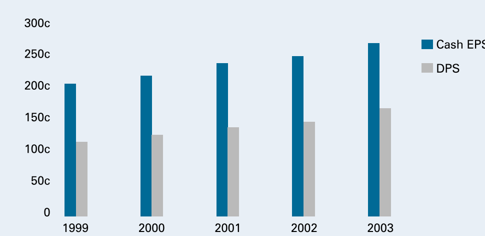
The Group conducts retail banking operations in Australia, Europe and New Zealand:

- Financial Services Australia net profit* increased by 6.3% to $1,868 million with continued success in the mortgage market where housing loans increased by 20.3%.
- Financial Services Europe net profit* decreased 4.2% to $866 million. The result has been significantly impacted by the strengthening Australia dollar, higher pension fund expenses, the impact of compliance activities and investment in growth initiatives.

Net profit and significant items



Cash earnings (before significant items) and dividends per share



- Financial Services New Zealand net profit* increased 21.6% to $310 million, primarily from strong growth in housing lending with the popularity of its exclusive home loans rewards programs.

Our Corporate & Institutional Banking and Wealth Management businesses operate internationally.

Corporate & Institutional Banking increased net profit* by 3.4% to $846 million, reflecting its focus on client relationships.

Wealth Management increased net profit* by 24.3% to $174 million for the year. Strong performance from our insurance business and some recovery on equity markets assisted this result.

*Net profit is after outside equity interest. The 2002 year comparison excludes the after-tax impact of significant items.

Growth in total income

Net interest income grew 2.7% in 2003. Net interest margin fell from 2.67% to 2.53%, whilst loans and advances grew to $248 billion and retail deposits to $210 billion.

A feature of the result was the strong growth in non-interest income, which comprises an increasing proportion of total income and reflects the success of our strategy of diversifying our sources of income.

Cost efficiencies

Our operating business units have contained their costs well. However this has been adversely impacted by higher pension fund expenses in our European operations, increased regulatory and compliance costs, and ongoing investment in the business. Importantly, the cost to income ratio for our banking operations only increased marginally to 48.4%.

Investments in future growth

During the year, there was significant progress with strategic investments designed to capture future growth opportunities.

The infrastructure upgrade for customer-facing staff in banking in the United Kingdom has continued during the year. Once completed, this system will reduce processing time and provide sales opportunities through the customer relationship management system.

Investments in Wealth Management, including the adviser platform in Australia and the external advice investment platform in the United Kingdom, are on track.

Sound asset quality

In 2003 there has been a continued strong focus on positioning our loan portfolio to achieve a sound balance between asset growth, risk and return, taking into account the economic cycle. The proportion of gross non-accrual loans to gross loans and acceptances decreased from 0.62% to 0.51% during the year.

The charge to provide for doubtful debts during the year of $633 million improved from the charge of $697 million in 2002.

Financial strength

Total assets have grown to $397 billion. Growth was largely driven by growth in lending assets, particularly in housing lending, which increased 16.0%.

Strong capital management

Through the share buy-back program, we bought back 48.9 million shares during the year, reducing ordinary equity by $1.6 billion.

Tier 1 capital represents 7.82% and total capital represents 9.70% of risk-weighted assets. We have supplemented the capital position through the issuance of $975 million of cost-effective Tier 1 hybrid equity securities during the year.

The adjusted common equity ratio is 4.95%, which reflects the capital available to support the banking operations after deducting the Group's investment in Wealth Management.

We continue to remain the only bank in the Asia Pacific region with a long-term AA rating.

Credit ratings

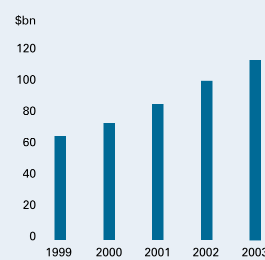
	Short-term	Long-term
Standard & Poor's Corporation	A-1+	AA
Fitch, Inc.	F1+	AA
Moody's Investors Service, Inc.	P-1	Aa3

Outlook

Our 2003 performance reflects our focus on growth in core markets with ongoing proactive management of our asset quality and capital base. We expect our ongoing investments and business initiatives to continue to allow the Group to grow and deliver satisfactory returns to shareholders.

Gross non-accrual loans to gross loans & acceptances

Housing lending growth



Selected financial data

For years ended September 30	2003 $m	2002 (1) $m	Group 2001 (2) $m	2000 (3) $m	1999 $m
Summary financial performance					
Net interest income	7,419	7,222	6,960	6,371	6,066
Net life insurance income	444	(10)	128	332	-
Other banking and financial services income	5,010	7,006	4,749	4,124	4,027
Mortgage servicing and origination revenue	-	378	810	640	536
Movement in the excess of net market value over net assets of life insurance contolled entities	(160)	(155)	510	202	-
Significant revenue	-	2,671	5,314	-	-
Operating expenses	(6,354)	(8,707)	(6,470)	(5,807)	(5,701)
Amortisation of goodwill	(98)	(101)	(167)	(197)	(206)
Charge to provide for doubtful debts	(633)	(697)	(989)	(588)	(581)
Significant expenses	-	(3,266)	(6,866)	(204)	-
Profit from ordinary activities before income tax expense	5,628	4,341	3,979	4,873	4,141
Income tax expense relating to ordinary activities	(1,681)	(962)	(1,891)	(1,632)	(1,321)
Net profit	3,947	3,379	2,088	3,241	2,820
Net loss/(profit) attributable to outside equity interest - Life insurance business	16	(6)	(5)	(2)	1
Net (profit) attributable to outside equity interest - Other	(8)	-	-	-	-
Net profit attributable to members of the Company	3,955	3,373	2,083	3,239	2,821

(1) Includes amounts relating to the sale of operating assets and the operating platform of HomeSide Lending, Inc. on March 1, 2002, and the results of SR Investment Inc. (the parent entity of HomeSide Lending, Inc.) up to September 30, 2002. The Group sold this entity on October 1, 2002.
(2) Includes the results of Michigan National Corporation and its controlled entities to March 31, 2001. The Group sold this entity on April 1, 2001.
(3) Includes the results of the MLC group from July 1, 2000. The Group acquired these entities on June 30, 2000.

As at September 30	2003 $m	2002 (1) $m	Group 2001 $m	2000 (2) $m	1999 $m
Summary financial position					
Investments relating to life insurance business	35,846	31,012	31,381	31,103	-
Loans and advances	247,959	231,300	207,797	195,492	165,620
Total assets	397,471	377,387	374,720	343,677	254,081
Total risk-weighted assets	252,365	247,838	257,513	238,589	197,096
Deposits and other borrowings	210,146	206,864	190,965	185,097	162,468
Life insurance policy liabilities	32,457	30,425	30,257	29,879	-
Bonds, notes and subordinated debt	22,707	22,192	24,984	21,051	13,437
Perpetual floating rate notes	367	460	507	461	383
Exchangeable capital units (3)	1,262	1,262	1,262	1,262	1,262
Net assets	27,211	23,251	23,557	21,407	18,520
Contributed equity	9,728	9,931	10,725	9,855	9,286
Ordinary shares	6,078	7,256	8,050	7,180	6,611
Equity instruments (4)	3,650	2,675	2,675	2,675	2,675
Total equity (excludes outside equity interests)	24,407	23,184	23,489	21,361	18,520

(1) Includes amounts relating to SR Investment Inc., (the parent entity of HomeSide Lending, Inc.) as at September 30, 2002, sold on October 1, 2002.
(2) Includes the amount relating to the MLC group from July 1, 2000. The Group acquired these entities on June 30, 2000.
(3) The exchangeable capital units of US$1 billion are recorded in this concise financial report at the historical rate of US$0.7922 = A$1.00.
(4) Equity instruments incorporate preference shares, National Income Securities and Trust Preferred Securities.

	2003 $	2002 (1) $	Group 2001 (2) $	2000 (3) $	1999 $
Shareholder information					
Earnings per share (4)					
Basic	2.49	2.06	1.22	2.02	1.87
Diluted	2.44	2.03	1.23	1.99	1.83
Earnings per share before significant items (4)					
Basic	2.49	2.32	2.47	2.11	1.87
Diluted	2.44	2.27	2.43	2.08	1.83
Cash earnings per share (5)	2.69	2.22	1.11	2.06	2.01
Cash earnings per share before significant items (5)	2.69	2.48	2.37	2.15	2.01
Dividends per share (6)	1.63	1.47	1.35	1.23	1.12
Dividends per American Depositary Share (ADS) (6)	8.15	7.35	6.75	6.15	5.60
Economic Value Added EVA® ($millions) (7)	1,668	1,284	1,129	1,379	1,390
Dividend payout ratio (%) (6)	62.35	71.12	111.23	61.10	60.25
Selected financial ratios (%)					
Average equity (ordinary shareholder funds) to average total assets (excluding statutory funds)	6.9	7.2	7.3	7.3	6.7
Return on average assets	1.0	0.9	0.5	1.1	1.1
Return on equity before significant items (ordinary shareholder funds)	18.3	17.0	18.4	18.1	17.3
Average net interest spread	2.2	2.4	2.3	2.4	2.5
Average net interest margin	2.5	2.7	2.7	2.9	3.0
Gross non-accrual loans to gross loans and acceptances	0.51	0.62	0.75	0.66	0.82
Total provisions for doubtful debts to gross impaired assets	163.4	161.0	160.5	182.5	159.5
Capital - risk asset ratios					
Tier 1	7.8	7.8	7.5	6.6	7.8
Total	9.7	10.2	10.2	9.3	10.4
Other information (number)					
Total staff					
Full-time and part-time	45,206	46,642	49,710	51,879	51,566
Full-time equivalent (8)	42,540	43,202	47,597	49,514	46,837

(1) Includes amounts relating to the sale of operating assets and the operating platform of HomeSide Lending, Inc. on March 1, 2002, and the results of SR Investment, Inc. (the parent entity of HomeSide Lending, Inc.) up to September 30, 2002. The Group sold this entity on October 1, 2002.

(2) Includes the results of Michigan National Corporation and its controlled entities to March 31, 2001. The Group sold this entity on April 1, 2001.

(3) Includes the results of the MLC group from July 1, 2000. The Group acquired these entities on June 30, 2000.

(4) Refer to note 8 in the annual financial report 2003 for an explanation of earnings per share.

(5) Cash earnings is net profit attributable to members of the Company excluding the movement in the excess of net market value over net assets of life insurance controlled entities, goodwill amortisation, distributions on other equity instruments and net profit attributable to outside equity interest.

(6) Dividend amounts for a year represent the final and interim dividend in respect of that year, irrespective of when they are declared, determined and publicly recommended.

(7) EVA® is a registered trademark of Stern Stewart & Co.

(8) Full-time equivalent employees (FTEs) includes part-time staff (pro-rated) and non-payroll FTEs (ie contractors).

Consolidated statement of financial performance

For the year ended September 30	2003 $m	Group 2002 $m	2001 $m
Interest income	17,100	16,475	19,919
Interest expense	(9,681)	(9,253)	(12,959)
Net interest income	7,419	7,222	6,960
Premium and related revenue	949	1,134	1,074
Investment revenue	2,759	(988)	(877)
Claims expense	(958)	(956)	(599)
Change in policy liabilities	(1,518)	1,637	1,318
Policy acquisition and maintenance expense	(713)	(751)	(699)
Investment management fees	(75)	(86)	(89)
Net life insurance income	444	(10)	128
Other banking and financial services income	5,010	7,006	4,749
Mortgage servicing and origination revenue	-	378	810
Movement in the excess of net market value over net assets of life insurance controlled entities	(160)	(155)	510
Significant revenue			
Proceeds from the sale of foreign controlled entities	-	2,671	5,314
Personnel expenses	(3,416)	(3,379)	(3,725)
Occupancy expenses	(556)	(559)	(587)
General expenses	(2,382)	(4,769)	(2,158)
Amortisation of goodwill	(98)	(101)	(167)
Charge to provide for doubtful debts	(633)	(697)	(989)
Significant expenses			
Restructuring costs	-	(580)	-
Cost of foreign controlled entities sold	-	(2,686)	(2,929)
Impairment loss on mortgage servicing rights	-	-	(1,643)
Charge to provide for mortgage servicing rights valuation adjustment	-	-	(1,436)
Impairment loss on goodwill	-	-	(858)
Profit from ordinary activities before income tax expense	5,628	4,341	3,979
Income tax expense relating to ordinary activities	(1,681)	(962)	(1,891)
Net profit	3,947	3,379	2,088
Net loss/(profit) attributable to outside equity interest - Life insurance business	16	(6)	(5)
Net (profit) attributable to outside equity interest - Other	(8)	-	-
Net profit attributable to members of the Company	3,955	3,373	2,083
Other changes in equity other than those resulting from transactions with owners as owners			
Net credit to asset revaluation reserve	9	9	8
Net credit/(debit) to foreign currency translation reserve	(1,251)	(520)	1,380
Net credit to retained profits on initial adoption of AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets”	1,151	-	-
Total revenues, expenses and valuation adjustments attributable to members of the Company and recognised directly in equity	(91)	(511)	1,388
Total changes in equity other than those resulting from transactions with owners as owners	3,864	2,862	3,471
Basic earnings per share (cents)	248.8	205.7	121.5
Diluted earnings per share (cents)	243.6	202.5	122.8
Dividends per ordinary share (cents)			
Interim	80	72	67
Final	83	75	68

As at September 30	Group 2003 $m	Group 2002 $m
Assets		
Cash assets	5,032	6,294
Due from other financial institutions	10,383	15,876
Due from customers on acceptances	19,562	19,474
Trading securities	23,724	19,590
Trading derivatives	23,644	12,128
Available for sale securities	6,513	6,192
Investment securities	8,647	13,541
Investments relating to life insurance business	35,846	31,012
Loans and advances	247,959	231,300
Mortgage servicing rights	-	1,794
Shares in controlled entities, joint venture entities and other securities	1,445	1,199
Regulatory deposits	225	129
Property, plant and equipment	2,498	2,640
Income tax assets	1,203	1,292
Goodwill	740	775
Other assets	10,050	14,151
Total assets	397,471	377,387
Liabilities		
Due to other financial institutions	45,128	43,279
Liability on acceptances	19,562	19,474
Trading derivatives	21,479	12,000
Deposits and other borrowings	210,146	206,864
Life insurance policy liabilities	32,457	30,425
Income tax liabilities	1,537	1,609
Provisions	1,262	2,809
Bonds, notes and subordinated debt	22,707	22,192
Other debt issues	1,743	1,866
Other liabilities	14,239	13,618
Total liabilities	370,260	354,136
Net assets	27,211	23,251
Equity		
Contributed equity	9,728	9,931
Reserves	893	2,105
Retained profits	13,786	11,148
Total parent entity interest	24,407	23,184
Outside equity interest – Life insurance business	2,614	67
Outside equity interest – Other	190	-
Total equity	27,211	23,251

Consolidated statement of cash flows

For the year ended September 30	2003 $m	Group 2002 $m	2001 $m
Cash flows from operating activities			
Interest received	17,450	15,680	20,373
Interest paid	(10,193)	(9,304)	(13,020)
Dividends received	39	35	44
Fees and other income received	3,026	6,182	6,882
Life insurance			
Premiums received	6,546	10,378	7,157
Investment and other revenue received	1,857	2,024	1,985
Policy payments	(5,778)	(8,483)	(4,784)
Fees and commissions paid	312	(274)	(288)
Personnel expenses paid	(3,327)	(3,637)	(3,634)
Occupancy expenses paid	(489)	(549)	(504)
General expenses paid	(3,747)	(3,176)	(2,392)
Income tax paid	(1,830)	(2,131)	(2,245)
Goods and services tax paid	(52)	(68)	(102)
Net decrease/(increase) in trading securities	(4,345)	136	(4,400)
Net decrease/(increase) in mortgage loans held for sale	50	1,304	(763)
Net cash (used in)/provided by operating activities	(481)	8,117	4,309
Cash flows from investing activities			
Movement in available for sale securities			
Purchases	(15,052)	(14,765)	(18,803)
Proceeds from sale	3	90	26
Proceeds on maturity	13,500	14,543	15,247
Movement in investment securities			
Purchases	(15,449)	(40,653)	(37,041)
Proceeds on maturity	18,578	37,434	30,828
Net increase in investments relating to life insurance business	(3,650)	(2,148)	(2,236)
Net increase in loans and advances	(32,248)	(27,415)	(19,109)
Net decrease/(increase) in shares in joint venture entities and other securities	428	212	(36)
Payments for mortgage servicing rights	-	(74)	(2,700)
Proceeds from sale of mortgage servicing rights	-	98	-
Payments for acquisition of controlled entities	(83)	-	(131)
Proceeds from sale of controlled entities	2,671	-	5,415
Payments for property, plant and equipment	(534)	(791)	(982)
Proceeds from sale of operating assets	-	2,314	-
Net proceeds from sale of property, plant and equipment	166	418	132
Net decrease/(increase) in regulatory deposits	(113)	(35)	23
Net decrease in other assets	2,762	10,057	291
Net cash used in investing activities	(29,021)	(20,715)	(29,076)
Cash flows from financing activities			
Net increase in deposits and other borrowings	17,063	18,840	11,793
Net proceeds from bonds, notes and subordinated debt	10,136	6,738	6,986
Repayments of bonds, notes and subordinated debt	(7,017)	(8,314)	(4,537)
Payments from provisions	(340)	(116)	(221)
Net proceeds from issue of ordinary shares	216	130	261
Net proceeds from issue of Trust Preferred Securities	975	-	-
Payments made under on-market buy-back of ordinary shares	(1,565)	(1,248)	-
Dividends paid	(2,255)	(1,948)	(1,494)
Net increase/(decrease) in other liabilities	(204)	(5,892)	2,792
Net cash provided by financing activities	17,009	8,190	15,580
Net decrease in cash and cash equivalents	(12,493)	(4,408)	(9,187)
Cash and cash equivalents at beginning of year	(21,109)	(18,408)	(10,037)
Effects of exchange rate changes on balance of cash held in foreign currencies	3,889	1,707	(1,015)
Cash and cash equivalents of controlled entities sold	-	-	1,831
Cash and cash equivalents at end of year	(29,713)	(21,109)	(18,408)

1 Principal accounting policies

This concise financial report has been prepared in accordance with Australian Accounting Standard AASB 1039 "Concise Financial Reports". The information contained within this concise financial report has been derived from the annual financial report 2003 of the Company and the Group. The annual financial report 2003 is prepared in accordance with the requirements of the *Banking Act* 1959 (Cth), the *Corporations Act* 2001 (Cth), Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of an entity as an annual report. Accordingly, this concise financial report should be read in conjunction with the annual financial report 2003.

A full description of the accounting policies adopted is contained in the annual financial report 2003. There have been no changes in accounting policy from those policies applied at September 30, 2002 except as noted below.

Comparative amounts have been reclassified to accord with changes in presentation made in 2003, except where otherwise stated.

All amounts are expressed in Australian dollars unless otherwise stated.

Changes in accounting policy

Provision for dividends
The Group has adopted the new Australian Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from October 1, 2002. A provision for dividends is now recognised at the time the dividends are declared, determined or publicly recommended. Previously, the Group recognised a provision for dividends in the reporting period to which the dividend related, even though the dividend was declared or announced after the end of that reporting period.

The effect of this change in accounting policy has been to increase opening retained profits and decrease provision for dividends by $1,151 million.

There was no impact on net profit or basic and diluted earnings per share for the year ended September 30, 2003.

Reclassification of financial information
In order to provide users of the financial report with an enhanced level of understanding of the Group's trading derivatives, the fair values of trading derivative financial instruments have been disclosed as separate asset and liability line items on the statement of financial position. As a result of this change, reclassifications have been made to 2002 comparatives. Previously, the fair values of trading derivative financial instruments were included in other assets and other liabilities. Accordingly, $12,128 million previously disclosed as other assets and $12,000 million previously disclosed as other liabilities, have been reclassified to trading derivatives assets and liabilities respectively.

Mortgage loans held for sale have been reclassified to other assets on the statement of financial position. Previously, mortgage loans held for sale were disclosed as a separate line item on the statement of financial position. This reclassification has been made due to the Group's significantly reduced activity in this area following the sale of HomeSide US in 2002.

2 Segment information

The following segment information is disclosed in accordance with Australian Accounting Standards AASB 1039 "Concise Financial Reports" and 1005 "Segment Reporting". For the purposes of this note, a business/primary operating segment is defined as a component of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in assessing performance. The Group results are based on the business segments as reviewed separately by the chief operating decision maker, the Managing Director and Chief Executive Officer, as well as other members of senior management.

The Group's business is organised into five major operating segments: Financial Services Australia, Financial Services Europe, Financial Services New Zealand, Corporate & Institutional Banking (formerly Wholesale Financial Services), and Wealth Management. Financial Services Australia, Europe and New Zealand are the retailing arms of the Group and provide a full range of financial services to customers. These Financial Services businesses are managed on a regional basis across Australia, Europe and New Zealand. Corporate & Institutional Banking is responsible for the Group's relationships with large corporations, institutions, supranationals and government bodies worldwide. It comprises Corporate Banking, Financial Institutions, Markets, Specialised Finance, National Custodian Services and a Services unit. Wealth Management manages a diverse portfolio of financial services businesses, comprising Investments, Insurance and Other (Private Bank and Advice Solutions). The Group's 'Other' business segment includes Finance, Technology, People and Culture, Risk Management, Corporate Development and Office of the CEO, and are not considered to be separate reportable operating segments.

Revenues and expenses directly associated with each business segment are included in determining their result. Transactions between business segments are based on agreed recharges between segments operating within the same country and are at arm's length between segments operating in different countries.

The following changes to business segments were made in the 2003 year:

- the New Zealand and European capital management units were previously reported in Financial Services New Zealand and Financial Services Europe business segments, respectively. In the 2003 year, these units were transferred to Group Funding (part of Other) to ensure consistency of capital allocation methodology across business segments;
- European asset and liability management activities were previously managed as part of Corporate & Institutional Banking and have now been transferred to Financial Services Europe; and
- an update of the cost allocation model was undertaken as part of the Group's 2003 planning process. This resulted in refinement of cost allocations between Other and Financial Services Australia.

The 2002 business segment results, assets and liabilities have been restated to reflect these changes.

Business segments

Year ended September 30, 2003	Financial Services Australia $m	Financial Services Europe $m	Financial Services New Zealand $m	Corporate & Institutional Banking $m	Wealth Management $m	Other $m	Inter-segment eliminations $m	Total Group $m
Net interest income [1]	3,519	2,368	651	807	117	(43)	-	7,419
Non-interest income	1,900	815	316	1,099	4,269	159	-	8,558
Inter-segment revenue	50	135	13	(9)	12	66	(267)	-
Total revenue after interest expense [2]	5,469	3,318	980	1,897	4,398	182	(267)	15,977
Other expenses	(2,798)	(2,003)	(494)	(692)	(3,931)	(431)	-	(10,349)
Inter-segment expenses	(5)	(33)	(21)	(125)	(140)	57	267	-
Total expenses excluding interest expense	(2,803)	(2,036)	(515)	(817)	(4,071)	(374)	267	(10,349)
Profit/(loss) from ordinary activities before tax	2,666	1,282	465	1,080	327	(192)	-	5,628
Income tax (expense)/benefit	(798)	(416)	(155)	(225)	(169)	82	-	(1,681)
Net profit/(loss)	1,868	866	310	855	158	(110)	-	3,947
Net profit/(loss) attributable to outside equity interest	-	-	-	(9)	16	1	-	8
Net profit/(loss) attributable to members of the Company	1,868	866	310	846	174	(109)	-	3,955
Total assets [3]	143,203	59,475	25,532	171,679	49,971	7,157	(59,546)	397,471
Total liabilities [3]	146,316	49,482	28,111	162,715	38,551	4,631	(59,546)	370,260

Year ended September 30, 2002	Financial Services Australia $m	Financial Services Europe $m	Financial Services New Zealand $m	Corporate & Institutional Banking $m	Wealth Management $m	Other [4] $m	Inter-segment eliminations $m	Total Group $m
Net interest income [1]	3,307	2,439	549	1,051	101	(225)	-	7,222
Non-interest income [5]	1,726	865	281	905	792	2,806	-	7,375
Significant revenue [6]	-	-	-	-	-	2,671	-	2,671
Inter-segment revenue	54	163	2	(18)	(2)	55	(254)	-
Total revenue after interest expense [2]	5,087	3,467	832	1,938	891	5,307	(254)	17,268
Significant expenses [7]	(261)	(166)	(20)	(42)	(29)	(2,748)	-	(3,266)
Other expenses [8]	(2,633)	(2,092)	(426)	(772)	(779)	(2,959)	-	(9,661)
Inter-segment expenses	37	(31)	(15)	(154)	(189)	98	254	-
Total expenses excluding interest expense	(2,857)	(2,289)	(461)	(968)	(997)	(5,609)	254	(12,927)
Profit/(loss) from ordinary activities before tax	2,230	1,178	371	970	(106)	(302)	-	4,341
Income tax (expense)/benefit [9]	(658)	(391)	(129)	(183)	232	167	-	(962)
Net profit/(loss)	1,572	787	242	787	126	(135)	-	3,379
Net profit/(loss) attributable to outside equity interest	-	-	-	-	(6)	-	-	(6)
Net profit/(loss) attributable to members of the Company	1,572	787	242	787	120	(135)	-	3,373
Total assets	123,362	67,395	22,689	163,025	46,449	3,564	(49,097)	377,387
Total liabilities	123,854	56,282	22,782	160,125	37,406	2,784	(49,097)	354,136

(1) Net interest income includes interest on capital employed by business segments.

(2) Total revenue has been disclosed net of interest expense. It is impracticable to disclose gross interest revenue on a business segment basis due to the Group's business segmental management reporting system's usage of net interest income as an operating measure rather than gross interest income and gross interest expense.

(3) For Corporate & Institutional Banking, this amount includes approximately $20 billion of funding raised on behalf of Asset & Liability Management functions in Europe and New Zealand due to the nature of the funding model in those regions and related legal entity structure.

(4) Includes the results of SR Investment, Inc. and its controlled entity, HomeSide Lending, Inc., up to the date of their sale on October 1, 2002 (refer note 3).

(5) Non-interest income includes proceeds from sale of operating assets of $2,314 million within the Other business segment.

(6) Significant revenue represents the proceeds from sale of SR Investment, Inc. (refer to note 3).

(7) Significant expenses includes the cost of assets sold of SR Investment, Inc. of $2,686 million within the Other business segment (refer to note 3).

(8) Other expenses includes the carrying value of operating assets sold of $2,322 million within the Other business segment.

(9) Income tax expense/(benefit) includes an income tax benefit of $21 million attributable to the loss on sale of SR Investment, Inc. within the Other business segment.

3 Individually significant items included in profit from ordinary activities before income tax expense

	Group 2003 $m	2002 $m	2001 $m
Restructuring costs			
Personnel - termination benefits	-	327	-
Occupancy	-	68	-
Write-off of property, plant and equipment (1)	-	132	-
Other	-	53	-
Total restructuring costs	-	580	-

(1) Includes write-off of redundant components of the Integrated Systems Implementation application software assets of $54 million during 2002. These components are redundant largely as a result of the move from a global business model to a regional business model.

During 2002, the Group recognised restructuring costs of $580 million resulting from the Positioning for Growth and other restructuring initiatives. The majority of these costs are expected to be recovered by the end of 2004 from annual productivity improvements and revenue enhancements. The Positioning for Growth initiative comprised a fundamental reorganisation of the management and organisational structure of the Group, including the appointment of a new senior management team.

Sale of foreign controlled entities

On October 1, 2002, the Group sold SR Investment, Inc. (the parent entity of HomeSide Lending, Inc.) to Washington Mutual Bank, FA. Controlled entities other than HomeSide US were excluded from the sale. The Group received proceeds on sale of $2,671 million (US$1,453 million) for assets with a cost of $2,686 million, resulting in a profit on sale of $6 million after all disposal costs, including income tax. The results of SR Investment, Inc. and its controlled entities are included in the Group's financial performance up to and including the year ended September 30, 2002. The assets and liabilities of SR Investment, Inc. and its controlled entities were included in the Group's financial position up to and including the year ended September 30, 2002.

4 Dividends

	Group 2003 $m	2002 $m	2001 $m
Interim dividend paid			
80c ordinary dividend paid (2002: 72c; 2001: 67c) (1)	1,104	1,115	1,026
Final dividend provided for			
Nil ordinary dividend provided for (2002: 75c; 2001: 68c) (2)	-	1,151	1,054
Total dividends paid or provided for	1,104	2,266	2,080

(1) The interim dividend was fully franked at a rate of 30% and was paid on July 2, 2003 (2002: 30%; 2001: 30%).
(2) The final dividend will be fully franked at a rate of 30% (2002: 90% franked 30%; 2001: fully franked 30%).

There is no provision for final dividend in respect of the year ended September 30, 2003 as a result of a change in accounting policy. The Group has adopted the new accounting standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from October 1, 2002. Provisions for dividends are now recognised at the time the dividends are declared, determined or publicly recommended. Previously, the Group recognised a provision for dividend in the reporting period to which the dividend related, even though the dividend was declared or announced after the end of that reporting period.

On November 11, 2003 the directors declared a final dividend in respect to the year ended September 30, 2003, of 83 cents per fully paid ordinary share, fully franked, payable on December 10, 2003. The payment amount is expected to be $1,248 million.

5 Asset quality and provisioning for doubtful debts

	Group 2003 $m	Group 2002 $m
Total impaired assets		
Gross		
Australia	658	894
Overseas	723	705
	1,381	1,599
Specific provision for doubtful debts		
Australia	238	299
Overseas	184	201
	422	500
Net		
Australia	420	595
Overseas	539	504
Total net impaired assets	959	1,099

6 Events subsequent to balance date

At the date of this report, the Company had not made the decision to elect to consolidate for Australian income tax purposes. If such an election is made, the Company would be the head entity in a tax consolidated group comprising the Company and all of its Australian wholly-owned subsidiaries. The financial effects of the tax consolidation legislation cannot be estimated reliably at this point in time and have not been brought to account in the financial statements for the year ended September 30, 2003, except as stated in note 23 of the annual financial report.

On October 1, 2003 the Company announced its intention to buy back ordinary shares on market approximately equal to the number of shares issued under the Company's dividend package plans and staff share and option plans. The Company expects this to be up to approximately 25,500,000 ordinary shares. The period of the buy-back is expected to be from November 11, 2003 until September 30, 2004.

At the Company's annual general meeting to be held on December 19, 2003, the Company will seek shareholder approval to buy back the total of 36,008,000 fully paid non-converting non-cumulative preference shares of the Company issued in connection with the issue of 18,004,000 Trust Units Exchangeable for Preferred Shares ™ of the Group. The financial effect of the buy-back has not been recognised in the financial statements for the year ended September 30, 2003. Subject to shareholder approval, the buy-back will be at a price of US$12.50 per share, plus certain incidental costs. If the buy-back occurs, contributed equity of the Group will be reduced by $730 million, with the excess of the acquisition costs and incidental costs of the buy-back directly reducing retained profits of the Group at the date of the buy-back.

Directors' declaration

The directors of National Australia Bank Limited declare that, in their opinion, the accompanying concise financial report of the Group, comprising National Australia Bank Limited and its controlled entities for the year ended September 30, 2003 as set out on pages 42 to 43 and pages 46 to 52:

a) has been derived from, or is consistent with, the full financial report for the year; and

b) complies with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

Dated at Melbourne this 11th day of November, 2003 and signed in accordance with a resolution of the directors.

Charles Allen

D Charles K Allen
Chairman

Frank Cicutto

Frank J Cicutto
Managing Director

Independent auditor's report

Independent audit report on the concise financial report to the members of National Australia Bank Limited

Scope

We have audited the concise financial report of National Australia Bank Limited (the Company) and its controlled entities for the financial year ended September 30, 2003 consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 6, and the accompanying discussion and analysis on the statement of financial performance, statement of financial position and statement of cash flows on pages 42 to 43 and pages 46 to 53, in order to express an opinion on it to the members of the Company. The Company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the financial report of National Australia Bank Limited and its controlled entities included in the annual financial report 2003, consisting of: the statements of financial performance, statements of financial position, statements of cash flow, accompanying notes (1 to 59) and the directors' declaration, for the year ended September 30, 2003. Our audit report on the financial report was signed on November 11, 2003, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report was consistent with the financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion the concise financial report of National Australia Bank Limited and its controlled entities for the year ended September 30, 2003 complies with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

KPMG

KPMG

Peter Matthey

PJ Matthey
Partner

November 11, 2003

Annual financial report 2003

A copy of our annual financial report is available to all shareholders upon request.

You can view our report online at www.nabgroup.com or request your copy from Shareholder Services either by email at Shareholder_Services@national.com.au or by telephone on 1300 367 647 (Australia only) or +613 8641 4200.

Ten largest registered fully paid ordinary shareholders of the Company as at October 17, 2003

	Number of shares	%
JP Morgan Nominees Australia Limited	178,406,438	11.86
National Nominees Limited	168,039,383	11.17
Westpac Custodian Nominees Limited	148,362,247	9.86
Citicorp Nominees Pty Limited	36,570,426	2.43
ANZ Nominees Limited	30,669,229	2.04
RBC Global Services Australia Nominees Pty Limited	29,605,201	1.97
AMP Life Limited	22,758,622	1.51
Queensland Investment Corporation	21,237,233	1.41
Commonwealth Custodial Services Limited	17,199,026	1.14
Cogent Nominees Pty Limited	13,204,729	0.88
	666,052,534	44.27%

Ten largest registered National Income Securities holders as at October 17, 2003

	Number of securities	%
Westpac Custodian Nominees Limited	878,774	4.39
Citicorp Nominees Pty Limited	750,561	3.75
Australian Foundation Investment Company Limited	506,160	2.53
JP Morgan Nominees Australia Limited	473,619	2.37
AMP Life Limited	306,124	1.53
National Nominees Limited	276,482	1.38
RBC Global Services Australia Nominees Pty Limited	247,762	1.24
Tower Trust Limited	231,951	1.16
The University of Sydney	199,713	1.00
UBS Private Clients Australia Nominees Pty Ltd	193,203	0.97
	4,064,349	20.32%

National Australia Bank Limited

Chairman
Mr D Charles K Allen AO
MA, MSc, FTSE, FAICD

Managing Director and Chief Executive Officer
Mr Frank J Cicutto
BCom, FAIBF, FCIBS

Company Secretary
Mr Garry F Nolan
MBus, FAICD, FCIS, FAIBF, ASIA, CFTP (Snr)

Registered office
24th Floor
500 Bourke Street
Melbourne Victoria 3000
Australia
Telephone: 1300 367 647

Auditors
KPMG
Chartered Accountants
161 Collins Street
Melbourne Victoria 3000
Australia

Solicitors
Mallesons Stephen Jaques
525 Collins Street
Melbourne Victoria 3000
Australia

Other ways to benefit from dividends

The Group offers shareholders the facility to have dividends paid to an account at an Australian branch of any bank, building society or credit union, or into an account operated at a New Zealand branch of any bank. Shareholders who do not provide their bank account details will receive an Australian currency cheque.

As an alternative to cash dividends, shareholders may participate in one or more of the following dividend plans. Full details of these alternatives may be obtained from our website at www.nabgroup.com or by contacting Shareholder Services on +613 8641 4200. Shares offered under both the Dividend Reinvestment and Bonus Share Plans are free of brokerage costs.

Dividend Reinvestment Plan
Shareholders may use their cash dividends to buy additional shares, which are issued under this plan. Under current Australian tax law, the amount of the cash dividends used to buy the Australian shares is treated as a dividend for the purposes of Australian income tax or withholding tax and carry imputation credits to the extent to which the cash dividends are franked.

Bonus Share Plan
Enables shareholders to receive bonus shares in lieu of cash dividends.

Shares issued under this plan are not normally treated as dividends for the purposes of Australian income tax or dividend withholding tax. Consequently, these bonus shares do not carry imputation credits.

UK Dividend Plan
Allows dividends to be received from a United Kingdom subsidiary of the National and paid in Pounds Sterling rather than in Australian dollars. Participation in the Dividend Reinvestment Plan is also available.

New Zealand currency payments
Allows dividends to be directly deposited into a shareholder's New Zealand bank account in New Zealand dollars.

Dividend history cents per share

Dividend history	Dividend rate – cents per share		
Year	**July**	**December**	**Total**
1993	24¢	26¢	50¢
1994	35¢	39¢	74¢
1995	40¢	43¢	83¢
1996	43¢	44¢	87¢
1997	45¢	49¢	94¢
1998	49¢	53¢	102¢
1999	54¢	58¢	112¢
2000	59¢	64¢	123¢
2001	67¢	68¢	135¢
2002	72¢	75¢	147¢
2003	80¢	83¢	163¢

Annual General Meeting

When 19 December, 2003

Where Melbourne Concert Hall

Address 100 St Kilda Rd, Melbourne

Time 10.00 am

Diary Dates*†

10 December 2003	Payment date for 2003 final dividend
19 December 2003	2003 Annual General Meeting
12 May 2004	Announcement for 2004 half yearly results
7 June 2004	Ex-dividend for 2004 interim dividend
11 June 2004	Record date for 2004 interim dividend
7 July 2004	Payment date for 2004 interim dividend
9 November 2004	Announcement for 2004 full year results
15 November 2004	Ex-dividend for 2004 final dividend
19 November 2004	Record date for 2004 final dividend
8 December 2004	Payment date for 2004 final dividend
16 December 2004	2004 Annual General Meeting

* Dates are subject to confirmation
† Future dividends and payments under National Income Securities are subject to available profits and approval by the Board

National Income Securities*†

23 January 2004	Ex-interest date
30 January 2004	Record date (close of books)
16 February 2004	Interest payable
23 April 2004	Ex-interest date
30 April 2004	Record date (close of books)
17 May 2004	Interest payable
23 July 2004	Ex-interest date
29 July 2004	Record date (close of books)
16 August 2004	Interest payable
22 October 2004	Ex-interest date
28 October 2004	Record date (close of books)
15 November 2004	Interest payable

Change of Address

Shareholders are required to advise Shareholders Services in writing of any change to their registered address. A written notification signed by the shareholder(s), quoting the relevant Securityholder Reference Number (SRN) and details of the previous registered address should be mailed to Shareholder Services. Shareholders on the CHESS Sub-register should forward their change of address to their sponsoring broker, quoting the Holder Identification Number (HIN).

Tax File Number

Shareholders who are Australian taxpayers may elect to advise Shareholder Services of their Tax File Number. It is not an offence if you choose not to quote your Tax File Number, however, if this number is not provided we are obliged to withhold a portion of the dividend to the extent that the dividend is unfranked (at a current rate of 48.5%).

Contact Details

Principal Share Register and Shareholder Services
National Australia Bank Limited
Floor 24, 500 Bourke Street
Melbourne Victoria 3000
Australia

Postal Address
GPO Box 2333
Melbourne Victoria 8060
Australia

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Australian callers (local call): 1300 367 647
Facsimile: +61 3 8641 4927
E-mail: Shareholder_Services@national.com.au
Website: www.nabgroup.com/shareholder
Please quote your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) in all correspondence to Shareholder Services.

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Facsimile: +44 870 703 6101
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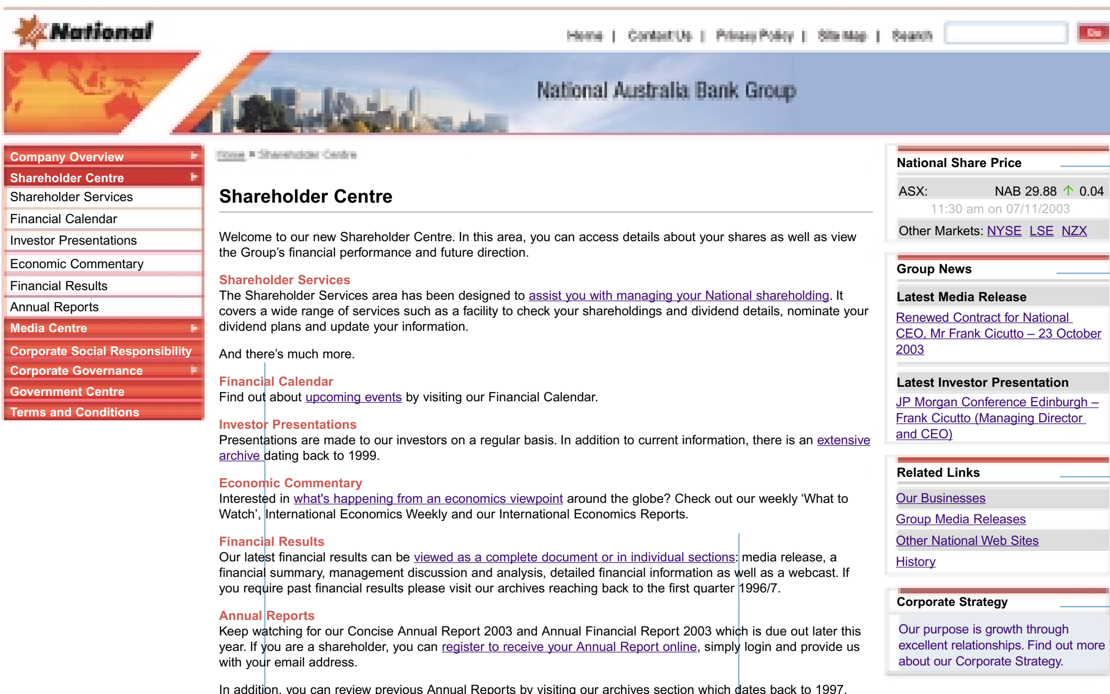
The Group has a new website www.nabgroup.com, designed to make it easier for you to access information about us and your shareholding.

Visit our new Shareholder Centre



National Share Price

Monitor the National's share price on the Australian, New York, London and New Zealand Stock Exchanges.

Group News

Visit the latest Group media release and investor presentation.

Areas of Interest

Explore the site in greater depth by looking up related areas of interest. These change on a regular basis.

Shareholder Services

Shareholder Services houses a wealth of information. Did you know that you can check your shareholding balances, look up your dividend payment details, download shareholder forms as well as read through a variety of shareholder benefits?

Latest News and Information

Find out what's happening by viewing our financial calendar, economic commentary, financial results and annual reports.

www.nabgroup.com

National