

NATIONAL AUSTRALIA BANK LTD
Form 6-K
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

For the month of November 2004

National Australia Bank Limited

ACN 004 044 937

(Registrant's Name)

Level 24
500 Bourke Street
MELBOURNE VICTORIA 3000
AUSTRALIA

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

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Form 20-F Form 40-F

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

Yes No

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

Appendix 4E

National Australia Bank Limited

Preliminary final consolidated report

Financial year ended September 30, 2004

National Australia Bank Limited ABN 12 004 044 937 (the **Company**)

A reference in this Appendix 4E to the **Group** is a reference to the **Company** and its controlled entities.

This preliminary final report is given to Australian Stock Exchange Limited (ASX) under Listing Rule 4.3A.

All currency amounts are expressed in Australian dollars unless otherwise stated.

References in this document to 2004 are references to the **Company**'s financial year ended September 30, 2004.

Other financial years are referred to in a corresponding manner.

Results for announcement to the market**Reporting period**

12 months ended on September 30, 2004

Previous corresponding period

12 months ended on September 30, 2003

| | | | | 2004 \$m |
|--|------|---------|----|---------------------|
| Revenue from ordinary activities | up | 18.0% | to | 30,184 |
| Profit from ordinary activities after tax attributable to members of the Company | down | (19.7)% | to | 3,177 |
| Net profit attributable to members of the Company | down | (19.7)% | to | 3,177 |

Dividends

| | Amount per share | Franked amount per share |
|--|---------------------------------|---|
| Final dividend | 83 cents | 100% |
| Interim dividend | 83 cents | 100% |
| Record date for determining entitlements to the final dividend | | November 19, 2004 |

Net profit attributable to members of the Company has decreased 19.7% to \$3,177 million for the year to September 30, 2004.

Performance has been impacted by a range of factors with a deterioration in underlying operating performance in major areas of the business, including Australia, Europe and Corporate & Institutional Banking. The result has also been impacted by a number of significant items including (but not limited to) foreign currency options trading losses, the writedown of impaired application software and the impact of the revision of an accounting estimate on the charge to provide for doubtful debts.

For further details refer to the Management Discussion and Analysis on page 4.

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Management discussion & analysis**Performance summary**

| | September 30 2004 \$m | Year to September 30 2003 \$m |
|--|-----------------------------|--|
| Net profit attributable to members of the Company | 3,177 | 3,955 |
| Net profit/(loss) attributable to outside equity interest | 374 | (8) |
| Net profit | 3,551 | 3,947 |
| Adjust for significant items: | | |
| Significant revenue | (993) | |
| Significant expenses | 1,675 | |
| Attributable income tax expense/(benefit) | (298) | |
| Significant items after tax | 384 | |
| Net profit before significant items | 3,935 | 3,947 |
| Net profit attributable to members of the Company | 3,177 | 3,955 |
| Adjust for: | | |
| Distributions | (187) | (183) |
| Significant items after tax | 384 | |
| Movement in the excess of net market value over net assets of life insurance controlled entities | 137 | 160 |
| Attributable income tax expense/(benefit) | (153) | 40 |
| Amortisation of goodwill | 103 | 98 |
| Cash earnings before significant items | 3,461 | 4,070 |

Cash earnings is a key performance measure and financial target used by the Group. Dividends paid by the Company are based on after tax cash earnings (adjusted for significant items). Cash earnings and diluted cash earnings per share are key performance measures used in the investment broking community, as well as by those Australian peers of the Group with a similar business portfolio. Management considers that the exclusion of the intangible and other items detailed above from net profit is a prudent and useful indicator of the Group's underlying operating performance. Cash earnings does not refer to, or in any way purport to represent the cash flows, funding or liquidity position of the Group. It does not refer to any amount represented on a Statement of Cash Flows.

Review of operations

Net profit attributable to members of the Company of \$3,177 million in 2004, decreased \$778 million or 19.7% compared with 2003.

Net profit of \$3,551 million in 2004, decreased \$396 million or 10.0% compared with 2003.

Significant items are those individually significant items included in net profit. The current year result included the following significant items:

foreign currency options trading losses of \$252 million (after tax);

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write-down of impaired application software of \$307 million (after tax);

impact of the revision of an accounting estimate on the general provision for doubtful debts of negative \$204 million (after-tax);

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

net profit of \$64 million on write-back of SR Investment, Inc. selling-related costs provision.

The 2003 result included no significant items.

Net profit before significant items of \$3,935 million in 2004, decreased \$12 million or 0.3% compared with 2003. Cash earnings before significant items of \$3,461 million in 2004, decreased \$609 million or 15.0% compared with 2003. The components impacting cash earnings before significant items are discussed below.

Net interest income of \$7,191 million in 2004, was \$228 million or 3.1% lower than 2003. This was driven by a decrease in the net interest margin from 2.53% to 2.35%, partly offset by lending growth. The fall in margin largely resulted from the strong growth in lower margin mortgages and fixed rate lending within the retail banking business, as well as a reduction in contribution from the Markets and Specialised Finance divisions of Corporate & Institutional Banking.

Net life insurance income increased by \$568 million from \$444 million in 2003 to \$1,012 million in 2004. This was driven by an increase in investment earnings resulting from improved performance in global equity markets and favourable claims experience, partially offset by an increase in policy liabilities.

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Other banking and financial services income of \$4,831 million in 2004, was \$179 million or 3.6% lower than 2003. This outcome reflects:

lower trading income;

a reduction in money transfer fees;

the negative impact of the Reserve Bank of Australia credit card interchange fee reform effective October 1, 2003;

lower dividend income following the sale of strategic shareholdings in January 2004;

the inclusion in the prior year of a one-off benefit on the restructure of the hedging swaps on the TrUEPrSSM preference shares and sale of property;

flat loan fees from banking; and

growth in the Fleet Management and custody businesses following recent acquisitions.

TrUEPrSSM is a service mark of Merrill Lynch & Co., Inc.

The movement in the excess of net market value over net assets of life insurance controlled entities was a loss of \$137 million in 2004, an improvement of \$23 million from 2003, impacted by the effect of assumption and experience changes underlying the valuation, and the impact of the Group's election to consolidate under the Australian tax consolidation regime.

Personnel, occupancy and general expenses of \$6,812 million in 2004, were \$458 million or 7.2% higher than 2003. This outcome reflects:

increased costs associated with the European defined pension funds, partly offset by a superannuation contribution holiday in Australia reducing Australian defined contribution superannuation expenses;

higher personnel costs (excluding pensions) reflecting salary increases and growth in staffing levels;

growth in costs associated with major Group-wide projects – Basel II and International Financial Reporting Standards;

higher occupancy costs as a result of annual rent increases and relocation costs;

increased advertising and marketing costs, including the sponsorship of the 2006 Melbourne Commonwealth Games;

higher software amortisation across the business reflecting prior year investment in infrastructure; and

\$22 million (after-tax) write-off of development work associated with the Integrated Systems Implementation program in the first half.

The charge to provide for doubtful debts before significant items of \$559 million in 2004 was \$74 million or 11.7% lower than 2003. The charge was favourably impacted by the continued focus on credit quality across the business.

Income tax expense relating to ordinary activities of \$1,190 million in 2004, was \$491 million or 29.2% lower than 2003. Income tax expense has been impacted by Wealth Management products and international activities, to which a wide range of tax rates are applied. The decision to elect to consolidate under the Australian tax consolidation regime resulted in a tax benefit of \$150 million recognised in the 2004 year, due to the reset tax values of assets of life insurance subsidiaries within the Wealth Management business. Further, the income tax expense has been impacted by the decision not to book a tax benefit on the interest expense relating to exchangeable capital units following the receipt of an Australian Taxation Office assessment.

A MORE DETAILED DISCUSSION OF THE RESULTS IS SET OUT IN THE 2004 FULL YEAR RESULTS ANNOUNCEMENT.

Segment information

A DETAILED DISCUSSION OF SEGMENT INFORMATION IS SET OUT IN THE 2004 FULL YEAR RESULTS ANNOUNCEMENT.

Shareholder returns

| | Note | September 30 2004 Cents | Year to September 30 2003 Cents |
|--|------|-------------------------------|--|
| Earnings per share | | | |
| Basic | 6 | 197.3 | 248.8 |
| Diluted (1) | 6 | 196.1 | 243.6 |
| Earnings per share before significant items | | | |
| Basic | | 222.7 | 248.8 |
| Diluted (1) | | 220.4 | 243.6 |
| Cash earnings per share | | | |
| Basic | | 203.1 | 268.5 |
| Diluted (1) | | 201.7 | 262.3 |
| Cash earnings per share before significant items | | | |
| Basic | | 228.5 | 268.5 |
| Diluted (1) | | 226.0 | 262.3 |
| Dividends per share | | 166.0 | 163.0 |

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

Diluted earnings per share decreased 19.5% in 2004 to 196.1 cents, from 243.6 cents in 2003. Excluding the impact of significant items, diluted earnings per share decreased 9.5% for 2004 to 220.4 cents, from 243.6 cents in 2003.

Diluted cash earnings per share decreased 23.1% in 2004 to 201.7 cents, from 262.3 cents in 2003. Excluding the impact of significant items, diluted cash earnings per share decreased 13.8% in 2004 to 226.0 cents, from 262.3 cents in 2003. This result has been impacted by the strength of the Australian dollar which has reduced the contribution from offshore operations (particularly Financial Services Europe and Corporate & Institutional Banking) and subdued income growth, as well as increased expenses, in part reflecting continued investment in the business and growth in pension costs.

An interim dividend of 83 cents per fully paid ordinary share was paid during the year ended September 30, 2004, compared to an interim dividend of 80 cents per share in 2003. The final dividend declared from the 2004 profit was 83 cents per share, in line with 2003 at 83 cents. The 2004 final dividend is payable on December 8, 2004.

The Company expects to continue its policy of paying regular cash dividends; however, there is no assurance as to future dividends. Future dividend policies will be determined by the Board with regard to the Company's earnings, capital requirements, financial conditions and applicable government regulations and policies.

The interim dividend paid was fully franked and the final dividend will be 100% franked. The franked portion of these dividends carry imputation tax credits at a tax rate of 30%, the current Australian company tax rate. For non-resident shareholders of the Company for Australian tax purposes, the dividend will not be subject to Australian withholding tax.

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

The Company has a bonus share plan enabling shareholders (principally those who do not benefit from dividend imputation) to elect to take all or part of their dividend in the form of unfranked bonus ordinary shares. The Company's dividend reinvestment plan permits reinvestment of cash dividends in new ordinary shares. In addition, the UK dividend plan permits ordinary shareholders to receive dividends paid out of the profits of a UK controlled entity.

Review of the consolidated statement of financial position

Assets

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Total assets at September 30, 2004 increased to \$411.3 billion from \$397.5 billion at September 30, 2003. Excluding the impact of exchange rate movements, total assets (in Australian dollar terms) grew \$9.6 billion or 2.4% during the year.

The growth in total assets was primarily driven by the growth in net loans and advances, investment securities and investments relating to the life insurance business, which offset declines in due from other financial institutions, due from customers on acceptances, trading derivatives and available for sale securities.

Net loans and advances increased \$22.1 billion or 9.8% from \$225.7 billion at September 30, 2003 to \$247.8 billion at September 30, 2004. Excluding the effect of exchange rate movements, net loans and advances increased by \$19.1 billion or 8.3% during the year. This increase primarily reflects strong growth in housing lending across all regions and solid other term lending growth.

Liabilities

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Total liabilities at September 30, 2004 increased to \$381.5 billion from \$370.3 billion at September 30, 2003. Excluding the impact of exchange rate movements, total liabilities (in Australian dollar terms) increased \$7.2 billion or 1.9% during the year.

The growth in total liabilities was primarily driven by growth in deposits and other borrowings, bonds, notes and subordinated debt and life insurance policy liabilities, which offset declines in due to other financial institutions, liability on acceptances and trading derivatives.

Deposits and other borrowings have increased by \$19.6 billion or 9.7% to \$220.8 billion at September 30, 2004, compared with \$201.2 billion at September 30, 2003. Excluding the effect of exchange rate movements, deposits and other borrowings increased by \$17.4 billion or 8.6%. This increase primarily relates to growth in term deposits, as well as an increase in other borrowings relating to commercial paper. Bonds, notes and subordinated debt increased by \$8.3 billion or 34.3% to \$32.6 billion at September 30, 2004. Excluding the effect of exchange rate movements, bonds, notes and subordinated debt increased by \$8.3 billion or 34.5% during the year. This increase reflects an increase in the issue of Euro and subordinated medium-term notes, as a result of the Group's increased capital requirements.

Equity

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Total equity in the Group increased from \$27.2 billion at September 30, 2003 to \$29.8 billion at September 30, 2004. Total parent entity interest in equity increased by \$1.5 billion from \$24.4 billion at September 30, 2003 to \$25.9 billion at September 30, 2004. The movement in total equity was impacted by an increase in contributed equity of \$0.5 billion to \$10.2 billion (2003: \$9.7 billion), reflecting share issues and dividend reinvestment of \$1.4 billion, including the underwriting of the dividend reinvestment plan, partially offset by \$0.2 billion impact of the on-market share buy-back and \$0.7 billion on the buy-back of preference shares (refer to further detail below). Further, the reserves balance increased by \$1.1 billion to \$2.0 billion (2003: \$0.9 billion), reflecting positive movements in the foreign currency translation reserve of \$0.4 billion and an increase in the general reserve of \$0.7 billion. In addition, the movement in total equity included a decrease in retained profits of \$0.1 billion to \$13.7 billion and an increase in outside equity interest of \$1.1 billion.

On January 22, 2004 the Company bought back 36,008,000 fully paid non-converting non-cumulative preference shares of the Company that were issued in connection with the issue of 18,004,000 Trust Units Exchangeable for Preference Shares™ (TrUEPrS™) in 1998. The TrUEPrS™ were redeemed on the same date. The financial effects of the buy-back, redemption and dissolution of the capital raising structure included a reduction in contributed equity of \$730 million, a reduction in cash of \$582 million and a net increase in retained profits and reserves of \$148 million.

Capital ratios

| | September 30 2004 % | As at September 30 2003 % |
|---------------|---------------------------|------------------------------------|
| Tier 1 | 7.3 | 7.7 |
| Tier 2 | 4.3 | 3.3 |
| Deductions | (1.0) | (1.4) |
| Total capital | 10.6 | 9.6 |

The capital ratios at September 30, 2004, include the effect of the Group entering into agreements to fully underwrite its dividend reinvestment plan in respect of the 2004 interim dividend; the issuance of Tier 2 subordinated debt; the effect of the on-market share buy-back program which was suspended in January 2004 and terminated in March 2004; the buy-back of 36,008,000 fully paid non-converting non-cumulative preference shares of the Company; and the sales of strategic shareholdings in St George Bank Limited, AMP Limited and HHG PLC.

The capital ratios have been impacted by the Australian Prudential Regulation Authority (APRA) requirement to deduct capitalised expenses from Tier 1 capital effective July 1, 2004.

The ratios have also been impacted by the change in methodology of the calculation of the market risk component of risk-weighted assets from the Internal Model Method to the Standard Method as directed by APRA. The difference between the Standard Method calculation and the Internal Model Method that was used in prior years calculations, is a reflection of the fact that the Standard Method, as prescribed by the APRA Prudential Standard (APS 113), limits recognition of portfolio effects on outstanding positions and is substantially more restrictive on the rules regarding the matching of positions.

The total capital ratio also reflects the APRA imposed requirement for the Group's internal target for capital to rise to 10.0% of risk-weighted assets.

Further information

Securities and Exchange Commission voluntary information request

The Company is continuing to co-operate with the US Securities and Exchange Commission in relation to its investigation into certain Australian companies and public accounting firms.

Foreign currency options trading losses

In January 2004, the Company announced that it had identified losses relating to unauthorised trading in foreign currency options of \$360 million before tax, or \$252 million after tax. The total losses consisted of losses arising from the removal of fictitious trades from the foreign currency options portfolio of \$185 million and a further loss of \$175 million arising from the risk evaluation and complete mark-to-market revaluation of the foreign currency options portfolio in January 2004. Included within the total loss of \$360 million is a valuation allowance for long-dated and illiquid trading derivatives in other portfolios of \$26 million as at September 30, 2004.

During the period the Company also released reports by PricewaterhouseCoopers (PwC) and APRA into this matter. The APRA and PwC reports provide a roadmap for the Company to address issues concerning culture, risk management, governance and operational controls, primarily related to the Markets division of Corporate & Institutional Banking. The Company is in the process of implementing remedial actions required by APRA. During August 2004 the Group provided the Australian Securities and Investments Commission (ASIC) with a range of undertakings to review key systems and controls across all businesses operating under the Australian Financial Services Licence. The enforceable undertakings require the Group to carry out work that is in line with current regulatory requirements within a specific timeframe, as agreed with ASIC and to provide reports on each of the areas identified.

Further details may be obtained from the Company's ASX Announcement of March 12, 2004, which is available on the Group's website at www.nabgroup.com. The complete PwC and APRA reports are also available on the Group's website.

Board and senior management changes

During the year there has been significant revitalisation of the Board and substantial senior management changes.

Write-down of impaired application software

During the year, the Group undertook a detailed review of the carrying value of its software assets which resulted in a charge to the profit and loss account of \$409 million (\$307 million after tax).

The Group ceased its global enterprise resource planning (ERP) strategy supported by its Integrated Systems Implementation application software and has indefinitely deferred the implementation of further modules of this software. The software has been written-down by \$200 million to its recoverable amount of \$87 million as at September 30, 2004.

The recoverable amount of the software was determined through the application of a valuation methodology performed by an external party. In performing the assessment, the external party used a number of assumptions based on its industry expertise taking into account the complexity of the software, the cost of building such software and the build environment. The resulting carrying value of the asset represents the recoverable amount of the software that is in use.

Other software with a carrying value of \$209 million was identified as fully impaired and was written-off.

General provision for doubtful debts revision of accounting estimate

During the year, the Group reviewed the level of general provision for doubtful debts and the application of the associated statistically-based provisioning methodology, taking into account recent experience, industry practice and emerging developments. As a result, the discount rate in the statistical model was reduced from the shareholder cost of capital to a rate akin to a risk-free debt rate, resulting in a revision to the accounting estimate of the general provision for doubtful debts as at September 30, 2004. This discount rate is used to determine the present value of cumulative probability of default rates used for the purpose of loan provisioning.

The effect of this reduction in discount rate and flow on impact is a revision in accounting estimate of \$292 million (\$204 million after tax), which is a significant expense in the current year.

A MORE DETAILED DISCUSSION OF RESULTS IS SET OUT IN THE 2004 FULL YEAR RESULTS ANNOUNCEMENT.

Consolidated statement of financial performance

| For the year ended September 30 | Note | 2004 \$m | 2003 \$m |
|---|------|--------------|--------------|
| Interest income | 2 | 18,650 | 17,022 |
| Interest expense | 3 | (11,459) | (9,603) |
| Net interest income | | 7,191 | 7,419 |
| Premium and related revenue | 2 | 1,005 | 949 |
| Investment revenue | 2 | 4,842 | 2,759 |
| Claims expense | 3 | (702) | (958) |
| Change in policy liabilities | 3 | (3,368) | (1,518) |
| Policy acquisition and maintenance expense | 3 | (723) | (713) |
| Investment management fees | 3 | (42) | (75) |
| Net life insurance income | | 1,012 | 444 |
| Other banking and financial services income | 2 | 4,831 | 5,010 |
| Movement in the excess of net market value over net assets of life insurance controlled entities | 2 | (137) | (160) |
| Significant revenue | | | |
| Proceeds from the sale of strategic shareholdings | 2 | 993 | |
| Personnel expenses | 3 | (3,616) | (3,416) |
| Occupancy expenses | 3 | (591) | (556) |
| General expenses | 3 | (2,605) | (2,382) |
| Amortisation of goodwill | 3 | (103) | (98) |
| Charge to provide for doubtful debts | 3 | (559) | (633) |
| Significant expenses | | | |
| Cost of sale of strategic shareholdings | 3 | (678) | |
| Foreign currency options trading losses | 3 | (360) | |
| Write-down of impaired application software | 3 | (409) | |
| Charge to provide for doubtful debts - revision of accounting estimate | 3 | (292) | |
| Cost of foreign controlled entity sold - revision of accounting estimate | 3 | 64 | |
| Profit from ordinary activities before income tax expense | | 4,741 | 5,628 |
| Income tax expense relating to ordinary activities | 4 | (1,190) | (1,681) |
| Net profit | | 3,551 | 3,947 |
| Net (profit)/loss attributable to outside equity interest - Life insurance business | | (365) | 16 |
| Net profit attributable to outside equity interest - Other | | (9) | (8) |
| Net profit attributable to members of the Company | | 3,177 | 3,955 |
| Other changes in equity other than those resulting from transactions with owners as owners | | | |
| Net credit to asset revaluation reserve | | 71 | 9 |
| Net credit/(debit) to foreign currency translation reserve | | 226 | (1,251) |
| 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 | | 297 | (91) |
| Total changes in equity other than those resulting from transactions with owners as owners | | 3,474 | 3,864 |
| | | cents | cents |
| Basic earnings per share | 6 | 197.3 | 248.8 |
| Diluted earnings per share | 6 | 196.1 | 243.6 |

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ADDITIONAL INFORMATION SUPPORTING THE STATEMENT OF FINANCIAL PERFORMANCE IS CONTAINED IN THE 2004 FULL YEAR RESULTS ANNOUNCEMENT.

Consolidated statement of financial position

| As at September 30 | Note | 2004 \$m | 2003 \$m |
|--|------|----------------|----------------|
| Assets | | | |
| Cash and liquid assets | | 8,080 | 8,405 |
| Due from other financial institutions | | 23,494 | 29,234 |
| Due from customers on acceptances | | 16,344 | 19,562 |
| Trading securities | | 24,248 | 23,724 |
| Trading derivatives | | 17,939 | 23,644 |
| Available for sale securities | | 4,610 | 6,513 |
| Investment securities | | 11,513 | 8,647 |
| Investments relating to life insurance business | | 41,013 | 35,846 |
| Loans and advances | 8 | 247,836 | 225,735 |
| Shares in controlled entities, joint venture entities and other securities | | 158 | 1,445 |
| Regulatory deposits | | 177 | 225 |
| Property, plant and equipment | | 2,257 | 2,498 |
| Income tax assets | | 1,367 | 1,203 |
| Goodwill | | 632 | 740 |
| Other assets | | 11,641 | 10,050 |
| Total assets | | 411,309 | 397,471 |
| Liabilities | | | |
| Due to other financial institutions | | 42,044 | 52,530 |
| Liability on acceptances | | 16,344 | 19,562 |
| Trading derivatives | | 16,150 | 21,479 |
| Deposits and other borrowings | 9 | 220,752 | 201,194 |
| Life insurance policy liabilities | | 36,134 | 32,457 |
| Income tax liabilities | | 1,178 | 1,537 |
| Provisions | | 1,129 | 1,262 |
| Bonds, notes and subordinated debt | | 32,573 | 24,257 |
| Other debt issues | | 1,612 | 1,743 |
| Other liabilities | | 13,627 | 14,239 |
| Total liabilities | | 381,543 | 370,260 |
| Net assets | | 29,766 | 27,211 |
| Equity | | | |
| Contributed equity | 10 | 10,191 | 9,728 |
| Reserves | | 2,034 | 893 |
| Retained profits | 11 | 13,675 | 13,786 |
| Total parent entity interest | | 25,900 | 24,407 |
| Outside equity interest - Life insurance business | | 3,866 | 2,614 |
| Outside equity interest - Other | | | 190 |
| Total equity | | 29,766 | 27,211 |

ADDITIONAL INFORMATION SUPPORTING THE STATEMENT OF FINANCIAL POSITION IS CONTAINED IN THE 2004 FULL YEAR RESULTS ANNOUNCEMENT.

Consolidated statement of cash flows

| For the year ended September 30 | Note | 2004 \$m | 2003 \$m |
|---|-------|-------------|-------------|
| Cash flows from operating activities | | | |
| Interest received | | 18,594 | 17,372 |
| Interest paid | | (11,136) | (10,115) |
| Dividends received | | 23 | 39 |
| Fees and other income received | | 5,068 | 3,026 |
| Life insurance | | | |
| Premiums received | | 7,880 | 6,546 |
| Investment and other revenue received | | 2,097 | 1,857 |
| Policy payments | | (6,665) | (5,778) |
| Other life insurance receipts / (payments) | | (386) | (476) |
| Personnel expenses paid | | (3,521) | (3,327) |
| Occupancy expenses paid | | (521) | (489) |
| General expenses paid | | (3,048) | (2,959) |
| Income tax paid | | (1,567) | (1,830) |
| Goods and services tax paid | | (30) | (52) |
| Net decrease/(increase) in trading securities | | (449) | (4,345) |
| Net decrease/(increase) in mortgage loans held for sale | | (22) | 50 |
| Net cash provided by/(used in) operating activities | 13(a) | 6,317 | (481) |
| Cash flows from investing activities | | | |
| Movement in available for sale securities | | | |
| Purchases | | (5,727) | (15,052) |
| Proceeds from sale | | 2,002 | 3 |
| Proceeds on maturity | | 5,399 | 13,500 |
| Movement in investment securities | | | |
| Purchases | | (15,032) | (15,449) |
| Proceeds on maturity | | 12,373 | 18,578 |
| Net increase in life insurance business investments and policy liabilities | | (3,138) | (3,650) |
| Net increase in loans and advances | | (20,657) | (28,402) |
| Net decrease/(increase) in shares in controlled entities, joint venture entities and other securities | | 609 | 428 |
| Payments for acquisition of controlled entities | | | (83) |
| Proceeds from sale of controlled entities | | 110 | 2,671 |
| Payments for property, plant and equipment | | (694) | (534) |
| Proceeds from sale of strategic shareholdings | | 993 | |
| Net proceeds from sale of property, plant and equipment | | 191 | 166 |
| Net decrease/(increase) in regulatory deposits | | 47 | (113) |
| Net decrease/(increase) in other assets | | (1,515) | 2,762 |
| Net cash used in investing activities | | (25,039) | (25,175) |
| Cash flows from financing activities | | | |
| Net increase in deposits and other borrowings | | 17,390 | 15,237 |
| Net proceeds from bonds, notes and subordinated debt | | 14,059 | 10,136 |
| Repayments of bonds, notes and subordinated debt | | (5,473) | (7,017) |
| Payments from provisions | | (270) | (340) |
| Net proceeds from issue of ordinary shares | | 739 | 216 |
| Net proceeds from issue of Trust Preferred Securities | | | 975 |
| Payments made under on-market buy-back of ordinary shares | | (162) | (1,565) |
| Payments made on buy-back of preference shares | | (582) | |
| Dividends and distributions paid | | (1,976) | (2,255) |
| Net increase/(decrease) in other liabilities | | (978) | (204) |
| Net cash provided by financing activities | | 22,747 | 15,183 |
| Net increase/(decrease) in cash and cash equivalents | | 4,025 | (10,473) |
| Cash and cash equivalents at beginning of year | | (14,891) | (8,307) |

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| | | | |
|--|-------|-----------------|----------|
| Effects of exchange rate changes on balance of cash held in foreign currencies | | 396 | 3,889 |
| Cash and cash equivalents at end of year | 13(b) | (10,470) | (14,891) |

Notes to the preliminary final report

1 Principal accounting policies

This preliminary final report is a general purpose financial report prepared in accordance with the ASX listing rules. It should be read in conjunction with any public announcements to the market made by the Company during the year.

The preliminary final report has been prepared in accordance with the recognition and measurement requirements of applicable Australian Accounting Standards and Urgent Issues Group Consensus Views.

The preliminary final 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 economic entity as an annual report and is not designed or intended to be a substitute for the annual financial report 2004.

A full description of the accounting policies adopted will be contained in the annual financial report 2004. There have been no changes in accounting policy from those policies applied at September 30, 2003.

Comparative amounts have been reclassified to accord with changes in presentation made in 2004, except where otherwise stated.

All amounts are expressed in Australian dollars unless otherwise stated.

Reclassification of financial information

The basis of classification of transferable certificates of deposit (TCDs) has been revised and bonds issued under the Group's TCD program have been reclassified from deposits and other borrowings to bonds, notes and subordinated debt. As a result of this change, on the consolidated statement of financial position \$1,550 million has been reclassified in the 2003 comparatives.

Certain repurchase and reverse repurchase agreements with other financial institutions have been reclassified to due to other financial institutions and due from other financial institutions respectively, in order to provide users with an enhanced level of understanding and comparability of the Group's loan portfolio. Previously, these repurchase and reverse repurchase agreements were included in deposits and other borrowings and loans and advances respectively. Accordingly, \$7,402 million of repurchase agreements previously disclosed as at September 30, 2003 as deposits and other borrowings have been reclassified to due to other financial institutions. Further, \$18,851 million of reverse repurchase agreements as at September 30, 2003 previously disclosed as loans and advances have been reclassified to due from other financial institutions. In addition, reverse repurchase agreements with non-financial institutions have been reclassified from loans and advances to cash and liquid assets.

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Accordingly, \$3,373 million of reverse repurchase agreements as at September 30, 2003 previously disclosed as loans and advances have been reclassified to cash and liquid assets.

Corresponding reclassifications have also been made to revenue, expense and cash flow classifications.

The basis of classification of the medium-term notes (MTN) issued by the Group's controlled entity, Bank of New Zealand (BNZ) has been revised. Accordingly from April 1, 2004 amounts issued under this MTN program have been reclassified from deposits and other borrowings to bonds, notes and subordinated debt. Comparative information has not been reclassified as it is impracticable to do so.

Transition to Australian equivalents to International Financial Reporting Standards

In July 2002, the Financial Reporting Council in Australia formally announced that Australian reporting entities would be required to comply with Australian accounting standards equivalent to International Financial Reporting Standards (AIFRS) and other pronouncements set by the International Accounting Standards Board (IASB) for financial years commencing on or after January 1, 2005.

The Group will be required to adopt these standards for the financial year commencing October 1, 2005 and the adoption of the standards will be first reflected in the Group's financial statements for the half-year ending March 31, 2006. Comparative financial information prepared in compliance with AIFRS will be required for the year commencing October 1, 2004. Comparative information is not required for AASB 132 Financial Instruments: Disclosure and Presentation, AASB 139 Financial Instruments: Recognition and Measurement and AASB 4 Insurance Contracts.

AIFRS frequently require application of fair value measurement techniques. This will potentially introduce greater volatility to the Group's reported financial performance. The Group continues to evaluate the areas impacted by adoption. The adoption of these standards is expected to have a material effect on the Group's reported financial performance and financial position. It is not possible at this time to estimate reliably the quantitative impact of the changes upon the Group's reported financial performance and financial position or regulatory capital adequacy. Most accounting policy changes to retrospectively apply AIFRS will be made against opening retained earnings in the first AIFRS balance sheet.

A more detailed discussion of the impact of AIFRS on the Group is set out in the 2004 Full Year Results Announcement.

2 Revenue from ordinary activities

| | 2004 \$m | 2003 \$m |
|---|---------------|---------------|
| Interest income | | |
| Loans to customers | 15,879 | 14,425 |
| Marketable debt securities | 1,678 | 1,451 |
| Other financial institutions | 798 | 1,093 |
| Other interest | 295 | 53 |
| | 18,650 | 17,022 |
| Life insurance income | | |
| Premium and related revenue | 1,005 | 949 |
| Investment revenue | 4,842 | 2,759 |
| | 5,847 | 3,708 |
| Other banking and financial services income | | |
| Dividends received from other entities | 23 | 39 |
| Profit on sale of property, plant and equipment and other assets | 14 | 36 |
| Loan fees from banking | 1,447 | 1,441 |
| Money transfer fees | 983 | 1,026 |
| Trading income | | |
| Foreign exchange derivatives (1) | 313 | 442 |
| Trading securities | 168 | 170 |
| Interest rate derivatives | 94 | 13 |
| Foreign exchange income | (2) | 12 |
| Fees and commissions | 1,221 | 1,158 |
| Fleet management fees | 108 | 85 |
| Investment management fees | 321 | 303 |
| Other income | 141 | 285 |
| | 4,831 | 5,010 |
| Movement in the excess of net market value over net assets of life insurance controlled entities | (137) | (160) |
| Significant revenue | | |
| Proceeds from the sale of strategic shareholdings (2) | 993 | |
| Total revenue from ordinary activities | 30,184 | 25,580 |

(1) Foreign currency options trading losses, reported as significant expenses due to their nature and incidence, are not included. Refer to note 3.

(2) On January 28, 2004, the Company sold its strategic shareholdings in St George Bank Limited, AMP Limited and HHG PLC. The Group received proceeds on sale of \$993 million for assets with a cost base of \$678 million, resulting in a profit on sale of \$315 million (after tax).

3 Expenses included in profit from ordinary activities before income tax expense

| | 2004 \$m | 2003 \$m |
|--|-------------|-------------|
| Interest expense | | |
| Deposits and other borrowings | 8,672 | 6,809 |
| Other financial institutions | 1,587 | 1,842 |
| Bonds, notes and subordinated debt | 1,077 | 807 |
| Other debt issues | 123 | 145 |
| Total interest expense | 11,459 | 9,603 |
| Life insurance expenses | | |
| Claims expense | 702 | 958 |
| Change in policy liabilities | 3,368 | 1,518 |
| Policy acquisition and maintenance expense | 723 | 713 |
| Investment management fees | 42 | 75 |
| Total life insurance expenses | 4,835 | 3,264 |
| Personnel expenses | | |
| Salaries | 2,443 | 2,379 |
| Related personnel expenses | | |
| Superannuation | 309 | 243 |
| Payroll tax | 175 | 170 |
| Fringe benefits tax | 23 | 33 |
| Charge to provide for | | |
| Annual leave | 52 | 41 |
| Long service leave and retiring allowances | 43 | 46 |
| Performance-based compensation | 197 | 230 |
| Restructuring costs termination benefits | 12 | |
| Other expenses | 362 | 274 |
| Total personnel expenses | 3,616 | 3,416 |
| Occupancy expenses | | |
| Depreciation of buildings | 14 | 15 |
| Amortisation of leasehold assets | 55 | 52 |
| Operating lease rental expense | 302 | 276 |
| Maintenance and repairs | 84 | 78 |
| Electricity, water and rates | 80 | 82 |
| Other expenses | 56 | 53 |
| Total occupancy expenses | 591 | 556 |

3 Expenses included in profit from ordinary activities before income tax expense (continued)

| | 2004 \$m | 2003 \$m |
|--|--------------|--------------|
| General expenses | | |
| Depreciation of plant and equipment | 364 | 325 |
| Amortisation of leasehold plant and equipment | 8 | 9 |
| Loss on sale of property, plant and equipment and other assets | 6 | 11 |
| Operating lease rental expense | 72 | 61 |
| Charge to provide for | | |
| Non-lending losses | 106 | 100 |
| Diminution in value of shares in entities | 4 | |
| Fees and commissions | 176 | 137 |
| Communications, postage and stationery | 416 | 407 |
| Computer equipment and software | 271 | 289 |
| Advertising | 225 | 176 |
| Professional fees | 391 | 349 |
| Travel | 85 | 83 |
| Bureau charges | 54 | 57 |
| Motor vehicle expenses | 41 | 37 |
| Insurance | 42 | 29 |
| Other expenses | 344 | 312 |
| | 2,605 | 2,382 |
| Significant general expenses | | |
| Write-down of impaired application software (1) | 409 | |
| Total general expenses | 3,014 | 2,382 |
| Amortisation of goodwill | | |
| Australia | 1 | 3 |
| European banks | 62 | 62 |
| New Zealand | 40 | 33 |
| Total amortisation of goodwill | 103 | 98 |
| Charge to provide for doubtful debts | | |
| General | 559 | 633 |
| General revision of accounting estimate (2) | 292 | |
| Total charge to provide for doubtful debts | 851 | 633 |
| Other significant expenses | | |
| Cost of sale of strategic shareholdings (3) | 678 | |
| Foreign currency options trading losses (4) | 360 | |
| Cost of foreign controlled entity sold - revision of accounting estimate (5) | (64) | |

(1) During the year, the Group undertook a detailed review of the carrying value of its application software assets which resulted in a charge to the profit and loss of \$409 million (\$307 million after tax). The Group ceased its global enterprise resource planning (ERP) strategy supported by its Integrated Systems Implementation application software and has indefinitely deferred the implementation of further modules of this software. The software has been written-down by \$200 million to its recoverable amount of \$87 million as at September 30, 2004. Other software with a carrying value of \$209 million was identified as fully impaired and was written-off.

(2) *During the year, the Group reviewed the level of the general provision for doubtful debts and the application of the associated statistically-based provisioning methodology, taking into account recent experience, industry practice and emerging developments. As a result, the discount rate in the statistical model was reduced from the shareholder cost of capital to a rate akin to a risk-free debt rate, resulting in a revision to the accounting estimate of the general provision for doubtful debts as at September 30, 2004. This discount rate is used to determine the present value of cumulative probability of default rates used for the purpose of loan provisioning. The impact of this revision in accounting estimate and flow on impacts, is a significant expense in the current year of \$292 million (\$204 million after tax).*

(3) *On January 28, 2004, the Company sold its strategic shareholdings in St George Bank Limited, AMP Limited and HHG PLC. The Group received proceeds on sale of \$993 million for assets with a cost base of \$678 million, resulting in a profit on sale of \$315 million (after tax).*

(4) *Losses arising from the unauthorised foreign currency options trading, consisting of \$185 million as a result of the removal of fictitious trades and a further loss of \$175 million arising from a risk evaluation and mark-to-market revaluation of the foreign currency options portfolio in January 2004. Included within the total loss of \$360 million is a valuation allowance for long-dated and illiquid trading derivatives in other portfolios of \$26 million as at September 30, 2004.*

(5) *The Group recognised a provision for estimated probable costs in relation to items arising out of the contract of sale of SR Investment, Inc. (the parent entity of HomeSide Lending, Inc.) in the 2002 year. Due to the expiration of time, a revision of the accounting estimate has been made resulting in the reversal of the provision.*

4 Income tax expense

| | 2004 \$m | 2003 \$m |
|--|-------------|-------------|
| Reconciliation of income tax expense shown in the consolidated statement of financial performance with prima facie tax payable on the pre-tax accounting profit | | |
| Profit from ordinary activities before income tax expense | | |
| Australia | 3,269 | 3,309 |
| Overseas | 1,472 | 2,319 |
| Add/deduct: (Profit)/loss from ordinary activities before income tax expense attributable to the life statutory funds and their controlled trusts (1) | (995) | (424) |
| Total profit from ordinary activities excluding that attributable to the statutory funds of the life insurance business, before income tax expense | 3,746 | 5,204 |
| Prima facie income tax at 30% | 1,124 | 1,561 |
| Add/(deduct): Tax effect of permanent differences | | |
| Rebate of tax on dividends, interest, etc. | (43) | (28) |
| Amortisation of goodwill | 31 | 29 |
| Assessable foreign income | 26 | 26 |
| Over provision in prior years | (9) | (6) |
| Profit on sale of strategic shareholdings | (95) | |
| Cost of foreign controlled entity sold - revision of accounting estimate | (19) | |
| Write-down of impaired application software | 22 | |
| Effect of reset tax values on entering tax consolidation regime | (150) | |
| Interest expense on exchangeable capital units | 33 | |
| Other | (31) | (27) |
| Total income tax expense on profit from ordinary activities excluding that attributable to the statutory funds of the life insurance business (2) | 889 | 1,555 |
| Income tax expense/(benefit) attributable to the statutory funds of the life insurance business (1) | 301 | 126 |
| Total income tax expense (2) | 1,190 | 1,681 |

(1) *The income tax expense attributable to the life insurance statutory funds and their controlled trusts has been determined after segregating the life insurance business into various classes of business and then applying, when appropriate, different tax treatments to these classes of business.*

(2) *In 2004, total income tax expense on profit from ordinary activities includes \$108 million income tax benefit attributable to the losses arising from the unauthorised foreign currency options trading, an income tax benefit of \$102 million attributable to the write-down of impaired application software, and an income tax benefit of \$88 million on the charge to provide for doubtful debts relating to the revision of an accounting estimate.*

During the year ended September 30, 2004, the Company made the decision to elect to consolidate its Australian subsidiaries under the Australian tax consolidation regime. The Company is the head entity in the tax-consolidated group comprising the Company and all of its Australian wholly-owned subsidiaries. The implementation date for the tax-consolidated group was October 1, 2002.

Tax consolidation calculations at September 30, 2004 have been based on legislation enacted to that date.

As part of the election to enter tax consolidations, the Company is able to elect to reset the tax values of certain wholly-owned Australian subsidiaries under tax allocation rules (the reset tax values). Under Urgent Issues Group Abstract 52 Income Tax Accounting under the Tax Consolidation System , the Company is required to recognise the effects of its election to enter tax consolidation. The decision to enter tax consolidation resulted in a tax benefit of \$150 million, recognised in the 2004 year. The \$150 million tax benefit is due to the reset tax values of assets of life insurance subsidiaries within the Wealth Management group. This benefit reflects the reduction of the provision for deferred income tax relating to the excess of net market value over net assets of life insurance subsidiaries.

5 Dividends and distributions

| | Amount per share cents | Franked amount per share % | Foreign source dividend per share % | Total amount (1) \$m |
|---|---------------------------------|--|---|----------------------------|
| Dividends on ordinary shares | | | | |
| Final dividend declared in respect of the year ended September 30, 2004 | 83 | 100 | 0 | 1,287 |
| Interim dividend paid in respect of the six months ended March 31, 2004 | 83 | 100 | 0 | 1,253 |
| Total dividends paid or declared in respect of the year ended September 30, 2004 | 166 | 100 | 0 | 2,540 |
| The record date for determining entitlements to the 2004 final dividend is November 19, 2004. The final dividend has been declared by the directors of the Company and is payable on December 8, 2004. | | | | |
| Final dividend paid in respect of the year ended September 30, 2003 | 83 | 100 | 0 | 1,250 |
| Interim dividend paid in respect of the six months ended March 31, 2003 | 80 | 100 | 0 | 1,153 |
| Total dividends paid or payable in respect of the year ended September 30, 2003 | 163 | 100 | 0 | 2,403 |

(1) In respect of dividends paid, the total amount includes bonus shares issued in lieu of dividends, which were as follows for the six-months ended: March 31, 2004: \$43 million; September 30, 2003: \$55 million; and March 31, 2003: \$49 million.

| | 2004 | | 2003 | |
|--|------------------------------------|------------------------|------------------------------------|------------------------|
| | Amount per security cents | Total amount \$m | Amount per security cents | Total amount \$m |
| Distributions on other equity instruments | | | | |
| Trust units exchangeable for preference shares (1) | | | | |