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 2005

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.

Form 20-F ý Form 40-F o

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 o No ý

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

National Australia Bank Limited

ABN 12 004 044 937

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Financial Highlights

Cash Earnings

Cash earnings before significant items decreased by 4.4% to $3.31 billion compared with the 2004 full year. However, cash earnings for the September 2005 half year, at $1.69 billion, were 4.6% higher than March 2005 half cash earnings.

Net Profit

Net profit before significant items increased by 11.1% for the full year to $4.37 billion, primarily due to a wealth management revaluation profit of $345 million.

Net profit after significant items, which included the profit on the sale of the Irish banks ($1.04 billion), the offsetting restructuring provision ($606 million) and TrUEPrS tax settlement cost ($97 million), increased by 30.1% to $4.13 billion.

Dividend

Final dividend has been maintained at 83 cents and will be 80% franked. Total dividend for the year is 166 cents and is also 80% franked.

Diluted cash earnings per share (Before significant items)

210.1 cents compared with 226 cents in the 2004 full year.

Cost to Income Ratio (Banking)

57.7% compared with 53.9 in the 2004 full year.

Net Interest Margin

2.20% compared with 2.35% in the 2004 full year.

Total Capital Ratio

10.45% compared with 10.58% at September 2004.

Return On Average Equity (Before significant items)

15.0% compared with 15.8% for the 2004 full year.

Return On Average Assets (Before significant items)

0.83%, unchanged compared with the 2004 full year.

Group Corporate Affairs

National Australia
Bank Limited
ABN 12004044937

500 Bourke Street
Melbourne
Victoria 3000
Australia

ASX Announcement

Wednesday, 9 November 2005

National Australia Bank recovery on track

National Australia Bank Managing Director and Group Chief Executive, John Stewart said the September 2005 full year results showed cash earnings continued to improve in the September half.

The full year results show the turnaround is on track but we still have much work to do.

Cash earnings for the full year fell 4.4% to $3.31 billion compared with $3.46 billion in the 2004 full year as we stabilised the business. However, second half cash earnings rose by 4.6% compared with the March 2005 half year as we started to regain momentum, he said.

The final dividend is unchanged at 83 cents and is 80% franked, making a full year dividend of 166 cents also 80% franked.

Income Growth

Total operating income increased by 6.3% to $13.86 billion.

We are half way through a three-year turnaround and income growth is another indication we are delivering on the promises we made to rebuild the National s businesses, Mr Stewart said.

The National s earnings growth is acceptable for where we are in the turnaround. I am pleased we have won market share at acceptable margins while maintaining asset quality.

Lending, Margins and Asset Quality

Total lending increased by 8.6% to $292 billion.

Asset quality remained stable with the ratio of non-accrual loans to total loans improving from 0.46% at September 2004 to 0.35% at September 2005.

Group net interest margin was 2.20% compared with 2.35% in 2004.

In Australia margin decline was in line with industry trends, falling from 2.65% to 2.51%.

Margin decline in the United Kingdom, excluding the Irish banks, was more pronounced, down from 4.16% to 3.84% due to the move to more competitive lending and deposit products.

Cost growth

Operating expenses for the year rose by 7.2% from $6.81 billion to $7.30 billion.

Cost growth reflects a combination of compliance programs, rectifying customer issues and investment in brand recognition.

As we move through the turnaround and complete compliance projects, cost growth is expected to be limited to the level of inflation, he said.

Net Profit and Significant Items

After significant items and a revaluation profit of $345 million for the wealth management operations net profit increased by 30.1% to $4.13 billion compared with $3.18 billion previously.

Significant items after tax for the 2005 full year net profit included:

A profit of $1.04 billion on the sale of the Northern Bank and National Irish Bank in Ireland;

An offsetting restructuring charge of $606 million; and

Provision for settlement of the TrUEPrS tax dispute for $97 million.

Regional Business Commentary

Each of our regional businesses is at a different stage in its development. The management teams in each region are developing strategies and action plans to leverage our franchises in each region.

Australia

The Australian business is well advanced in being stabilised and is rebuilding momentum.

A single business was created around customers, with lines of business assuming end-to-end accountability for products and services and with streamlined support functions.

Market share gains have been made in the important housing and business lending sectors and a range of new products and services have been launched. Process and credit setting improvements have removed some of the impediments our bankers once faced when trying to fulfil customer needs.

Market share gains in Australian banking were achieved in the second half while the net interest margin fell only slightly. This volume increase coupled with careful margin management has driven healthy half year banking income growth of 6.1%. Asset quality remained strong across the entire portfolio, Mr Stewart said.

Cash earnings for Australian banking in the second half, excluding a number of one-off non-lending losses, improved by 3.8% compared to the first half.

For the full year, Australian banking and wealth management cash earnings were down 1.6% to $2.28 billion reflecting the after tax costs of non-lending losses due to over charging of annual fees on some financial packages ($63 million), over-collection of Bank Account Debits tax ($10 million) and over-charging of interest on fixed rate interest-only loans ($18 million).

The impact of the non-lending losses was offset by a 29.4% increase in cash earnings from wealth management due to solid growth in the investment business, improvement in the claims experience and strong investment earnings on retained profits and capital.

A significant achievement was the large increase in cross selling of MLC investment products by the bank financial planners which was up by more than 25% compared with 2004.

Careful management of costs we can control directly played an important role in the wealth management result. Staffing levels fell by 10% and the cost to premium income ratio fell from 18% to 15% in 2005.

For the whole Australian business, increased costs associated with restructuring, investment, compliance programs and rectifying customer issues will be a focus of the new management team, Mr Stewart said.

A provision of $409 million was taken during the year to cover the restructuring of the Australian banking and wealth management operations. This will produce $226 million of annual savings by 2007. Redundancies are expected to be approximately 2250 by September 2007, an increase of about 250 on previously announced redundancies.

United Kingdom

In local (UK) currency terms, the United Kingdom banking and wealth management operations announced cash earnings before tax of £297 million on a like for like basis. This was stable on the previous year.

The impact of currency movements and loss of the contribution of the Irish Banks following their sale part way through the year meant that cash earnings declined by 13.9% to $526 million, when measured on an unadjusted basis.

The UK has stabilised profits while conducting a major restructure to make the business more competitive, managing down margins towards market levels and investing in a major expansion program for future growth, Mr Stewart said.

To have delivered this result in a period of such enormous change is encouraging. This business is now seeing strong results from key areas of investment and we believe has generated the momentum needed to see sustained growth.

Gross loans and acceptances in local (UK) currency as at September 2005 were up 22.9% on September 2004 while third party distribution of mortgages has exceeded expectations with $2.3 billion gained in new mortgages through this sales channel alone.

The year has seen the UK management team implement the hard decisions that were needed to be efficient and competitive and to develop an offering that gives us an advantage against our competitors, he said.

We have continued the expansion of our integrated financial services business in the south of England, building a unique business that is already showing results, and are reconfiguring and revitalising our retail branch network across the UK.

We have made great progress in re-engineering processes, simplifying management structures and improving the efficiency of business operations. We have released a variety of new products in personal and business banking and invested in our brands, technology and compliance.

There is still a great deal to do to complete the turnaround and, while we won t be declaring victory until we see sustained improvements in income, we have the foundations for future growth and our business is turning the corner.

New Zealand

Cash earnings rose by 7.8% for the year to September. The improvement in cash earnings followed improvement in market share in housing, agribusiness and retail deposits.

The New Zealand result is particularly pleasing. We have consolidated on our successes of the last three years and have delivered a quality result, driven from strong performances in a number of key areas, Mr Stewart said.

The Bank of New Zealand is improving market share, business volumes and operating income despite a competitive market. Attention to improving customer service and products is paying off.

The Unbeatable fixed rate housing lending campaign was central to rising brand awareness and increasing market share, he said.

Initiatives to continue to improve customer service resulted in Bank of New Zealand receiving an industry award for its call centre service for two years in a row.

Institutional Markets & Services

Institutional Markets & Services cash earnings increased by 9.9% to $613 million compared with the previous year. During 2005 considerable effort was directed at continuing the remedial action program and improving the governance framework following the foreign currency option incident in 2004.

The Institutional Markets & Services result demonstrates that management attention has focussed on building sustainable income streams and improved return on equity, Mr Stewart said.

During the year the IMS Asia presence has been consolidated in Hong Kong, there has been a reduction in low-yielding risk weighted assets and a focus on leveraging the National franchise to cross-sell.

The impacts of restructuring and rebasing the business will continue to affect business performance.

Outlook

The National has moved well down the path to stabilising its businesses and earnings momentum is evident on the back of improving business volumes and market shares in selected market segments.

However, in our core markets, the domestic economic environment is expected to be more subdued for the next 12 months and competition is expected to increase in all areas of business, Mr Stewart said.

Global economic growth is forecast to be above 4% but this is driven by the United States, China and India with other economies recording below potential growth.

In our core economies slower domestic demand will act to slow credit growth moderately. Therefore in Australia and New Zealand both housing and business lending is expected to slow.

In the United Kingdom consumer spending has already significantly slowed and the labour market is softening with modest increases in unemployment. This will increase the challenge of growing our business in each region.

In these circumstances, our focus will be on rebuilding the businesses to ensure sustainable earnings growth over the longer term, Mr Stewart said.

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Group and Regional websites:

ASX Announcements and Group information (www.nabgroup.com)

Australian operations (www.national.com.au)

Clydesdale Bank (www.cbonline.co.uk)

Yorkshire Bank (www.ybonline.co.uk)

Bank of New Zealand (www.bnz.co.nz)

Institutional Markets & Services (www.nabmarkets.com)

SECTION 2

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

FINANCIAL SUMMARY

1

REPORTING FORMAT

Reporting Structure

During 2005 the Group re-structured its business operating model to management along regional lines. To assist with the interpretation of the Group s results, earnings are reported under the following structure, reflecting the new business operating model and have been revised from the reporting structure used in the prior year:

Total Australia comprises Australian Banking and Wealth Management Australia;

Total UK comprises UK Banking and Wealth Management UK;

Total NZ comprises New Zealand Banking and Wealth Management New Zealand; and

Institutional Markets & Services (globally).

To further assist with the interpretation of the Group s results, information is also presented on the following basis, which isolates the Wealth Management components of the business from the Banking operations. This is consistent with the prior year:

Total Banking comprises:

Australian Banking;

UK Banking;

NZ Banking;

Institutional Markets & Services (globally); and

Other (Group Funding and Corporate Centre).

Wealth Management comprises:

Wealth Management Australia (including Asia);

Wealth Management UK; and

Wealth Management New Zealand.

Prior Period Comparatives

During the year the Group introduced a common chart of general ledger accounts across its business operations and subsidiaries globally. In preparation for the introduction of this global chart of accounts, an extensive and detailed Group-wide review of general ledger account classifications was undertaken. As a result changes have been made to the classification between certain categories in the Group balance sheet to more appropriately reflect the nature of specific products, as follows:

- transfer of certain exposures from On-Demand & Short-Term Deposits to Due to Other Financial Institutions and Securities Sold Under Agreements to Repurchase totalling $3,357 million at 30 September 2004;

- transfer of certain exposures from Due to Other Financial Institutions to On-Demand & Short-Term Deposits totalling $939 million at 30 September 2004;

- transfer of certain loans from Overdrafts to Term Lending totalling $5,346 million at 30 September 2004; and

- transfer of certain loans from Overdrafts to Market Rate Advances totalling $450 million at 30 September 2004.

Comparatives have also been adjusted following the finalisation of the sale of the Irish banks to correctly record the inter-company balances between the United Kingdom and Irish banks. These adjustments affect net interest margins and net interest spreads reported for the United Kingdom. The adjustments have no effect on previously reported Group profit or margins.

The nature of these reclassifications and corrections has been fully disclosed in the release to ASX dated 20 April 2005 and 24 October 2005 respectively. Please refer to the National s website at www.nabgroup.com for a copy of these announcements.

Cash Earnings

Dividends paid by the Group are based on after-tax cash earnings (excluding significant items). Cash earnings is a key performance measure used by the investment community, as well as by those Australian peers of the Group with a similar business portfolio. Refer to the Non-GAAP financial measures section on page 111 for an explanation and page 4 for a reconciliation of cash earnings to net profit.

Diluted Cash Earnings per Share

Management use growth in diluted cash earnings per share (EPS) as a key indicator of performance as this takes full account of the impact of the exchangeable capital units (ExCaps) and provides a consistent basis for period on period comparison moving forward.

Under the terms of the ExCaps the National has the option to require the exchange of all, but not part, of the ExCaps at any time for 7 7/8% convertible non-cumulative preference shares of the National. Holders of the ExCaps or the convertible non-cumulative preference shares have the option to exchange their holding for ordinary shares of the National (or at the National s option, cash) at a specified date and the National also has the right to redeem, all or part of the convertible non-cumulative preference shares, under a special offer at any time after 19 March, 2007, with the prior consent of APRA.

A reconciliation of the calculation of diluted cash earnings per share appears in note 19.

DIVISIONAL PERFORMANCE SUMMARY (1)

	Note	Half Year to Sep 05 $m	Mar 05 $m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Sep 04 $m	Fav / (Unfav) Change on Sep 04 %
Cash earnings (2)							
Australian Banking	**1a**	910	951	(4.3)	**1,861**	1,993	(6.6)
Wealth Management Australia (3) (4)	**1a**	220	194	13.4	**414**	320	29.4
Total Australia		1,130	1,145	(1.3)	**2,275**	2,313	(1.6)
UK Banking	**1a**	215	266	(19.2)	**481**	594	(19.0)
Wealth Management UK	**1a**	14	31	(54.8)	**45**	17	large
Total UK		229	297	(22.9)	**526**	611	(13.9)
New Zealand Banking	**1a**	160	159	0.6	**319**	296	7.8
Wealth Management New Zealand	**1a**	8	4	large	**12**	11	9.1
Total New Zealand		168	163	3.1	**331**	307	7.8
Institutional Markets & Services (4)	**1a**	305	308	(1.0)	**613**	558	9.9
Other (incl. Group Funding & Corporate Centre)	**1a**	(31)	(200)	84.5	**(231)**	(141)	(63.8)
Cash earnings before significant items and distributions		1,801	1,713	5.1	**3,514**	3,648	(3.7)
Distributions		(109)	(95)	(14.7)	**(204)**	(187)	(9.1)
Cash earnings before significant items		1,692	1,618	4.6	**3,310**	3,461	(4.4)
Weighted av no. of ordinary shares (million)	**19**	1,563	1,555	(0.5)	**1,559**	1,515	(2.9)
Cash earnings per share before significant items (cents)	**19**	108.3	104.0	4.1	**212.3**	228.5	(7.1)
Diluted cash earnings per share before significant items (cents)		107.1	103.0	4.0	**210.1**	226.0	(7.0)
Reconciliation to net profit							
Cash earnings before significant items		1,692	1,618	4.6	**3,310**	3,461	(4.4)
Adjusted for:							
Significant items after tax	**15**	(450)	821	large	**371**	(384)	large
Cash earnings after significant items		1,242	2,439	(49.1)	**3,681**	3,077	19.6
Adjusted for:							
Net profit attributable to outside equity interest		456	154	large	**610**	374	(63.1)
Distributions		109	95	(14.7)	**204**	187	(9.1)
Wealth Management revaluation profit after tax		294	51	large	**345**	16	large
Goodwill amortisation		(48)	(50)	4.0	**(98)**	(103)	4.9
Net profit		2,053	2,689	(23.7)	**4,742**	3,551	33.5
Net profit attributable to outside equity interest		(456)	(154)	large	**(610)**	(374)	(63.1)
Net profit attributable to members of the Company		1,597	2,535	(37.0)	**4,132**	3,177	30.1
Distributions		(109)	(95)	(14.7)	**(204)**	(187)	(9.1)
Earnings attributable to ordinary shareholders		1,488	2,440	(39.0)	**3,928**	2,990	31.4

(1) Northern Bank and National Irish Bank were disposed on 28 February 2005.

(2) Cash earnings is a performance measure used by the management of the Group. Refer to Non-GAAP financial measures on page 111 for a complete discussion of cash earnings.

(3) Wealth Management Australia division includes Asian operations.

(4) Cash earnings after outside equity interest.

GROUP PERFORMANCE SUMMARY (1)

	Note	Half Year to Sep 05 $m	Half Year to Mar 05 $m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Year to Sep 04 $m	Fav / (Unfav) Change on Sep 04 %
Banking (2)							
Net interest income	**3**	3,527	3,549	(0.6)	**7,076**	7,184	(1.5)
Other operating income (2) (3)	**9**	2,175	2,029	7.2	**4,204**	4,024	4.5
Banking net operating income (2)		5,702	5,578	2.2	**11,280**	11,208	0.6
Wealth Management							
Net interest income	**3**	2	4	(50.0)	**6**	7	(14.3)
Net life insurance income ex IORE (4)	**8**	1,031	495	large	**1,526**	919	66.1
Investment earnings on shareholders retained profits & capital from life businesses (IORE)	**8**	83	63	31.7	**146**	93	57.0
Other operating income (3)	**9**	437	461	(5.2)	**898**	807	11.3
Total operating income		7,255	6,601	9.9	**13,856**	13,034	6.3
Banking operating expenses (2)	**10**	(3,287)	(3,165)	(3.9)	**(6,452)**	(5,978)	(7.9)
Wealth Management operating expenses (5)	**10**	(441)	(411)	(7.3)	**(852)**	(834)	(2.2)
Charge to provide for doubtful debts	**12**	(253)	(281)	10.0	**(534)**	(559)	4.5
Net operating income before tax		3,274	2,744	19.3	**6,018**	5,663	6.3
Banking income tax expense (2)	**14**	(603)	(648)	6.9	**(1,251)**	(1,362)	8.1
Wealth Management income tax expense	**14**	(414)	(229)	(80.8)	**(643)**	(279)	large
Cash earnings before significant items, distributions including outside equity interest		2,257	1,867	20.9	**4,124**	4,022	2.5
Wealth Management revaluation profit after tax	**1a**	294	51	large	**345**	16	large
Goodwill amortisation							