

NATIONAL AUSTRALIA BANK LTD

Form 6-K

November 07, 2002

Copy No.1
FILE NO 1-9945

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

For the month of November 2002

National Australia Bank Limited

ACN 004 044 937
(Registrant's Name)

Level 24
500 Bourke Street
MELBOURNE VICTORIA 3000
AUSTRALIA

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

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

Form 20-F

Form 40-F

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

Yes

No

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

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National Australia Bank Limited and to be part thereof from the date on which this Report, is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

TABLE OF CONTENTS

Media Release

Section 2 - Financial Summary

Reporting Format

Divisional Statement of Financial Performance

Group Statement of Financial Performance

Cash Earnings by Region from Ongoing Operations

Statement of Financial Position

Group Key Performance Measures

Section 3 - Management Discussion and Analysis

Overview

Significant Items

Asset Quality

Profitability

Net Interest Income

Net Life Insurance Income

Other Operating Income

Operating Expenses

Income Tax Expense

Capital and Performance Measures

Performance Measures

Balance Sheet

Retail Banking

Financial Services Australia

Financial Services Europe

Financial Services New Zealand

Wholesale Financial Services

Wealth Management

Excess Capital & Group Funding

HomeSide

Section 4 - Detailed Financial Information

1. Statement of Financial Performance (Annual Report Format)

2. Net Interest Income

3. Net Interest Margins & Spreads

4. Average Balance Sheet and Related Interest

5. Gross Loans & Advances

6. Net life Insurance Income

7. Revenue

8. Expenses

9. Full Time Equivalent Employees

10. Doubtful Debts

11. Asset Quality

12. Income Tax Reconciliation

13. Significant Items

14. Wealth Management Results

15. Exchange Rates

16. Capital Adequacy

17. Risk Management

18. Financial Information for US Investors (US GAAP)

Alphabetical Index

Group Corporate Affairs

National Australia
Bank Limited
ABN 12004044937

500 Bourke Street
Melbourne
Victoria 3000
Australia

Telephone: (03) 8641 3580

Facsimile: (03) 8641 4925

Media Release

National achieves solid result in pivotal year

FINANCIAL HIGHLIGHTS

Full year net profit of \$3,379 million, up 62% from \$2,088 million (after significant items)

Ongoing banking and wealth management businesses deliver record cash earnings of \$3,940 million - up 10%

Australia up 17%

New Zealand up 34%

Europe up 11%

US & Asia down

Retail banking profit up 23%

Wholesale Financial Services profit up 12%

Wealth Management operating profit down 26%

Significant items after tax of \$406 million

Group cash earnings per share up 4.9% to 248.2 cents

Final dividend of 75 cents (90% franked). Full year dividend of 147 cents (95% franked) - up 9%

Banking cost to income ratio improves to 47.7% from 48.5%

Asset quality improves: gross non-accrual loans to total loans falls to 0.62% - lowest since 1986

*EVA[®] up 13.7% to \$1,284 million (5% target)

Strong capital position - Total Capital at 10.2% and Tier 1 at 7.8%

MANAGING DIRECTOR S REVIEW

The Managing Director and Chief Executive Officer, Frank Cicutto, said the National achieved a solid result in a pivotal year.

In the last twelve months, we have:

Strengthened and focused our banking businesses;

Recapitalised and sold HomeSide in the United States;

Restructured the Group into three regional banking operations and two internationally focused operations - Wholesale Financial Services and Wealth Management;

Completed the integration of MLC to form an international Wealth Management division operating in six countries; and

Launched a Group revitalisation and productivity program, Positioning for Growth.

Through this period we maintained our discipline and focus and produced solid earnings momentum, improved our credit quality and continued an active program of capital management.

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

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

Our full year net profit of \$3,379 million was up 62% on last year. The final dividend will be 75 cents (90% franked), taking the full year dividend to 147 cents (95% franked), which is 9% higher than last year.

The success of our off-shore operations has resulted in the fall in the franking level. Future franking levels are expected to be in the range of 85-100%.

The strength and diversity of our operations showed through with our banking units offsetting reduced second-half wealth management profits.

The National is now a more streamlined and tightly focused financial services group that is well positioned for the future.

We are building on our strengths to generate benefits for all stakeholders: shareholders, customers, employees, suppliers and the wider community.

Strong earnings in ongoing businesses

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

Our core banking and wealth management businesses produced record cash earnings of \$3,940 million (before significant items). This is up 10% on last year and achieves our target.

We have achieved a strong result despite lower earnings from Wealth Management in the second half.

The National's retail banking businesses demonstrated their earnings strength, collectively delivering 23% growth on last year.

Profit contributions from Financial Services Australia and Financial Services New Zealand were exceptionally strong, growing at 29% and 31%, respectively. Financial Services Europe posted a solid increase of 10%.

The strong performance by Financial Services Australia was due to growth in lending volumes, resulting in a 7% lift in income, and a fall in the charge to provide for doubtful debts. Over the last year, we improved our share of the home loan market. Today, 17.5% of all home mortgages in Australia are held with the National.

The excellent result for Financial Services New Zealand reflects: its success with home lending, where volumes were up 9%; higher retail deposits, up 15%, and; a reduction in expenses and provisions.

Our banking operations in Great Britain and Ireland saw a 10% increase in profit with good growth in retail deposits - up 11%. Net interest income was 9.2% higher. The cost to income ratio fell to 49.8% from 50.6%.

Wholesale Financial Services posted a satisfactory result in difficult trading conditions with a 12% increase in net profit to \$825 million. The 23% fall in the doubtful debt charge is a pleasing outcome and reflects early action to manage our exposures in expectation of a harsher environment.

A one-off investor compensation payment and difficult market conditions led to a decline in Wealth Management's net profit to \$132 million. The volatility in equity markets has adversely affected funds under management, sales volumes and redemptions.

Despite the challenging environment, Wealth Management Australia's market share in retail funds under management improved to 14.5%. (Source: ASSIRT Market Share Report as at June 2002).

Improved credit quality

Credit discipline and a range of credit initiatives undertaken over the last two years have strengthened our asset quality.

The ratio of gross non-accrual loans to total loans fell to 0.62% from 0.75% last year and is our best result since 1986. Our loan portfolio remains strong in respect of its rating, security coverage and diversification. Investment grade and secured lending represents 84% of the portfolio.

Our Agribusiness portfolio is in a satisfactory position. Non-accrual loans relating to agriculture, forestry and fishing in Australia are at a 10-year low of 0.86%. Some deterioration in asset quality as a result of the drought is expected. However, we expect this to be manageable given lower gearing within the sector.

As with previous periods of droughts and commodity price downturns, we have made a public commitment to supporting our customers via a range of assistance measures.

Our home loan book continues to perform satisfactorily with low rates of delinquency and write-offs relative to historical levels.

Significant Items and Productivity Initiatives

Our results include significant items after tax totalling \$406 million, which are mostly attributable to Positioning for Growth, including \$230 million related to redundancy costs and \$144 million due to other costs associated with the implementation of Positioning for Growth and related restructuring activities.

In addition, there is a \$38 million (after-tax) writedown on the value of the Group's Integrated Systems Implementation (ISI) - in part to reflect the move from a global business model to a regional model. As at 30 September 2002, ISI has a carrying value of \$294 million. Project management has been brought in-house and a regional roll-out adopted.

Also included was a better than expected outcome on the sale of HomeSide - a \$6 million profit. Previously, a loss of \$104 million was forecast.

Under Positioning for Growth, our productivity initiatives will deliver \$370 million per annum in cost savings by 2004. This will primarily be demonstrated by continuing improvement in key productivity measures.

The cost to income ratio in our banking businesses fell again during the year to 47.7%.

Active capital management

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

This time last year, the National announced an active approach to capital management with an on market buyback program relating to new shares issued through the Dividend Reinvestment Plan, the Bonus Share Plan, the Share Purchase Plan and other staff and option plans.

This year, an additional \$1.75 billion was added to the buyback program and the program has been extended to September 2003.

A more balanced approach to stakeholders

The National has almost eight million banking customers and 2.8 million wealth management customers, globally. In Australia, the National is the leading banker to small and medium enterprises and lends to approximately one in three farmers.

We operate an extensive face to face network through more than 1,000 outlets across Australia. During the year we strengthened our arrangement with Australia Post to offer customers one of the country's largest over the counter banking networks.

Over half our network is located in rural and regional Australia.

We also commenced another significant investment in 2002. Sixteen new Financial Services Centres are being established to provide financial planning, home loans and relationship banking. Two centres, Toowoomba and Marrickville, are now operational.

Linked to the revitalisation initiatives under the Positioning for Growth program, we invested \$55 million in employee training and development this year. At the heart of these initiatives is our desire to create a high performance culture that empowers people, encourages personal development and outstanding quality.

During the year, the Group underlined its commitment to sustainability by becoming a signatory to the United Nations Environment Program Financial Institutions Initiative and in the United Kingdom, Northern Bank improved its environmental ranking to the second quintile of the top 100 companies in Northern Ireland, in part, due to evidence of energy conservation and reduced greenhouse emissions and water consumption.

Many of us – including a number of our employees – have been affected by the terrible tragedy in Bali. The National is assisting the Australian Red Cross Bali Appeal through a \$1 million donation and the collection of donations through our branch network. Approximately \$4.2 million has now been collected for this appeal through the National's channels.

Corporate Governance

The National was the only Australian bank and one of only nine companies to achieve five stars, the highest ranking, in the Horwath 2002 Corporate Governance Report. This surveyed Australia's top 250 listed businesses.

A five star ranking was only awarded to companies whose corporate governance structures were outstanding and met all best practice standards.

In 2002, the company's external audit services were put out to competitive tender by the Principal Board Audit Committee. This was initiated as a matter of good corporate governance and to ensure we had access to best practice audit services. After a thorough selection process, the Board re-appointed KPMG as external auditor.

During the year, the charter of the Principal Board Audit Committee was enhanced and fully integrated with the activities of the Subsidiary Board Audit Committees. In addition, a revised policy has been introduced which limits the range of non-audit services provided by the external auditor to those permitted under US legislation and caps their cost at two times that of statutory audit and assurance services.

The Board has also decided to continue to issue options to reward executives for long-term performance.

As part of its regular review of remuneration structures, the Board has decided that 50% of the value of the long-term incentive will be in the form of executive options and 50% will be performance share rights, to be introduced in the forthcoming year (2002-2003).

The performance hurdle that has been in place for share options will continue to apply for both share options and performance share rights.

The Group has disclosed the fair value of options in its Annual Report for the past three years. In July 2001, the International Accounting Standards Board (IASB) announced that it would review accounting for share-based payments (including employee share options). We intend to adopt the new accounting standard once it has been issued by the IASB and the Australian Accounting Standards Board.

Earnings Outlook

We had a pivotal year and the Group is well placed for the future. Our asset quality is sound and we will continue to deliver on efficiency improvements which are under our control.

Our plans show cash earnings per share growth of more than 10% in 2003. Given the uncertainty in markets today, guidance in the range 8-11% is considered prudent.

We will always strive to achieve the top end of our forecast range, however, in the current environment the level of certainty that can be attached to all forecasts is reduced.

7 November 2002

Further Information

Majella Allen

Brandon Phillips

Group Corporate Affairs

Group Corporate Affairs

0410 440 305

0419 369 058

ATTACHMENT

OPERATIONAL HIGHLIGHTS

Financial Services Australia

Net profit up 29% to \$1,770 million

Housing volumes increased 18% or \$9.2 billion

Deposits up 8% to \$54.7 billion

Cost to Income ratio improves to 48.5% from 49.7%

Financial Services Europe

Net profit up 10% to \$912 million

Net Interest Income up 9%

Retail deposits up 11%

Cost to Income ratio improves to 49.8% from 50.6%

Financial Services New Zealand

Net profit up 31% to \$294 million

Net Interest Income up 14%

Housing volumes up 9% to NZ\$10.6 billion

Cost to income ratio improves to 49.9% from 56.2%

Wholesale Financial Services

Net profit up 12% to \$825 million

Total income marginally lower at \$1,929 million

Asset quality remains satisfactory - 84% of credit exposures investment grade or better

Cost to income ratio slightly higher at 38.4% (37.2% last year)

Wealth Management

Net operating profit of \$284 million before revaluations

Revaluation loss of \$152 million reduces net profit to \$132 million

Performance impacted by volatility in equity markets and \$45 million after tax one off compensation payment to investors

Net retail inflows captured for the year to June 2002 were 22.5% up from 21.5% as at March 2002. (Source: ASSIRT Market Share Reports).

REGIONAL HIGHLIGHTS

Australian cash earnings up 17% to \$2,270 million

Europe cash earnings up 11% to \$1,147 million

New Zealand cash earnings up 34% to \$418 million

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

FINANCIAL SUMMARY

6

Management Discussion & Analysis Reporting Format

REPORTING FORMAT

To assist with the interpretation of the Group's results, earnings have been reported under the following structure:

Ongoing operations

Retail Banking, which comprises:

Financial Services Australia

Financial Services Europe

Financial Services New Zealand

Other (including Corporate Centre);

Wholesale Financial Services;

Excess Capital & Group Funding; and

Wealth Management.

Cash earnings by region from ongoing operations (Refer page 10 for further details)

Disposed operations

HomeSide reflecting the Board's decision to sell SR Investment, Inc, the parent company of HomeSide Lending Inc. effective 1 October 2002 and the sale of HomeSide US's operating platform and operating assets as at 1 March 2002.

Michigan National Corporation sold by the Group on 1 April 2001; and

Other non-core operations incorporating writedowns of e-commerce investments and closure of the Vivid business in Great Britain in April 2001.

Significant items

Restructuring expense; and

Profit on the sale of SR Investment, Inc.

DIVISIONAL STATEMENT OF FINANCIAL PERFORMANCE

	Half Year to		Fav/ (unfav) change on Mar 02	Year to		Fav/ (unfav) change on Sep 01
	Sep 02 \$m	Mar 02 \$m	%	Sep 02 \$m	Sep 01 \$m	%
<u>Ongoing Operations</u>						
Retail Banking						
Financial Services Australia	889	881	0.9	1,770	1,377	28.5
Financial Services Europe	441	471	(6.4)	912	826	10.4
Financial Services New Zealand	161	133	21.1	294	224	31.3
Other (incl. Corporate Centre)	(21)	(21)		(42)	(50)	16.0
Retail Banking	1,470	1,464	0.4	2,934	2,377	23.4