Concise Annual Report 2002

Building on our strengths

National

Contents

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This is a concise report. To view the full annual financial report online, visit the Shareholder Centre at www.national.com.au. Alternatively, to arrange for a copy of the full annual financial report 2002 to be sent to you free of charge, call Shareholder Services on 1300 367 647 in Australia. See page 68 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 2002. The concise financial report cannot be expected to provide as full an understanding of the financial position and financing and investing activities of the Group as the annual financial report. All figures quoted are in Australian dollars unless otherwise stated.

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National Australia Bank Limited ABN 12 004 044 937

Building on our strengths

Last year was about building on our strengths:

- talented, committed and motivated people
- relationship banking underpinned by world-leading Customer Relationship Management capabilities
- strong banking franchises with large customer bases in core markets
- leveraging wealth management capabilities to expand internationally
- disciplined financial, risk and capital management

We will continue to build on these strengths and leverage our international assets and capabilities to ensure we deliver strong and sustainable shareholder returns.

We will position ourselves as a trusted adviser to our customers and deliver solutions that help them achieve their goals by:

- using our Customer Relationship Management capabilities to develop a superior understanding of customer needs so we can better advise on and deliver the right solutions
- building upon and integrating our wealth management and banking offerings
- building and sustaining a high-performance culture

Moving forward we will strive for growth through excellent relationships with each of our stakeholders.

Turn the page for details of our progress…

A Strong Performance

Net profit*

$3,379 million

Net profit* up

62%

Market capitalisation up 30% to

$51.5 billion

[Bloomberg 30 Sep 2002]

*After significant items

10 years of dividend growth

Dividend rate – cents per share

Year	June	December	Total
1992	22¢	23¢	45¢
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¢

Excellent shareholder returns

Cash earnings per share# (EPS)	$2.48
Cash EPS growth#	4.9%
Return on equity#	17%
Economic Value Added (EVA®)	$1,284 million

#Before 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.

AA credit quality

We have actively managed our credit portfolio in difficult economic conditions to successfully reduce our risk exposure. We are the only Australian bank to receive Standard & Poor's AA long-term credit rating (as at September 30, 2002).

Community and environment

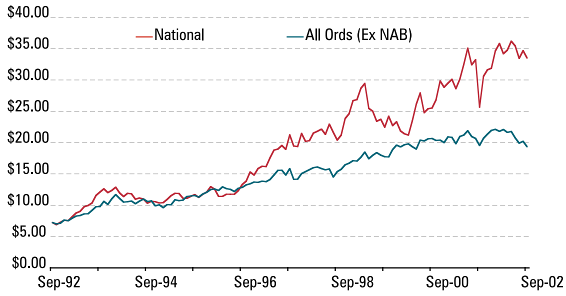
- We donated over $11 million to communities during the year on top of volunteering and in-kind support. We also donated $1 million to the Australian Red Cross Bali Appeal
- The Australian program that allows employees to take up to two days' paid leave a year for community work will soon be extended worldwide

Note

References in this report to 'the National' are references to National Australia Bank Limited. References to 'the Group' are references to the National together with its controlled entities around the world.

National Share Price Performance

Relative to the All Ords Accumulation Index (Ex National)



National share price at Sept 1992 used as base for All Ords Acc Index

World-leading CRM technology

Our Customer Relationship Management (CRM) technology has won international awards including:

- Relationship Strategy – Institute of Financial Services UK & British Telecom, November 2001
- Australian Bank of the Year, Best Use of Technology – The Banker Awards (*Financial Times*, UK), September 2002

Solid foundations*

- We are the largest Australian listed financial services institution (by market capitalisation)
- We are the second largest company on the Australian Stock Exchange (by market capitalisation)
- We have over $377 billion in assets
- We have almost 8 million banking customers and 2.8 million wealth management customers
- We are one of the world's top 50 financial services companies by revenue (*Fortune* magazine, July 2002)

* Globally, as at September 30, 2002

Investing in our people

Over $55 million invested in employee training and development is creating a high-performance culture

Greater access (as at 30 September 02)

	National (Australia)	Bank of New Zealand	Northern & National Irish Banks	Clydesdale & Yorkshire Banks	Total
Branches	794	183	154	491	**1,622**
Banking centres*	152	22	41	89	**304**
Australia Post giroPost outlets	2,970				**2,970**
ATMs / ADMs (Automated Deposit Machines)	1,680**	383	280	978	**3,321**
Internet banking	✔	✔	Coming in 2003	✔	
Phone banking	✔	✔	✔	✔	

* includes Business, Agribusiness, Premium and Financial Service Centres, Private and Executive Banking Suites, Investment Centres and workplace units. May be co-located in branches. ** includes 462 unbranded alliance ATMs

Our biggest strength – our people

"Our success this year can be attributed to the commitment and dedication of our people. In a challenging year they have produced a solid result for the Group. On behalf of the Board and senior management, I would like to say thank you." Frank Cicutto, Managing Director and CEO

We value our people, what they do and how they do it, which is why we invested more than $55 million in employee training and development during the year. These initiatives are helping to revitalise our business and build a high-performance culture that empowers our people, encourages personal development and outstanding quality. It also promotes trust, transparency and accountability.

Our ultimate goals are to:

- develop great people
- create a great place to work
- encourage and reward winning performance

Here are some of the activities that are helping us achieve these goals.

Identifying talent
We have focused on getting the right people in the right jobs, identifying our most talented people and developing clear succession plans for key roles.

When the Group restructured earlier this year, selection criteria included current capabilities, leadership potential and performance against the National Leadership Standard.

70% of Bank of New Zealand employees have completed Second to None training, focusing on customer retention and satisfaction.

Annual Group-wide senior management talent reviews involving a 360-degree assessment of leadership behaviours were also used in the decision process.

Investing in our people
Our training and development initiatives are helping all employees reach their full potential.

The Managing People Better project provides training, resources and tools to develop our people, particularly in the areas of leadership. As a result, every employee's performance plan will now measure and assess leadership behaviours. Over 500 volunteer change-champions also promote and support the development of leadership behaviours and skills.

Leader as Coach initiatives are also helping build a 'coaching culture' to bring out the best in our people. To achieve this, executives and senior managers have personal coaches to build their leadership and coaching skills.

To stay up to date with changing legal and business

All senior managers in Ireland receive feedback and coaching from their people after they have delivered strategy and performance presentations.

Leader as Coach training initiatives are helping us build a coaching culture to bring out the best in our people

trends, we also focus on regulatory training, sales, customer support and relationship management systems training.

Most programs are supported by practical systems and online tools, including training curriculums, reference materials and a 360-degree feedback tool.

Diversity
During the year we established a Diversity Guiding Coalition, chaired by Managing Director and CEO Frank Cicutto, to build a more diverse workforce.

The Coalition is working to attract, develop and retain a more diverse workforce in terms of gender, nationality, cultural heritage, family responsibilities and disabilities. To date, the Coalition's achievements include:

- new recruitment policies and processes in Australia
- a new telecommuting policy that facilitates working from home
- an online job share forum that connects potential job share candidates
- a new indigenous employment program
- a revitalised disability employment program

Although the Coalition is new, it has already received recognition:

- a High Commendation award at the Australian Chamber of Commerce and Industry Work and Family Awards in 2002
- three Diversity@Work awards for Inclusion of People with a Disability, Inclusion of Indigenous Australians, and for being disability friendly

Breakthrough success
Breakthrough programs bring together frontline employees to solve business problems in their workplaces. These programs help streamline processes and remove bureaucracy to improve the customer experience.

Engaging our people
We have conducted major employee communication and engagement activities to build trust and understanding of our business direction. In Australia, a roadshow visited major capitals and many rural locations, giving employees the chance to discuss strategies with senior management. Bank of New Zealand (BNZ) employees participated in the Second to None program, which increased understanding of BNZ customers' needs and the Group's strategies to meet them. In Europe, business strategy workshops gave all employees the chance to comment on the business agenda, and to understand how they can contribute to it.

Measuring and rewarding performance
The Economic Value Added (EVA) share program will be in all regions by the end of 2002, giving employees the opportunity to share in the Group's success based on the value we create for shareholders.

Enhancing our performance

Sound corporate governance standards and diversity in our business portfolio have helped the Group grow core businesses despite the volatility of world equity markets during the year. This produced a solid result.

The Group was able to build on its strengths in banking and wealth management businesses and report a year of solid growth in cash earnings, despite the challenging world economic environment.

Our portfolio of businesses experienced varying degrees of success and were not completely insulated from the volatility in world equity markets, but the combination of retail banking, wealth management and wholesale financial services provides a sound platform for growth into the future.

The Positioning for Growth program that we announced last year was designed to simplify the way our business works and remove barriers that restrict an innovative team environment. It also generates cost savings to fund reinvestment in banking and wealth management.

There has been a greater focus on the responsibilities of Directors and corporate governance as a result of corporate collapses in Australia and overseas. Your Board has worked hard to ensure the Group continues to observe the highest possible corporate governance standards.

It was therefore gratifying that the National was recognised by the independent research undertaken by the University of Newcastle for accounting company Horwarth (NSW) Pty Ltd*, as one of nine companies with the highest corporate governance rating when compared with Australia's top 250 listed companies.

To deal with extremely difficult issues such as HomeSide in the US, sound corporate governance structures are a vital framework for the Group, demonstrating to all stakeholders that appropriate independence and review processes have guided our decision-making.

The conclusions of the independent legal review undertaken into the reasons for the HomeSide US write-downs were circulated to shareholders during the year. We took a range of actions to address those conclusions, with the sale of the US operations of HomeSide completed on October 1, 2002. The HomeSide write-downs are a matter of regret but it is now appropriate, and necessary, to put this behind us and focus on strategies for the future.

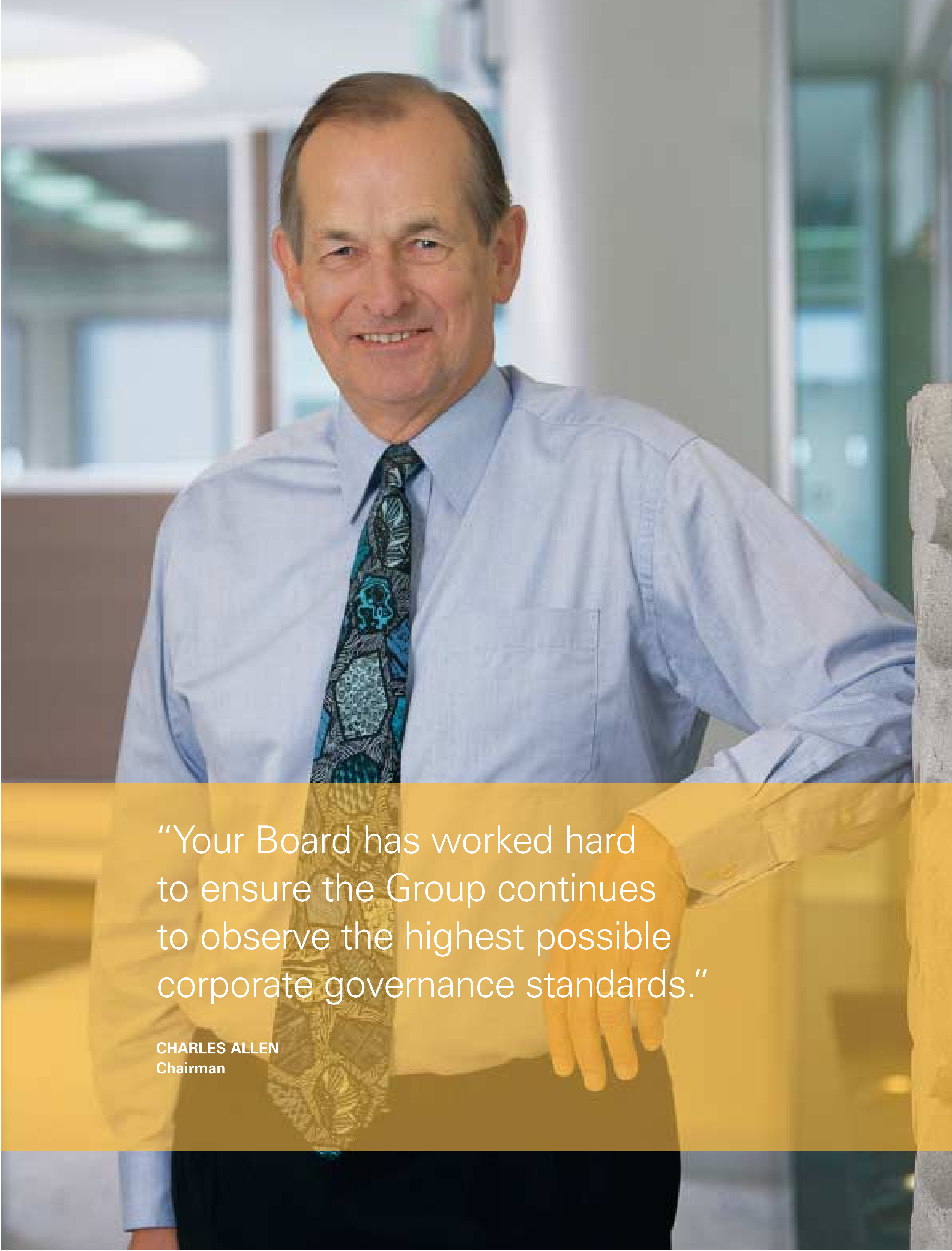
Another important strategic issue is corporate citizenship, and the Board has provided encouragement for a range of programs throughout the Group to enhance our relationships with stakeholders.

As part of that process, we became a signatory to the United Nations Environment Program Financial Institutions Initiative, which will provide valuable guidance and insight into sustainable ways to grow our business.

I would like to thank my fellow Directors, management and staff throughout the Group who have contributed to a good result for the year and laid sound foundations for the year ahead.

Your Board is maintaining its focus on growing returns and building sound stakeholder relationships in the future.

* *Horwarth Corporate Governance Report 2002.* Research conducted by Associate Professor Jim Psaros and Michael Seamer from the University of Newcastle Business School, Australia.



"Your Board has worked hard to ensure the Group continues to observe the highest possible corporate governance standards."

CHARLES ALLEN
Chairman

A pivotal year

We have revitalised our organisation and completed the integration of our Wealth Management business. We have sold HomeSide in the US and are carefully managing through a period of economic and financial market uncertainty. Now we are focused on growing our core capabilities of banking and wealth management in Australia, New Zealand, Europe (Great Britain and Ireland) and Asia.

There have been many defining moments in recent times – the devastating bombs in Bali, the War on Terrorism and collapses of high-profile corporations. These events fundamentally changed the business environment in many of the regions in which we operate.

Solid growth in cash earnings per share was achieved despite the financial impact of the recapitalisation of HomeSide in the US and volatile world equity markets.

The impact of weak equity markets had an unavoidable impact on our Wealth Management operation.

The market impact on our Wealth Management operations was offset by the growth in our banking profits.

The results of our retail financial services businesses were impressive. Net profit (before significant items) rose 29% in Financial Services Australia, 13% in Financial Services Europe, and 31% in Financial Services New Zealand.

Despite many high-profile corporate failures, our risk management processes are proving sound during this testing period, with the ratio of non-accruing loans to total loans declining to the lowest level since 1986.

This reflects our strong credit framework, including the use of sophisticated early warning indicator software, ongoing review of the loan portfolio (including industry and country risk analysis), and a renewed focus on enhancing core client relationships.

Looking ahead, building on the strengths of banking and wealth management provides us with unique growth opportunities in Australia, New Zealand, Europe and Asia.

The Positioning for Growth program that was announced in October 2001 has been instrumental in creating savings that allow for investment in growth areas of our business.

The program is delivering efficiency gains, and those gains will be reinvested in a range of growth opportunities including the extension of Wealth Management in the United Kingdom, creating a market-leading financial adviser platform in Australia, and upgrading IT systems for customer-facing staff in Clydesdale and Yorkshire Banks.

Other investments that will provide future growth include continued rollout of our market-leading Customer Relationship Management software to our Australian branches, with plans to go Group-wide. This provides the platform to become more efficient but with a greater capability to deliver improved customer service.

We are deploying a Group-wide enterprise solution for financial control, balance

"Looking ahead, building on the strengths of banking and wealth management provides us with unique growth opportunities in Australia, New Zealand, Europe and Asia."

FRANK CICUTTO
Managing Director and Chief Executive Officer

sheet management, human resources and procurement.

The system will provide a common global infrastructure for our human resources, e-procurement, finance and management information processes. The first release of the program is planned to commence in New Zealand in 2002.

The creation of a new senior management structure in January 2002 was another important aspect of the Positioning for Growth program.

A key priority of the new Group leadership team was to provide a framework to empower people within the organisation. Leadership teams across the organisation have been reviewed to achieve this change.

The reorganisation of retail financial services reporting lines on a regional basis allows greater flexibility to grow our businesses through excellent relationships with our customers.

Our balance sheet risk was reduced by the withdrawal from retail financial services in the US following the staged exit from HomeSide.

A staged sale process was undertaken, reflecting the sophisticated approach required to achieve fair value for this volatile asset in a challenging environment.

Having resolved HomeSide, we are focusing on the future and growing our core businesses, which are of a high quality, as demonstrated in this year's result.

The challenge for the future is to build an organisation that is in step with consumers, governments, communities and employees, as well as shareholders. The Group contributed $1 million to the appeal for the victims of the Bali bombings and continued to support a range of other community projects in all our areas of operation.

For example, our lawyers in Victoria actively support the Public Interest Law Clearing House, including its project for the Homeless Persons' Legal Clinic, and received the 2002 Prime Minister's Award for Excellence in Community Business Partnerships for their outstanding efforts.

In Australia, the Australia Post initiative provided increased access to transactional banking services, especially in rural areas. The National has almost 800 branches, 152 banking centres and 2,970 Australia Post giroPost outlets across Australia, many in areas where no service previously existed.

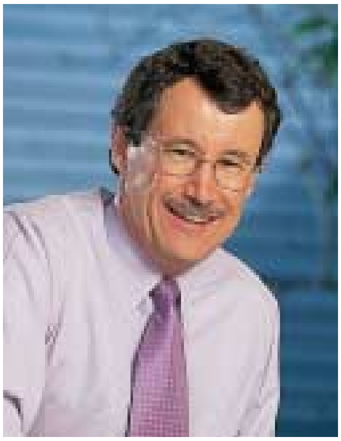
In the United Kingdom, Northern Bank improved its environmental performance through programs to improve energy conservation and reduce greenhouse emissions and water consumption.

Our work to improve our relationships with stakeholders is an ongoing and evolving process linked to cultural change across the organisation.

I would also like to thank our staff and management who contributed so much to the overall success of the organisation during this pivotal year.

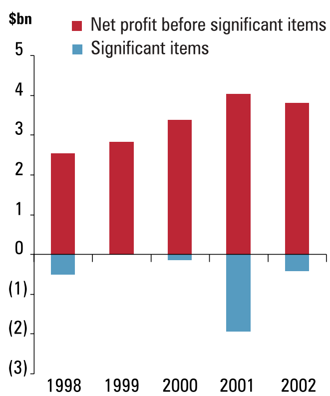
"Moving forward, we will strive for
growth through excellent relationships
with each of our stakeholders"

Disciplined financial performance

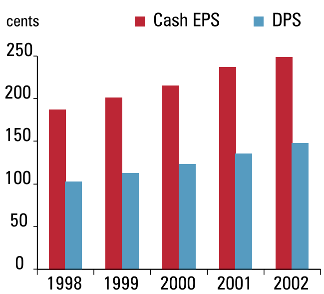


Richard McKinnon
Chief Financial Officer

Net profit and significant items



Cash earnings (before significant items) and dividends per share



2002 performance highlights the underlying strength of our core financial services businesses.

Our financial strategy for the 2002 year was to strengthen the balance sheet, improve efficiency and invest for future growth. We have done this through:

- the sale of SR Investment, Inc. and HomeSide Lending, Inc. (both referred to as HomeSide US) which has meant the full exit of mortgage servicing rights and strengthened our regulatory capital ratios;
- the completion of the Positioning for Growth review which has restructured the Group and identified potential for significant productivity gains over the next two years; and
- an investment program focused on our Wealth Management and European operations.

The Group's net profit of $3,379 million was 62% higher than last year. Last year's result was dominated by the very large impairment write-downs relating to HomeSide US. This year's result has been adversely affected by the recapitalisation of HomeSide US, a large restructuring provision and the downturn in equity markets.

The significant items recognised in the 2002 year related to:

- $412 million after tax of restructuring expenses; and
- $6 million net profit on sale of HomeSide US.

Net profit before significant items decreased 6% to $3,785 million. This result was impacted by a reduced contribution from Wealth Management, but the underlying performance of our core banking operations has been strong.

Excluding non-cash items (goodwill amortisation and revaluation of the life insurance controlled entities), cash earnings increased 6% from the previous year.

Cash earnings per share (before significant items) increased 5% to 248.2 cents.

Return on equity (before significant items) decreased from 18.4% to 17%.

Dividends are 147 cents per share, compared with 135 cents per share last year.

This represents an increase of 12 cents or 8.9%. The final dividend of 75 cents is 90% franked.

Continued strong performance of core operations
Our unique combination of business and geographic diversity is delivering profits and providing growth opportunities, creating an integrated financial services group.

Our financial services businesses conduct the retail banking operations of the Group:

- Financial Services Australia net profit* increased by 29% to $1,770 million. We have been particularly successful in the mortgage market, where housing loans increased by 21%.
- Financial Services Europe net profit* increased 13% to $850 million. Mortgage loans increased 6% for the year with the introduction of an innovative new product to the market – the Rapid Repay mortgage.
- Financial Services New Zealand net profit* increased 31% to $293 million, with strong growth in housing lending and a reduction in expenses.

Wholesale Financial Services increased net profit* by 12% to $825 million in a challenging environment, primarily as a result of reduced provisioning charges.

Wealth Management achieved a net profit* of $132 million for the year. The result was impacted by unfavourable global equity markets and, as announced in August 2002, a $64 million before tax ($45 million after tax) compensation provided for investors relating to a reduction in unit prices, which occurred in October 2001 in relation to certain products managed by National Australia Financial Management Limited (NAFM).

*excludes the after tax impact of significant items.

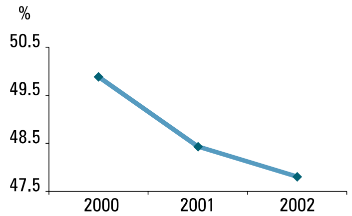
Growth in total income
Net interest income from ongoing operations grew 8% in 2002. This was driven by growth in loans and advances to $231 billion and a fall in the net interest margin from 2.71% to 2.67%.

Non-interest income was impacted by:

- solid fee and loan volume growth in the retail businesses;
- subdued activity in foreign exchange and interest rate markets, which affected treasury income; and
- the downturn in global equity markets which impacted Wealth Management.

Progress towards efficiency targets
Our cost to income ratio for banking operations improved to 47.7% from 48.5% in 2001 and 49.9% in 2000.

Banking cost to income ratio



During 2002, we made good progress towards achieving the 2004 efficiency targets:

Cost to income	2001 %	2002 %	2004 target
FSA	49.7	48.5	46.0
FSE	50.9	49.8	48.0
FSNZ	56.2	49.9	48.0
Wholesale	37.2	38.4	36.0

Wealth Management is on track to achieve its targets.

Investment in the future
To capture growth opportunities, investment is being targeted to our core businesses in the form of:

- an infrastructure upgrade for customer-facing staff in banking in Great Britain;
- Wealth Management's adviser platform in Australia; and
- Wealth Management's independent financial advisers' distribution capability in Great Britain.

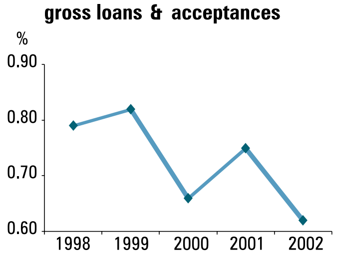
Over the next three years $385 million is to be invested in these three initiatives.

Asset quality remains sound

During 2002 a strong focus on asset quality was maintained in a difficult credit environment. The proportion of gross non-accrual loans to gross loans and acceptances decreased from 0.75% to 0.62% and is now the lowest since 1986.

Total doubtful debt provisioning charges of $697 million were taken during the year, down from $989 million in 2001.

Gross non-accrual loans to gross loans & acceptances



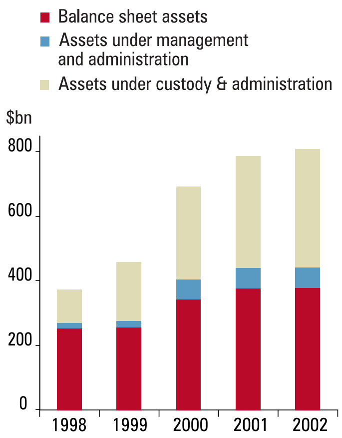
Financial strength

Total assets have grown to $377 billion.

Growth was largely driven by growth in lending assets, particularly in housing lending, which increased 18%.

As a result of the sale of HomeSide US on October 1, 2002, we have exited all mortgage servicing rights and associated hedges, and consequently reduced the Group's balance sheet and earnings risk exposure.

Assets under control

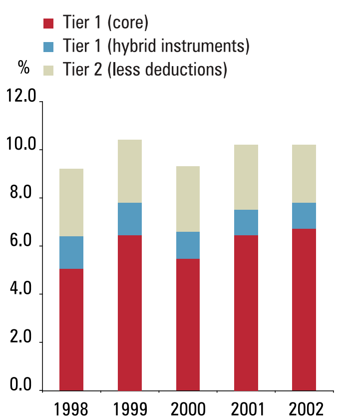


Continued active capital management

In May 2002, we announced our intention to extend the ongoing share buy-back program until September 30, 2003, and to increase the value of shares subject to the buy-back by an additional $1,000 million.

Our capital position was strengthened by the sale of HomeSide US, which released $490 million in capital. As a result we announced a further increase of $750 million in the value of shares subject to the buy-back.

Total capital ratio



We bought back 36.2 million shares during the year.

Tier 1 capital represents 7.8% and total capital represents 10.2% of risk-weighted assets.

We remain the only AA rated bank in the Asia Pacific region and one of a small number in the world.

Credit Ratings

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

Outlook

Our financial strategy positions us for the uncertainties facing the global economy. We have significantly reduced the risk in our balance sheet and have focused on our cost efficiency. Our credit risk management capabilities and financial strength are first class. Despite the uncertain outlook we continue to invest in our core businesses as they represent our future.

We are adopting a
balanced stakeholder
approach that recognises financial, governance,
community and
environmental performance

Building stakeholder trust

Each year we support hundreds of community initiatives through partnerships involving our people, in-kind support and financial contributions.

While the reputation of financial institutions remains low, we are committed to building community trust.

We have started by improving communications with communities, customers and our people, and are responding to what we hear in a more meaningful way.

We have introduced initiatives to improve our environmental performance and have taken steps to become more transparent and accountable for our actions. As a result, from 2003 we will conduct 'quadruple bottom line' reporting to measure our performance against financial, community, environmental and governance targets.

Communities

We have a strong tradition of working with communities and support hundreds of different initiatives each year.

The Australian program that offers employees up to two days' paid leave a year for community work is being extended through the Group.

Community activities included:

- using the Australian branch network for the first time to raise awareness and funds for a community partner (the Ovarian Cancer Research Foundation and Australian Red Cross Bali Appeal)
- more than 600 Technology staff spending a day volunteering with 12 community groups (main photo shows a treeplanting day for Parks Victoria)
- providing flexible loans to assist drought-affected Australian farmers
- Time 2 Count, Northern Bank's award-winning numeracy program, led to the development of other numeracy initiatives such as Maths in a Bag for pre-school children

Northern Bank employees volunteer to help boost children's confidence in numeracy in Time 2 Count.

HIGHLIGHTS

Some of the many programs we supported:

Over $11 million donated to communities during the year (plus volunteering and in-kind support)

The National • Australian Red Cross Blood Services and Bali Appeal • Volunteering Australia

Bank of New Zealand • Kiwi Recovery Program • Heart Children New Zealand

Northern Bank • Time 2 Count • Maths in a Bag • Youth Action • Young Enterprise

National Irish Bank • Junior Achievement • Galway Arts Festival • Simon Community

Clydesdale Bank • **basketball**scotland • Financial Education Partnership

Yorkshire Bank • Charitable Trust Educational Awards Scheme • Leeds Cares

Over 1,000 Wealth Management employees donated over 7,000 hours to over 40 community groups

- Wealth Management's Community Day, involving over 1,000 staff in activities ranging from financial planning for charities to tree planting
- Bank of New Zealand supported Heart Children NZ's street appeal and BNZ Heart House
- Yorkshire Bank's Charitable Trust Educational Awards Scheme supported over 160 schools with educational programs targeting the arts, music, science and conservation
- Clydesdale Bank continued to support youth development through **basketball**scotland

Our conservation efforts have helped protect New Zealand's endangered kiwi population.

- National Irish Bank brought together community partners to create a drama to educate young people about homelessness

Listening

The Australian leadership team spent most of September with staff, customers and communities on a roadshow that visited all capital cities and ten provincial centres. A formal review after the roadshow ensured feedback gathered will be acted on.

We also listen through our Community Consultation Forum, chaired by the Reverend Tim Costello. The Forum was strengthened during the year to ensure regular, direct interaction with senior management.

The Forum's priorities:

- issues related to problem gambling and access to cash in gaming venues
- responsible use of credit card offers to customers
- support for community-based no interest loans schemes that provide access to small levels of credit for lower income consumers

Use of a previous initiative, the National Concession Card Account for government concession card holders, has also increased.

Environment

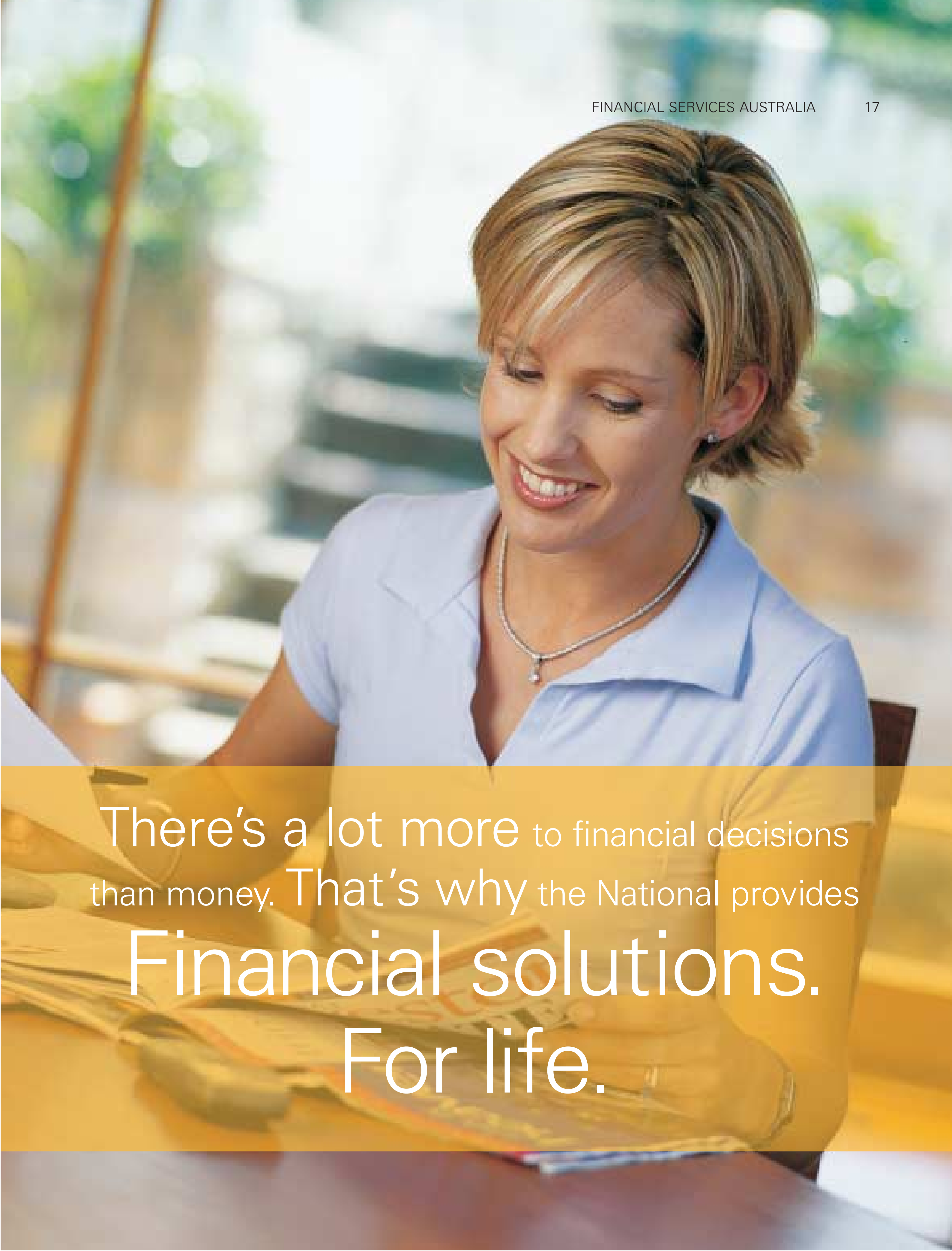
Communities expect major companies to be responsible for their environmental performance and we are responding to the challenge.

We have been a member of the Australian Government's Greenhouse Challenge since 1997. We underlined our commitment to sustainability last year by signing the United Nations Environment Program Financial Institutions Initiative.

Docklands, our new Australian headquarters from the end of 2003, will provide a focus for environmental improvement. It is on track to be one of Australia's first commercial buildings to achieve a four-star energy rating. Our challenge is to match our performance to the building.

An Australian Environmental Champions program is encouraging staff to initiate ways to reduce paper, energy consumption and waste going to landfill.

Northern Bank improved its environmental ranking due, in part, to its continual reduction in energy and water consumption and greenhouse emissions. It has also signed an agreement to supply 80% of branches with renewable energy (wind power). Similar agreements are being investigated for Clydesdale, Yorkshire and National Irish Banks.


There's a lot more to financial decisions
than money. That's why the National provides
Financial solutions.
For life.

National

Financial solutions. For life.

Financial Services Australia (FSA) achieved an excellent financial result during the year, posting a 29% increase in net profit* and contributing 46%* of the Group's net profit (pre-goodwill).

A combination of factors contributed to FSA's strong performance. Housing lending grew by 21% or $11,460 million as Australians took advantage of a low interest rate environment to use equity in their home to generate wealth. In Australia, 17% of all home mortgages are now held with the National. This is due in part to strong growth in sales of home loans through mortgage brokers and other channels.

Two popular new products were added to the business portfolio during the year – a Business Investment Account and a New Business Loan. The first account provides a higher return and instant access to funds. The second features our lowest business interest rates in years.

As loan-processing volumes have increased, staff efficiency gains and enhanced technology – including over 11,500 new personal computers – have ensured significant improvements in productivity and efficiency. The net result? Excellent revenue growth while back-office costs stayed flat.

Financial solutions. For life. We aim to be the financial services provider that Australians trust to meet their needs.

To do this, we are improving the way we interact with our customers, renewing our products, our physical outlets and our touchpoints.

About Us

Financial Services Australia provides retail, business and Agribusiness financial solutions for our customers in Australia. This area was recently restructured and now includes all Australian-based consumer, business and Agribusiness banking and back-office functions.

Net profit* up
29%

During the year, customer service ratings improved to
80/100

*Excludes the after tax impact of significant items

HIGHLIGHTS

- Net profit* increased by 29% to $1,770 million due to solid income growth and lower provisioning charges reflecting sound asset quality
- Every home loan customer in Australia will soon have a relationship banker to help meet their unique financial needs
- 53% of our branches, 42% of Australia Post (giroPost) locations, 26% of the National's ATMs and 107 Agribusiness Centres are located in rural Australia
- Customers can now conduct face-to-face transactions at over 2,900 Australia Post outlets and almost 800 National branches across Australia

We are also improving the transparency of our pricing, and developing meaningful and respected community relationships. Some of our achievements to date are highlighted below.

Convenient access
During the year we strengthened our arrangement with Australia Post to offer customers an extensive over-the-counter transactional service. This includes almost 800 branches and over 2,900 giroPost-enabled Australia Post outlets.

59% growth in online users
Over 740,000 National customers in Australia have embraced the convenience of our online services. During the year, national.com.au was upgraded to a Windows-based product to make banking online simpler and more convenient.

Investing in our network
We have committed to invest around $10 million in our regional branch and customer network. This includes building 16 new Financial Service Centres across Australia. Centres at Toowoomba and Geelong are already operational, with more opening soon.

These new Centres offer financial planning, home loans and relationship banking services. Some will also have a branch at the same location to meet most customers' needs in one place.

We are also planning to invest over $20 million in our physical network over the next year.

Strong rural commitment
Australian farmers have been hit hard by recent droughts. As part of our commitment to rural communities, we announced an assistance package for farming customers. This package included restructuring loans to reduce or defer repayments, providing carry-on finance to cover cashflow shortages, concessions on loan fees and waiving early withdrawal penalties.

Agribusiness Credit Centres were also opened in the agricultural hubs of Toowoomba and Albury. By centralising administration and back-office functions, Agribusiness bankers can spend more time on farms with rural customers.

We have almost 500 Agribusiness bankers in over 100 locations.

Credit quality
During the year, provisioning charges have decreased, driven by active credit risk management. We conducted an extensive review of the business loan portfolio and a major program to improve capital efficiency and reduce credit risk.

Investing in technology
Our Customer Relationship Management (CRM) sales and service platform enables frontline staff to work together with the back-office support areas to provide a fully integrated, seamless and end-to-end service to our customers.

Upgraded hardware and software available to our bankers enable them to meet customer needs more effectively. They also provide access to new products such as electronic consumer lending and electronic business lending. These products and services streamline and automate our processes, giving staff more time for quality interaction with customers.

Building life-long relationships

Financial Services Europe (FSE) aims to develop life-long relationships with customers by providing a range of tailored financial products and services.

FSE delivered another solid performance during the year, contributing 24%* of the Group's overall result (pre-goodwill).

FSE was formed in 2001 as part of the Positioning for Growth program, and is led by a locally based Executive General Manager. This brings critical decision-making closer to the marketplace and provides greater autonomy for the region.

Building relationships
A strong focus on relationship management, credit quality and successful marketing of products, such as Rapid Repay in Great Britain and Instant Access savings accounts in Ireland, have helped boost our performance. Retail deposits grew by 6%.

Asset quality remains strong and recent reviews of the loan book show adequate provisioning is in place.

The financial services industry is becoming more competitive. To keep pace with the market, retain existing customers and attract new ones, we are making changes to our products, marketing and distribution channels.

Greater access
Clydesdale and Yorkshire Bank customers have recognised the convenience

About Us

FSE is the Group's retail banking arm in Great Britain and Ireland. Following the recent restructure, FSE now includes all European-based consumer, business and Agribusiness banking, and back-office functions.

Net profit* of $850 million up
13%

Net interest income up
9%

*Excludes the after tax impact of significant items

HIGHLIGHTS

- Net profit* increased 13% to $850 million, due to solid income growth and management of credit quality
- Almost 40,000 Clydesdale and Yorkshire Bank customers have signed up for internet banking since it was launched in November 2001
- Telephone-based relationship management was launched in Great Britain for small business accounts
- National Irish Bank successfully converted banking systems to the European single currency in the Republic of Ireland
- The Managing People Better project was launched to improve leadership skills at all levels

of telephone and internet banking, with almost 40,000 customers signing up for online banking since November 2001.

Network investment
To further enhance the customer experience, we are significantly investing in the branch network to ensure that we continue to match products and delivery channels to customer needs.

High-performance culture
We are committed to improving the way we identify and reward high achievers among our staff; reducing bureaucratic processes; and empowering our frontline staff to meet changing customer needs.

In the year ahead, our focus will be on meeting three key objectives:

- **Seeking excellence in customer service**

This means matching staffing levels to customer needs; providing the right training; more competitive product pricing; improved call centre service; faster speed to market of new products; and the introduction of customer service advisers.

- **Working as one team**

Working closely with Wealth Management and Wholesale, staff in retail and business will be able to guide their customers to the appropriate specialist product.

- **Rewarding our staff and improving performance**

The Group's new Performance Management Framework will help identify, recognise and reward staff performance. It will enable all staff to have a clear understanding of what is expected of them during the coming year.

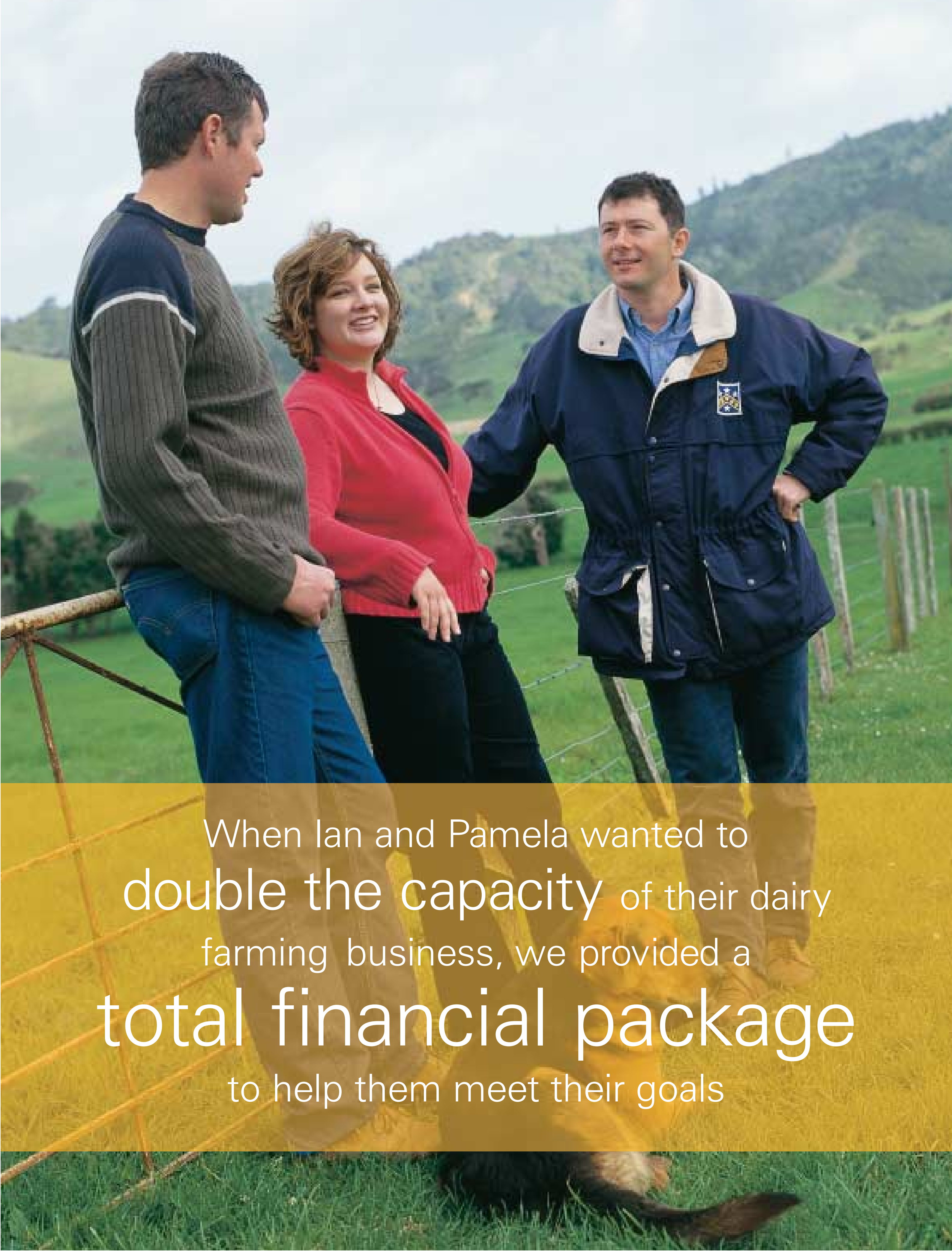
Clydesdale Bank
Tailored Financial Solutions

Yorkshire Bank
Tailored Financial Solutions

Northern
Tailored financial solutions

National Irish Bank
Tailored Financial Solutions.

Visit us at www.national.com.au



When Ian and Pamela wanted to **double the capacity** of their dairy farming business, we provided a **total financial package** to help them meet their goals

Innovation drives growth in New Zealand

The pursuit of growth opportunities and good quality credit produced another excellent result for Financial Services New Zealand (FSNZ).

A solid 11% increase in core lending during the year was driven by the take-up of home loans that earn customers loyalty points each month.

A new range of transaction and savings accounts helped boost retail deposits by 20%. Products such as Fleximoney, designed for customers who prefer to do their banking electronically, and Dynamic Money, for customers under 18, have been very well received.

Convenient access

The number of people using internet banking has risen by 66% following the April 2002 upgrade of www.bnz.co.nz.

Smart ATMs rolled out across the network provide convenient services like bill payment and ordering movie tickets. Customers can also withdraw Australian dollars from Auckland International Airport ATMs.

Credit card transaction volumes (by value) were also up after the launch of a new-look range of cards with more flexible payment and interest plans.

Customer partnerships

The BNZ Ag-Benchmark Service – possibly the largest agri-financial benchmarking database in Australasia – was popular. The service helps customers to identify areas where they can improve their business' profitability.

Our Owner Operator Management Program (through the business incubator, 'Icehouse') and Agribusiness Growth Program have helped over 1,000 business and Agribusiness customers address growth issues.

Using leading-edge Customer Relationship Management software, BNZ staff can now anticipate customer needs more effectively. The software alerts staff of significant events on customer accounts (like term deposit maturity) so they can contact customers who may be reassessing their financial needs.

Outlook

In 2003, we will focus on growth, margin and cost management, staff career development and training.

About Us

Bank of New Zealand is an innovator and leader in the New Zealand market committed to constantly improving customer satisfaction.

FSNZ net profit* up
31%

Home loans reached
$9.4 billion

*Excludes the after tax impact of significant items

HIGHLIGHTS

- FSNZ net profit* increased by 31% to $293 million, largely driven by growth in housing loans, cost containment and reduced provisioning charges
- 70% of employees have completed Second to None training, focusing on customer retention and satisfaction
- Use of internet banking increased after the new service was launched in April 2002, bringing total internet customer numbers to just under 100,000
- BNZ was named FundSource Fund Manager of the Year in 2002

Wholesale's values: client focus, teamwork and excellence

Our enhanced customer focus has delivered excellent results in a year that presented a challenging environment for Wholesale, as a result of the volatility in equity markets.

In this context, our strategic priorities were revised to focus on enhancing relationships with existing core clients.

During the year, we received a number of accolades, including *Insto* magazine's Syndicated Loan Deal of the Year for 2001 for our role as a joint arranger of a $2 billion syndicated loan for Texas Utilities Australia.

Innovation drives success
Innovative new risk management solutions for Agribusiness customers have proved highly successful. These products enable clients to manage variable risks associated with the prices of cotton, wheat, sugar, wool, canola and corn commodities. The Group is a leading provider of over-the-counter commodity price risk management solutions to Australian agriculture.

We are also carving out a unique position in securitisation solutions, announcing a Medium Term Note issue backed by automobile and equipment loans to medical practitioners in Australia.

Custodian Services maintained its position as one of Australia's largest custodians. Total assets under custody globally reached $365 billion.

Investing in our people
An employee rotation program launched during the year is fostering the exchange of skills between Credit Risk Management and Wholesale.

About Us

Wholesale manages the Group's relationships with large corporations, financial institutions, supranationals and government bodies. We operate in Australia, New Zealand, Europe, the US and Asia. Wholesale incorporates Custodian Services, which provides custody and related services to institutions in Australia, New Zealand and the UK.

Net profit* up
12%

50%
net profit* generated outside Australia

*Excludes the after tax impact of significant items

HIGHLIGHTS

- Net profit* increased to $825 million in a challenging environment
- Launched a global employee values program to improve teamwork and intensify customer focus
- The National ranked as Australia's number one arranger of corporate bonds for the nine months to September 2002 (Source: Bloomberg, September 2002)
- Internationally, Wholesale arranged important transactions for our clients, including Auckland International Airport, KT Corporation (formerly Korea Telecom) and Cheung Kong Group

We organised one-stop structured finance

for 375 London buses for FirstGroup,
the UK's largest passenger transport operator

Left - right: John Baini, Wholesale, David Quinn, FirstGroup and Ian Smith, Asset Finance


Over 2.8 million
customers place their future in our hands.
Let us help you achieve your financial
and lifestyle goals

Building and protecting your wealth

During the year, Wealth Management consolidated its competitive position in Australia and continued to expand internationally.

In 2002, our Australian business increased market share in its core operations of Insurance (up from 12.9% to 13.7%) and Retail Investments (up from 14.4% to 14.5%).

Corporate sales in Australia also increased by 50% over the previous year. The Australian business was strengthened by the integration of the National Private Bank, and repositioning the corporate business as a comprehensive advice and implementation provider. By the end of the year, 17 of Australia's top 50 companies (by market capitalisation) outsourced a variety of asset consulting, investment, superannuation and member-orientated services to Wealth Management.

Our overall performance was impacted by volatility in equity markets. As announced in August 2002, our results were also impacted by $64 million before tax ($45 million after tax) in compensation provided for investors relating to a reduction in unit prices, which occurred in October 2001 in relation to certain products managed by National Australia Financial Management Limited (NAFM).

Market strength
To further strengthen our position in the Australian market, the Group has committed to invest $200 million over the next three to four years. The focus of the investment is to deliver a number of tactical and strategic enhancements to our financial planning tools,

About Us

Wealth Management is a business partner for financial advisers. We provide quality financial planning services and a range of investment, superannuation, banking and insurance solutions to build and protect clients' wealth throughout their lives. We serve customers in Australia, New Zealand, Europe and Asia.

Over
2.8 million
customers across four regions

Managing almost
$65 billion
on behalf of retail and corporate customers

HIGHLIGHTS

- MLC received gold awards in the Life Insurance and Corporate Super Master Funds categories of *Personal Investor Magazine* Awards for Excellence in Financial Services 2002
- We are the fourth largest pure Manager of Managers organisation in the world. (*Cerulli Report*, July 2002 – measured by funds under management)
- Investment sales in Europe increased by 29% over the previous year
- Over 1,000 of our people donated 7,000 hours to over 40 community organisations in three countries through our People and Community Trust initiative

investment platforms, reporting and service capabilities. This will help position us as the partner of choice for financial advisers and a leading provider of quality advice.

Internationally, we continued to leverage our core Australian capabilities into the European and Asian markets. We launched a new financial planning and investment service in the United Kingdom based on MLC's multi-manager investment process and customer relationship practices. In Hong Kong, we established a new business to provide financial planning expertise across a diverse range of solutions from mutual funds to home loans and life insurance.

Quality advice and service
Our Australian insurance business achieved equal number one position for pre- and post-sale performance in the *Taylor Research 2002 Life and Funds Management Consumer Study*. The research surveyed over 1,500 customers on product design, premium pricing, reputation, marketing and adviser service.

We provided a dedicated adviser training and development program to help advisers meet new regulatory requirements. This has been fundamental in helping to attract and retain professional financial advisers.

Our workplace environment reflects our business culture – it's innovative, creative, open and transparent. MLC Campus North Sydney.

Consistent long-term returns
Volatile market conditions caused concern for many investors over the last 12 months. To address these concerns, we conducted an extensive communications program to reinforce the value of maintaining long-term investment strategies and of seeking professional financial advice. The program reassured investors using MLC's proven Manager of Managers investment system that their investments were in safe hands.

The Manager of Managers investment approach gives investors access to a combination of specialists in each asset class globally, providing diversity across and within asset classes and across complementary investment styles.

International expansion
In Europe, we continue to grow with sales increasing 29% from the previous year.

In Asia, we believe the new business in Hong Kong will revolutionise financial planning in this market. The business is based on the model that operates in Australia that works towards building long-term relationships with customers to help them achieve their financial and lifestyle goals.

Strong leadership

Building and sustaining a high-performance culture.

Our new executive team has been in place since January, 2002. Its goals are to:

- create a high-performance culture throughout the Group;
- develop and implement strategies to grow core banking and wealth management businesses; and
- achieve the Group's performance targets.

In January, the Group was restructured to create clear accountability, greater customer focus, simpler reporting and reduced bureaucracy. The new structure is a blend of global and regional businesses, each led by an Executive General Manager (EGM).

The result is a flat management structure that gives EGMs more control over distribution, products and services to meet local customer and staff needs.

EGMs are helping to create a more diverse workforce where action, excellence and efficiency are formally rewarded under new people policies and programs.

They are also driving our revitalisation initiatives to create a culture of collaboration, openness, trust and transparency at all levels. Each EGM acts as a coach for their people, demonstrating what a 'high-performance culture' is, then helping to develop the skills needed to create it.

The team is proud of the progress it has made and is committed to continuous improvement through regular, honest self-assessment to gain a competitive advantage.

EGMs are based in Australia, Europe and New Zealand.

THE NATIONAL LEADERSHIP STANDARD – guidelines for managers

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.

Group executive team: Ian Crouch, Chief Information Officer; Ian Scholes, EGM Wholesale Financial Services; Richard McKinnon, Chief Financial Officer; Steve Targett, EGM Financial Services Europe; Mike Laing, EGM Corporate Development; Ian MacDonald, EGM Financial Services Australia; Ross Pinney, EGM Office of the CEO; Peter Scott, EGM Wealth Management; Frank Cicutto, Managing Director and CEO; Peter McKinnon, EGM People and Culture; Peter Thodey, EGM Financial Services New Zealand/CEO Bank of New Zealand; Christopher Lewis, EGM Risk Management.

The Board of Directors

The Group's Corporate Governance structures were given a five-star rating. Only nine of Australia's top 250 listed businesses received this rating. (Source: *Horwarth Corporate Governance Report 2002)*

Mr Charles Allen

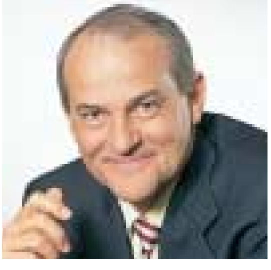
Appointed Chairman in 2001, Mr Allen has been a Director since 1992. He was Managing Director of Woodside Petroleum for 14 years and Chairman of the North West Shelf Gas Project Committee during Project establishment.

"The Group is an international financial services provider and needs to be sympathetic to different cultures without compromising its standards and performance. The Board, with its breadth of knowledge and experience, is well able to assist management in the implementation of these strategies, which will be crucial to the ongoing success of the business."

Mr Frank Cicutto

Mr Cicutto was appointed Managing Director and Chief Executive Officer in 1999 and has been an Executive Director since 1998. His 34-year career in banking and finance has included experience managing our international operations in Great Britain and the United States.

"The Board must balance its responsibilities for governance, ensuring that the disciplines of good banking are maintained, and that the Group is structured for growth. Our success will depend more and more on building a trusted, 'win win' relationship with all of our stakeholders – customers, employees, shareholders, suppliers and the community."



Dr Brian Clark

Dr Clark was appointed a Director in 2001. He is also Chief Executive of Vodafone Pacific and a member of Vodafone Group Executive Committee. Dr Clark brings invaluable global experience, especially in consumer service organisations.

"I am encouraged by the progress made in transforming the Group into an organisation where talented employees are being empowered by new systems, processes and organisational culture to better serve our customers."

Mr Peter Duncan

Mr Duncan was appointed a Director in 2001 following an international career with the Royal Dutch/Shell Group of companies in senior finance, marketing and general management positions, finally as Chairman of the Shell companies in Australia and New Zealand.

"The commitment of the Group to sound governance, cultural change, technological excellence and financial success is deeply grounded in the organisation. We are listening to our employees, customers and other stakeholders."

Mr Graham Kraehe

Mr Kraehe has been a Director since 1997 and brings 38 years' international experience in a range of industries. He was Managing Director of Pacifica Limited from 1985 to 1994, and Managing Director and CEO of Southcorp Limited from 1994 until early 2001. More recently, he has become a non-executive Director of Brambles, Newscorp and BHP Steel.

"The Group must maintain its strong focus on risk management, financial performance and sound governance while enhancing our engagement with customers, employees and communities."

Dr Kenneth Moss

Dr Moss has been a Director since 2000. Both through his experience as Managing Director of Howard Smith and through his Directorship of companies, he brings to the Board a broad industry knowledge.

"I find that broad experience gained from a wide range of Boards assists in making a contribution to the work of the Group's Board. The diversity in the background of the Directors means that the decisions we make benefit greatly from the sum total of that experience."

Mr Geoff Tomlinson

Mr Tomlinson has been a Director since 2000 and is Chairman of MLC. He is the former leader of National Mutual Holdings (now AXA Asia Pacific) and sat on AXA's global strategy committee. He was heavily involved in National Mutual's Asian development in the 1990s.

"The global financial services industry has experienced a difficult year due to the uncertain economic environment and volatile equity markets. The Group has weathered the year well with the operational performance of the core banking businesses reporting strong growth."

Dr Edward Tweddell

Dr Tweddell was appointed Director in 1998. He was Chief Executive of the pharmaceutical company Faulding from 1993 until October 2001, and has worked in the international pharmaceutical industry in North America, Africa, the Middle East and Asia.

"The challenging international environment puts additional pressures on the Group's growth commitment. This commitment also covers a dedication to the highest standards of governance and a determination to deliver on our social responsibilities."

Mrs Catherine Walter

Mrs Walter has been a Director since 1995. Formerly a senior banking lawyer and Commissioner of the City of Melbourne, she is now chairing the Business Regulation Advisory Group on Corporate Disclosure and is a Director of ASX and Orica.

"Corporate Australia faces the challenge of retaining and building public confidence in its financial performance, governance integrity and community responsibility – the Group understands this challenge."

Concise Financial Report 2002

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. The main corporate governance practices that were in place during the year to September 30, 2002 are discussed in this section.

The Board of directors (hereinafter referred to as the Board) is responsible for the corporate governance of the Company and its controlled entities. The directors of the Company and its controlled entities are required to act honestly, transparently, diligently, independently, and in the best interests of all shareholders in order to increase shareholder value. Directors of the Company and all its controlled entities are provided with corporate governance guidelines, which have been approved by the Board. The corporate governance policies have been specifically tailored for the different types of entities depending on the nature and activities of those entities. One of the functions of the Board is to approve all appointments of directors to the boards of controlled entities.

The major processes by which the directors of the Company and its controlled entities meet their duties are described in this corporate governance statement.

Responsibilities and functions of the Board

The most significant responsibilities of the Board are:

- reporting to shareholders and the market;
- ensuring regulatory compliance;
- ensuring compliance with prudential regulations and standards;
- ensuring the maintenance of credit quality;
- ensuring adequate risk management processes;
- reviewing internal controls and internal and external audit reports;
- monitoring and influencing the culture, reputation and ethical standards of the Company and Group;
- monitoring the Board composition, director selection and Board processes and performance;
- approving key executive appointments and ensuring executive succession planning;
- reviewing the performance of the Managing Director and Chief Executive Officer and senior management;
- reviewing and approving executive remuneration;
- ensuring that the Board has an in-depth understanding of each substantial segment of the business;
- validating and approving corporate strategy;
- reviewing the assumptions and rationale underlying the annual plans and approving such plans;
- reviewing business results, and monitoring budgetary control and corrective actions (if required); and
- authorising and monitoring major investment and strategic commitments.

Composition of the Board

The Board of the Company comprises one executive director and eight independent non-executive directors. The Chairman is a non-executive director and the Managing Director is the executive director.

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

Appointment of Board members

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

- the Company's constitution provides for the number of directors to be not less than five and not more than 14 as determined by the directors from time to time;
- the Chairman of the Board should be an independent non-executive director;
- the Board should comprise a majority of independent non-executive directors; and
- the Board should comprise directors with a broad range of expertise and knowledge. In particular, current or previous experience as the chief executive of a significant enterprise with international operations is highly regarded.

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 non-executive directors retire from office at the annual general meeting. The retiring directors may be eligible for re-election.

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

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

Board appraisal

The Board has a process to review and evaluate the performance of the Board. The process involves consideration of all of the Board's key areas of responsibility. During the year, an external independent expert was brought in to review and make recommendations on the many aspects of the Board's activities. These recommendations, together with the outcome of an ongoing self-assessment program, are being adopted to enhance the effectiveness of the Board.

Remuneration of directors

The remuneration policy for directors, the remuneration of each director and the formula for calculation of retirement allowances of directors are set out in the report of the directors.

The remuneration of non-executive directors includes a share acquisition component under a non-executive directors' share arrangement under the National Australia Bank Staff Share Ownership Plan.

Independence of Board members

The Company's constitution provides that a director may enter into an arrangement with the Company or with any controlled entity. Directors or their firms may act in a professional capacity for the Company or controlled entities, other than to act as an auditor of the Company. These arrangements are subject to the restrictions of the *Corporations Act* 2001 (Cth). Financial services must be provided to directors, including the Managing Director and Chief Executive Officer, under terms and conditions that would normally apply to the public.

Disclosure of related party transactions is set out in note 52 in the annual financial report 2002.

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, the director concerned takes no part in discussions nor exercises any influence over other members of the Board if a potential conflict of interest exists. The non-executive directors meet informally from time to time, without the Managing Director and Chief Executive Officer and other members of management being present, to ensure that the non-executive directors maintain independence of thought and judgement.

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 adequately prepare for meetings and attend and participate at Board meetings. 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. Directors are assisted in gaining an understanding and knowledge of the Group through the provision of technical reading material, tutorials and workshops. The amount of work undertaken is considerable. The time requirement varies depending on the number of Board committee meetings and subsidiary company board meetings a director attends.

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.

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 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 the insider trading restrictions above) 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.

In addition, 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

Directors are 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, through the non-executive directors' share arrangement under the National Australia Bank Staff Share Ownership Plan, which was approved by shareholders at the Company's annual general meeting in 2000. Such shares are acquired at market price. The executive director may receive share options as approved by shareholders and, as a staff member, may also receives shares in the Company. During 2002, the Managing Director and Chief Executive Officer did not receive shares or share options.

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

Confidential information

The Company, through its operations, possesses confidential information about a number of customers and organisations and, quite apart from its legal obligations including the requirements under the *Privacy Act* 1988 (Cth), the Company has systems and processes to ensure that this information is not released to its related entities, such as the funds management and development capital business units. This ensures that such information is not exploited for the benefit of the Company.

Internal control systems are monitored and employee integrity within the Company is fostered to ensure that confidential customer information is not disclosed outside the Company, or used for individual personal gain or for the financial gain of any entity within the Group.

Board committees

The Board delegates a number of functions to committees. Formal committees comprise an Audit Committee, Compensation and Nomination Committee and Board Committees established to consider both large credit facilities and large borrowing programs. Other Board committees are established from time to time and as required to consider matters of special importance including capital strategies, major investments and commitments, capital expenditure, delegation of authorities to act, and the allocation of resources.

Board and committee agendas

Board and committee agendas are structured throughout the year in order to ensure that each of the significant responsibilities of the Board is addressed. This includes the Board receiving a detailed overview of the performance and significant issues confronting each business 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.

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;

Mr Graham J Kraehe; and

Dr Kenneth J Moss.

All members of the Audit Committee must be independent, non-executive directors. They 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. At least one member of the Audit Committee is required to have accounting or related financial expertise, which would include past employment, professional qualification or other comparable experience.

Responsibilities and Audit Committee charter

The Audit Committee's role and responsibilities are documented in an Audit Committee charter, which has been approved by the Board and is reviewed annually.

The responsibilities of the Audit Committee are to:

- oversee and appraise the independence, quality, cost effectiveness and extent of the total audit effort;
- perform an independent overview of the financial information prepared by Company management for shareholders and prospective shareholders;
- evaluate the adequacy and effectiveness of the Company's and the Group's risk management and financial control, and other internal control systems and evaluate the operation thereof; and
- review and endorse the Chief Executive Officer's annual attestation statement in accordance with regulatory requirements.

The Audit Committee is required to meet at least four times per year, and during the year met on eight occasions.

The internal and external auditors, the Consulting Actuary, the Managing Director and Chief Executive Officer, the Chief Financial Officer, the Executive General Manager, Risk Management and other members of management are invited to attend meetings at the discretion of the Audit Committee. Non-executive directors who are not members of the Audit Committee may attend a meeting at any time.

External auditor independence

The Audit Committee is responsible for nominating the external auditor to the Board for re-appointment. If the Audit Committee recommends a change of external auditor to the Board, the Board's nomination of external auditor requires the approval of shareholders. The Audit Committee recommends to the Board the compensation of the external auditor.

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.

During the year, the Board put the Company's external audit services out to competitive tender. It initiated this move as a matter of good corporate governance and to ensure it had access to best practice audit services.

After a thorough selection process, the Board re-appointed KPMG as the Company's external auditor.

During the year, the Audit Committee took steps to further enhance procedures and policies relating to the oversight of the external auditor's independence. Inter alia, the external auditor will not provide services to the Company where the auditor would have a mutual or conflicting interest with the Company; be in a position where they audit their own work; function as management of the Company; or have their independence impaired or perceived to be impaired in any way.

Specifically, the external auditor will not normally provide the following services:

- bookkeeping or other services related to the accounting records or financial statements of the Group;
- financial information or information technology systems design and implementation;
- appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions, including temporary staff assignments or human resource services, including recruitment of senior management;
- broker or dealer services, investment advisor, corporate finance or investment banking services; and
- legal or litigation support services.

Procedures are in place governing approval of any non-audit work before the commencement of any engagement.

In accordance with the Audit Committee charter, the Company requires that the external audit engagement partner and review partner be rotated every five years.

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

Compensation and Nomination Committee

Membership

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

Dr Edward D Tweddell (Chairman);

Dr Kenneth J Moss; and

Mr D Charles K Allen.

Responsibilities

The role of the Compensation and Nomination Committee is documented in the terms of reference as approved by the Board. In accordance with these terms of reference, the Compensation and Nomination Committee's responsibilities are to:

- 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;
  - 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 and option plans from time to time on such conditions (not inconsistent with the provisions of the relevant plan) as the Compensation and Nomination Committee thinks fit, including setting the terms of issue of shares and options, 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 and retirement benefits for the members of the boards of controlled entities; and
  - changes to the factors regarding the measurement of EVA®;
- 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 specifications of qualifications, experience and domicile for individual new appointees to the Board; and
  - identification of potential candidates for appointment to the Board; and
- review the Compensation and Nomination Committee's terms of reference, as well as its composition, annually.

Appointment of senior executives and review of performance

The Compensation and Nomination Committee reviews the succession planning for senior executives and reports to the Board on such issues. Senior executives' remuneration is reviewed and determined by the Compensation and Nomination Committee and reported to the Board.

The Board reviews performance and sets the remuneration package applicable to the Managing Director and Chief Executive Officer following recommendations from the Compensation and Nomination 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.

Communication with shareholders / 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 policy sets out the requirements on management globally to report to the Company Secretary, any matter that may have a continuous disclosure implication. Management is required to confirm quarterly that compliance with this policy has occurred at all times. The continuous disclosure process ensures compliance with the Company's continuous disclosure and reporting obligations, consistent with the Australian Stock Exchange Limited Listing Rules and the listing rules of the other exchanges on which the Company's securities are listed, the *Corporations Act* 2001 (Cth), and equivalent legislation in relevant jurisdictions. The continuous disclosure policy is regularly reviewed to ensure that it reflects, and is consistent with, both regulatory and legislative requirements, as well as the Company's open and transparent culture.

The main practices and procedures of the continuous disclosure process are:

- documents are provided to the Board containing an outline of obligations and requirements under the continuous disclosure regime and the consequences of non-compliance;
- guidance is provided to management on identifying significant events from ongoing reviews of business and financial reports and minutes of board meetings of affiliate entities; and
- regular reviews of global procedures are undertaken to ensure timely identification of disclosure material and materiality thresholds.

Information is communicated to shareholders through:

- the concise annual report (unless a shareholder has requested not to receive the document);
- 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, the Australian Securities and Investments Commission and the US Securities and Exchange Commission;
- notices and explanatory memoranda of annual general meetings;
- occasional letters from the Managing Director and Chief Executive Officer and Chairman to specifically inform shareholders of key matters of interest; and
- the Company's website on the internet: www.national.com.au.

Risk management

The Board is committed to the identification and quantification of risk throughout the Company's business units and controlled entities. Directors receive regular reports from Risk Management on areas where significant business risk or exposure concentrations may exist and on the management of those risks. The Board committee structures, including the committees established to consider large credit facilities, form an important part of the risk management process.

More comprehensive details on risk management appear on pages 51 to 57 in the annual financial report 2002.

Ethical standards

The operations of the Company and the Group are driven by the Group Mission Statement and Values. All the Values are important and cover every aspect of daily banking and financial service practices.

The Values include the requirement that the business be conducted ethically and with professionalism to achieve the highest standards of behaviour. These Values are reinforced by the Company's internal Code of Conduct which requires the observance of strict ethical guidelines. 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 Company strongly supports the Code of Banking Practice, recently launched by the Australian Bankers Association, which includes:

- internal dispute resolution processes;
- the definition of standards of disclosure for potential guarantors;
- the extension of the Code of Banking Practice to include small business customers for the first time; and
- the creation of an independent external body, the Code Compliance Monitoring Committee, to investigate complaints about non-compliance.

The Company is working towards being ready for the implementation of the Code of Banking Practice in August 2003, from which time compliance with the Code of Banking practice will be monitored.

Corporate governance framework - controlled entities of the Company

The Company has a corporate governance framework, which is provided as guidance to directors of controlled entities of the Group.

The corporate governance framework sets out the specific roles and responsibilities of the boards of controlled entities of the Group, in the context of setting the key expectations that the Company's Board would have of those boards of controlled entities of the Group.

Horwath 2002 corporate governance report

During 2002, research into corporate governance in Australia was commissioned by accounting company Horwath (NSW) Pty Limited and carried out by The University of Newcastle Business School in Australia. The Horwath 2002 corporate governance report provided evidence in relation to the debate on corporate governance. This evidence was derived from a systematic and objective analysis of the governance structures of Australia's top 250 listed businesses.

Based on the model described in the report, an overall corporate governance assessment and ranking was performed for each of the 250 companies.
The Company has been assessed as equal first in ranking with eight other companies. The Company is the only financial services company to be ranked at this level. The companies that have achieved this ranking have been described as follows:

"Corporate governance structures were outstanding. The structures met all best practice standards and could not be faulted. Companies demonstrated unequivocal independence in all key areas including their board of directors, audit committees, remuneration committees and nomination committees. The board and related committees met regularly and disclosure on related party transactions was clear and unambiguous."

The full report can be obtained from the following website at http://www.newcastle.edu.au/school/newc-business/horwath.html

United States *Sarbanes-Oxley Act of 2002*

On July 30, 2002 the *Sarbanes-Oxley Act of 2002* became law in the US. This legislation applies to the Group, and introduces, among other things, a broad range of governance-related reforms. The Group has best practice corporate governance structures in place as demonstrated by the recognition it received in the Horwath 2002 corporate governance report. The Group is continuing to test and challenge its existing practices and procedures and take those steps necessary to maintain its position at the forefront of good governance practices.

Report of the directors

The directors of National Australia Bank Limited (hereinafter referred to as the Company) present their report together with the financial report of the Company and of the Group, being the Company and its controlled entities, for the year ended September 30, 2002 and the audit report thereon.

Directors

The Board of directors (hereinafter referred to as 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 a member of the Compensation and 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.

Experience
34 years in banking and finance in Australia and internationally. Previous executive positions 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 was appointed an independent non-executive director in 2001.

Experience
30 years as a research physicist and senior manager, including five years as President at CSIR, the largest multi-disciplinary contract research organisation in South Africa, followed by two years as Managing Director and Chief Executive Officer of Telkom SA Limited. Since 1997, he has been with the Vodafone Group, currently serving as Chief Executive of Vodafone Pacific Limited and a member of Vodafone Group PLC Executive Committee.

Other directorships
Vodafone Pacific Limited and associated group entities.

Mr Peter JB Duncan
BE (Chem) (1st Class Hons), DBS (with Distinction)
Mr Duncan was appointed an independent non-executive director in 2001. He is a director of Bank of New Zealand and a member of the Audit 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, GasNat Australia Limited and Commonwealth Scientific and Industrial Research Organisation (CSIRO). President of the Australian German Association. Honorary member of the Business Council of Australia.

Mr Graham J Kraehe
BEc
Mr Kraehe was appointed an independent non-executive director in 1997. He is a member of the Audit 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 PLC, The News Corporation Limited and Djerriwarrah Investments Limited. Chairman of BHP Steel Limited. President of the German-Australian Chamber of Industry and Commerce.

Dr Kenneth J Moss
BE, PhD, FIEAust, CPEng, FAICD
Dr Moss was appointed an independent non-executive director in 2000. He is a director of National Australia Group Europe Limited and a member of the Audit Committee and the Compensation 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, Hunter Area Health Service. Chairman of Australian Maritime Safety Authority, Boral Limited and Centennial Coal Company Limited.

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

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

Other directorships
Amcor Limited, Mirrabooka Investments Limited. Chairman of Neverfail Springwater Limited, 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 was appointed an independent non-executive director in 1998. He is Chairman of the Compensation and Nomination 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
LLB (Hons), LLM, MBA, FAICD
Mrs Walter was appointed an independent non-executive director in 1995. She is a director of National Wealth Management Holdings Limited. She is Chairman of the Audit 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, Queensland Investment Corporation, Australian Foundation Investment Company Limited, Melbourne Business School Limited and The Walter and Eliza Hall Institute of Medical Research.

Board changes

During the year Dr Brian J Clark and Mr Peter JB Duncan were appointed as independent non-executive directors.

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 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. On October 1, 2002, the Group ceased its mortgage servicing activities in the US.

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, 11 to 13, and 17 to 28 of the concise annual report 2002. For a more detailed review of the operations of the Group, refer to pages 3 to 58 of the annual financial report 2002.

Group results

The net profit of the Group for the year ended September 30, 2002 attributable to the members of the Company was $3,373 million, an increase of $1,290 million (61.9%) on the previous year. The net profit before significant items of the Group for the year ended September 30, 2002 was $3,785 million, a decrease of $239 million (5.9%) on the previous year's result. Significant items included in the current year's result were $406 million after tax (2001: $1,936 million).

A detailed review of the Group results is contained on pages 11 to 13 of the concise annual report 2002. For a more detailed review of the Group results, refer to pages 3 to 58 of the annual financial report 2002.

Dividends

The directors have declared a final dividend of 75 cents per fully paid ordinary share, 90% franked, payable on December 11, 2002. The proposed payment amounts to $1,151 million.

Dividends paid since the end of the previous financial year:

- the final dividend for the year ended September 30, 2001 of 68 cents per fully paid ordinary share, fully franked, paid on December 12, 2001. The payment amount was $1,054 million; and
- the interim dividend for the year ended September 30, 2002 of 72 cents per fully paid ordinary share, fully franked, paid on July 3, 2002. The payment amount was $1,115 million.

Information on the dividends paid and declared to date is contained in note 5 in the concise financial report.

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%. For non-resident shareholders of the Company, the unfranked portion of the dividend will be paid from the Company's foreign dividend account. Accordingly, for non-resident shareholders, the unfranked portion of the dividend will not be subject to Australian withholding tax.

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

In the opinion of the directors, there have been no significant changes in the state of affairs during the year ended September 30, 2002, other than the restructure of the organisation and the sale of SR Investment, Inc.

Restructure of the organisation

In October 2001, the Group launched a program to drive long-term growth, termed Positioning for Growth. Positioning for Growth was designed to ensure that the Group continued to meet its performance objectives whilst making the investments necessary to underpin future growth.

As part of this program, in January 2002, the Group announced plans for a new corporate structure based around its principal areas of operation and designed to support clearer accountability, greater customer focus, simpler reporting and reduced bureaucracy.

The five new lines of business are:

- Financial Services Australia;
- Financial Services Europe;
- Financial Services New Zealand;
- Wholesale Financial Services; and
- Wealth Management.

These business lines are supported by the following global functions - Finance, Technology, Group Funding, People and Culture, Risk Management, Corporate Development and Office of the CEO.

Sale of SR Investment, Inc. and HomeSide Lending, Inc.

In the prior year, a decision was taken by the Board to pursue the sale of the Company's wholly-owned controlled entity HomeSide Lending, Inc., after reviewing its position within the Group's core strategies of banking and wealth management.

On March 1, 2002, the Group sold the operating assets and operating platform of HomeSide Lending, Inc. to Washington Mutual Bank, FA. This resulted in a loss on sale of $8 million.

On October 1, 2002, the Group sold SR Investment, Inc. (the immediate holding company of HomeSide Lending, Inc.) to Washington Mutual Bank, FA. This resulted in a net profit on sale of $6 million, which has been recognised in the Group's profit and loss account for the year ended September 30, 2002.

The portions of the business sold contributed $98 million to the Group's 2002 result.

While the above matters are considered to be significant changes, a more detailed review of matters affecting the Group's state of affairs is also contained on pages 7 to 58 of the annual financial report 2002.

Events after end of financial year

On October 21, 2002, the first two tranches of the Australian Commonwealth Government's tax consolidation legislation were determined to be substantively enacted for financial reporting purposes. This may impact the calculation of deferred tax assets and liabilities of certain entities within the Group from that date. The financial effects of this 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, 2002.

No further matter, item, transaction nor 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 1 and 4 to 10 in the concise annual report 2002.

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 Commonwealth 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 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.

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.

Agreements between the Company and the 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 retiring 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 the year, the Board decided not to enter into any new contractual obligations to pay retirement allowance benefits to non-executive directors. The contractual arrangements with existing directors will be 'grandfathered' under the current plan. That is, current directors will either continue to accrue retirement allowance benefits under the current plan as approved by shareholders for their entire tenure as a director, or they will be provided with the opportunity to build flexibility into their remuneration. For all new non-executive directors, who would have no entitlement to a retirement allowance benefit, their directors' fees would be 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. The total level of fees paid to directors will be limited to the maximum aggregate amount approved by shareholders for this purpose.

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 2002. No options have been granted to non-executive directors during or since the end of 2002 as part of their remuneration.

	Fees, cash component (1) $	Fees, share component (1)(2) $	Other benefits (3) $	Total remuneration $	Accrual of retirement allowance benefits $
Non-executive directors					
D Charles K Allen	286,253	106,091	23,893	416,237	313,111
J Brian Clark	79,781	30,050	6,614	116,445	30,067
Peter JB Duncan	106,870	16,350	8,911	132,131	32,100
Graham J Kraehe	116,299	23,925	9,639	149,863	60,081
Kenneth J Moss	115,241	22,333	9,579	147,153	36,278
Geoffrey A Tomlinson	195,847	41,900	16,205	253,952	63,000
Edward D Tweddell	145,040	12,050	12,020	169,110	64,403
Catherine M Walter	185,987	34,135	15,393	235,515	94,252

(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.
(2) The aggregate number of shares acquired by non-executive directors as part of their remuneration was 9,233 shares issued at an average price of $34.50.
(3) Reflects compulsory Company contributions to superannuation, which will reduce the amount otherwise payable as non-executive directors' retirement allowance.

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 and Nomination Committee. The Compensation and Nomination Committee receives advice on the level and form the remuneration should take from the Group's remuneration specialists. This advice incorporates competitive market data and analysis from several external remuneration advisers.

Senior executive remuneration is made up of three components:

- **Base or fixed remuneration**
  This element reflects the scope of the job and the level of skill and experience of the individual;
- **Short-term incentive**
  This is paid depending on the annual performance of the Group, 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**
  This is currently paid through the issue of executive share options and links the reward of the executive directly to the total shareholder return (TSR) of the Company (calculated as share price growth and dividend yield). This aspect of the reward program focuses the executive on the future performance of the Group over the next three to eight years.

Before executive share options can be exercised, a performance hurdle must be met. This hurdle compares the TSR of the Company with the TSRs of the 50 largest corporations (excluding the Company) by market capitalisation on the stock market of Australian Stock Exchange Limited (ASX) as at the date the options are issued. The number of options that may be exercised, if any, depends on the relevant ranking of the Company compared with this group.

The executive must pay the full exercise price to acquire the shares.

The Group aims to be competitive in each of these three components in each of the various geographic and specialist remuneration markets in which the Group must compete to secure top quality executives. Over the last few years, the emphasis in executive remuneration, as with most other large companies, has been moving towards the variable elements of the reward program.

Each option granted is over one ordinary share of the capital of the Company.

The following table shows the remuneration details for the five senior executives (including the executive director) receiving the highest emoluments from the Company and the Group during 2002:

Senior executive emoluments (current employees at September 30, 2002)

Name and position [1]	Salary package[2] $	Performance-based remuneration[3] $	Retention allowances[4] $	Other benefits[5] $	Total remuneration $	Options granted[6] (No.)	Exercise price[7] $	Date first exercisable	Fair value of options at grant date[8] $
Joseph J Whiteside [9] Former Chairman and Chief Executive Officer, HomeSide Lending, Inc.	1,493,381	3,380,917	316,961	690,259	5,881,518	75,000	36.14	14/6/2005	478,500
Peter B Scott Executive General Manager, Wealth Management	631,150	547,000	2,192,159	79,722	3,450,031	250,000	36.14	14/6/2005	1,595,000
Frank J Cicutto Managing Director and Chief Executive Officer	1,756,725	765,000	-	98,541	2,620,266	-	-	-	-
Stephen C Targett Executive General Manager, Financial Services Europe	618,155	783,271	-	1,167,718	2,569,144	250,000	36.14	14/6/2005	1,595,000
Ian R Crouch Chief Information Officer	248,374	211,460	-	1,073,210	1,533,044	350,000	36.14	14/6/2005	2,233,000

Senior executive emoluments (ceased employees)

Name and position [1]	Salary package[2] $	Performance-based remuneration $	Retirement allowances[10] $	Other benefits[5] $	Total remuneration $	Options granted (No.)	Exercise price[7] $	Date first exercisable	Fair value of options at grant date[8] $
Robert MC Prowse Former Executive General Manager, Office of the CEO	714,187	181,238	2,384,336	53,493	3,333,254	-	-	-	-
Glenn LL Barnes Former Executive General Manager, eTransformation	394,162	327,380	1,815,681	22,155	2,559,378	-	-	-	-
Michael T Pratt Former Chief Executive Officer, Australian Financial Services	298,791	155,375	1,461,873	17,008	1,933,047	-	-	-	-

(1) The top five executives of the Company and Group are taken from those executives responsible for the strategic direction and management of major business units for a significant period during the year.
(2) Reflects the total remuneration package consisting of both basic salary and packaged benefits.
(3) Reflects performance-based remuneration in respect of performance for the year to September 30, 2001, except for Ian R Crouch who was entitled to receive payment for the performance year to September 30, 2002 by year end under the terms of his employment agreement. The payment to Joseph J Whiteside includes an amount under a long-term incentive plan, which vested on the sale of SR Investment, Inc. and HomeSide Lending, Inc.
(4) Reflects payment made on retention. The payment to Peter B Scott was effective two years following the date of acquisition of the MLC group by the Company.
(5) Reflects non-salary package remuneration and includes Company contributions to superannuation, benefits received under the Group's employee share plans and expatriate benefits. The payments to Stephen C Targett and Ian R Crouch include payments for relocation costs.
(6) No options have been granted since September 30, 2002. Options issued to Ian R Crouch include 150,000 on commencement of employment.
(7) Refer to 'share options' below for details of the valuation of options granted and an explanation of the performance hurdles that must be achieved before the options can be exercised.
(8) Fair value is based on a numerical pricing method. Refer to 'share options' below and note 39 in the annual financial report 2002 for further information.
(9) Joseph J Whiteside ceased employment in October 2002, following the sale of SR Investment, Inc. and HomeSide Lending, Inc.
(10) Reflects payments made on termination and retirement (including long service leave).

Share options

The share options currently issued by the Company are options over ordinary shares granted by the Group under the Company's National Australia Bank Executive Share Option Plan No. 2 (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 2002 for full details of the number and terms of exchangeable capital units issued by the Group.

The number and terms of options over ordinary shares granted by the Group under the plan and the Company's valuation of those options at grant date are detailed below.

During and since the end of 2002, the following share options were granted to 751 senior employees (including the options granted to senior executives referred to immediately above):

Issue date of options	Exercise period of options	Exercise price of options $	Options held at September 30, 2002 (No.)	Options lapsed [1] during the period (No.)	Options granted (No.)	Fair value of options as at grant date [2] $
June 14, 2002	June 14, 2005 - June 13, 2010 [3]	36.14	11,261,000	2,500	11,263,500	71,861,130

(1) These share options lapse 30 days after the termination of employment.
(2) Fair value is based on a numerical pricing method. Refer below and to note 39 in the annual financial report 2002 for further information.
(3) Share options expire on the last day of their exercise period.

The plan was approved by shareholders by special resolution in January 1997 and options issued under the plan since that date are detailed in note 39 in the annual financial report 2002.

The plan provides for the Board to offer options to executives of the Group to subscribe for fully paid ordinary shares in the Company. Options must not be issued 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 under its plans, including the proposed offer, exceeds 5% of the number of shares in the issued share capital of the Company at the time of the proposed offer. This calculation does not include offers made or shares or options acquired as a result of an offer made to a person situated outside Australia at the time of the offer or which did not need disclosure under section 708 of the *Corporations Act* 2001 (Cth) (eg. shares provided to executive officers of the Company), otherwise than as a result of relief granted by the Australian Securities and Investments Commission.

Options are issued free of charge to participants in the plan. 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 issued. The market price is the weighted average of the prices at which the Company's fully paid ordinary shares were traded on the ASX in the one week up to and including the day of the issue of the option.

Generally, these options may not be exercised before the third anniversary of their issue, and must be exercised before the fifth or eighth anniversary (depending on the particular terms of each option) of issue. The Board may determine such other terms for the issue of options consistent with the ASX Listing Rules and the terms of the plan.

Options may, however, be exercised before the third anniversary of issue and notwithstanding the performance hurdle (described below) where an executive ceases employment with the Group as the result of death or total and permanent disablement. The Board may also allow the option holders to exercise the options irrespective of the normal criteria 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 issued 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 issued 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.

A loan may be available to executives if and when they wish to exercise their options, subject to the provisions of applicable laws and regulations (including the US *Sarbanes-Oxley Act of 2002*). The plan 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 issued 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 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 listed on the ASX by market capitalisation (excluding the Company), determined at the date when the options are issued.

In accordance with US Accounting Principles Board Option No. 25 "Accounting for Stock Issued to Employees", the Company adopts the intrinsic value method for valuing options issued under the plan. Under the intrinsic value method, a nil value is ascribed to the options issued under the plan, as the exercise price and market value of the options at issue date are equivalent. Accordingly, a nil value is ascribed to options included in the senior executives' remuneration table above and a nil expense is recorded in the Group's profit and loss account. In July 2001, the International Accounting Standards Board (IASB) announced that as part of its work program it would review accounting for share-based payments (including employee share options and their repricing). The Company intends to adopt the new standard in relation to accounting for share options once it is issued by the IASB and the Australian Accounting Standards Board.

There were 4,234,500 fully paid ordinary shares of the Company issued during and since the end of the year as a result of options issued being exercised, for a total consideration of $81,345,710. The amount paid on issue of each of these shares is set out in note 39 of the annual financial report 2002. There are currently 47,817,500 options outstanding under the plan.

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		Directors' meetings of controlled entities		Additional
Directors	Meetings attended(1)	Meetings held(2)	Meetings attended	Meetings held(2)	Meetings attended	Meetings held	Meetings attended	Meetings held(2)	meetings attended(3)
D Charles K Allen	25	25	8 (4)	8 (4)	8	8	13	13	25
Frank J Cicutto	24 (5)	25	8 (4)	8 (4)	3 (4)	3 (4)	17	17	12
J Brian Clark	22 (1)	25	1 (4)	1 (4)	-	-	13	14	4
Peter JB Duncan	24 (1)	25	6 (2)	6 (2)	-	-	14	15	13
Graham J Kraehe	20 (1)	25	8	8	-	-	10	11	13
Kenneth J Moss	24 (1)	25	8	8	8	8	13	13	10
Geoffrey A Tomlinson	24 (1)	25	1 (4)	1 (4)	-	-	30	31	17
Edward D Tweddell	25	25	1 (4)	1 (4)	8	8	11	11	24
Catherine M Walter	24 (1)	25	8	8	-	-	27	28	39

(1) Where a directors 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.
(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, 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) Reflects the number of additional formal meetings attended during the year by each director, including committee meetings (other than the Audit Committee or Compensation and Nomination Committee) where any two directors are required to form a quorum.
(4) Reflects the number of committee meetings attended, even though the director is not a member of the committee.
(5) Leave of absence was granted to Mr Frank J Cicutto from attendance at one Board meeting, to allow the Board to undertake a review of HomeSide Lending, Inc., independent of management.

Directors' interests

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

	Fully paid ordinary shares of the Company			Options over fully paid ordinary shares of the Company	National Income Securities		Registered schemes	
Directors	Held beneficially	Held non-beneficially	Shares acquired as a result of options exercised	Held beneficially	Held beneficially	Held non-beneficially	Held beneficially	Held non-Beneficially
D Charles K Allen [1]	17,187	-	-	-	-	-	-	-
Frank J Cicutto [2][3]	241,092 [4]	-	200,000	1,400,000	-	-	-	-
J Brian Clark [1]	3,308	-	-	-	-	-	-	-
Peter JB Duncan [1]	3,701	-	-	-	-	-	-	-
Graham J Kraehe [1]	14,357	-	-	-	670	-	-	-
Kenneth J Moss [1]	3,514	-	-	-	-	-	-	-
Geoffrey A Tomlinson [1]	17,588	-	-	-	500	-	-	-
Edward D Tweddell [1]	3,530	-	-	-	-	-	-	-
Catherine M Walter [1]	16,969	-	-	-	-	-	-	-

(1) Includes shares acquired under National Australia Bank Staff Share Ownership Plan.
(2) Includes staff share plan issues.
(3) Includes shares acquired as a result of the exercise of options.
(4) Shares held beneficially as at the date of this report, represent the total holding as at that date.

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 14, 2002

Selected financial data

For years ended September 30	2002 $m	2001 (1) $m	Group 2000 (2) $m	1999 $m	1998 (3) $m
Summary statement of financial performance					
Net interest income	7,222	6,960	6,371	6,066	5,858
Net life insurance income	(10)	128	332	-	-
Other banking and financial services income	7,006	4,749	4,124	4,027	3,630
Mortgage servicing and origination revenue	378	810	640	536	323
Movement in the excess of net market value over net assets of life insurance controlled entities	(155)	510	202	-	-
Significant revenue	2,671	5,314	-	-	-
Operating expenses	8,707	6,470	5,807	5,701	5,320
Amortisation of goodwill	101	167	197	206	181
Charge to provide for doubtful debts	697	989	588	581	587
Significant expenses	3,266	6,866	204	-	749
Profit from ordinary activities before income tax expense	4,341	3,979	4,873	4,141	2,974
Income tax expense relating to ordinary activities	962	1,891	1,632	1,321	959
Net profit	3,379	2,088	3,241	2,820	2,015
Net profit/(loss) attributable to outside equity interest	6	5	2	(1)	1
Net profit attributable to members of the Company	3,373	2,083	3,239	2,821	2,014

(1) Includes amounts relating to Michigan National Corporation and its controlled entities to March 31, 2001. The Group sold this entity on April 1, 2001.
(2) Includes the amount relating to the MLC group from July 1, 2000. The Group acquired these entities on June 30, 2000.
(3) Includes the amount relating to SR Investment, Inc. (formerly known as HomeSide International, Inc.) from February 10, 1998, the date on which the Group acquired this entity.

As at September 30	2002 $m	2001 (1) $m	Group 2000 (2) $m	1999 $m	1998 (3) $m
Summary statement of financial position					
Investments relating to life insurance business	31,012	31,381	31,103	-	-
Loans and advances (after provisions for doubtful debts)	231,300	207,797	195,492	165,620	160,001
Total assets	377,387	374,720	343,677	254,081	251,714
Total risk-weighted assets	247,838	257,513	238,589	197,096	199,476
Deposits and other borrowings	206,864	190,965	185,097	162,468	158,084
Life insurance policy liabilities	30,425	30,257	29,879	-	-
Bonds, notes and subordinated debt	22,192	24,984	21,051	13,437	15,115
Perpetual floating rate notes	460	507	461	383	421
Exchangeable capital units (4)	1,262	1,262	1,262	1,262	1,262
Net assets	23,251	23,557	21,407	18,520	15,764
Contributed equity	9,931	10,725	9,855	9,286	6,675
Ordinary shares	7,256	8,050	7,180	6,611	5,942
Equity instruments (5)	2,675	2,675	2,675	2,675	733
Total equity (excludes outside equity interests)	23,184	23,489	21,361	18,520	15,761

(1) Includes amounts relating to Michigan National Corporation and its controlled entities to March 31, 2001. The Group sold this entity on April 1, 2001.
(2) Includes the amount relating to the MLC group from July 1, 2000. The Group acquired these entities on June 30, 2000.
(3) Includes the amount relating to SR Investment, Inc. (formerly known as HomeSide International, Inc.) from February 10, 1998, the date on which the Group acquired this entity.
(4) 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.
(5) Equity instruments incorporate preference shares and National Income Securities.

	Group				
	2002	2001 [1]	2000 [2]	1999	1998 [3]
	$	$	$	$	$
Shareholder information					
Cash earnings per share before significant items [4]	2.48	2.37	2.15	2.01	1.87
Cash earnings per share [4]	2.22	1.11	2.06	2.01	1.53
Earnings per share before significant items [5]					
Basic	2.32	2.47	2.11	1.87	1.75
Diluted	2.21	2.43	2.08	1.83	1.72
Earnings per share [5]					
Basic	2.06	1.22	2.02	1.87	1.40
Diluted	2.03	1.23	1.99	1.83	1.39
Dividends per share [6]	1.47	1.35	1.23	1.12	1.02
Dividends per American Depositary Share (ADS) [6]	7.35	6.75	6.15	5.60	5.10
Dividend payout ratio (%) [6]	71.12	111.23	61.10	60.25	73.09
Selected financial ratios (%)					
Net profit before significant items as a percentage of					
Average total assets (excluding statutory funds)	1.2	1.3	1.2	1.1	1.1
Average equity	17.0	18.4	18.1	17.3	17.8
Net profit as a percentage of					
Average total assets (excluding statutory funds)	1.0	0.7	1.2	1.1	0.8
Average equity	15.1	9.0	17.3	17.3	14.3
Average equity to average total assets (excluding statutory funds)	7.2	7.3	7.3	6.7	5.9
Average net interest spread	2.4	2.3	2.4	2.5	2.6
Average net interest margin	2.7	2.7	2.9	3.0	3.2
Net profit before significant items per average full-time equivalent employee ($'000)	83.5	82.9	71.5	59.9	n/a
Gross non-accrual loans to gross loans and acceptances	0.62	0.75	0.66	0.82	0.79
Total provisions for doubtful debts to gross impaired assets	1.6	1.6	1.8	1.6	1.7
Capital - risk asset ratios					
Tier 1	7.8	7.5	6.6	7.8	6.4
Total	10.2	10.2	9.3	10.4	9.2
Other information (number)					
Total staff					
Full-time and part-time	46,642	49,710	51,879	51,566	50,973
Full-time equivalent (core) [7]	41,428	44,983	47,417	45,676	46,300
Full-time equivalent [8]	43,202	47,597	49,514	46,837	n/a

(1) Includes amounts relating to Michigan National Corporation and its controlled entities to March 31, 2001. The Group sold this entity on April 1, 2001.
(2) Includes amount relating to the MLC group from July 1, 2000. The Group acquired these entities on June 30, 2000.
(3) Includes the amount relating to SR Investment, Inc. (formerly known as HomeSide International, Inc.) from February 10, 1998, the date on which the Group acquired this entity.
(4) Cash earnings are based on earnings attributable to ordinary shareholders excluding the movement in the excess of net market value over net assets of life insurance controlled entities and goodwill amortisation.
(5) Refer to notes 8 and 58 in the annual financial report 2002 for an explanation of earnings per share.
(6) Dividend amounts are for the year for which they are declared.
(7) Core excludes contractors and casual staff.
(8) Comparative information in relation to full-time equivalents has been restated to include contractors and casual staff.

Statement of financial performance

For the year ended September 30	2002 $m	Group 2001 $m	2000 $m
Interest income	16,475	19,919	17,517
Interest expense	9,253	12,959	11,146
Net interest income	7,222	6,960	6,371
Premium and related revenue	1,134	1,074	487
Investment revenue	(988)	(877)	1,070
Claims expense	956	599	262
Change in policy liabilities	(1,637)	(1,318)	664
Policy acquisition and maintenance expense	751	699	261
Investment management fees	86	89	38
Net life insurance income	(10)	128	332
Other banking and financial services income	7,006	4,749	4,124
Mortgage servicing and origination revenue	378	810	640
Movement in the excess of net market value over net assets of life insurance controlled entities	(155)	510	202
Significant revenue			
Proceeds from the sale of foreign controlled entities	2,671	5,314	-
Personnel expenses	3,379	3,725	3,401
Occupancy expenses	559	587	512
General expenses	4,769	2,158	1,894
Amortisation of goodwill	101	167	197
Charge to provide for doubtful debts	697	989	588
Significant expenses			
Restructuring costs	580	-	96
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	-
Business integration costs	-	-	108
Profit from ordinary activities before income tax expense	4,341	3,979	4,873
Income tax expense relating to ordinary activities	962	1,891	1,632
Net profit	3,379	2,088	3,241
Net profit attributable to outside equity interest	6	5	2
Net profit attributable to members of the Company	3,373	2,083	3,239
Other changes in equity other than those resulting from transactions with owners as owners			
Net credit to asset revaluation reserve	9	8	29
Net credit/(debit) to foreign currency translation reserve	(520)	1,380	931
Net credit to retained profits on adoption of AASB 1038 "Life Insurance Business"	-	-	58
Total revenues, expenses and valuation adjustments attributable to members of the Company and recognised directly in equity	(511)	1,388	1,018
Total changes in equity other than those resulting from transactions with owners as owners	2,862	3,471	4,257

Basic earnings per share (cents)	205.7	121.5	202.3
Diluted earnings per share (cents)	202.5	122.8	199.1
Dividends per ordinary share (cents)			
Interim	72	67	59
Final	75	68	64

Statement of financial position

As at September 30	Group 2002 $m	2001 $m
Assets		
Cash assets	6,294	7,993
Due from other financial institutions	15,876	16,472
Due from customers on acceptances	19,474	19,353
Trading securities	19,590	19,713
Available for sale securities	6,192	6,665
Investment securities	13,541	10,697
Investments relating to life insurance business	31,012	31,381
Loans and advances	231,300	207,797
Mortgage loans held for sale	85	3,688
Mortgage servicing rights	1,794	5,445
Shares in entities and other securities	1,199	1,412
Regulatory deposits	129	98
Property, plant and equipment	2,640	2,869
Income tax assets	1,292	1,296
Goodwill	775	876
Other assets	26,194	38,965
Total assets	377,387	374,720
Liabilities		
Due to other financial institutions	43,279	42,873
Liability on acceptances	19,474	19,353
Deposits and other borrowings	206,864	190,965
Life insurance policy liabilities	30,425	30,257
Income tax liabilities	1,609	2,575
Provisions	2,809	2,440
Bonds, notes and subordinated debt	22,192	24,984
Other debt issues	1,866	1,985
Other liabilities	25,618	35,731
Total liabilities	354,136	351,163
Net assets	23,251	23,557
Equity		
Contributed equity	9,931	10,725
Reserves	2,105	2,427
Retained profits	11,148	10,337
Total parent entity interest	23,184	23,489
Outside equity interest	67	68
Total equity	23,251	23,557

Statement of cash flows

For the year ended September 30	Group 2002 $m	2001 $m	2000 $m
Cash flows from operating activities			
Interest received	15,680	20,373	17,471
Interest paid	(9,304)	(13,020)	(10,978)
Dividends received	35	44	38
Fees and other income received	5,307	5,248	4,776
Life insurance			
Premiums received	10,378	7,157	576
Investment and other revenue received	2,024	1,985	1,041
Policy payments	(8,483)	(4,784)	(215)
Fees and commissions paid	(274)	(288)	(111)
Personnel expenses paid	(3,637)	(3,634)	(3,343)
Occupancy expenses paid	(549)	(504)	(435)
General expenses paid	(3,176)	(2,392)	(2,569)
Income tax paid	(2,131)	(2,245)	(1,431)
Goods and services tax paid	(68)	(102)	-
Net decrease/(increase) in trading securities	136	(4,400)	(2,268)
Net decrease/(increase) in mortgage loans held for sale	1,304	(763)	(274)
Net cash provided by operating activities	7,242	2,675	2,278
Cash flows from investing activities			
Movement in investment securities			
Purchases	(40,653)	(37,041)	(172,874)
Proceeds on maturity	37,434	30,828	175,661
Movement in available for sale securities			
Purchases	(14,765)	(18,803)	(11,540)
Proceeds from sale	90	26	5
Proceeds on maturity	14,543	15,247	9,037
Net increase in investments relating to life insurance business	(2,148)	(2,236)	(3,287)
Net increase in loans and advances	(27,415)	(19,109)	(24,081)
Net decrease/(increase) in shares in entities and other securities	212	(36)	(308)
Payments for mortgage servicing rights	(74)	(2,700)	(1,272)
Proceeds from sale of mortgage servicing rights	98	-	-
Payments for acquisition of controlled entities	-	(131)	(4,660)
Proceeds from sale of controlled entities	-	5,415	-
Payments for property, plant and equipment	(791)	(982)	(725)
Proceeds from sale of operating assets	2,314	-	-
Net proceeds from sale of property, plant and equipment	418	132	143
Net decrease/(increase) in regulatory deposits	(35)	23	36
Net decrease/(increase) in other assets	10,057	291	(287)
Net cash used in investing activities	(20,715)	(29,076)	(34,152)
Cash flows from financing activities			
Net increase in deposits and other borrowings	18,840	11,793	16,802
Net proceeds from bonds, notes and subordinated debt	6,738	6,986	8,747
Repayments of bonds, notes and subordinated debt	(8,314)	(4,537)	(2,309)
Payments from provisions	(116)	(221)	(189)
Net proceeds from issue of ordinary shares	130	261	194
Payments made under on-market buy-back of ordinary shares	(1,248)	-	-
Dividends paid	(1,948)	(1,494)	(1,490)
Net increase/(decrease) in other liabilities	(5,017)	4,426	1,501
Net cash provided by financing activities	9,065	17,214	23,256
Net decrease in cash and cash equivalents	(4,408)	(9,187)	(8,618)
Cash and cash equivalents at beginning of year	(18,408)	(10,037)	(1,434)
Effects of exchange rate changes on balance of cash held in foreign currencies	1,707	(1,015)	15
Cash and cash equivalents of controlled entities sold	-	1,831	-
Cash and cash equivalents at end of year	(21,109)	(18,408)	(10,037)

Notes to the concise financial statements

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 2002 of the Company and the Group. The annual financial report 2002 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 the annual financial report 2002. Accordingly, this concise financial report should be read in conjunction with the annual financial report 2002.

A full description of the accounting policies adopted is contained in the annual financial report 2002. There have been no changes in accounting policy from those policies applied at September 30, 2001 except as noted below.

Comparative amounts have been reclassified to accord with changes in presentation made in 2002, except where otherwise stated.

All amounts are expressed in Australian dollars unless otherwise stated.

Changes in accounting policy

Earnings per share

The Group has applied the revised Australian Accounting Standard AASB 1027 "Earnings per Share" from October 1, 2001. The standard introduces changes to the method of calculating earnings per share. The changes have not had a material impact on earnings per share. Comparatives have been restated to reflect the change in method of calculating basic and diluted earnings per share.

2 Supplementary statement of financial position

Given the significant restrictions imposed by life insurance legislation, regulations and the regulators thereunder, the directors consider it essential that users of this financial report are able to easily separate the assets and liabilities of the statutory funds from the assets and liabilities of the shareholders' funds and other Group operating businesses. However, current Australian accounting requirements do not allow for these assets and liabilities to be separated and disclosed separately on the statement of financial position. In addition, the requirements also prohibit any adjustment to comparative balances or the inclusion of an adjusted comparative column, which if allowed would facilitate comparability between periods.

2 Supplementary statement of financial position (continued)

To ensure that the assets of the statutory funds are identifiable and comparable between years, a supplementary statement of financial position for the Group has been included as at September 30.

	2002			2001		
	Group operating businesses $m	Statutory funds $m	Total $m	Group operating businesses $m	Statutory funds $m	Total $m
Assets						
Cash assets	5,445	849	6,294	6,957	1,036	7,993
Due from other financial institutions	15,876	-	15,876	16,472	-	16,472
Due from customers on acceptances	19,474	-	19,474	19,353	-	19,353
Trading securities	19,590	-	19,590	19,713	-	19,713
Available for sale securities	6,192	-	6,192	6,665	-	6,665
Investment securities	13,541	-	13,541	10,697	-	10,697
Investments relating to life insurance business (1)	59	30,953	31,012	590	30,791	31,381
Loans and advances	231,300	-	231,300	207,797	-	207,797
Mortgage loans held for sale	85	-	85	3,688	-	3,688
Mortgage servicing rights	1,794	-	1,794	5,445	-	5,445
Shares in entities and other securities	1,199	-	1,199	1,412	-	1,412
Regulatory deposits	129	-	129	98	-	98
Property, plant and equipment	2,640	-	2,640	2,869	-	2,869
Income tax assets	1,289	3	1,292	1,292	4	1,296
Goodwill	775	-	775	876	-	876
Other assets	25,256	938	26,194	37,635	1,330	38,965
Total assets	344,644	32,743	377,387	341,559	33,161	374,720
Liabilities						
Due to other financial institutions	43,279	-	43,279	42,873	-	42,873
Liability on acceptances	19,474	-	19,474	19,353	-	19,353
Deposits and other borrowings	206,864	-	206,864	190,965	-	190,965
Life insurance policy liabilities (1)	-	30,425	30,425	-	30,257	30,257
Income tax liabilities	1,790	(181)	1,609	2,470	105	2,575
Provisions	2,809	-	2,809	2,440	-	2,440
Bonds, notes and subordinated debt	22,192	-	22,192	24,984	-	24,984
Other debt issues	1,785	81	1,866	1,893	92	1,985
Other liabilities	24,156	1,462	25,618	33,850	1,881	35,731
Total liabilities	322,349	31,787	354,136	318,828	32,335	351,163
Net assets	22,295	956	23,251	22,731	826	23,557
Equity						
Contributed equity	9,750	181	9,931	10,538	187	10,725
Reserves	2,105	-	2,105	2,427	-	2,427
Retained profits	10,373	775	11,148	9,698	639	10,337
Total parent entity interest	22,228	956	23,184	22,663	826	23,489
Outside equity interest	67	-	67	68	-	68
Total equity	22,295	956	23,251	22,731	826	23,557

(1) Included within Group operating businesses are assets and liabilities that relate to foreign-domiciled life insurance entities held by the Group's life insurance business shareholders' funds. These non-Australian life insurers do not have statutory funds concepts.

3 Segment information

The following segment information is disclosed in accordance with revised Australian Accounting Standard AASB 1005 "Segment Reporting" and US accounting standard, Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). 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 results have been presented under a new organisation structure announced in January 2002 as part of the Positioning for Growth review. The new structure has created regional integrated financial services teams with broader authority and more control over distribution, products and services.

The Group's business is organised into five major operating segments: Financial Services Australia, Financial Services Europe, Financial Services New Zealand, 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. Wholesale Financial Services is responsible for the Group's relationships with large corporations, institutions, supranationals and government bodies worldwide. It comprises Corporate Banking, Markets, Specialised Finance, Financial Institutions Group, Custodian Services and a Support Services unit. Wealth Management manages a diverse portfolio of financial services businesses, comprising Investments, Insurance and Other (Private Bank and Distribution). The Group's 'Other' business segment includes Finance, Technology, Group Funding, People and Culture, Risk Management, Corporate Development and Office of the CEO, as well as HomeSide which manages the Group's mortgage servicing rights financial assets, and are not considered to be separate reportable operating segments under SFAS131.

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.

Comparatives for the previous corresponding year have been restated to reflect the current basis of business segmentation.

3 Segment information (continued)

Business segments

Year ended September 30, 2002	Financial Services Australia $m	Financial Services Europe (1) $m	Financial Services New Zealand $m	Wholesale Financial Services $m	Wealth Management $m	Other $m	Inter-segment eliminations $m	Total Group $m
Net interest income	3,284	2,362	599	1,077	97	(197)	-	7,222
Non-interest income	1,811	884	281	870	721	2,808	-	7,375
Significant revenue	-	-	-	-	-	2,671	-	2,671
Inter-segment revenue	56	163	2	(18)	(2)	55	(256)	-
Total revenue	5,151	3,409	882	1,929	816	5,337	(256)	17,268
Significant expenses	276	166	6	43	29	2,746	-	3,266
Other expenses	2,797	2,109	339	753	715	2,948	-	9,661
Inter-segment expenses	(155)	31	97	155	189	(61)	(256)	-
Total expenses	2,918	2,306	442	951	933	5,633	(256)	12,927
Profit/(loss) from ordinary activities before tax	2,233	1,103	440	978	(117)	(296)	-	4,341
Income tax expense/(benefit)	658	370	151	185	(235)	(167)	-	962
Net profit/(loss)	1,575	733	289	793	118	(129)	-	3,379
Outside equity interest	-	-	-	-	6	-	-	6
Net profit/(loss) attributable to members of the Company	1,575	733	289	793	112	(129)	-	3,373
Total assets	123,934	67,402	22,466	151,011	46,442	15,549	(49,417)	377,387
Total liabilities	124,233	56,326	22,751	148,110	37,363	14,770	(49,417)	354,136

(1) Includes the results of Vivid for the years to September 30, 2002 and 2001.

3 Segment information (continued)

Business segments

Year ended September 30, 2001	Financial Services Australia $m	Financial Services Europe [1] $m	Financial Services New Zealand $m	Wholesale Financial Services $m	Wealth Management $m	Other [2] $m	Inter-segment eliminations $m	Total Group $m
Net interest income	3,092	2,168	525	894	77	204	-	6,960
Non-interest income	1,662	977	266	1,050	1,246	1,065	-	6,266
Significant revenue	-	-	-	-	-	5,314	-	5,314
Inter-segment revenue	79	57	7	8	1	145	(297)	-
Total revenue	4,833	3,202	798	1,952	1,324	6,728	(297)	18,540
Significant expenses	-	-	-	-	-	6,866	-	6,866
Other expenses	2,859	2,025	354	807	495	1,155	-	7,695
Inter-segment expenses	(132)	32	109	135	113	40	(297)	-
Total expenses	2,727	2,057	463	942	608	8,061	(297)	14,561
Profit/(loss) from ordinary activities before tax	2,106	1,145	335	1,010	716	(1,333)	-	3,979
Income tax expense/(benefit)	729	396	112	271	(9)	392	-	1,891
Net profit/(loss)	1,377	749	223	739	725	(1,725)	-	2,088
Outside equity interest	-	-	-	-	5	-	-	5
Net profit/(loss) attributable to members of the Company	1,377	749	223	739	720	(1,725)	-	2,083
Total assets	110,309	68,770	20,499	154,757	43,548	34,843	(58,006)	374,720
Total liabilities	104,354	56,274	20,666	153,142	35,852	38,881	(58,006)	351,163

(1) Includes the results of Vivid for the years to September 30, 2002 and 2001.
(2) Includes the results of Michigan National Corporation and its controlled entities up to the date of its sale, on April 1, 2001

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

	Group 2002 $m	2001 $m	2000 $m
Restructuring costs			
Personnel - termination benefits	327	-	23
Occupancy	68	-	38
Write-off of property, plant and equipment [1]	132	-	29
Other	53	-	6
Total restructuring costs	580	-	96

(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 (PfG) 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 PfG initiative comprises 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 August 27, 2002, the Group entered into a contract for the sale of SR Investment, Inc. (the parent entity of HomeSide Lending, Inc.) to Washington Mutual Bank, FA. Controlled entities other than HomeSide Lending, Inc. were excluded from the sale. This transaction settled on October 1, 2002. At September 30, 2002, the assets and liabilities of SR Investment, Inc. and its controlled entities have been consolidated in the Group's statement of financial position. Following settlement and change in ownership and control of SR Investment, Inc., the assets and liabilities of SR Investments, Inc. and HomeSide Lending, Inc. no longer form part of the Group. The loss (before tax) arising from the sale was as follows:

	Group 2002		
	Proceeds from sale $m	Cost of assets sold $m	Loss on sale (before tax) $m
SR Investment, Inc. and HomeSide Lending, Inc.	2,671	(2,686)	(15)

5 Dividends and distributions

	Group 2002 $m	2001 $m	2000 $m
Dividends paid or provided for			
72c ordinary dividend paid (2001: 67c; 2000: 59c) [1]	1,115	1,026	882
75c ordinary dividend provided for (2001: 68c; 2000: 64c) [2]	1,151	1,054	976
Total dividends paid or provided for	2,266	2,080	1,858

(1) The interim dividend was fully franked at a rate of 30% (2001: 30%; 2000: 34%).
(2) The final dividend will be 90% franked at a rate of 30% (2001: fully franked 30%; 2000: fully franked 34%).

	2002 $m	2001 $m	2000 $m
Distributions on other equity instruments			
Trust units exchangeable for preference shares	70	71	61
National Income Securities	117	142	137
Total distributions on other equity instruments	187	213	198

6 Asset quality and provisioning for doubtful debts

	Group	
	2002 $m	2001 $m
Total impaired assets		
Gross		
Australia	894	963
Overseas	705	777
	1,599	1,740
Specific provision for doubtful debts		
Australia	299	325
Overseas	201	203
	500	528
Net		
Australia	595	638
Overseas	504	574
Total net impaired assets	1,099	1,212

7 Events subsequent to balance date

On October 21, 2002, the first two tranches of the Australian Commonwealth Government's tax consolidation legislation were determined to be substantively enacted for financial reporting purposes. This may impact the calculation of deferred tax assets and liabilities of certain entities within the Group from that date. The financial effects of this 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, 2002.

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, 2002 as set out on pages 11 to 13 and pages 54 to 63:

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 14th day of November, 2002 and signed in accordance with a resolution of the directors.

D Charles K Allen
Chairman

Frank J Cicutto
Managing Director

Independent audit report on 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, 2002 consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 7, and the accompanying discussion and analysis on the statement of financial performance, statement of financial position and statement of cash flows on pages 11 to 13 and pages 54 to 64, 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 full financial report of National Australia Bank Limited and its controlled entities for the year ended September 30, 2002. Our audit report on the full financial report was signed on November 14, 2002, 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 full 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 full 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 Accounting Standard AASB 1039 "Concise Financial Reports" issued in Australia.

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, 2002 complies with AASB 1039 "Concise Financial Reports" issued in Australia.

KPMG

KPMG

PJ Matthey

Partner

November 14, 2002

Shareholder information

Ten largest registered shareholders of the Company as at October 18, 2002

	Number of shares	%
JP Morgan Nominees Australia Limited	187,693,782	12.24
National Nominees Limited	168,013,473	10.95
Westpac Custodian Nominees Limited	124,760,475	8.13
Commonwealth Custodial Services Limited	40,732,593	2.66
Citicorp Nominees Pty Limited	36,405,445	2.37
AMP Life Limited	25,796,107	1.68
ANZ Nominees Limited	23,409,594	1.53
RBC Global Services Australia Nominees Pty Limited	20,066,487	1.31
MLC Limited	19,211,758	1.25
Citicorp Nominees Pty Limited	17,674,644	1.15
	633,764,358	43.27

Substantial shareholder

On August 2, 2002, the Commonwealth Bank of Australia advised that it was a substantial shareholder in the Company, holding 93,154,341 fully paid ordinary shares.

Ten largest registered National Income Security holders as at October 18, 2002

	Number of securities	%
Commonwealth Custodial Services Limited	807,496	4.04
Australian Foundation Investment Company Limited	506,160	2.53
Westpac Custodian Nominees Limited	394,035	1.97
AMP Life Limited	331,907	1.66
Citicorp Nominees Pty Limited	329,764	1.65
National Nominees Limited	260,914	1.30
National Mutual Life Nominees Limited	260,294	1.30
JP Morgan Nominees Australia Limited	247,249	1.24
RBC Global Services Australia Nominees Pty Limited	237,737	1.19
University of Melbourne	235,090	1.18
	3,610,646	18.06

As an alternative to cash dividends, shareholders may participate in one or more of the following dividend alternatives. Full details of these alternatives may be obtained by contacting the Company's Shareholder Services. Shares offered under both the Dividend Re-investment and Bonus Share Plans are free of brokerage charges and stamp duty.

Dividend Re-investment 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 pursuant to 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 and paid in Pounds Sterling rather than in Australian dollars. Participation in the Dividend Re-investment Plan is also possible.

New Zealand currency payments

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

Share purchase plan

An offer open to registered holders of fully paid ordinary shares at the relevant record date of the dividend, to subscribe for additional shares except registered holders whose address in the Company's share register is a country whose laws or regulations in the reasonable opinion of the Board make it unlawful or impracticable for the plan to apply to them. Offers may be made under the share purchase plan twice a year and from 2002 the maximum amount which any shareholder may subscribe for has been increased to $5,000 in any consecutive twelve month period.

Annual financial report 2002

A copy of the Group's annual financial report 2002 is available to all shareholders and will be sent to shareholders without charge upon request. The annual financial report 2002 can be requested from shareholder services on 1300 367 647 (Australia only), by email at Shareholders_Centre@national.com.au, or viewed directly on the internet at www.national.com.au. A copy of the annual financial report 2002 is filed on Form 20-F with the United States Securities and Exchange Commission.

Annual general meeting

The annual general meeting will be held on December 19, 2002, at the Grand Hyatt Melbourne, 123 Collins St, Melbourne, commencing at 2.30pm.

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

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

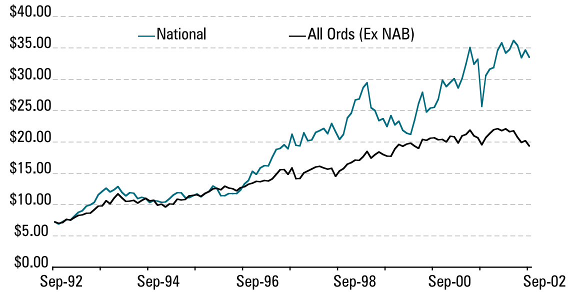
Mallesons Stephen Jaques
525 Collins Street
Melbourne Victoria 3000
Australia

Shareholder information

Dividend History Dividend rate – cents per share			
Year	**June**	**December**	**Total**
1992	22¢	23¢	45¢
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¢

National Share Price Performance

Relative to the All Ords Accumulation Index (Ex NAB)



NAB share price at Sept 1992 used as base for All Ords Acc Index

Key Dates

19 December 2002
Annual General Meeting

8 May 2003*
Announcement for
2003 half yearly results

6 June 2003*†
Ex-dividend for
2003 interim dividend

13 June 2003*†
Record date for
2003 interim dividend

2 July 2003*†
Payment date for
2003 interim dividend

6 November 2003*
Announcement for
2003 full year results

17 November 2003*†
Ex-dividend for 2003 final dividend

21 November 2003*†
Record date for
2003 final dividend

10 December 2003*†
Payment Date for
2003 final dividend

19 December 2003*
2003 Annual General Meeting

National Income Securities – Key Dates

24 January 2003*
Ex-interest date

31 January 2003*
Record date (close of books)

17 February 2003*
Interest payable

23 April 2003*
Ex-interest date

30 April 2003*
Record date (close of books)

15 May 2003*
Interest payable

24 July 2003*
Ex-interest date

30 July 2003*
Record date (close of books)

15 August 2003*
Interest payable

24 October 2003*
Ex-interest date

30 October 2003*
Record date (close of books)

17 November 2003*
Interest payable

* Dates are subject to confirmation
† Future dividends are subject to available profits and approval by the Board

Dividend Payment Election

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. Alternatively, shareholders may elect to reinvest their dividend and receive shares in equal dollar value. Currently, the Group offers three different plans, details of which may be obtained from Shareholder Services:

- Dividend Reinvestment Plan
- Bonus Share Plan
- United Kingdom Dividend Plan

Tax File Number

Shareholders who are also 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 the Group will be obliged to withhold a portion of the dividend to the extent that the dividend is unfranked (at a current rate of 48.5%).

Change of Address

Shareholders are requested to advise Shareholder Services promptly 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.

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

Telephone: +61 3 8641 4200
Australian callers (local call): 1300 367 647
Facsimile: +61 3 8641 4927
E-mail: Shareholders_Centre@national.com.au
Website: www.national.com.au/shareholder
Please quote your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) in all correspondence to Shareholder Services.

United Kingdom Branch Share Register

C/- Computershare Investor Services Plc
The Pavilions, Bridgwater Road Bedminster Down
Bristol BS99 7NH
United Kingdom

Telephone: +44 870 702 0000
Facsimile: +44 870 703 6101
Website: www.computershare.com

United States ADR Depositary, Transfer Agent and Registrar

The Bank of New York Depositary Receipts Division
101 Barclay Street, 22nd Floor
New York NY 10286
United States

Telephone: +1 212 815 2293
Facsimile: +1 212 571 3050, 3051, 3052
Website: www.adrbny.com

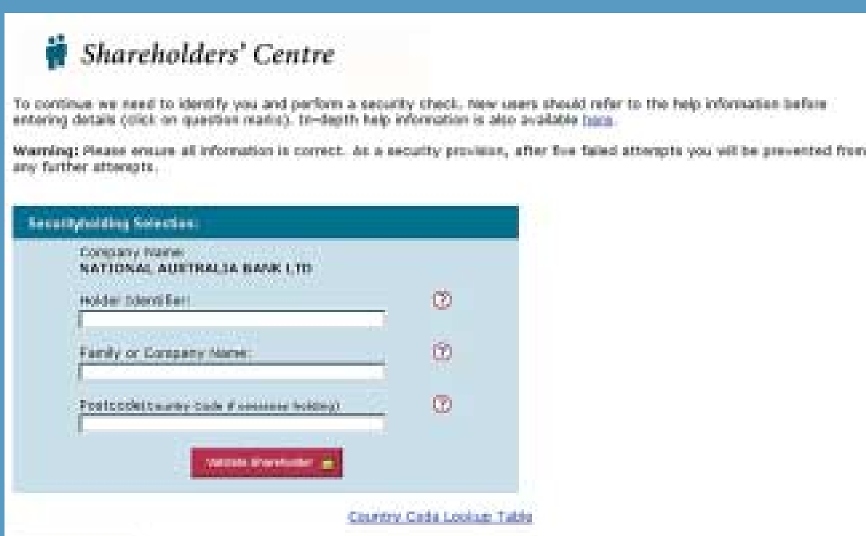
Website: www.national.com.au/shareholder

Areas of Interest
Roll-over menu allows specific areas of interest to be pin-pointed.

National Share Price
Monitor the current share price (20min delay) or select Live Price to display the market value as the day's trading unfolds.

Shareholder Services
The Shareholder Centre is where shareholders can access a wide range of information. Secure access to your shareholding information, the Group's dividend history, Share Registry forms, as well as a full list of shareholder benefits.

Latest News and Events
Follow the Group's progress with our extensive library. Financial and corporate highlights, the year in review, investor presentations, a discussion of the Group's operations, in addition to the Group's annual reports.



Secure Access to Your Shareholding Information

Security Check:

Step 1. SRN/HIN
Step 2. Registered Name
Step 3. Registered Postcode

Key Features

- Check your shareholding balance.
- Review your dividend payment history.
- Download new forms to amend shareholding information.

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