

National Australia Bank Limited

ABN 12 004 044 937

Registered Office:

24th Floor, 500 Bourke Street

Melbourne, Victoria 3000

Australia

NOTICE OF
ANNUAL
GENERAL
MEETING

31 January
2005



Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of National Australia Bank Limited ("the National") will be held at Hamer Hall (Melbourne Concert Hall), St Kilda Road, Melbourne, Victoria, Australia, on Monday 31 January 2005 at 2.00 pm.

1. Chairman's Address, a presentation by the Managing Director & Chief Executive Officer and an address by the Chairman of the Human Resources Committee

2. Reports

To lay before the Annual General Meeting the Financial Report and the Directors' Report together with the Auditor's Report for the year ended 30 September 2004.

3. Re-election and election of Directors

3.1 Re-election of Director

To re-elect a Director of the National:

Mr Graham J Kraehe retires in accordance with Article 10.3 of the National's Constitution and, being eligible, offers himself for re-election.

3.2 Election of Directors

To elect Directors of the National:

- (a) Mr Michael A Chaney, who was appointed as a Director since the last Annual General Meeting, retires in accordance with Article 10.13 of the National's Constitution and, being eligible, offers himself for election.
- (b) Mr Robert G Elstone, who was appointed as a Director since the last Annual General Meeting, retires in accordance with Article 10.13 of the National's Constitution and, being eligible, offers himself for election.
- (c) Mr Ahmed Fahour who was appointed as a Director since the last Annual General Meeting, retires in accordance with Article 10.13 of the National's Constitution and, being eligible, offers himself for election.
- (d) Mr Daniel T Gilbert, who was appointed as a Director since the last Annual General Meeting, retires in accordance with Article 10.13 of the National's Constitution and, being eligible, offers himself for election.
- (e) Mr Paul J Rizzo, who was appointed as a Director since the last Annual General Meeting, retires in accordance with Article 10.13 of the National's Constitution and, being eligible, offers himself for election.
- (f) Ms Jillian S Segal, who was appointed as a Director since the last Annual General Meeting, retires in accordance with Article 10.13 of the National's Constitution and, being eligible, offers herself for election.

(g) Mr Michael J Ullmer, who was appointed as a Director since the last Annual General Meeting, retires in accordance with Article 10.13 of the National's Constitution and, being eligible, offers himself for election.

(h) Mr G Malcolm Williamson, who was appointed as a Director since the last Annual General Meeting, retires in accordance with Article 10.13 of the National's Constitution and, being eligible, offers himself for election.

4. Resolution from shareholders

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT Mr Geoffrey Tomlinson be and is hereby removed from office as a director of the National Australia Bank Limited."

5. Appointment of Auditor

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT Ernst & Young be appointed as Auditor of the National, subject to the Australian Securities & Investments Commission granting their approval to the resignation of KPMG as Auditor of the National."

6. Shares, performance options and performance rights – Managing Director & Chief Executive Officer

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT approval be given to the grant of performance options, performance rights and shares to the Managing Director & Chief Executive Officer, Mr JM Stewart, as described in the Explanatory Notes under the:

National Australia Bank Executive Share Option Plan No.2; National Australia Bank Performance Rights Plan; and National Australia Bank Staff Share Ownership Plan. "

7. National Income Securities

To consider and, if thought fit, to pass the following resolution as a special resolution:

"THAT the terms and conditions of the selective buy-back scheme relating to the Preference Shares associated with the National Income Securities, as described in the Explanatory Notes, be approved."

By Order of the Board
Garry F Nolan
Company Secretary
7 December 2004

Information for Shareholders:

General

Questions relating to the private affairs of any individual Shareholder and Customer of the National may be directed to the staff at the Customer Service Desk or the Shareholder Services Desk in the foyer on the day of the Meeting.

Members of the National

Persons holding shares of the National which are listed for quotation on the Australian Stock Exchange at 7.00 pm in Melbourne on Saturday 29 January 2005 will be treated as Shareholders of the National for the purposes of the Meeting.

Proxy Votes

A Shareholder entitled to attend and vote at the Meeting is entitled to appoint no more than two proxies to attend and vote on their behalf. Where two proxies are appointed, each proxy must be appointed to represent a specified number of votes or proportion of the Shareholder's voting rights. If no number or proportion is specified, each proxy may exercise half of the votes.

A proxy need not be a Shareholder in the National and may be an individual or a body corporate.

A proxy form and a return envelope are enclosed for return of the following:

- Proxy form; and
- Power of attorney (if any) under which the proxy form is signed (if it has not been noted by the Share Registry); or
- A certified copy of the relevant authority (if it has not been noted by the Share Registry).

To be effective, these documents must be received by the National at least 48 hours before the start of the Meeting.

Proxies must either be received by the National at the registered office at Level 24, 500 Bourke Street, Melbourne, Victoria 3000, Australia or can be faxed on (61 3) 9473 2461.

Voting Exclusion Statement

The National will disregard any vote cast on:

- (a) resolution 6 by any Director of the National or any of their associates; and
- (b) resolution 7 by any person who holds Preference Shares associated with the National Income Securities and whose Preference Shares may therefore be bought back, or by any of those persons' associates,

unless the vote is cast by such a person as proxy for another person who is entitled to vote and the vote is cast in accordance with the directions on the proxy form. Or, unless the vote is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Chairman's Comments & Explanatory Notes

Item of business number 1: Chairman's Address, a presentation by the Managing Director & Chief Executive Officer and an Address by the Chairman of the Human Resources Committee

The Chairman will address the meeting and a presentation will be made by the Managing Director & Chief Executive Officer on strategic and operational issues of interest to Shareholders.

The Chairman of the Human Resources Committee will address the meeting on remuneration strategies & policies and the key remuneration issues addressed by the Committee during the year.

The Chairman will also respond to the more frequently asked questions raised by Shareholders before the meeting.

The Concise Annual Report contains a segment on 'Remuneration at the National' on pages 34 to 41 and the Annual Financial Report contains details of material contracts entered into with senior executives on pages 235 to 244. Copies of the Reports will be available on the National's website at www.nabgroup.com or may be obtained from the Office of the Company Secretary by telephoning (61 3) 8641 4170. Fax requests may be sent to (61 3) 8641 4927.

Item of business number 2: Reports

The Australian Corporations Act 2001 requires the Financial Report, Directors' Report and the Auditor's Report to be laid before the Meeting.

Neither the Corporations Act nor the National's Constitution requires Shareholders to vote on such Reports. However, Shareholders will be given ample opportunity to raise questions on the Reports at the Meeting.

Resolutions 3.1 and 3.2(a) to (h): Re-election and election of Directors

One-third of the current Directors (excluding the Managing Director and Directors appointed during the year) or if their number is not three or a multiple of three, the number nearest one third must retire by rotation at each Annual General Meeting. Accordingly, Mr Graham Kraehe, being the longest serving Director, retires at the end of the Meeting and, being eligible, presents himself for re-election. Mr Kraehe led the Board Renewal Program during 2004 and has advised that he would step down from the Board in September 2005 to allow Mr Chaney to become the Chairman of the National.

A Director appointed either to fill a casual vacancy or in addition to the existing Directors, holds office until the next Annual General Meeting, and is then eligible for election. Accordingly Ms Jillian Segal and Messrs Michael Chaney, Robert Elstone, Ahmed Fahour, Danny Gilbert, Paul Rizzo, Michael Ullmer and Malcolm Williamson as new Directors, retire in accordance with Article 10.13 of the National's Constitution and, being eligible, offer themselves for election. Each re-election / election will be conducted as a separate resolution.

Following are details in relation to the Directors standing for re-election or election.



Mr Graham J Kraehe AO, BEc, AICD

Appointed a non-executive Director in 1997 and as Chairman in 2004. Mr Kraehe is 62 years of age.

He is Chairman of the Nomination Committee.

Mr Kraehe has extensive business experience at the chief executive level and across a broad base of industries. He was the CEO of three companies in the wine industry, automotive industry and diversified manufacturing, including Southcorp and Pacific BBA (now Pacifica), both highly successful corporations with strong international operations.

Since standing down from chief executive responsibilities, Mr Kraehe has continued his business involvement through accepting a limited number of other non-executive directorships, including BlueScope Steel Limited of which he is Chairman and Djerriwarrah Limited.

In the absence of Mr Kraehe, the Board conducted a review of Mr Kraehe's performance as a Director and as Chairman of the National. On the basis of that review, the Board endorses his nomination as a candidate for re-election and recommends that shareholders vote in favour of Mr Kraehe's re-election as a Director of the National.



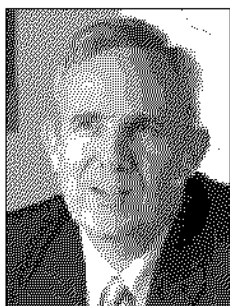
Mr Michael A Chaney AO, BSc, MBA, FAICD

Appointed a non-executive Director in December 2004. Mr Chaney is 54 years of age.

He is a member of the Nomination Committee.

Mr Chaney has over 25 years experience in executive, financial management and governance roles. He is currently Group Managing Director and Chief Executive Officer of Wesfarmers Limited. Mr Chaney is also a Director of BHP Billiton Limited and Gresham Partners Holdings Limited.

If Mr Chaney is elected as a Director of the National by the shareholders at this Annual General Meeting, the Board proposes to elect Mr Chaney as Chairman of the National in September 2005.



Mr Robert G Elstone BA (Hons), MA (Econ), MCom

Appointed a non-executive Director in September 2004. Mr Elstone is 51 years of age.

He is a member of the Nomination Committee and the Risk Committee.

Mr Elstone has 24 years experience in financial and senior management roles. He is currently Managing Director and CEO of SFE Corporation, the listed holding company for the Sydney Futures Exchange and related entities. He was formerly Finance Director of Pioneer International Limited from 1995 to 2000 and Chief Financial Officer of Air New Zealand Limited from 1991 to 1994. Prior to that he spent 10 years in investment and mortgage banking.

He is an Honorary Fellow of the Finance and Treasury Association and has completed the senior management development programme at the Harvard and Stanford Business Schools. He has extensive experience in the oversight of derivatives trading and risk management and has worked with public policy and regulators in the Australian financial sector.



Mr Ahmed Fahour *BEcon (Hons), MBA*

Appointed an executive Director in October 2004. Mr Fahour is 38 years of age.

He is a member of the Nomination Committee.

Mr Fahour joined the National as Chief Executive Officer, Australia in September 2004. He has extensive financial services experience in Australia and the United States.

After joining the Boston Consulting Group in 1987, Mr Fahour was appointed a director in 1997. He was Managing Director of IFormation Private Equity Group from 1999 to 2000. He joined Citigroup in 2000 as Head of Corporate Development and was subsequently appointed Vice Chairman Citigroup Investments and CEO Alternative Investments. He was the CEO of Citigroup in Australia and New Zealand before joining the National.

He is a non-executive director of Rip Curl Group Pty Ltd.



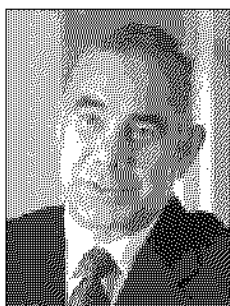
Mr Daniel T Gilbert *LLB*

Appointed a non-executive Director in September 2004. Mr Gilbert is 53 years of age.

He is a member of the Audit Committee and the Nomination Committee.

Mr Gilbert has 30 years experience in commercial law, specialising in technology and corporate law. He is currently Managing Partner of Gilbert + Tobin, which he co-founded in 1988.

He is currently Chairman of the Australian Film, Television and Radio School and a Director of Bangarra Dance Theatre and has had extensive involvement in the arts and social justice issues through work with community legal centres and indigenous issues.



Mr Paul J Rizzo *BCom, MBA*

Appointed a non-executive Director in September 2004. Mr Rizzo is 60 years of age.

He is a member of the Audit Committee, the Nomination Committee and the Risk Committee.

Mr Rizzo has 36 years experience in banking and finance. He was the Dean, Director and Professional Fellow of Melbourne Business School from 2000 to 2004 and held the position of Group Managing Director, Finance and Administration of Telstra Corporation Limited from 1993 to 2000. He held senior roles at Commonwealth Bank of Australia from 1991 to 1993, including Chief General Manager, Retail Banking, Chief General Manager, Group Credit Policy and Chief General Manager and Adviser to the Managing Director. He was Chief Executive Officer of State Bank of Victoria in 1990 and had 24 years experience with Australia and New Zealand Banking Group Limited from 1966 to 1990, including Chief Executive of the ANZ Bank in New Zealand.

Mr Rizzo is also a director of BlueScope Steel Limited and a consultant director to Mallesons Stephen Jaques.

Mr Rizzo's broad financial management experience and his extensive background in all aspects of banking ideally complement the skills of other members of the Board and are most valuable to the National.



Ms Jillian S Segal *BA, LLB, LLM (Harvard), FAICD*

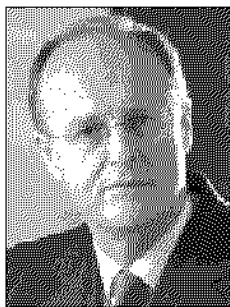
Appointed a non-executive Director in September 2004. Ms Segal is 49 years of age.

She is a member of the Human Resources Committee and the Nomination Committee.

Ms Segal has had a distinguished career as a lawyer and regulator, most recently at the Australian Securities & Investments Commission as Commissioner and as Deputy Chairman from 1997 to 2002 and as Chairman of the board of the Banking & Financial Services Ombudsman from 2002 to 2004.

She is also a director of the Australian Stock Exchange Ltd and a member of the Australia Council's Major Performing Arts Board. She was formerly a member of the PricewaterhouseCoopers Audit Standards Oversight Board and a director of Citibank Pty Ltd.

Ms Segal's skills and experience ideally complement those of other members of the Board. During her term at ASIC, she was instrumental in policy formulation and its practical implications in financial markets.



Mr Michael Ullmer *BSc (Maths)(Hons), FCA, FAIBF, ASIA*

Appointed an executive Director in October 2004. Mr Ullmer is 53 years of age.

He is a member of the Nomination Committee.

Mr Ullmer joined the National as Group Chief Financial Officer in September 2004.

Mr Ullmer has extensive financial services experience in Australia. He worked with KPMG from 1972 and was appointed a partner in 1982, becoming Chairman of the firm's Australasian Banking Group in 1987.

In 1992 he joined Coopers & Lybrand as Chairman of that firm's Asia-Pacific Financial Services Group. In 1997 he joined the Commonwealth Bank of Australia as Group Executive, Financial and Risk Management and in 2002 became Group Executive, Institutional and Business Services.



Mr G Malcolm Williamson

Appointed a non-executive Director in May 2004. Mr Williamson is 65 years of age.

He is a member of the Nomination Committee, Chairman of National Australia Group Europe Limited and is on the boards of the National's main subsidiary companies in Europe.

Mr Williamson has extensive financial services experience in the United Kingdom and the United States. He worked with Barclays Bank plc for 28 years reaching the position of Regional General Manager, London. This was followed by a period as Managing Director Girobank plc and a member of the UK Post Office Board. In 1989 he joined Standard Chartered Bank and became Group Chief Executive. In 1998 he took up the role of President and Chief Executive Officer of Visa International, which he held until February 2004.

Mr Williamson is Chairman of CDC Group plc and Britannic Group plc, and is also a director of Group 4 Securicor plc. He is a Fellow of the Institute of Bankers (UK).

Recommendation

The Directors who are the subject of each resolution have abstained from making a recommendation in relation to their own re-election or election. The Directors not directly involved in each resolution recommend that Shareholders vote in favour of all nine Directors standing for re-election or election.

Resolution 4: Resolution proposed by members of the Australian Shareholders' Association

179 Shareholders entitled to vote at a general meeting have given notice through the Australian Shareholders' Association of their intention to move a resolution at this Annual General Meeting, as is their right under Section 249N of the Australian Corporations Act.

The resolution seeks to remove Mr Tomlinson as a Director of the National. The Shareholders concerned have provided a statement in relation to their proposed resolution. A copy of this statement is attached as Appendix 1.

Recommendation

The Board understands that the Australian Shareholders' Association is concerned that an excessive number of directorships may impact on the ability of some directors to properly perform their duties. However, your Board does not believe that a rigid formula approach with no regard to the circumstances involved and the ability or contribution of the individual is an appropriate way to address this matter.

Mr Tomlinson's performance as a Director of the National was reviewed at the November 2004 Board Meeting. Mr Tomlinson was given a high rating on all of the criteria expected of a director of the National.

Mr Tomlinson is a valuable member of the Board. He joined National Mutual (now AXA Asia Pacific) in 1970 and rose to become Group Managing Director and Chief Executive Officer, a position he held from 1992 to 1998. This experience is valuable to the National and in relation to financial services and wealth management, a key growth area for our organisation. If this resolution were to be passed, this valuable experience would be lost.

Mr Tomlinson is now a non-executive director of several companies, a situation that has not impacted on his ability to perform his duties as a non-executive director of the National. Shareholders are asked to examine the meeting attendance record of Mr Tomlinson as set out on page 55 of the Concise Annual Report. Recently, Mr Tomlinson took on additional responsibilities with the National accepting the role of Chairman of the Human Resources Committee.

Mr Tomlinson, who is the subject of this resolution, has abstained from making a recommendation or a statement in relation to his removal from office. The other Directors believe that this resolution is not in the best interest of the National and the Shareholders and accordingly, recommend that Shareholders vote against the resolution.

Resolution 5: Appointment of Auditor

The Australian Corporations Act requires Shareholders to approve the appointment of a new auditor.

In April 2004, the National announced that it would be seeking a change in the external auditor at the end of the financial year as part of the National's overall change program.

In July 2004, the National announced that, subject to shareholder approval at the Annual General Meeting, Ernst & Young had been selected to become the new external auditor of the National for the 2004-2005 financial year.

A copy of the notice of nomination of Ernst & Young received by the National from Mr John Thorn, a member of the National, is attached as Appendix 2.

The change in auditor will be subject to the Australian Securities & Investments Commission granting its approval for KPMG to resign as the auditor of the National.

Recommendation

The Board recommends that Shareholders vote in favour of the appointment of Ernst & Young as external auditor of the National.

Resolution 6: Shares, Performance options and Performance rights – Managing Director & Chief Executive Officer

Shareholders are being asked to approve the new equity components of Mr John Stewart's remuneration package.

(a) Background

Mr Stewart became the National's Managing Director & Chief Executive Officer in February 2004. This year, your Board entered into an employment agreement with him for the next three years. In accordance with the Australian Stock Exchange ("ASX") Listing Rules, Shareholder approval is being sought for the acquisition of certain National securities by Mr Stewart. The approval relates to:

- the grant of 900,000 performance options and 210,000 performance rights under the National's long-term incentive plan; and
- the provision of National shares under the National's short-term incentive plan.

The key terms and conditions of employment for Mr Stewart under his employment agreement were disclosed by the National in a release to the ASX dated 27 May 2004, including his short-term and long-term incentive arrangements.

Under the terms of Mr Stewart's employment agreements:

- it is intended that, subject to the approval of Shareholders, Mr Stewart be offered performance options and performance rights. The exercise price of the performance options will be set with reference to the date of his appointment as Managing Director & Chief Executive Officer, that is 2 February 2004 (namely, \$30.41). The performance hurdle that applies to the performance options and performance rights will be set by reference to 16 January 2004. It is therefore intended that any benefit to Mr Stewart resulting from this long-term incentive will reflect any increase in shareholder value over the period of his appointment. The performance hurdle that determines any vesting of the performance options and performance rights will first be tested on or about 16 January 2007. It is not envisaged that any further offers of performance options or performance rights will be made to Mr Stewart during the term of his employment agreement (three years), unless the parties agree to an extension of that agreement; and
- he is required to receive at least 50%, and may elect to receive up to 100%, of any short-term incentive awarded, which reflects his performance over the past financial year, in National shares, subject to Shareholder approval. If the conversion to shares is not approved by Shareholders, the whole of the short-term incentive will be paid in cash.

The National's remuneration policy and Mr Stewart's remuneration arrangements have been developed by the Human Resources Committee (formerly the Compensation Committee) in conjunction with independent remuneration specialists, taking into account the relevant principles of the ASX Corporate Governance Guidelines.

Mr Stewart's remuneration package provides a balance between fixed and incentive pay in accordance with Principle 9 of the ASX Guidelines to "remunerate fairly and responsibly". Mr Stewart's new employment agreement has been framed in light of the current operating circumstances at the National. All incentive payments have been established to deliver reward to Mr Stewart upon attainment of sustainable returns to Shareholders. A large proportion of the reward is linked to achievement of performance objectives considered appropriate by the Board.

The National's remuneration philosophy is based on a pay for performance framework. The incentive components of remuneration are performance oriented and structured to reward both individual and business performance. The performance hurdles have been developed, having considered Recommendation 9.2 of Principle 9 of the ASX Guidelines and the Investment and Financial Services Association Guidance Note No. 12, to provide reward only for materially improved shareholder returns.

In light of the factors discussed above, and that the National is one of the fifty largest banks in the world and the largest and most international bank in Australia, the non-executive Directors have concluded that Mr Stewart's remuneration package (including the proposed grant of performance options, performance rights and shares) is reasonable and appropriate having regard to the circumstances of the National and Mr Stewart's duties and responsibilities.

Approval is being sought for the maximum number of performance options and performance rights that may be granted to Mr Stewart during the current term of his employment agreement. If the numbers of performance options and performance rights are approved by Shareholders, it is intended that there will be no additional offers of performance options or performance rights to Mr Stewart, under his current employment agreement. If the parties agree to an extension of his employment agreement, Shareholder approval would be sought at that time for the issue of further performance options and performance rights. Approval is also being sought for the acquisition of National shares under Mr Stewart's short-term incentive arrangements that reflect his performance over the past financial year.

(b) Date the securities will be provided

If approved by Shareholders, these securities will be provided within 12 months of the date of the Annual General Meeting.

(c) Maximum number of securities to be provided

The maximum number of performance options, performance rights and shares that may be acquired by Mr Stewart and any relevant formula under the applicable employee equity plan used for calculating the number of securities to be acquired are set out below:

Plan	Maximum number of securities
National Australia Bank Executive Share Option Plan No 2 ("Option Plan") ¹	900,000 performance options It is intended that no further offers of performance options will be made to Mr Stewart during the current term of his employment agreement.
National Australia Bank Performance Rights Plan ("Performance Rights Plan") ¹	210,000 performance rights It is intended that no further offers of performance rights will be made to Mr Stewart during the current term of his employment agreement
National Australia Bank Staff Share Ownership Plan ("Ownership Plan")	Ordinary Shares to a maximum value of \$1,445,000 ² The actual number of shares acquired will depend on the percentage of Mr Stewart's short-term incentive reward to be provided in shares and the weighted average price at which National shares are traded on the ASX in the one week period up to and including the date of allocation of the shares.

¹ The performance options and performance rights only become exercisable if certain performance conditions are met. The performance hurdle that applies to Mr Stewart's performance options and performance rights will be measured during the exercise period by comparing the growth in the National's Total Shareholder Return ("TSR"), averaged over 30 trading days, with that of two comparator groups. Fifty per cent of the performance options and performance rights will be measured against 50 companies in the S&P/ASX 100 Index, excluding the National. The other 50% will be measured against a basket of major financial companies in the S&P/ASX 200 Index, excluding the National. The performance options and performance rights become exercisable depending on the National's ranking within each of the comparator groups. The National must rank at the 51st percentile for any performance options or rights to become exercisable and remain at this ranking for a period of 30 consecutive trading/business days. If the ranking is at the 51st percentile, 50% of the performance options and performance rights will be exercisable. For each additional percentage achieved above the 51st percentile, an additional 2% of performance options and performance rights will become exercisable, with 100% being exercisable where the National's TSR ranks at or above the 76th percentile.

² For further details of Mr Stewart's short-term incentive under his employment agreement, refer to the disclosure released to the ASX by the National on 27 May 2004. Relevant details are also included in the National's Annual Financial Report on pages 237 and 238.

For further information on the National's employee incentive schemes, including the various plans referred to above, please refer to Notes 38 and 51 of the Annual Financial Report and the segment on 'Remuneration at the National' in the Concise Annual Report for the year ended 30 September 2004.

(d) The price of the securities

The price or the formulae for calculating the price for each security is set out below:

Security and relevant plan	Price or relevant formula
Performance options granted under the Option Plan	<p>No price is payable for the grant of performance options.</p> <p>If the applicable performance hurdle is met, and Mr Stewart wishes to exercise his performance options, he must pay the exercise price. The exercise price will be the weighted average price at which National shares were traded on the ASX in the one week up to and including the effective date of Mr Stewart's employment agreement (2 February 2004), namely \$30.41.</p>
Performance rights granted under the Performance Rights Plan	<p>No price is payable for the grant of performance rights.</p> <p>If the applicable performance hurdle is met, and Mr Stewart wishes to exercise his performance rights, he must pay a nominal exercise price to acquire the shares. The total exercise price payable on the exercise of any performance rights on a particular day will be \$1.00, irrespective of the number of performance rights exercised on that day.</p> <p>The same position applies to all executives of the National to whom performance rights are granted.</p>
Shares granted under the Ownership Plan	<p>No price is payable by employees for shares allocated, however, the shares represent the equivalent value of Mr Stewart's short-term incentive reward for the year (which would otherwise be paid in cash), provided in the form of shares. The number of shares acquired is a function of the amount of Mr Stewart's short-term incentive reward and the value of that reward to be provided as shares divided by the weighted average price at which National shares were traded on the ASX in the one week up to and including the date that the shares are allocated.</p>

(e) Directors who have received securities under the relevant plans since the last Annual General Meeting

Shares have been acquired by non-executive directors as part of their remuneration under the NED Share Plan (operating through the Ownership Plan) in accordance with the approval granted by Shareholders at the Annual General Meeting held on 19 December 2003.

The following Directors are the only Directors (or associates of Directors) who have received securities under the relevant plans, other than the shares issued under the NED Share Plan, since the last Annual General Meeting:

Director	Securities	Acquisition price
Mr JM Stewart	150,000 ¹ performance options under the Option Plan	There is no acquisition price for the grant of the options, however, the exercise price is \$30.25 per share issued.
	37,500 ¹ performance rights under the Performance Rights Plan	There is no acquisition price for the grant of the rights, however, the exercise price is \$1.00 for all performance rights exercised on a particular day.
Mr A Fahour ²	160,000 performance options under the Option Plan	There is no acquisition price for the grant of the options, however, the exercise price is \$26.59 per share issued.
	40,000 performance rights under the Performance Rights Plan	There is no acquisition price for the grant of the rights, however, the exercise price is \$1.00 for all performance rights exercised on a particular day.
	75,216 shares under the Ownership Plan	\$26.59 per share ³
	225,649 shares under the Ownership Plan	\$26.59 per share ³
Mr MJ Ullmer ²	100,000 performance options under the Option Plan	There is no acquisition price for the grant of the options, however, the exercise price is \$26.59 per share issued.
	25,000 performance rights under the Performance Rights Plan	There is no acquisition price for the grant of the rights, however, the exercise price is \$1.00 for all performance rights exercised on a particular day.

¹ The grant of these performance options and performance rights was approved by shareholders at the 2003 Annual General Meeting.

² These securities were granted before appointment as a Director.

³ For details of the provision of these shares to Mr Fahour, please refer to the National's Annual Financial Report, page 239.

(f) Directors who are eligible to participate in the relevant plans

Apart from Mr Stewart, Mr Fahour and Mr Ullmer, no other Directors or their associates are entitled to participate in the Option Plan, the Performance Rights Plan or the Ownership Plan, except for the non-executive directors in the manner referred to above. However, neither Mr Fahour nor Mr Ullmer will receive any additional securities under these plans before the National's next Annual General Meeting.

(g) No provision of loans

Mr Stewart will not be able to participate in the loan scheme that is available in relation to the payment of the exercise price of performance options granted under the Option Plan. Further, loans will not be made available to Mr Stewart under the Ownership Plan. There is no loan scheme in relation to the Performance Rights Plan.

Recommendation

Mr Stewart, who has a personal interest in the subject of this resolution, has abstained from making a recommendation. The other Directors recommend that Shareholders vote in favour of the proposed resolution.

Resolution 7: National Income Securities

The National seeks the approval of Shareholders for the buy-back of 20 million unpaid preference shares ("**Preference Share**") forming part of the National Income Securities ("**NIS**") so that it may exchange the NIS at a future date without the need to convene an extraordinary general meeting.

The advantages and disadvantages of approving the Buy-back Scheme

Approving the Buy-back Scheme will give the National the flexibility to exchange the NIS where it considers that it can be replaced with a more efficient and cost-effective source of funds. Under the terms of the NIS each holder has agreed to accept the buy-back offer for their Preference Shares if the Notes are redeemed.

The National does not consider there to be any material disadvantage in approving the Buy-back Scheme, given that it would only decide to replace the NIS with a more efficient and cost-effective source of capital. The Buy-back Scheme will not be implemented if there would be any material prejudice to the National's creditors.

Background

On 29 June 1999, the National issued 20 million Preference Shares as part of the issue of the NIS. A NIS comprises a note ("**Note**") with a face value of \$100 issued by the National through its New York branch and a Preference Share issued by the National. The Note and Preference Share are stapled and cannot be transferred separately.

Holders of the Preference Shares are not entitled to dividends until the Preference Shares have become fully paid. Currently, none of the Preference Shares are fully paid.

Subject to obtaining the consent of the Australian Prudential Regulation Authority ("**APRA**"), the National has the right to exchange the NIS at any time after 29 June 2004. To do so, the National redeems the Notes by paying the face value of \$100 plus any unpaid accrued interest and buys-back (or redeems, reduces capital on or cancels) the Preference Share (together, "**Exchange**"). The Preference Share has no economic value and is to be bought back for no cash payment. In order to implement the Buy-back, the terms of Buy-back Scheme must be approved in accordance with the Corporations Act, which includes obtaining Shareholder approval.

The National wishes to have the flexibility to Exchange the NIS, particularly where it considers that market conditions may enable it to replace the NIS with a more efficient and cost-effective source of funds. Accordingly, the National seeks the approval of Shareholders so that it may Exchange the NIS at a future date without the need to convene an extraordinary general meeting. No decision has yet been made to Exchange the NIS, but, potentially, the NIS could be Exchanged at any time after Shareholder approval is obtained.

The terms of the Buy-back Scheme are described below. The purpose of these explanatory notes is to set out all information known to the National that is material to the decision as to whether Shareholders should vote in favour of the resolution to approve the Buy-back Scheme.

Further details

Further details concerning the terms of issue of the Preference Shares, the Notes and the NIS were contained in a prospectus dated 10 May 1999 and lodged with the Australian Securities & Investments Commission on 11 May 1999. A copy of that prospectus will be provided free of charge by contacting the Office of the Company Secretary on (61 3) 8641 4170. Copies of the terms of issue of the Preference Shares are also available free of charge from the Office of the Company Secretary.

Information for Shareholders

The following information may be material to the decision to vote in favour of resolution 7:

(a) The number of shares affected

There are currently 20 million unpaid Preference Shares on issue. Ordinary shares in the National would not be affected. Following a Buy-back Scheme, all these Preference Shares would be cancelled.

(b) The Buy-back Scheme terms

We note that, as indicated above, the Buy-back Scheme would be conducted simultaneously and in conjunction with the redemption of the Notes. Therefore, we have also included the terms of the redemption of the Notes below.

Under the terms of the NIS, the National's New York branch must give not less than 30 days' notice to the NIS holders if it intends to redeem the Notes on a specified date. Such notice is irrevocable and must be made in whole and not in part. The National, New York branch must redeem all Notes in respect of which any notice is given on the date specified on the notice, subject to obtaining the prior approval of APRA.

The amount payable to the NIS holders for the redemption of the Notes is equal to \$100 each, together with interest (if any) which has accrued from (and including) the last interest payment date to the date of the redemption.

Pursuant to the Buy-back Scheme, upon redemption of the Note, the National must at the same time as giving notice of the redemption make a buy-back offer for the Preference Share that is stapled to the Note under which the National will buy-back the Preference Share for no consideration.

Holders are deemed to have accepted any buy-back offer made for the Preference Shares held by that holder which are not fully paid when the buy-back offer is made in conjunction with the redemption of the Note stapled to that Preference Share.

(c) The Buy-back Scheme price

Under the Buy-back Scheme, the National proposes to make offers for the Preference Shares for no consideration. However, the Buy-back Scheme would be conducted simultaneously and in conjunction with the redemption of the Notes for \$100 (plus any accrued interest) each. This price is prescribed in the terms of issue of the NIS.

As of 6 December 2004, the cost of redemption of all the Notes would be \$2 billion, plus the cost of accrued interest to that date of approximately \$8,068,636.

(d) Reasons for the Buy-back Scheme

As stated above, the National wishes to have the flexibility to Exchange the NIS where it considers that it could replace the instrument with a more efficient and cost-effective source of funding. No decision has yet been made as to the extinguishment of the NIS (including as to timing), but, potentially, such Exchange could occur at any time after Shareholder and APRA approval is obtained if a more efficient and cost-effective source of funding is identified.

(e) Interests of directors

At 6 December 2004, the following Directors have a beneficial interest in the following numbers of NIS (and the associated Preference Shares): Mr Duncan 950, Mr Gilbert 1,253, Mr Kraehe 670, Ms Segal 180 and Mr Tomlinson 500.

(f) The financial effect of the Buy-back Scheme on the National

The Buy-back Scheme would be conducted simultaneously and in conjunction with the redemption of the Notes. The redemption of a Note requires a payment by the National of \$100 (plus any accrued interest) for each NIS. As of 6 December 2004, the cost of redemption of all the Notes would be \$2 billion, plus the cost of accrued interest to that date of approximately \$8,068,636. The offer to buy-back the Preference Shares pursuant to the Buy-back Scheme will be made for no consideration (and therefore the Buy-back Scheme itself will have no financial effect on the National).

It is likely that simultaneously with or prior to the Exchange of the NIS, the NIS would be replaced with a more efficient and cost-effective source of funding. Therefore the National expects that the overall financial effect on the National (taking into account also the implementation of the Buy-back Scheme and redemption of the Notes), will be at least neutral if not more favourable to the National given the benefits of reduced capital cost to the National.

(g) Source of funds for the Buy-back Scheme

The Buy-back Scheme would be conducted simultaneously and in conjunction with the redemption of the Notes. The National maintains significant reserves of cash and other funding alternatives that could be implemented to effect the redemption of the Notes. The Directors would, at the relevant time, consider the best alternative or combination of alternatives for funding the redemption of the Notes.

The National would be proposing to make an offer to buy-back the Preference Shares for no consideration. Therefore, no funds are required for the Buy-Back Scheme itself.

(h) Effect of Buy-back Scheme on the control of the National

The Preference Share only entitles the holder to very limited voting rights. Holders of the Preference Shares are entitled to vote together with the holders of ordinary shares in the National (to the extent that these shareholders are entitled to vote) on the basis of one vote per Preference Share on a limited number of matters, including any proposal to wind-up the National or any proposal to affect the rights attaching to the Preference Shares. In these circumstances, the total number of votes capable of being exercised by the holders of the Preference Share would be 20 million or approximately 1.27% of the National's total issued share capital as of 6 December 2004.

(i) The identity of the affected shareholders

The holders of the NIS (and the Preference Shares) are retail and institutional investors predominantly based in Australia.

(j) The current share market price

While the NIS are listed on the Australian Stock Exchange, the Preference Shares cannot be traded separately at this time. The Preference Shares are not convertible into ordinary shares of the National. Once the Notes are repaid the Preference Shares will have no economic value.

The current market price of the NIS at the close of trading on 6 December 2004 was \$100.41 per NIS (including accrued interest).

Recommendation

The Directors who hold NIS as set out in (e) above have abstained from making a recommendation in relation to this resolution.

The other Directors recommend that Shareholders vote in favour of Resolution 7.

Appendix 1

Statement pursuant to Section 249P of the Corporation Act.

Australian Shareholders' Association Ltd

ABN 40 608 625 880



National Australia Bank Limited Statement pursuant to Section 249P of the Corporations Act

When the \$360 million of foreign exchange losses by the National Australia Bank were revealed in January 2004 the ASA was highly critical that lessons that should have been learned from the \$4 billion loss on its HomeSide business in the 2001 financial year had clearly not been addressed. Shareholders were rightly outraged by the lack of accountability for the massive HomeSide losses and the forex scandals.

Shareholders had not received an adequate explanation for the HomeSide loss and it appears that Australian executives were never held accountable. The culture of the bank was such that this loss was regarded as a "once off" event and that the bank's systems and culture were robust and superior to those of other Australian banks. The APRA report into the foreign exchange losses highlighted problems with culture, governance and risk management in the bank.

The ASA called for and welcomed the decisions of Mrs Waller, Dr Tweddell and Dr Moss to resign as directors of the bank and the stated intention of Mr Kraehe AO to resign as a director by mid 2005. The ASA believes these changes provide the foundation to bring to an end a period that will be remembered for corporate mismanagement and lack of Board accountability. The ASA is also supportive of the steps taken to change the culture and to revitalise senior management to address issues raised in the APRA report.

However a significant challenge remains for the bank. This challenge requires all Board members to be able to dedicate the necessary time and effort to the renewal process that has commenced.

The ASA is therefore disappointed that one director, Mr Geoff Tomlinson, has not seen fit to reduce the number of his directorships of other listed companies so that he is able to make the necessary commitment to ensure the Board is able to drive the renewal process and ensure essential accountability. Mr Tomlinson is a director who is experienced in financial management, but with his present and foreseeable workload it is not possible for shareholders of the Bank to believe he can effectively deliver his expected contribution as a director.

In addition to his position as a director of National Australia Bank, Mr Tomlinson is Chairman of Funtastic Limited and Programmed Maintenance Services Limited and Deputy Chairman of Hansen Technologies Limited. He is also a director of Mirrabooka Investments Limited and Amcor Limited. In total Mr Tomlinson has double the equivalent number of directorships the ASA recommends as prudent and reasonable. Mr Tomlinson is clearly over-committed.

The only way shareholders can hold directors accountable for poor performance and loss of shareholder value is to vote to remove them from the board. Mr Tomlinson cannot possibly adequately represent shareholders and make the necessary contribution to the National Australia Bank board with his present workload. He therefore should not receive shareholder support and the ASA recommends that you vote to remove him as a director at the forthcoming AGM.

If you would like to nominate a representative of the ASA to act as your proxy for voting at the AGM please insert the name "Australian Shareholders' Association" on the proxy form and direct your vote for each resolution. If the proxy form requires an address please insert **PO Box 519, Chatswood, NSW 2057**.

For details on how the ASA will exercise any undirected proxies please visit our website www.asa.asn.au or telephone 1300 888 979.

Please do not send your proxy form to the ASA. After completion please lodge it in accordance with the instructions on the proxy form itself.

Appendix 2

Notice of Nomination of Auditor.

John G Thorn

Non-Executive Director
National Australia Bank Limited
600 Bourke Street
Melbourne
Victoria 3000
Australia

3 December 2004

Mr Garry F Nolan
Company Secretary
National Australia Bank Limited
Level 24, 500 Bourke Street
Melbourne VIC 3000

Dear Mr Nolan

NOTICE OF NOMINATION OF AUDITOR

I, JOHN GORDON THORN, a member of National Australia Bank Limited and Chairman of the Company's Principal Board Audit Committee, nominate Ernst & Young for appointment as auditor of National Australia Bank Limited at its next Annual General Meeting to be held on 31 January 2005 or at any adjournment thereof.

Yours faithfully,



JOHN GORDON THORN

