

An international financial services group



Concise Annual Report 1999



*National Australia Bank Limited ACN004044937*

# The National's International Franchise

## Our Vision

To be the world's leading financial services company.

## Our Mission

We tailor financial services to help individuals, families, businesses and communities to achieve their goals.

## Our Values

- Service to our customers
- Quality in everything we do
- Professionalism and ethics in all our actions
- Competitiveness and a will to win
- Growth and development of our people
- Continuous productivity improvement
- Growing profit for our stakeholders

## Financial Calendar

- 15 December 1999** Final dividend payable
- 16 December 1999** Annual General Meeting
- 27 January 2000** 1999–2000 Q1 Results
- 4 May 2000** 1999–2000 Q2 Results
- July 2000** Interim 1999–2000 dividend paid
- 27 July 2000** 1999–2000 Q3 Results
- 2 November 2000** 1999–2000 Full Year Results
- December 2000** Final dividend for 1999–2000 paid

Dates may be subject to change

National Australia Bank 1999 Annual Report



### United Kingdom



### Ireland



### Asia



### Australia



### New Zealand



### United States



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## 1999 @ a Glance



- Profit after tax and before abnormals **increased 12.3%** to **\$2.82 billion**
- Earnings per share (before abnormals) **increased 6.9%**
- Dividends per share **up 9.8%** or 10 cents **to 112 cents** per share
- **Increased** contribution from overseas and **greater** revenue diversity
- **Strong growth** in financial services and e-commerce
- Capital position **strengthened**

# Financial Highlights



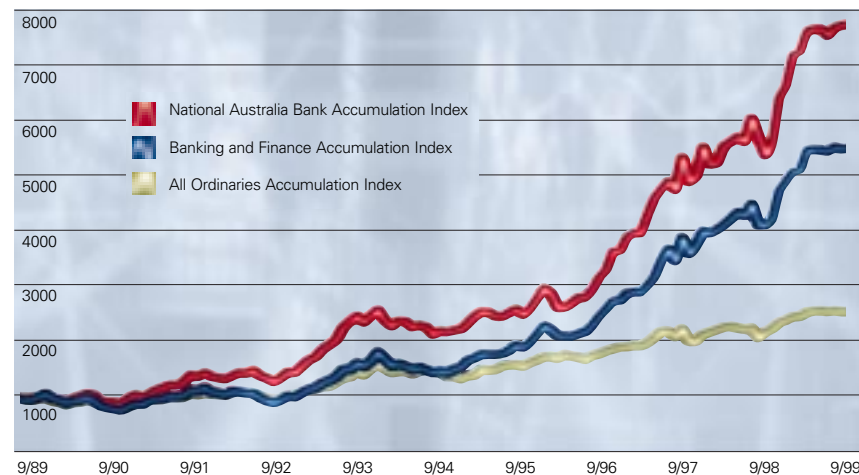
*Bernard Ronchi, Assistant Manager, Investor Relations, talks to an investor about the financial performance of the National and its international strategy.*

## Wealth Index\*

Total shareholder returns have increased on average by 22.7% per annum over the last 10 years.

The wealth index measures shareholders' total accumulated value including share price appreciation and dividends.

The chart shows that \$1,000 invested in National Australia Bank 10 years ago would now be worth over \$7,700.



\* Data has been indexed to a common base of 1000

## Profitability

- International activities contributed 50% of profit after tax
- Other operating income increased 15.4% and represents 42.9% of total income
- Cost to income ratio reduced to 54.0%
- Operating profit (before abnormal items) per employee increased 11.2%

## Shareholder Value

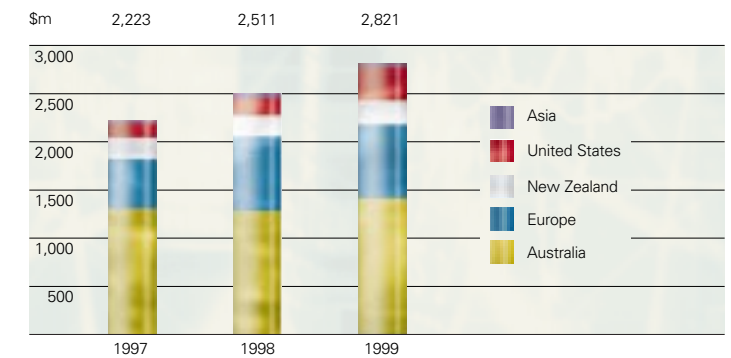
- Cash earnings per share (before goodwill amortisation) of 201 cents
- Dividends per share increased 9.8%
- Economic profit\* up 16.2%
- Return on equity of 17.3%

\*Economic profit represents the excess of cash earnings (earnings adjusted for goodwill amortisation) over the cost of capital employed plus the value of franking credits generated.

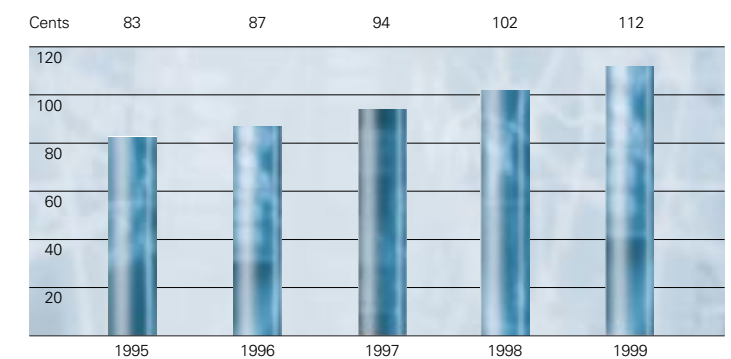
## Growth

- Movements in exchange rates reduced total assets by \$15 billion
- Underlying growth of 6.7% in total assets in local currency terms
- Loans and advances increased 9.2% in local currency terms
- National Income Securities raised \$2 billion

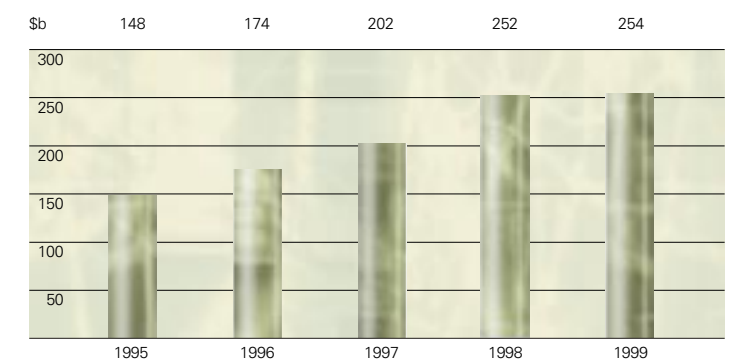
## Operating profit (before abnormal items)



## Dividends per share



## Total assets



# Corporate Highlights

The financial services industry is now a 24 hour global business. The National is well placed geographically, and through our management structure and our products and services, to take advantage of this.

## International Growth

The geographic diversity of the National's operations does more than reduce the risk of being dependent on one market. Our international operations create economies of scale and a customer base that, in aggregate, are well above the ability of any one bank to achieve in a market the size of Australia.

In 1999, half of the Group's profit came from our international operations. The key international regions, Europe, New Zealand and the United States all increased their profit contribution.

The benefits of recent international acquisitions, such as the United States based HomeSide International, Inc., a mortgage origination and service operation, go beyond the addition of revenues and profits in the near term. These businesses fit within the National's overall growth strategy and provide key benefits in sustaining shareholder value.

## Tailored Financial Solutions

As well as robust and diversified growth across geographic regions, core product lines showed impressive growth. This was especially so in the credit card and leasing sectors of the market. One of our strategic objectives is to ensure all product lines meet volume and profit targets.

Another strategic objective is to achieve at least 50% of our profit from non interest income sources. Further progress was made toward this goal during the year. Other operating income rose from 40% to 43% of total income. Financial services such as investments, insurance and custody increased their contribution by 19.4%.

As part of our global business we are developing the ability to market common products and services to our estimated nine million customers throughout the Group network.

## E-Commerce

Investment in web-based technologies and e-commerce initiatives enhanced the opportunities within the National's operations. Our electronic distribution

channels embrace both business-to-business and retail consumer market segments. Significant advances have been made on the Internet over the last year. All National operations have an Internet presence and we have over 100,000 Internet and PC banking customers globally.

## Strong Capital Base

The National Income Securities public offer in Australia was an enormous success. Investors took up \$2 billion of the publicly listed securities, which offer a floating rate set at 1.25% above the 90 day bank bill rate. The National Income Securities provided an innovative way to raise additional tier one capital, and reduce the average cost of capital.

## Year 2000 Readiness

The National's systems and people are prepared for the date change to 2000. The Group's objective of business as usual remains unchanged. In August 1999, as demonstration of its confidence in its preparations, the National published its Customer Commitments to its Australian banking customers, covering safety of deposits and term deposits and security of records.



Lisa Thomson, Mobile Mortgage Manager, (far right) provides advice to first home buyers at their convenience.

In September 1999, the Group submitted an update on its progress to the Australian Stock Exchange. Since that date, preparations have continued broadly in line with the plan. As at September 1999, the cost of the Group Year 2000 Program is expected to be \$296 million of which \$254 million has been spent.

## Corporate Governance

The Board of Directors is responsible for the Corporate Governance of National Australia Bank Limited and its controlled entities. The Directors of the Company have a duty to act honestly, transparently, diligently, independently and in the best interests of all shareholders, in order to increase shareholder value. The major processes by

which the Directors meet their duties are described in the Corporate Governance Statement set out on pages 72 to 74 of the full Annual Report.

## Group Credit Ratings

	Short term	Long term
Standard & Poor's	A1+	AA
Fitch IBCA	F1+	AA
Moody's Investor Services	P-1	Aa3
BankWatch	TBW-1	AA

# The Board of Directors



**MR Rayner (Mark)**  
BSc (Hons) Chem Eng  
FTSE FAusIMM FAICD  
FIE Aust  
Chairman and  
Independent Non-  
Executive Director  
Age 61  
Appointed 1985  
Elected Chairman  
September 1997

**Experience**  
35 years with Comalco  
Limited including  
11 years as Chief  
Executive, 20 years as  
a Director and 6 years  
as Deputy Chairman  
until June 1997.  
A Group Executive  
and Director of CRA  
Limited until 1995.  
Member of Principal  
Board Audit  
Committee.

**Directorships**  
Chairman of Pasminco  
Limited and Mayne  
Nickless Limited.  
Director of Boral  
Limited.



**DK Macfarlane (David)**  
Vice Chairman and  
Independent Non-  
Executive Director  
Age 69  
Appointed 1985  
Elected Vice Chairman  
1992

**Experience**  
33 years with James  
Hardie Industries  
Limited, 12 years as  
Managing Director until  
1990.  
Chairman of Principal  
Board Audit  
Committee.

**Directorships**  
Chairman of National  
Australia Asset  
Management Limited.  
Chairman of Spicers  
Paper Limited and DEM  
Limited.  
Director of Schroders  
Australia Limited,  
Pasminco Limited and  
Australian Foundation  
Investment Company  
Limited.



**FJ Cicutto (Frank)**  
BCom FAIBF FCIBS  
Managing Director and  
Chief Executive Officer  
Age 48  
Appointed 1998

**Experience**  
31 years in banking and  
finance both in Australia  
and internationally.  
Previous executive  
positions include Head  
of Credit Bureau, State  
Manager New South  
Wales, Chief Executive  
Clydesdale Bank and  
Chief General Manager,  
Australian Financial  
Services. Appointed  
Executive Director and  
Chief Operating Officer  
in July 1998. Appointed  
Managing Director and  
Chief Executive Officer  
in June 1999.

**Directorships**  
Chairman of National  
Australia Group Europe  
Limited.  
Chairman of Australian  
Bankers' Association.  
Director Bank of New  
Zealand, Michigan  
National Corporation,  
Michigan National Bank  
and HomeSide  
International, Inc.  
Director Melbourne  
Business School  
Limited at the  
University of  
Melbourne.



**CM Deeley (Michael)**  
MA DPhil (Oxon)  
Independent Non-  
Executive Director  
Age 69  
Appointed 1992

**Experience**  
27 years with ICI  
Australia Limited,  
5 years as Managing  
Director and Chief  
Executive until 1992.  
Member of Principal  
Board Audit Committee.  
Chairman of Australia  
New Zealand Regional  
Board Audit Committee.

**Directorships**  
Chairman of North  
Limited and of Air  
Liquide Australia  
Limited.  
National President of  
Greening Australia  
Limited.



**DCK Allen AO  
(Charles)**  
MA MSc DIC FAICD  
Independent Non-  
Executive Director  
Age 63  
Appointed 1992

**Experience**  
21 years with Shell  
International. Appointed  
Executive Director of  
Woodside Petroleum  
Limited in 1980 and  
Managing Director from  
1982 to 1996.  
Member of Principal  
Board Audit  
Committee.

**Directorships**  
Chairman of National  
Australia Investment  
Capital Limited.  
Chairman of  
Commonwealth  
Scientific and Industrial  
Research Organisation  
(CSIRO).  
Director of Amcor  
Limited, The Australian  
Gas Light Company and  
Air Liquide Australia  
Limited.



**CM Walter (Catherine)**  
LLB (Hons) LLM MBA  
FAICD  
Independent Non-  
Executive Director  
Age 47  
Appointed 1995

**Experience**  
20 years as a solicitor, 8  
years as a partner in the  
firm Clayton Utz, until  
1994, including a period  
as Managing Partner of  
the Melbourne office.  
Member of Principal  
Board Audit  
Committee.  
Member National  
Australia Financial  
Management Limited  
Audit Committee.

**Directorships**  
Director National  
Australia Financial  
Management Limited.  
Director of the  
Australian Stock  
Exchange Limited,  
Melbourne Business  
School Limited,  
Transport Accident  
Commission, Orica  
Limited, Victorian  
WorkCover Authority  
and Vodafone Pacific  
Pty Limited and a  
council member of the  
University of  
Melbourne.



**TP Park (Tom)**  
BSc MBA  
Independent Non-  
Executive Director  
Age 52  
Appointed 1996

**Experience**  
25 years in the food  
industry, 12 years as  
Managing Director of  
Kraft Foods Limited.  
Currently Executive  
Vice President North  
Asia, South-East Asia,  
Australia and New  
Zealand.



**GJ Kraehe (Graham)**  
BEC  
Independent Non-  
Executive Director  
Age 57  
Appointed 1997

**Experience**  
34 years in the wine,  
automotive and  
diversified  
manufacturing  
industries. Appointed  
Managing Director and  
Chief Executive Officer  
of Southcorp Limited in  
1994.



**ED Tweddell (Ed)**  
BSc MBBS (Hons)  
FRACGP FAICD  
Independent Non-  
Executive Director  
Age 58  
Appointed 1998

**Experience**  
23 years in the  
pharmaceutical and  
health care fields.  
Appointed Group  
Managing Director and  
Chief Executive Officer  
of FH Faulding & Co  
Limited in 1993.

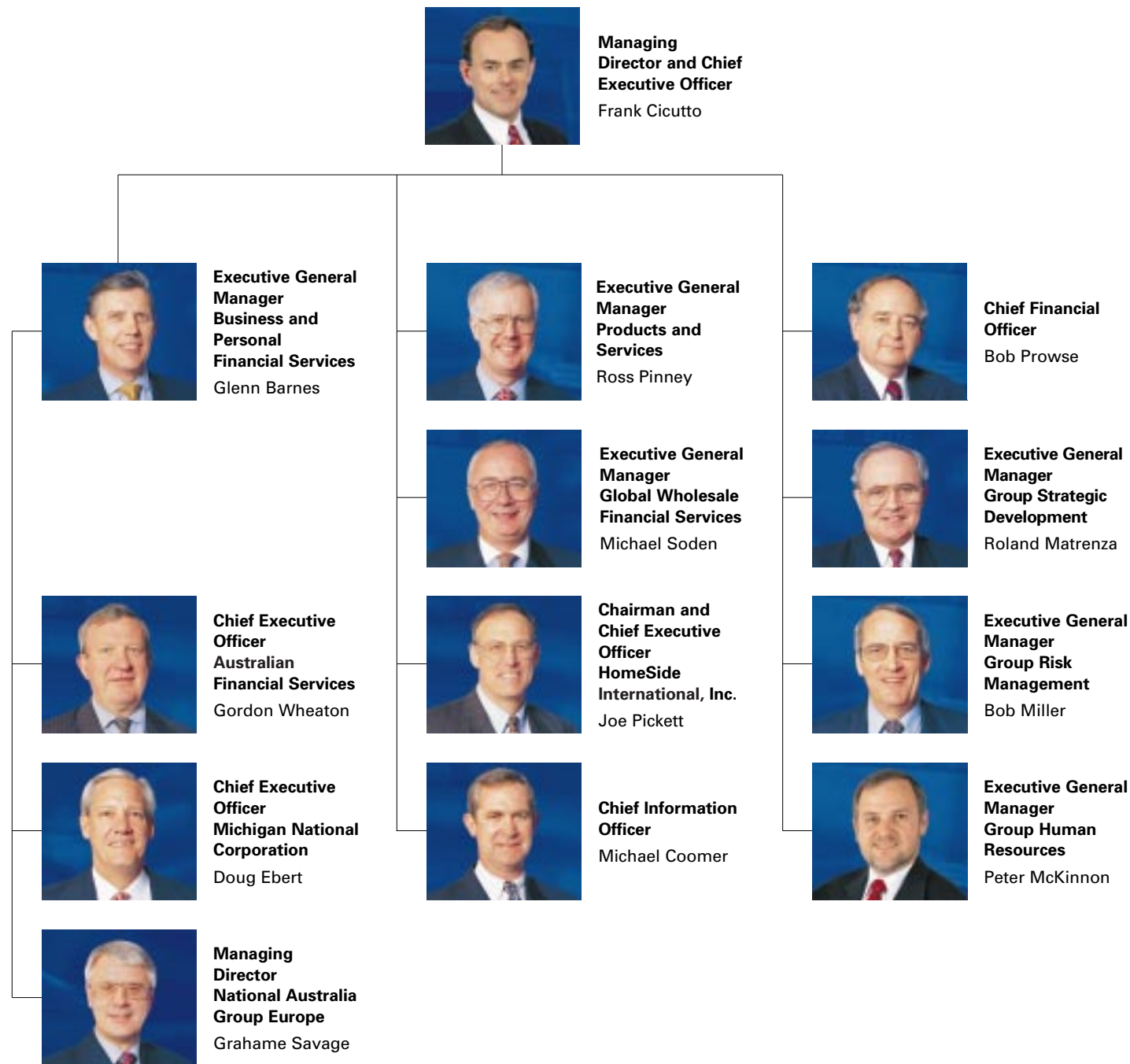
**Directorships**  
Chairman of Faulding  
Inc. in the United  
States of America.  
Chairman, Adelaide  
Festival.  
Director of subsidiaries  
in the Faulding Group in  
Australia/New Zealand,  
Asia, Europe and North  
America.



**WF Blount AM (Frank)**  
BS (Elect.Eng) MBA  
(Mgmt) MS (Mgmt)  
Independent Non-  
Executive Director  
Age 61  
Appointed 1999

**Experience**  
Extensive experience in  
the telecommunications  
industry. Appointed  
Chief Executive Officer  
of Telstra in 1992, a  
position he held until  
March 1999. Prior to his  
appointment he was  
Group President AT&T.

**Directorships**  
Director of Broken Hill  
Proprietary Company  
Limited (BHP) and  
Pioneer International.  
Director Entergy  
Corporation, First Union  
National Bank of  
Georgia, Caterpillar Inc  
and Adtran Corp in the  
United States and  
Alcatel in France.



The past decade has clearly been one of outstanding success for our Group. It has also prepared us well for the dramatic changes expected in the next. In the past year profit after tax before abnormal items increased 12.3% to \$2,821 million. This was our seventh successive record profit. During the past decade our net profit has increased by an average of 16% per annum.

Consistent earnings, a strong credit culture, a healthy return on equity and prudent investment to underpin future growth have always been the hallmarks of the National. More recently, we have added to this the rapid globalisation of our operations, a sustained focus on efficiency in all our operations and the acceleration of our e-commerce involvement. The pace of change has increased dramatically.

The changes we are making in the way we deliver banking and financial services – whether in Australia, Europe, the United States, New Zealand or Asia – are welcomed enthusiastically by the majority in the communities we serve, for the enhanced service, convenience and value they provide. Conversely, however, some are discomfited, even threatened, by the pace of change. Understandably, these changes are attracting increased

public scrutiny and often criticism.

The challenge for industry leaders such as the National is to ensure that the nature and impact of the changes it is implementing, and the reasons for them, are both understood and valued by its key stakeholders.

The National is operating in one of the world's most competitive and rapidly transforming industry sectors. Few industries match banking and financial services in terms of the pace and extent of change in their structure, participants, technology and variety of products and services. To consistently deliver record profits in such an environment reflects well on the core strategies, operating skills and management depth of the National.

Against this background, it is reassuring that the fundamental strategy of the National is largely unchanged since it was first articulated in the second half of the 1980s.

The National seeks to be a pre-eminent global provider of banking and financial services under strong brands in geographically diverse, developed economies which have generally similar cultures, language, and legal and political systems.

It endeavours to generate strongly growing, diversified earnings streams by providing a wide range of products and services in each of the regions in which it operates, to realise the economies of scale offered by its combined customer base. At the same time it seeks to achieve the scale which will make it a leading participant in each of the regions it serves.

This scale will be achieved both by organic growth of its existing operations in each region and by acquisition. Acquisitions will be undertaken to expand the customer base or to introduce into the Group new capabilities, skills and products which complement and strengthen its existing activities and services. Frequently, an acquisition can fulfil both objectives. However, acquisitions will only be undertaken when they can be anticipated confidently to create value for our shareholders.

Over the past decade the National's approaches to the implementation of this strategy have been progressively refined.

Perhaps the most significant refinement has been the recent development and deployment of the National Business Model, which has reorganised the Group on a global line of business,

rather than a regional basis. The deployment of the model is progressing on schedule.

Within this Business Model best practices are being transferred between regions, and global product specialists have been established or, where appropriate, acquired as going concerns.

The latest phase in this process of strategy implementation involves the transformation of the National to a digital, web-based environment.

An important element of the Group's strategy and a key feature of the National's success in recent years has been its ability to reduce its dependency on interest income. The combination of lower interest rates and intense competition in the Group's markets has resulted in reduced interest margins.

The Group has long anticipated this trend and has moved to reduce the impact on its profits by aggressively developing diversified streams of non-interest income. It has steadily increased its involvement in businesses that have substantial fee income potential. In the past year the National earned nearly 43% of its income from non-interest sources such as fees from mortgage servicing in the

United States, treasury income and fees from the marketing of a variety of innovative financial services products. It has an objective of achieving at least 50% of its income from non-interest sources.

Two examples illustrate this point. The acquisition of HomeSide International, Inc. – one of the largest mortgage servicers in the United States – provided \$536 million in mortgage origination and servicing fees for the Group during the past year. Similarly, the Group increased its financial services income last year from businesses such as custodial services, funds management and superannuation, by 19.4%.

The National recognised some years ago that banking and financial services would become global markets with little difference between the types of products and services demanded throughout the world's developed economies. The Group also believed that technology would enable global production and marketing of its products and services. It realised these trends would encourage the formation of large banking and financial services conglomerates competing throughout the world.

The National has demonstrated an unusual capacity to successfully acquire and manage operations in a variety of countries. This will be a key capability in the years ahead as the industry continues to globalise and competition intensifies. Importantly, the National is developing the ability to market common products and services to its estimated nine million customers throughout its worldwide Group network.

This ability is being enhanced by the National's growing investment in web-based technologies and e-commerce and its own information technology expertise. This combination of a multinational customer base, growing e-commerce capability and increasing globalisation of its operations will be one of the keys to the National's future growth.

The security of earnings flowing from its geographic diversification is emphasised by the fact that the National now earns 50% of its income outside Australia. Its ability to rapidly integrate acquisitions and gain revenue benefits from them is evident from the first full year's contribution of HomeSide. In its debut year with the Group, HomeSide contributed \$153 million to consolidated profits.



*The National's Financial Solutions Kiosk at Coles Southland, Melbourne, Australia is a National initiative that provides convenient financial services.*

The benefits of the Group's international acquisitions are not simply the quantitative addition to revenues and profits from the current operations of the acquired businesses – impressive as these have been. The National's overall growth strategy also seeks significant synergy benefits from its various acquisitions.

During the past year the globalisation of banking and

financial services has continued unabated. Major bank mergers were announced in the United States, Europe and Asia. The repeal of the Glass-Steagall legislation in the United States is expected to set off a new round of consolidation in the finance sector.

Australia will not remain insulated from these forces. For the size of its economy and population it is

heavily 'overbanked'. This curtails efficiency and imposes substantial but unnecessary extra costs, which ultimately flow to the consumer.

It is unfortunate that the Federal Government maintains its ban on mergers between Australia's major banks. This seems inconsistent with worldwide trends and runs the risk that no Australian-based bank will be able



to achieve the domestic scale required to build a truly global business. It also appears to be inconsistent with Australia's ambition to be a regional banking and financial services centre. Indeed, it is likely over time to lead to a loss of talent and expertise from Australia as its domestic banks become less relevant and less competitive in the world industry.

While international banks and financial services groups have been growing in size, they have also been turning increasingly to new forms of electronic product and service distribution, and particularly to the use of web-based technologies.

Whilst the National is investing heavily in these new distribution channels to remain competitive, it must still maintain its traditional branch network, particularly in Australia. However, it is critically significant that in the past year, less than 20% of its total transactions occurred in its branches, which only a decade or so ago handled virtually 100% of its business.

The emergence of very large, globally focused institutions is literally redefining the way banking and financial services are being developed and marketed across the world.

The National has estimated that 'non traditional' sources of bank revenue such as asset management, risk protection and insurance products will account for about 50% of our industry's profitability within the coming decade.

These trends underlie and reinforce the concentration of the National on building an international portfolio of banking and financial services assets that can be managed to generate high returns individually, organised to provide a collective customer base for economies of scale in global marketing efforts, or leveraged for the building of a larger global presence.

During the past year, the National ran all of its key businesses and services on a global basis for the first time. This was a most significant achievement and was a further demonstration of the Group's ability to garner benefits from globalisation.

As an important illustration of this success, all of the National's information technology operations are now managed by a single global unit, National Services Information Technology Enterprises. During the year, this unit used the global operating model to substantially improve its efficiency. The National is

now recognised as being in the top 10% of all companies worldwide for the efficiency of its mainframe information technology operations. The National gains significant benefits from this leadership in information technology efficiency, not the least being its ability to successfully develop and manage the e-commerce strategy of the Group.

The Group has developed and begun to implement an electronic commerce strategy that has three key elements – Intranet, Internet and 'business- to-business'. During the past year each of these was progressed as part of an overall strategy to ensure the Group is fully equipped to utilise the operational and marketing benefits offered by major technology advances.

While attention is usually focused on the extent to which the Internet is employed as a product and service distribution channel to individual consumers, the National believes a comprehensive e-commerce strategy requires at least equal attention to other areas, particularly the use of electronic distribution to service business clients and to reduce internal costs. The National now has over 100,000 Internet and PC banking customers globally.

This broad area will continue to be a major focus of the Group in the coming year.

The pace of change in its operating environment and organisation structure has inevitably placed great pressure on the people of the National everywhere. Directors recognise the remarkable contribution of all its staff members throughout this diverse Group. The workload required to successfully manage the transition to a global organisation in one of the world's most competitive industries is immense. It requires great commitment and skill – both of which have been displayed in outstanding measure by the people of the National.

During the year Mr Frank Cicutto was appointed Managing Director and Chief Executive Officer of the National Australia Bank Group. He succeeded Mr Don Argus who completed a remarkable 44 year career with the National.

Directors, his senior management colleagues and the staff of the National Australia Bank Group sincerely thank Don Argus for his service and for his accomplishments, particularly during his term as CEO. We wish him every success in the future.

In accordance with the Company's Constitution, in May

1999 Mr Brian Loton retired from the Board on attaining the age of 70. Mr Loton joined the Board in 1988 and became a Vice Chairman in 1992. His significant contribution is greatly appreciated.

Mr Frank Blount was appointed as a Director during the year. Mr Blount was Group President of AT&T prior to his appointment as Chief Executive Officer of Telstra Corporation Limited in 1992.

### The Year Ahead

In Australia, economic activity appears to have strengthened since mid 1999 with few signs of wage and price pressures. Gross Domestic Product growth is expected to be around 3% for the next 12 to 18 months with underlying inflation, excluding the once-off impact of the new taxation system, to show only a modest increase.

The Group's strategic focus will continue to be on leveraging shareholder value from its unique international business portfolio. Value will be generated through the growth of current market share and thus revenue in the existing business; the expansion of the Group's global production and marketing capability through the National Business Model; and

appropriate acquisition of new businesses, where this creates adequate value for shareholders. There will also be increased attention to the value of alliances in furthering the Group's development.

The National has ensured that its balance sheet provides maximum flexibility for expansion, through acquisition or organic growth. Should worthwhile acquisition opportunities in Australia or overseas not present themselves in the shorter term, the alternative avenues of active capital management will be pursued.

The Group is well placed to grasp a range of opportunities and has a mix of capital, revenue, market share, people and geographic spread of assets that is unique. This gives your Board confidence in the continued success of the National in the year ahead.

MR Rayner  
Chairman

FJ Cicutto  
Managing Director

# Business and Personal Financial Services

Business and Personal Financial Services is the National's integrated retailing function dedicated to providing customers with the optimum combination of global knowledge and local experience in financial services.

These retail operations are managed in several global business portfolios. These include:

## Global Business Financial Services

Global Business Financial Services is comprised of three customer segments, namely Custom, Package and Agribusiness. This structure ensures that there is a global

The Package Business Financial Services segment is being created to focus on the financial needs and business solutions of small businesses and sole traders. The aim is to integrate interactive financial solutions, advice management and information across multiple channel access points for our business customers' major personal and business life cycle events.

We are committed to the agribusiness sector and by establishing and implementing a truly global Agribusiness Financial Services division we are aiming to further strengthen and deepen our relationship with this key industry sector and customer base.

Bankers, Financial Planners and Mobile Mortgage Managers.

We want all of our premium and private customers – wherever they are around the world – to find us convenient and enjoyable to deal with and to experience a seamless delivery of the best and most appropriate financial solutions.

In Australia we have successfully introduced the Area Integrated Market initiative over the past 18 months.

As an example of the success of the premium platform in Australia, we have achieved over \$2.5 billion of total financial services sales in the past financial year through our network of over 200 financial planners.

The development and rollout of Private Banking throughout Asia Pacific, covering Australia, New Zealand and the main commercial centres of Asia, is in a rapid growth phase with around 30 Private Banking suites and a number of satellite offices in place throughout the region.

Europe and the United States, in particular, offer exciting prospects for Private Banking given the potential of these



*Personal Investment Consultant, Penny Carroll (left), discusses investment options, including National Income Securities, with retirees at the National's new Financial Services Centre in Hawthorn, Australia.*

## The National combines global knowledge with local experience

and consistent approach to this key customer base.

Custom Business Financial Services is our largest revenue and profit contributor, and is focused on providing tailored solutions to meet the financial needs of our sophisticated medium to large business customers.

## Global Premium and Private Financial Services

Global Premium and Private Financial Services is focused on building relationships with high net worth individuals through teams of specialist financial professionals such as Private Bankers, Personal and Executive

markets. Leveraging the experience in the Asia Pacific region, it is our intention to aggressively develop capabilities in these regions, looking to identify and strengthen relationships with existing high net worth customers and acquire new Private Banking customers.

## Retail Financial Services and Channel Management

Retail Financial Services provides for the core financial services needs of 6.8 million customers and provides transactional support to all segments. The Channel Management function is responsible for integrated distribution of financial services across channels, including customer response centres,

ATMs and the development of online Internet services.

Across the National, the focus of distribution has shifted from traditional branches to differentiated outlets focusing on the individual needs of customers and the convenience of 2,703 ATMs, six major call centres and leading transactional Internet capabilities.

# Products and Services

Products and Services is a diverse global operation. It consists of six global product specialist units, a global product management function and a range of shared services including operations, collections, corporate real estate, strategic sourcing and re-engineering.

By combining product specialists, product management and shared services, Products and Services is able to drive end to end performance utilising a value chain approach.

A single manufacturing platform lowers the cost to serve customers. It also provides for the delivery of quality solutions and transference of best practices, satisfied customers and increased shareholder value.

established – Global Collections and Global Investment and Insurance (which includes National Australia Financial Management, County Investment Management, National Australia Asset Management and National Australia Life business operations).

The key for Products and Services is to build once globally; to utilise our scale, functional expertise and global customer base to drive efficiencies, convergence and lower unit costs.

This process is already delivering real benefits. Our Group Collection Centre in Leeds is now exporting its best practice debt collection processes throughout the Group. This expertise is currently being leveraged in

Europe. Global Securities Services is also exporting the successful Master Custody capability to the United Kingdom.

The Products and Services Leadership Team has summarised the key financial objectives ahead in terms of a simple '30/80/100/200' framework:

- 30% reduction in unit costs by 2001
- 80% product and process convergence by 2001
- 100% achievement of service standards
- doubling profit by 2001.

These objectives are also underlined by the fundamental requirement of Products and Services to assist the retailers achieve their profit objectives.

A major effort has been made to communicate these objectives to Products and Services employees around the globe as well as to focus on performance management and employee development programs.

## International transfer of best practices provides quality financial solutions

The past 12 months have seen Products and Services make globalisation a reality at the National. The National Business Model has been substantially implemented with global lines of business managing product development and processing on a global basis. During the year, two new lines of business were

Australia and New Zealand as we restructure our operations in these areas.

Similar best practice transfers are occurring throughout Products and Services. The highly successful New Zealand Gold Card upgrade strategy has been successfully exported to Australia and is now being implemented in

*HomeSide International's online site allows customers in the US and overseas to obtain information about its mortgage services from the comfort of their home.*



# Global Wholesale Financial Services

Global Wholesale Financial Services is responsible for the Group's 1,500 major corporate and institutional relationships worldwide. Incorporating debt markets, corporate finance, foreign exchange, money market, financial risk management, and project and structured finance activities, Global Wholesale Financial Services operates across four continents and 21 financial centres.

We expanded our capability in interest rate and foreign exchange products and introduced commodity risk management and credit derivatives to meet customer needs. Project finance was established in Europe and

will shortly be introduced into the United Kingdom to give our customers more efficient access to foreign exchange services and to assist us in acquiring new customers.

The National achieved a world first by executing the first official Euro transaction following its launch on 1 January 1999.

Our continued focus on enhancing return on equity, together with the growing demand by both borrowers and investors for a broader range of debt instruments, has seen the further development of the Group's debt markets capability.

Of particular note was the establishment of Titan Securitisation Limited, which

Global Wholesale Financial Services continues to pursue a relationship management strategy and is currently in the process of repositioning the Corporate and Institutional Services team along industry sector lines.

To ensure that the wholesale business platform is continually developed to efficiently meet the changing needs of our business, the functional responsibilities within Global Wholesale Financial Services have been formed into a dedicated support services group.

Over the year, various industry surveys noted our market leading capabilities in:

- Relationship management in Australia and New Zealand
- Project finance in Asia Pacific
- A\$ cross currency swaps globally
- Interest rate and currency risk management products in Australia.

This is an indication of both the National's success in the past and the capabilities we have to grow our business in the future. Our focus continues to be return on equity, efficiency gains and deepening relationships with corporate and institutional clients.

## The National focuses on strengthening corporate and institutional relationships

structured finance extended in the United States.

Following the successful launch of FX Autodealing in Australia and New Zealand, this electronic foreign exchange dealing system

enabled us to securitise assets in Australia, and our United States Reg Y capability, which when fully licensed, will enable us to sell securities to investors in the US.



*At Country Road's Head Office in Melbourne, Australia, Christian Paterson, Jane Merrick and Sarah Hill utilise the National's online services.*

# National Services Information Technology Enterprises

National Services Information Technology Enterprises (formerly Global Information Technology) is responsible for the technology infrastructure and systems that support the Group's business and keep our customer data secure. We create shareholder value by enhancing the return from the Group's information technology resources.

Globalisation has been the focus throughout the year and will continue to be in 2000. As the National strives to become a truly global player, technology becomes a critical component of the delivery chain in an increasingly complex and sophisticated environment.

This was evidenced by the number of innovative projects undertaken throughout the year, including:

- The successful implementation of a foreign exchange deal capture system for our customers in Australia and New Zealand. This system has given the National market leadership in this specialised area of e-commerce.
- The implementation of a world class 'stand-by' disaster recovery strategy for the Bank of New Zealand. This is a significant achievement for both the Group and our customers. Over the next year we will implement this stand-by strategy in Australia.

- Better use of the existing European ATM and point of sale platform to create a system that will be the basis of all future Mondex launches globally. The system uses the latest chip card technology available in the marketplace today.
- The successful implementation of an online global credit risk exposure system for Global Wholesale Financial Services. This centralised service allows us to manage and monitor credit limits and exposures around the globe.

We have also invested substantial resources in the Group Year 2000 Program and the introduction of the Euro.

This year, we have once again proven that our data centres are among the most cost effective in the world, retaining our position in the top decile globally.

## Investment in technology enhances customer support

Our strengths lie in the capabilities of our people and our ability to leverage this globally.

- A sophisticated, front office, real-time, treasury deal capture and position keeping system has been implemented in three major Asian financial centres.



*National customers in the UK can access financial services electronically through the latest information technology.*

# Community Relations

The major changes underway in the global banking and financial services sector are having a significant impact on the staff and customers of the National, and also on the Group's other key stakeholders including shareholders and the communities where the National conducts its various businesses. Understanding and responding to the various needs and interests of its stakeholders is what the National believes constitutes its 'Corporate Social Responsibility'.

A socially responsible company is one that attends not only to the need to run efficient and profitable businesses in a commercial sense. It also endeavours to run its businesses in a manner consistent with general public

throughout the Group. The results were pleasing. The review confirmed that a number of highly innovative and important community relations programs are already underway, throughout the Group. These will form the basis of its plans to expand considerably and enhance its community relations effort.

The Group intends to focus on four key community relations activities: community consultation; the involvement of employees in community projects; community investment; and partnerships with major community service and volunteer organisations. It will integrate a number of the highly successful community projects currently underway in Australia, New Zealand, the United Kingdom

a unique series of projects that promotes the value of community service and volunteer organisations. It includes the largest volunteer awards program in Australia and a series of partnerships with some of Australia's leading community organisations such as the Red Cross, Salvation Army, City Missions Network and the Australian Conservation Foundation.

- Michigan National's highly innovative Community Action Plan, which includes the provision of credit and services to low and moderate income neighbourhoods. This approach may well provide a model for other areas of the Group, given the fact that access to financial services is a significant issue in all developed economies.
- Various programs involving volunteers from Group Banks, which highlight the potential of 'community outreach' activities as key components of community relations. Yorkshire Bank is a founding member of Leeds Cares which provides employees within the company the opportunity to support disadvantaged community groups. In Australia, the National offers its high potential managers the opportunity to assist 12 leading community organisations with their strategy

development, marketing, financial control and human resource management.

- Partnerships with community organisations which address issues as diverse as low cost housing, substance abuse, effective parenting and environmental protection. This is another key aspect of the National's community relations. In New Zealand, concern about the potential extinction of the kiwi led to a joint program involving the Bank of New Zealand, the Department of Conservation and the Royal Forest and Bird Protection Society. In Scotland, Clydesdale Bank has a major partnership with Historic Scotland, the Government agency responsible for the maintenance of Scotland's monuments and historic buildings.

The Group plans to use the learning gained from these various activities and combine them into a concerted community relations effort under the banner of an expanded National CommunityLink. This will be supported by direct consultation with community service and volunteer organisations throughout the Group's key operating areas.

## The National is actively involved in communities around the world

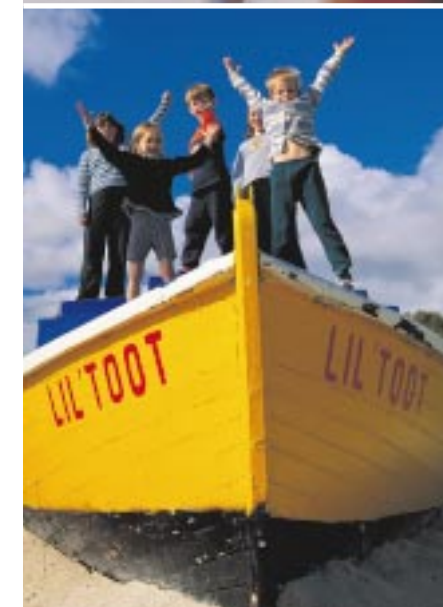
expectations of an ethical and fair organisation and one prepared to assist in addressing community issues.

A key objective of the National is to operate as a socially responsible corporation and to earn community recognition for doing so. During the year it completed a major review of community relations activities

and the United States into a common approach to community relations.

Some of the key programs forming the basis of the Group's community emphasis include:

- National CommunityLink, a program developed in Australia which will be extended to all areas of the Group in the coming year. CommunityLink is



Top, Emma Carney, Australian triathlete, is a proud member of Team National.

Bottom left, The National's CommunityLink Program supported a local initiative to build the Yoganup Regional Playground at Busselton, Western Australia.

Bottom right, The Bank of New Zealand is involved in the Kiwi Recovery Program.

# Key Business Units

## Australian Group

Profit after tax before abnormal items for the Australian Group increased 7.3% over the previous year.

The major business unit is Australian Financial Services which lifted its profit after tax before abnormal items by 2.3% to \$1,435 million.

Total net loans and acceptances increased by 6.3% to \$105.6 billion and home lending rose by 11.1% to \$42 billion during 1999.

The year's highlights include:

- Business Financial Services continued to meet the needs of customers through a strong relationship management strategy that links Business Bankers with other key product specialists. Core improvement plans were focused on building a better management platform for the Custom, Agribusiness and Package Business segments. As part of this, two core products were launched – the National Commercial Mortgage (a lending product for small businesses) and the Farm Deposit Management Account (to meet the seasonal requirements of agribusiness customers).
- The National began trialling a number of convenience banking initiatives in outlets located in

southern metropolitan Melbourne, Australia. Additional staff have been hired to demonstrate the benefits of convenience banking facilities.

- In April 1999, the National became the preferred financial services provider to the Institute of Chartered Accountants in Australia, launching an affinity package (including a co-branded Visa Gold Credit Card) to the Institute's 40,000 members, postgraduates and students.
- Over the past 12 months, the National has expanded its Private Banking network, establishing seven new Private Banking suites, satellite offices and specialist and investment services units. The National now has 16 Private Banking units throughout Australia, and significant specialist services have been added in the areas of estate and tax planning and specialised financial planning.

The National's wealth creation entities in Australia comprising National Australia Financial Management, National Australia Asset Management and County Investment Management had a successful year. Operating profit for 1999 increased by 11.1% to \$65.5 million.

As at 30 September 1999, total funds under management were \$20.7 billion.

## Clydesdale Bank

Clydesdale Bank's profit after tax before abnormal items decreased by 8.4% to \$262 million this year.

The current year profit includes a charge (after tax) of \$55 million (£22 million) in respect of a realignment of the statistically determined general provision across the European entities. Excluding this amount, Clydesdale's profit was £125 million, an increase of 11.6% on the previous year.

Clydesdale performed strongly under increasingly competitive market conditions.

Retail Financial Services contributed the major proportion of profits. Low UK interest rates, combined with an upsurge in the housing market, saw a record £350 million of new mortgages written during the year.

Business Financial Services also performed strongly despite difficult conditions in Scottish agriculture, in which Clydesdale has a significant interest. Increased emphasis on the management of farm accounts, together with the provision of flexible repayment loans geared to cashflow, were among measures taken in support of agribusiness customers.

## Northern Bank

Northern Bank's profit after tax before abnormal items increased by 1.2% to \$171 million. In local currency, the result increased 1.5% to £67 million.

The main thrust of activity during the year was a radical restructure of the Bank which has affected every area of operation.

The branch network has been reorganised into three segments: business, retail and premium, with dedicated staff able to cater for the needs of their customers.

Branch services are now supplemented by dedicated business centres to look after business and agricultural customers. Ten business centres are now in operation and 50 additional business and agricultural relationship managers were appointed.

A Premium Financial Services unit has been established to cater for high net worth individuals.

## Yorkshire Bank

Yorkshire Bank's profit after tax before abnormal items for 1999 was \$343 million (£135 million), consistent with 1998.

Premium Financial Services was launched in Yorkshire Bank in April 1999 and by the end of the year

had written £10 million of mortgage business and opened 700 principal accounts.

In March 1999, Yorkshire Bank was re-accredited with the prestigious 'Investors in People' status, reflecting the value the Bank places on training and developing its people. This is the first time that a UK bank has been re-accredited for the third consecutive year. In addition, the Bank also received its third 'Your Mortgage Award', this time for best regional lender.

Yorkshire Bank's telephone banking service, launched in 1997, continued to grow, with customer registrations in excess of 10,000 per month.

Mortgage outstandings increased by 30% and retail deposits experienced solid growth of 3%.

Asset Finance delivered 16% growth, the fifth successive year of significant growth, with overall business lending increasing by 13%.

## National Irish Bank

National Irish Bank's profit after tax before abnormal items decreased by 6.1% to \$31 million in 1999. In local currency, the result decreased 6.7% to £14 million.

During 1999, National Irish Bank successfully implemented key aspects of the National Business Model, launch of the Euro and a Branch Service Centre.

Financial performance during the year was impacted by these changes and the continuing cost of external investigations arising from various allegations made against certain parts of its operations.

The traditional branch network has been reorganised into three segments: business, retail and premium, with dedicated staff able to cater for the specific needs of their individual customers.

A Premium Financial Services unit has been established to cater for high net worth individuals while dedicated business centres cater for the needs of business and agricultural customers.

## National Australia Life

National Australia Life's profit after tax was \$10 million (£4 million) compared with \$5 million (£2 million) for 1998. New annualised premium income was up 7.7% to £36 million.

In April 1999, National Australia Life launched a new tax free Individual Savings Account (ISA). Investment options available to customers now include equity

## Key Business Units

funds geared to growth or income, a high income bond fund, a sheltered growth equity fund and cash deposits.

### Michigan National

Michigan National's profit after tax before abnormal items increased 12.4% to \$254 million for the current year. In local currency, the result increased 11.6% to US\$163 million.

Solid loan growth in the Custom Business segment, combined with an increase in fee income from non-traditional banking sources, have contributed to the upward trend in profits.

Michigan National mutual funds under management grew 17% during 1999 and now ranks seventh in the state of Michigan with US\$1.5 billion assets under management.

### HomeSide International, Inc.

HomeSide's profit after tax increased 66.3% to \$153 million during 1999. In local currency, the result increased 69% to US\$98 million. The 1999 result reflects HomeSide's first full year with the Group and strong volume growth.

HomeSide's mortgage servicing portfolio grew 26% to US\$146 billion at 30 September 1999.

This growth was fuelled by bulk servicing acquisitions and flow from preferred partners of US\$43 billion and production from wholesale channels of US\$22 billion.

Internet based business-to-business linkages are fundamental to HomeSide's operating strategy. During the year, HomeSide extended this technology to include Internet access for our borrowers and expanded its broker and correspondent origination websites.

HomeSide now services the mortgages of approximately 1.7 million households.

HomeSide is poised to extend its mortgage expertise to Australia and is assessing opportunities in Europe.

### Bank of New Zealand

In a difficult environment Bank of New Zealand achieved a profit after tax of \$302 million, an increase of 7.9% from 1998 (before abnormal items). In local currency, the result increased 12% to NZ\$363 million.

The Bank's Financial Services Group continued to grow with a significant increase in funds under management. Credit Cards continue to perform strongly – one of every two Gold cards issued in New Zealand now comes from Bank of New Zealand.

The wholesale division was a strong performer and was rated as 'Relationship Bank of the Year'. The division led three major syndications including the largest ever New Zealand dollar syndicated facility.

The Business Bank confirmed its pre-eminent position in the market with interest bearing assets increasing by nearly 10% to NZ\$6.7 billion and interest bearing liabilities up 15% to NZ\$3.2 billion.

Bank of New Zealand further modified its distribution network to ensure it is aligned to customer needs. Key initiatives were the establishment of the Private Bank, to service high net worth customers, and the launch of Internet Banking.

### National Australia Bank Asia

The Asian operations achieved impressive growth during 1999. However, a significant rise in profit from wholesale activities and increased business confidence was offset by unfavourable exchange rate movements on translation of the Group's operations in Asia. Profit after tax for 1999 was \$32 million.

The Asian Group continues to focus on developing lasting customer relationships, diversifying income streams and prudent credit quality management.



# Concise Financial Report

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The financial statements and specific disclosures included in this report have been derived from the full financial report. The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the entity as the full Annual Report.

A copy of the full Annual Report of the Company and the Consolidated Entity is available on request without charge at any time from the Company's Share Registry and is also available from the Company's website ([www.national.com.au](http://www.national.com.au)).

# Report of the Directors

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The Directors of National Australia Bank Limited (hereinafter referred to as 'the Company' or 'the National') present their report together with the financial report of the Consolidated Entity, being the Company and its controlled entities, for the year ended September 30, 1999 and the auditors' report thereon.

## Directors

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 included on pages 8 to 9 of the Concise Annual Report.

## Board Changes

Since the previous Annual Report, Mr BT Loton and Mr DR Argus retired as Directors of the Company. Mr Loton retired on May 17, 1999 and had been a Director of the Company since 1988. Mr Argus retired as a Director on May 31, 1999 and had been a Director of the Company since 1989.

Mr WF Blount was appointed as a Director of the Company on March 2, 1999. Mr FJ Cicutto was appointed as Managing Director and Chief Executive Officer of the Company on June 1, 1999.

The Board has recorded its thanks to Mr Loton for his contribution as a Director of the Company during a period of significant growth and globalisation.

Mr Argus joined the National Bank of Australasia in Queensland in 1955 and held a number of branch management appointments. In 1983 he assumed credit risk management responsibility and was appointed Head of Group Credit Bureau in 1986 with global responsibility for major lending exposures. He also led the due diligence team in the National's United Kingdom acquisitions. Following this, he held the appointments of General Manager, Group Strategic Development; Executive Director, Banking; and Executive Director and Chief Operating Officer, before being appointed Managing Director and Chief Executive Officer in October 1990.

Mr Argus led the National during a period of unprecedented change. During his period as Chief Executive, annual operating profit after tax and before abnormal items increased from \$756 million to more than \$2.5 billion; total assets increased from \$94 billion to \$254 billion; and the share price increased from \$5.78 to \$25.46 at the date of his retirement as a Director (having been as high as \$30.28). The Company is now the largest financial institution in Australia, with significant global operations, and is the third largest company in Australia by stock market capitalisation. These developments and successes were achieved during a period of intense competition following deregulation of banking and finance in Australia; and at a time during which many Australian companies considered it necessary to recruit chief executives from the United States and the United Kingdom, in order to manage the pressures of globalisation.

The transition to Mr Cicutto, as the new Managing Director and Chief Executive Officer has been seamless, reflecting the success of Mr Argus in the key responsibility of providing for comprehensive succession planning at all senior levels of management.

The Board of Directors has thanked Mr Argus for his leadership, his strategic insights, his wisdom and his very diligent efforts during a long and distinguished career with the Company. The Board wished Don Argus a long, healthy and happy retirement from the Company, and wished him every possible success in his future roles.

## Indemnification

Since the end of the previous financial year, the Company has not indemnified, or made a relevant agreement for indemnifying, against a liability any present or former officer or auditor of the Company or any of its related bodies corporate as contemplated by subsections 300(1), (8) and (9) of the Corporations Law, other than to enter into deeds providing for indemnity, insurance and access to documents with the Directors of the Company in accordance with a resolution of the shareholders at the Annual General Meeting held on December 17, 1998, and similar deeds in favour of certain officers of the Company and related bodies corporate.

## Insurance

During the financial year, the Company paid a premium under a contract insuring each of certain Group Officers of the Company and its controlled entities against liability incurred in that capacity. Those Group Officers consist of the Directors of the Company, the Company Secretary Mr GF Nolan and other officers of the Company, including certain Excluded Officers within the meaning of that Class Order whose functions include the management of banking operations, financial management, strategic development, risk management and human resources management of the Company and its related bodies corporate.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

The Company has not provided any insurance for an auditor of the Company or a related body corporate.

## 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 Concise Financial Report to the nearest million dollars, except where indicated.

## Principal Activities

The principal activities of the Consolidated Entity during the financial year were banking services, credit and access card facilities, leasing, housing and general finance, international banking, investment banking, mortgage servicing, portfolio management, life insurance, custodian, trustee, and nominee services.

There were no significant changes in the nature of the principal activities of the Consolidated Entity during the financial year.

### Review of Operations

A review of the operations of the Consolidated Entity during the financial year, and the results of those operations are contained in the Year in Review on pages 11 to 15 of the Concise Annual Report.

### Consolidated Entity Results

The operating profit after tax of the Consolidated Entity for the year ended September 30, 1999 attributable to the members of the Company was \$2,821 million, an increase of \$807 million (40.1%) on the previous year's results. Included in the 1998 result was an abnormal loss of \$497 million (after tax) reflecting restructuring costs booked during the year and the financial effect of the adoption of a statistically based provisioning methodology. If the abnormal items are excluded, operating profit after tax attributable to members of the Company increased by \$310 million (12.3%) on the previous year's result. There were no abnormal items included in the current year's result.

### Dividends

Information on the dividends paid and declared to date is contained in Note 4 'Dividends' to the Concise Financial Statements.

Since the mid 1980s the National has embarked on an international expansion strategy to diversify the National's income streams, increase the customer base and realise global economies of scale. By any measurement, this strategy has been very successful for both the National and its shareholders. The National's earnings have continued to grow and this has resulted in increased dividends to shareholders.

However, while significantly increasing shareholder value, this strategy has reduced the capacity of the Company to maintain fully franked dividends. Accordingly, the average franking level for the total dividend for 1999 was 89%. After allowing for the effect of partial franking, the full year dividend growth is 5.5%. Based on current internal estimates, the Company expects that the franking level for future dividends will be in the range of 70% to 75%.

The unfranked component of the final dividend for 1999 is sourced from the Company's Foreign Dividend Account. For the Company's shareholders who are not residents of Australia this means that the unfranked component of the dividend will not be subject to Australian dividend withholding tax.

In its submission to the Ralph Review of Australia's business tax system, the National expressed its concerns with the inefficiencies of the current dividend imputation regime which adversely affect Australian multinational companies. The National's submission outlined possible options to address these inefficiencies. While the Ralph Review, in its report to the Government, acknowledged the concerns, it rejected the reform options on the basis that they would represent a substantial revenue cost to the Australian Government. The National will continue to participate in any future consultations with the Government over this issue and other business tax reform proposals.

### Year 2000

The Board has established a program designed to ensure that the impact of the change to year 2000 on the Consolidated Entity and its

customers is minimised. The details of the program are included on pages 66 to 69 of the full Annual Report.

### State of Affairs

On December 16, 1998, the Company announced a new Share Purchase Plan, which replaced the Share Top Up Plan. Under the new Plan, shareholders have the opportunity to directly purchase shares in the National free of brokerage and stamp duty. It is anticipated that further offers under this Plan will be made at the time shareholders receive future dividends, subject to the Board's discretion.

On March 4, 1999 HomeSide and Bank One Corporation announced an expansion to their strategic alliance to include loan servicing of the US\$18 billion portfolio of First Chicago NBD Mortgage Company.

On June 29, 1999, the Company issued 20 million National Income Securities at AUD\$100 each pursuant to a Prospectus dated May 10, 1999 and a Supplementary Prospectus dated May 19, 1999. National Income Securities are stapled securities, comprising one fully paid Note of AUD\$100 issued by the Company through its New York branch and one unpaid Preference Share issued by the Company. The amount unpaid on a Preference Share will become due in certain limited circumstances (such as if an event of default occurs). If the amount unpaid on a Preference Share becomes due, the holder can, and must, transfer to the Company the Note stapled to that Preference Share. The transfer of the Note to the Company will fully satisfy the holder's obligation to pay up the amount on the Preference Share. The holder will then hold a fully paid Preference Share.

Holders of National Income Securities are entitled to non-cumulative distributions based on a rate equal to the 90 day bank bill rate plus 1.25% per annum, payable quarterly in arrears (a minimum interest rate of at least 6% per annum is payable until May 15, 2000). Should the Preference Shares become fully paid, holders will receive, if declared, a dividend calculated at the same rate and payable on the same basis.

National Income Securities have no maturity date, are listed on the Australian Stock Exchange and on a winding up of the Company rank behind all deposit liabilities and creditors of the Company but ahead of ordinary shareholders for a return of capital.

With the prior consent of the Australian Prudential Regulation Authority, the Company may redeem each Note for AUD\$100 (plus any accrued distributions) and buyback or cancel the Preference Share stapled to the Note for no consideration. This may take place at any time after the fifth anniversary of the issue date of the National Income Securities or earlier in certain limited circumstances.

Interest of 4% per annum was paid on application monies from the date following the receipt of applications until the National Income Securities were issued.

No other significant change in the state of affairs of the Consolidated Entity occurred during the year under review.

### Events after End of Financial Year

No 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 of the Company, has or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

### Future Developments

Disclosure of information relating to likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years which will not result in unreasonable prejudice to the interests of the Consolidated Entity are contained in the Year in Review on pages 11 to 15 of the Concise Annual Report.

### Options

Disclosure of information relating to the granting and exercise of options over unissued ordinary shares are shown in Note 32 to the full financial statements, and Notes 9 and 10 to the Concise Financial Statements. No options have been granted over any other securities or interests of the Company or the Consolidated Entity.

### Remuneration Policy and Relationship to Company Performance

#### Board Members

The fees paid to members of the Principal 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 Director remuneration and the short term results of the Bank. The long term performance of the Bank, relative to other large corporations, is considered among other factors in setting the fee pool, periodically proposed to Shareholders at the Annual General Meeting for approval.

Fees are established annually for the positions of Chairman, Deputy Chairman and Director. 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 Principal Board, including fees paid for Board Committees and Controlled Entity Boards, are kept within the total approved by shareholders from time to time. Non-Executive Directors are not eligible to receive performance based incentive payments or share options.

Board fees are not paid to Executive Directors since the responsibilities of Board membership are considered in determining the remuneration provided as part of their normal employment conditions.

#### Senior Executives

The Company operates in a variety of different countries and different business segments so it is necessary to consider

remuneration for executives in the context of the different geographic and specialist remuneration markets in which the company competes for top executive talent.

Senior executives have a direct impact on the performance of the Company 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 National is able to attract and retain the best available executive talent.

Remuneration for senior executives of the Company is determined in accordance with remuneration structures set by the Board. The Board receives advice on the level and form the remuneration should take from the Company'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 Company, the individual business unit and the individual executive. The weighting of these components varies depending on the nature of the specific executive role. This aspect of the reward program looks back at actual achievements over the past year.

The performance of the Company 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.

- Long Term Incentive

This is paid currently through the issue of executive share options and links the reward of the executive directly to the growth in the Company's share price. This aspect of the reward program focuses the executive on the future performance of the Company over the next three to five years.

Before executive share options can be exercised a performance hurdle must be met. The hurdle set by the Board for recent option issues is among the most demanding that the Board is aware of in the Australian corporate environment.

The Company aims to be competitive in each of these three components in each of the various geographic and specialist remuneration markets in which the Company 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 with particular focus on the long term incentive.

#### Directors' and Executives' Benefits

Directors' related party disclosures are set out in Note 45 to the full financial statements.

## Report of the Directors (continued)

Directors' and executives' remuneration disclosures are set out in Notes 9 and 10, respectively, to the Concise Financial Statements.

### Directors' Meetings

The number of Directors' meetings held (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year were:

Directors	Scheduled Directors' Meetings of the Company		Audit Committee Meetings of the Company		Directors' Meetings of Controlled Entities		Additional Meetings <sup>(1)</sup>
	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held <sup>(2)</sup>	No. of Meetings attended
MR Rayner	12	12	5	6	18	18	16
DK Macfarlane	12	12	6	6	17	17	11
BT Loton <sup>(3)</sup>	7	7	—	—	5	5	14
DR Argus <sup>(4)</sup>	8	8	—	—	12	12	6
DCK Allen	11	12	5	6	21	22	8
WF Blount <sup>(5)</sup>	7	7	—	—	7	7	6
FJ Cicutto	12	12	—	—	17	17	15
CM Deeley	11	12	6	6	8	10	26
GJ Kraehe	11	12	—	—	10	10	3
TP Park	11	12	—	—	9	10	14
ED Tweddell	12	12	—	—	10	10	13
CM Walter	11	12	5	6	17	19	19

<sup>(1)</sup> Reflects the number of additional formal meetings attended during the year by each Director, including unscheduled Directors' Meetings and Committee Meetings (other than the Audit Committee).

<sup>(2)</sup> Reflects the number of meetings held during the time the Director held office during the year. Where an 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 entity during the year.

<sup>(3)</sup> Mr BT Loton retired as a Director of the Company on May 17, 1999.

<sup>(4)</sup> Mr DR Argus retired as a Director of the Company on May 31, 1999.

<sup>(5)</sup> Mr WF Blount commenced as a Director of the Company on March 2, 1999.

### Directors' Interests

The table below shows the interests of each Director in the issued and paid up capital of the Company and registered schemes of the Consolidated Entity as at the date of this report:

	Ordinary Shares		Options over Ordinary Shares Held Beneficially	National Income Securities		Registered Schemes	
	Held Beneficially	Held Non-Beneficially		Held Beneficially	Held Non-Beneficially	Held Beneficially	Held Non-Beneficially
MR Rayner	20,888	—	—	—	—	—	—
DK Macfarlane	5,137	—	—	—	—	—	—
DCK Allen	11,528	—	—	—	—	—	—
WF Blount	2,000	—	—	—	—	—	—
FJ Cicutto	33,882*	—	1,100,000	—	—	—	—
CM Deeley	26,677	—	—	1,000	—	—	—
GJ Kraehe	11,811	—	—	670	—	—	—
TP Park	12,933	—	—	—	—	—	—
ED Tweddell	2,263	—	—	—	—	—	—
CM Walter	14,096	—	—	400	—	—	—

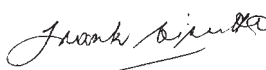
\* includes Staff Share Scheme Issues.

All of the Directors have disclosed interests in organisations related to the Consolidated Entity, and are to be regarded as interested in any contract or proposed contract that may be made between the Company and any such organisations.

Dated at Melbourne, Australia this 4th day of November, 1999 and signed in accordance with a resolution of the Directors.



MR Rayner



FJ Cicutto

## Selected Financial Data for Five Years

	<i>Consolidated</i>				
<i>For years ended September 30</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>
<i>Dollars in Millions unless otherwise stated</i>					
<b>Profit and Loss Information</b>					
Interest income	15,066	15,427	12,936	12,088	10,169
Interest expense	9,000	9,569	7,578	6,958	5,646
Net interest income	6,066	5,858	5,358	5,130	4,523
Charge to provide for doubtful debts	540	572	332	333	116
Net interest income after provision for doubtful debts	5,526	5,286	5,026	4,797	4,407
Other operating income	4,563	3,953	2,909	2,631	2,447
Other operating expenses	5,948	5,516	4,619	4,366	4,008
Operating profit before abnormal items	4,141	3,723	3,316	3,062	2,846
Abnormal items	–	(749)	–	–	33
Operating profit	4,141	2,974	3,316	3,062	2,879
Income tax expense (benefit) attributable to:					
Operating profit	1,321	1,211	1,095	959	906
Abnormal items	–	(252)	–	–	–
Total income tax expense	1,321	959	1,095	959	906
Operating profit after income tax	2,820	2,015	2,221	2,103	1,973
Outside equity interests in operating profit after tax	(1)	1	(2)	1	4
Operating profit after income tax attributable to members of the Company	2,821	2,014	2,223	2,102	1,969
<b>Underlying Profit</b>					
Operating profit before tax, doubtful debt expense, abnormal items and goodwill amortisation	4,887	4,476	3,790	3,532	3,054
Goodwill amortisation	(206)	(181)	(142)	(137)	(92)
Underlying profit	4,681	4,295	3,648	3,395	2,962
<b>Selected Balance Sheet Information</b>					
Loans and advances (after provision for doubtful debts)	165,620	160,001	131,036	111,963	91,538
Total assets	254,081	251,714	201,969	173,710	148,123
Risk weighted assets	194,269	197,057	154,309	133,313	108,985
Deposits and other borrowings	162,468	158,084	128,469	109,158	88,529
Perpetual floating rate notes	383	421	347	424	459
Exchangeable capital units <sup>(1)</sup>	1,262	1,262	1,262	–	–
Bonds, notes and subordinated debt	13,437	15,115	9,569	6,958	4,067
Ordinary shares	6,611	5,942	1,413	1,477	1,429
Equity instruments	2,675	733	–	–	–
Issued and paid up capital	9,286	6,675	1,413	1,477	1,429
Shareholders' equity <sup>(2)</sup>	18,520	15,761	12,579	12,519	11,381
<b>Share Information</b>					
Dividends paid/payable	1,655	1,467	1,367	1,276	1,173
Earnings per share (before abnormal items) (\$) <sup>(3)</sup>					
– basic	1.87	1.75	1.52	1.45	1.39
– diluted	1.82	1.71	1.49	1.43	1.38
Earnings per share (after abnormal items) (\$) <sup>(3)</sup>					
– basic	1.87	1.40	1.52	1.45	1.41
– diluted	1.82	1.38	1.49	1.43	1.40
Cash earnings per share (before abnormal items) (\$) <sup>(3)(4)</sup>					
– basic	2.01	1.87	1.61	1.54	1.45
– diluted	1.95	1.83	1.58	1.52	1.44
Dividends per share (\$) <sup>(5)(6)</sup>	1.12	1.02	0.94	0.87	0.83
Share prices for the year (\$)					
– High	30.28	23.50	22.85	13.30	12.54
– Low	18.99	16.87	13.15	10.98	10.16
– End	22.43	20.39	21.22	13.30	11.70

## Selected Financial Data for Five Years (continued)

For years ended September 30	Consolidated				
	1999	1998	1997	1996	1995
	%	%	%	%	%
<b>Selected Financial Ratios</b>					
Operating profit (before abnormal items) as a percentage of:					
Average total assets	1.1	1.1	1.2	1.3	1.4
Average ordinary shareholders' equity	17.3	17.8	16.7	17.0	17.8
Year end total assets	1.1	1.0	1.1	1.2	1.3
Year end ordinary shareholders' equity	17.3	16.7	17.7	16.8	17.0
Operating profit (after abnormal items) as a percentage of:					
Average total assets	1.1	0.8	1.2	1.3	1.4
Average ordinary shareholders' equity	17.3	14.3	16.7	17.0	18.1
Year end total assets	1.1	0.8	1.1	1.2	1.3
Year end ordinary shareholders' equity	17.3	13.4	17.7	16.8	17.3
Cash return (before abnormal items)					
as a percentage of average tangible shareholder's equity <sup>(7)</sup>	22.8	22.9	21.2	21.1	21.4
Dividends as a percentage of operating profit <sup>(8)</sup>	60.2	73.1	61.5	60.7	59.6
Average shareholders' equity as a percentage of average total assets	6.7	5.9	7.1	7.5	8.0
Capital: risk asset ratios					
– Tier 1	7.8	6.4	6.8	7.6	9.2
– Tier 2	2.9	3.1	2.2	1.9	2.6
– deductions	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
– Total	10.4	9.2	8.7	9.3	11.6
Average net interest margin	3.00	3.17	3.53	3.93	4.21

## Other Information (Numbers)

Consolidated Entity Branches and business outlets	2,339	2,349	2,421	2,513	2,356
Consolidated Entity Staff					
– full time and part time	51,566	50,973	52,226	52,912	52,567
– full time equivalent	45,676	46,300	46,422	47,178	45,585

<sup>(1)</sup> The Exchangeable Capital Units of US\$1 billion are recorded in the concise financial report at the historical rate of 0.7923

<sup>(2)</sup> Excludes outside equity interests.

<sup>(3)</sup> Refer to Note 1 for details of the effect of the change in accounting policies.

<sup>(4)</sup> Cash earnings are based on earnings attributable to ordinary shareholders excluding goodwill amortisation.

<sup>(5)</sup> Dividend amounts are for the year for which they are declared. Dividends and book value per share and per ADS calculations are based on year end full paid equivalent shares, adjusted for loans and rights issues as appropriate.

<sup>(6)</sup> Includes issues under the Bonus Share Plan in lieu of cash and scrip dividends.

<sup>(7)</sup> Based on cash earnings as a percentage of average shareholders equity excluding goodwill.

<sup>(8)</sup> Based on operating profit after tax attributable to ordinary shareholders after deducting distributions to other equity holders

## Profit and Loss

The National's operating profit after tax before abnormal items for 1999 increased by 12.3% to \$2,821 million (1998: \$2,511 million). Operating profit after tax and abnormal items rose 40.1% from \$2,014 million in 1998 to \$2,821 million. There were no abnormal items included in the 1999 result. In 1998, there were abnormal items after tax of \$497 million, relating to restructuring costs and the adoption of a statistically based provisioning methodology.

The National earned nearly half its after tax profit (49.9%) from international operations. This reflects the growing contribution of its various overseas operations and demonstrates diversity in its sources of revenue.

### Operating profit before and after abnormals

<i>Dollars in Millions</i>	<b>1999</b>	1998	1997	1996	1995
Operating Profit after tax and before abnormal items	2,821	2,511	2,223	2,102	1,936
Operating Profit after tax and abnormal items	2,821	2,014	2,223	2,102	1,969

### Key features of the 1999 result:

- An increase in net interest income of \$208 million or 3.6% to \$6,066 million (1998: \$5,858 million). Strong lending growth, up 9.2% in local currency terms, was partly offset by a decline in margins from 3.17% in 1998 to 3.00%.
- A decrease in the provision for doubtful debts of \$32 million or 5.6% to \$540 million (1998: \$572 million) as a result of effective risk management and improved asset quality in the Australian wholesale operations.
- An increase in other operating income of \$610 million or 15.4% to \$4,563 million (1998: \$3,953 million). Other operating income now represents 42.9% of total income compared with 40.3% in 1998. A strong treasury result, volume growth and HomeSide's mortgage servicing and origination fees all contributed to the higher other operating income.
- Other operating expenses (excluding amortisation of goodwill) increased \$407 million or 7.6% to \$5,742 million (1998: \$5,335 million). The increase reflects the first full year results for HomeSide, and a number of one-off factors including the cessation of the superannuation holiday in Australia, restructuring costs (in 1998 restructuring costs were included in abnormal items) and an adjustment to the residual value of operating leased vehicles reflecting the prospective impact of GST. When these factors are excluded expenses increased by 3.6%.

In April 1998, the National introduced a new business operating model to accelerate its transition to an international financial services group and to assist in achieving the National's vision. The key elements of the operating model are described in the Year in Review on page 12 of the Concise Annual Report.

The contribution by each of the major operating segments to the National's consolidated operating profit is shown in the following table.

<i>For year ended September 30</i>	<b>1999</b>
<i>Dollars in Millions</i>	
<b>Operating Segments:</b>	
Business and Personal Financial Services	2,130
Products and Services	69
Global Wholesale Financial Services	551
HomeSide	153
Information Technology	(37)
All Other	(45)
Operating Profit after Tax and Outside Equity Interests	2,821

(Comparative data for prior years is not available.)

*The contribution from these operating segments is after inter-segment revenue and expense charges.*

A key measure of success for the National is the generation of shareholder value as measured by economic profit. Economic profit represents the excess of cash earnings (earnings adjusted for non-cash items, such as goodwill amortisation) over the cost of capital employed in the business plus the value to shareholders of franking credits generated. Economic profit has increased steadily over the past five years and rose by 16.2% in 1999 (11.7% in 1998).

### Economic Profit

<i>Dollars in Millions</i>	<b>1999</b>	1998	1997	1996	1995
Economic Profit	1,703	1,465	1,312	999	865

The Directors have declared a final dividend of 58 cents a share, payable on December 15, 1999. The dividend will be franked to 79 per cent. This takes the total dividend for the year to 112 cents compared with 102 cents in 1998. The interim dividend of 54 cents a share, paid earlier in the year was fully franked.

### Dividends per share

<i>Cents</i>	<b>1999*</b>	1998	1997	1996	<b>1995</b>
Dividends	112*	102	94	87	83

\* Franked to an average of 89% for the 1999 year. Dividends in previous years were fully franked.



# Statement of Profit and Loss

	Note	<i>Consolidated</i>		
<i>For years ended September 30</i>		<b>1999</b>	1998	1997
<i>Dollars in Millions</i>				
Interest income	2	15,066	15,427	12,936
Interest expense	2	9,000	9,569	7,578
<b>Net interest income</b>		<b>6,066</b>	<b>5,858</b>	<b>5,358</b>
Charge to provide for doubtful debts	2	540	572	332
Net interest income after provision for doubtful debts		5,526	5,286	5,026
Other operating income	2	4,563	3,953	2,909
Total operating income		10,089	9,239	7,935
Other operating expenses	2	5,948	5,516	4,619
<b>Operating profit before abnormal items</b>		<b>4,141</b>	<b>3,723</b>	<b>3,316</b>
Abnormal items	3	–	(749)	–
<b>Operating profit before tax</b>		<b>4,141</b>	<b>2,974</b>	<b>3,316</b>
Income tax expense (benefit) attributable to:				
Operating profit		1,321	1,211	1,095
Abnormal items		–	(252)	–
Total income tax expense		1,321	959	1,095
Operating profit after income tax		2,820	2,015	2,221
Outside equity interests in operating profit after income tax		(1)	1	(2)
<b>Operating profit after income tax attributable to members of the Company</b>		<b>2,821</b>	<b>2,014</b>	<b>2,223</b>
Retained profits at the beginning of the financial year		7,304	6,568	5,621
Dividend provisions not required		70	65	83
Aggregate of amounts transferred from reserves		36	184	66
Total available for appropriation		10,231	8,831	7,993
Dividends provided for or paid	4	1,655	1,467	1,367
Distributions	5	74	7	–
Aggregate of amounts transferred to reserves		70	53	58
<b>Retained profits at the end of the financial year</b>		<b>8,432</b>	<b>7,304</b>	<b>6,568</b>
Earnings per ordinary share before abnormal items (cents)				
– Basic		186.6	174.6	151.6
– Diluted		181.6	170.6	148.7
Earnings per ordinary share after abnormal items (cents)				
– Basic		186.6	140.0	151.6
– Diluted		181.6	137.9	148.7
Dividends per ordinary share (cents)				
– Interim		54	49	45
– Final		58	53	49

The Statement of Profit and Loss is to be read in conjunction with the notes to the Concise Financial Statements set out on pages 42 to 50.

## Balance Sheet

The National's total assets increased by \$2.4 billion, during the year, to \$254.1 billion (1998: \$251.7 billion). Strong growth in lending was largely offset by the impact of the appreciation of the Australian dollar against the US dollar and Sterling. Excluding the impact of exchange rate movements, total assets grew \$17.3 billion or 6.9% over the year.

Loans and advances increased by \$5.6 billion, or 3.5% to \$165.6 billion (1998: \$160.0 billion). Excluding the impact of exchange rate movements, loans and advances grew 9.2% over the year. The main areas of growth, (in local currency terms) were housing loans (up 10.8%), overdraft facilities (up 14.7%) and credit cards (up 19.4%).

This growth was partly funded by an increase in deposits and other borrowings of \$4.4 billion, or 2.8% to \$162.5 billion over the year. Excluding the impact of exchange rate movements, deposits and other borrowings grew 9.2%.

The National's capital position was strengthened by the \$2 billion issue of National Income Securities in June 1999. This issue helped boost the National's tier 1 capital ratio which increased to 7.8% at September 1999 (1998: 6.4%). The total capital ratio at September 1999 was 10.4% (1998: 9.2%).

Return before abnormals on average ordinary shareholders' funds in 1999 was 17.3% down slightly on the result for the previous year. This reflected the much higher capital base primarily due to the issue of the National Income Securities.

The National's total provisioning coverage of impaired assets at September 1999 was 158.4% compared with 171.2% in 1998 and 103.7% in 1997.

At September 30, 1999, the National's non-accrual loans to risk weighted assets were 0.8% compared with 0.7% for 1998. The small increase demonstrates the relative stability in the level of the National's non-accrual loans.

### Total Assets / Balance Sheet Items

<i>Dollars in Billions</i>	<b>1999</b>	1998	1997	1996	1995
Loans and Advances	165.6	160.0	131.0	112.0	91.5
Total Assets	254.1	251.7	202.0	173.7	148.1

### Return on equity

%	<b>1999</b>	1998	1997	1996	1995
Return on Average Ordinary Shareholders' Equity (before abnormal items)	17.3	17.8	16.7	17.0	17.8
Return on Average Ordinary Shareholders' Equity (after abnormal items)	17.3	14.3	16.7	17.0	18.1

# Balance Sheet

<i>As at September 30</i> <i>Dollars in Millions</i>	<i>Consolidated</i>		
	<b>1999</b>	1998	1997
<b>Assets</b>			
Cash and short term liquid assets	3,649	4,152	4,454
Due from other financial institutions	11,120	9,303	10,360
Due from customers on acceptances	22,851	22,353	19,605
Trading securities	12,853	11,446	9,987
Available for sale securities	1,399	937	1,815
Investment securities	8,951	8,228	7,448
Loans and advances	165,620	160,001	131,036
Mortgage loans held for sale	1,980	3,473	–
Mortgage servicing rights	5,345	2,998	–
Shares in entities and other securities	1,068	1,013	280
Regulatory deposits	153	1,155	1,016
Fixed assets	2,032	2,219	2,229
Goodwill	2,905	3,095	2,122
Other assets	14,155	21,341	11,617
<b>Total Assets</b>	<b>254,081</b>	<b>251,714</b>	<b>201,969</b>
<b>Liabilities</b>			
Due to other financial institutions	16,203	16,541	12,746
Liability on acceptances	22,851	22,353	19,605
Deposits and other borrowings	162,468	158,084	128,469
Income tax liability	1,979	1,953	1,629
Provisions	1,743	1,680	1,292
Bonds, notes and subordinated debt	13,437	15,115	9,569
Other debt issues	1,645	1,683	1,609
Other liabilities	15,235	18,541	14,469
<b>Total Liabilities</b>	<b>235,561</b>	<b>235,950</b>	<b>189,388</b>
<b>Net Assets</b>	<b>18,520</b>	<b>15,764</b>	<b>12,581</b>
<b>Shareholders' Equity</b>			
Issued and paid up capital	9,286	6,675	1,413
Reserves	802	1,782	4,598
Retained profits	8,432	7,304	6,568
Shareholders' equity attributable to members of the Company	18,520	15,761	12,579
Outside equity interests in controlled entities	–	3	2
<b>Total Shareholders' Equity</b>	<b>18,520</b>	<b>15,764</b>	<b>12,581</b>

Contingent liabilities and credit commitments are excluded from this Balance Sheet and are listed in Note 8.

The Balance Sheet is to be read in conjunction with the notes to the Concise Financial Statements set out on pages 42 to 50.

# Statement of Cash Flows

<i>For years ended September 30</i> <i>Dollars in Millions</i>	<i>Consolidated</i>		
	<i>1999</i>	<i>1998</i>	<i>1997</i>
<b>Cash inflows (outflows) from operating activities:</b>			
Interest received	16,470	15,720	12,417
Dividends received	42	21	47
Fees and other income received	4,479	3,879	3,631
Interest paid	(10,562)	(9,528)	(7,166)
Personnel costs paid	(3,192)	(3,211)	(2,528)
Occupancy costs paid	(425)	(477)	(362)
General expenses paid	(1,630)	(1,224)	(1,344)
Income taxes paid	(1,236)	(1,547)	(1,153)
Net movement in trading instruments	(1,581)	(1,442)	(1,527)
Net movement in mortgage loans held for sale	1,177	(1,672)	–
<b>Net cash provided by operating activities</b>	<b>3,542</b>	<b>519</b>	<b>2,015</b>
<b>Cash inflows (outflows) from investing activities:</b>			
Investment securities:			
Purchases	(13,883)	(20,009)	(8,954)
Proceeds on maturity	12,552	19,182	8,825
Available for sale securities:			
Purchases	(2,624)	(69)	(2,020)
Proceeds on sale	5	6	56
Proceeds on maturity	2,117	1,323	549
Net movement in shares in entities and other securities	(55)	(732)	(96)
Payment for entities	(8)	(2,173)	(47)
Net movement in loans and advances represented by:			
Banking activities	(15,351)	(16,583)	(14,501)
Non-banking activities – new loans and advances	(2,019)	(3,260)	(1,601)
Non-banking activities – repayments	2,285	715	1,357
Acquisition of mortgage servicing rights	(1,873)	(1,134)	–
Lodgement of regulatory deposits	978	(89)	(91)
Expenditure on fixed assets	(429)	(599)	(180)
Net proceeds from sale of fixed assets	169	397	441
Net movement in other assets	2,304	(2,150)	284
<b>Net cash used in investing activities</b>	<b>(15,832)</b>	<b>(25,175)</b>	<b>(15,978)</b>

## Statement of Cash Flows (continued)

For years ended September 30 Dollars in Millions	Consolidated		
	1999	1998	1997
<b>Cash inflows (outflows) from financing activities:</b>			
Net movement in bank deposits	11,809	15,333	13,900
Net movement in other deposits and borrowings represented by non-banking activities:			
New deposits and borrowings	29,237	8,346	109
Repayments	(28,632)	(9,947)	(261)
New equity share issues:			
Ordinary share capital	277	155	118
Preference share capital	–	654	–
Net proceeds from National Income Securities	1,945	–	–
Buyback of shares:			
Ordinary share capital	–	(3)	(98)
Premium on shares purchased	–	–	(1,714)
Redemption of perpetual floating rate notes	–	–	(85)
Proceeds from exchangeable capital units	–	–	1,262
Net movement in bonds, notes and subordinated debt represented by:			
New long term debt issues	5,183	7,052	4,646
Repayments	(6,142)	(2,443)	(2,247)
Net movement in other liabilities	1,198	471	(378)
Payments from provisions	(172)	(279)	(205)
Dividends paid	(1,110)	(941)	(895)
<b>Net cash provided by financing activities</b>	<b>13,593</b>	<b>18,398</b>	<b>14,152</b>
Net inflow (outflow) in cash and cash equivalents	1,303	(6,258)	189
Cash and cash equivalents at beginning of period	(3,086)	2,068	1,235
Effects of exchange rate changes on-balance of cash held in foreign currencies	349	1,045	644
Cash and cash equivalents acquired	–	59	–
<b>Cash and cash equivalents at end of period<sup>(1)</sup></b>	<b>(1,434)</b>	<b>(3,086)</b>	<b>2,068</b>

<sup>(1)</sup> For the purposes of reporting cash flows, cash and cash equivalents include cash and short term liquid assets and amounts due to and due from other financial institutions. Negative cash and cash equivalents reflect the net interbank funding position at balance date. These balances fluctuate widely in the normal course of business. The Consolidated Entity holds a significant store of liquidity in the form of trading securities. Trading securities are not classified as cash and cash equivalents for statement of cash flow purposes; cash flows arising from the acquisition and sale of trading securities are reflected as cash flows arising from operating activities.

The Statement of Cash Flows is to be read in conjunction with the notes to the Concise Financial Statements set out on pages 42 to 50.

# Notes to the Concise Financial Statements

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## 1 Principal Accounting Policies

This Concise Financial Report has been prepared in accordance with AASB 1039 'Concise Financial Reports'. The information contained within this Concise Financial Report has been derived from the full financial report of the Company and the Consolidated Entity. The full financial report of the Company and the Consolidated Entity is prepared in accordance with the requirements of the Banking Act, Corporations Law and Australian Accounting Standards and Urgent Issues Group Consensus Views.

The Concise Financial Report 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 full financial report. Accordingly, this Concise Financial Report should be read in conjunction with the full financial report.

A full description of the accounting policies adopted by the Company and the Consolidated Entity is contained in the full financial report. There have been no changes in accounting policy from those policies applied at September 30, 1998 except as noted below.

Comparative amounts have been reclassified to accord with changes in presentation made in 1999, except where otherwise stated.

All amounts are expressed in Australian currency unless otherwise stated.

### Changes in Accounting Policies

Effective from October 1, 1998, the Consolidated Entity changed its accounting policy from expensing to capitalising and amortising the costs of developing, acquiring and enhancing internal use software. Capitalised software costs are amortised over the estimated useful life of the software, which ranges from three to five years. The change in accounting policy arises from the adoption of the principles of US Statement of Position 98-1 'Accounting for the Costs of Computer Software Developed or Obtained for Internal Use'.

The change resulted in an increase of \$59 million in operating profit after tax for the year ended September 30, 1999.

As a result of the change in accounting policy, basic earnings per share increased by 4.0 cents and diluted earnings per share increased by 3.8 cents as compared with the amounts of earnings per share that would have been determined using the previous accounting policy.

	<i>Consolidated</i>		
<i>For years ended September 30</i> <i>Dollars in Millions</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
<b>2 Operating profit before income tax expense</b>			
Operating profit is determined after including:			
<b>Income</b>			
<b>Interest Income</b>			
Other financial institutions	580	643	575
Marketable debt securities	1,186	1,293	1,008
Loans to customers	12,099	12,484	11,051
Other interest	1,201	1,007	302
<b>Total Interest Income</b>	<b>15,066</b>	<b>15,427</b>	<b>12,936</b>
<b>Other Operating Income</b>			
Loan fees from banking	1,077	938	794
Money transfer fees	1,030	1,050	853
Net mortgage servicing fees	312	197	–
Net mortgage origination revenue	224	126	–
Trading income	457	360	269
Fees and commissions	955	829	650
Other income	508	453	343
<b>Total Other Operating Income</b>	<b>4,563</b>	<b>3,953</b>	<b>2,909</b>
<b>Expenses</b>			
<b>Interest Expense</b>			
Other financial institutions	932	972	633
Deposits and other borrowings	7,050	7,333	6,108
Bonds, notes and subordinated debt	870	1,116	761
Other interest	148	148	76
<b>Total Interest Expense</b>	<b>9,000</b>	<b>9,569</b>	<b>7,578</b>
<b>Charge to Provide for Doubtful Debts</b>			
Specific	–	422	252
General <sup>(1)</sup>	540	150	80
<b>Total Charge to Provide for Doubtful Debts</b>	<b>540</b>	<b>572</b>	<b>332</b>
<b>Other Operating Expenses</b>			
Personnel costs	3,267	3,036	2,627
Occupancy costs	498	480	435
General expenses	1,977	1,819	1,415
Goodwill amortisation	206	181	142
<b>Total Other Operating Expenses</b>	<b>5,948</b>	<b>5,516</b>	<b>4,619</b>

<sup>(1)</sup> Effective from October 1, 1998 all charges to raise a provision for doubtful debts are made through the general provision, with specific provisions raised by making a transfer from the general provision. For the year ended September 30, 1999, the amount transferred was \$505 million.

For years ended September 30 Dollars in Millions	Consolidated		
	1999	1998	1997
<b>3 Abnormal items</b>			
Restructuring costs			
Personnel	–	248	–
Occupancy	–	80	–
Fixed asset writedowns	–	23	–
General	–	29	–
Total restructuring costs before income tax	–	380	–
General provision charge upon adoption of a statistically based provisioning methodology	–	369	–
Total Abnormal Items Before Income Tax	–	749	–
Income Tax Expense (Benefit)			
Restructuring costs	–	(128)	–
General provision charge upon adoption of a statistically based provisioning methodology	–	(124)	–
Total Income Tax Expense (Benefit)	–	(252)	–
Abnormal Items After Income Tax	–	497	–

#### 4 Dividends

Dividends provided for or paid			
54c Interim cash provided (1998: 49c, 1997: 45c) <sup>(1)</sup>	794	700	675
58c Final cash payable (1998: 53c, 1997: 49c) <sup>(1)</sup>	861	767	692
Total Dividends Provided for or Paid	1,655	1,467	1,367

Dividends proposed and provided for in the prior year financial report and paid in the current year were \$770 million.

<sup>(1)</sup> All interim and final dividends for 1998 and 1997, are fully franked at a tax rate of 36%. The final dividend for 1999 is 79% franked at a tax rate of 36% and the unfranked portion is sourced from the Company's foreign dividend account.



For years ended September 30 Dollars in Millions	Consolidated		
	1999	1998	1997

## 5 Distributions

Trust Units	58	7	–
National Income Securities	16	–	–
<b>Total Distributions</b>	<b>74</b>	<b>7</b>	<b>–</b>

## 6 Asset quality and provisioning for doubtful debts

<b>Total Impaired Assets</b>			
Gross			
Australia	644	602	553
Overseas <sup>(1)</sup>	942	886	745
<b>Total</b>	<b>1,586</b>	<b>1,488</b>	<b>1,298</b>
Specific Provisions			
Australia	226	189	189
Overseas <sup>(1)</sup>	231	214	386
<b>Total</b>	<b>457</b>	<b>403</b>	<b>575</b>
Net			
Australia	418	413	364
Overseas <sup>(1)</sup>	711	672	359
<b>Total</b>	<b>1,129</b>	<b>1,085</b>	<b>723</b>

<sup>(1)</sup> Prior to the adoption of a statistically based provisioning methodology by the Consolidated Entity, Michigan National Corporation (MNC) adopted a provisioning methodology under which a portion of the specific provision was determined against segments of the loan portfolio based on historical loan loss experience and current trends evident in those segments of the loan portfolios. This amount is included in the prior period specific provision figure quoted in the above table (1997: \$168 million). Due to the nature of the MNC provisioning methodology, the above table did not include gross loan amounts to which this portion of the specific provision relates. Following the adoption of a statistically based provisioning methodology by the Consolidated Entity, the corresponding provision is included in the general provision at September 30, 1998 and September 30, 1999.

## 7 Segment information

The following segment information is disclosed in accordance with Australian Accounting Standards Board AASB 1005 'Financial Reporting by Segments' and Statement of Financial Accounting Standards No. 131 'Disclosures about Segments of an Enterprise and Related Information' (SFAS 131) effective from October 1, 1998. Under SFAS 131, an 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 Consolidated Entity presented results are based on the operating segments as reviewed separately by the chief operating decision-maker, the Chief Executive Officer, as well as other members of senior management. Each segment is organised based on similar products and services provided globally to customers or activities undertaken solely for the Consolidated Entity's own account, and managed by individuals who report directly to the Chief Executive Officer.

The Consolidated Entity's business is organised into five major operating segments: Business and Personal Financial Services, Products and Services, Global Wholesale Financial Services, HomeSide and Information Technology. Business and Personal Financial Services is the core of the Consolidated Entity's retail operations and is the primary interface with its customers. The Products and Services segment manages the development and maintenance of the Consolidated Entity's products and services as well as providing the support infrastructure to serve the Consolidated Entity's customer base. Global Wholesale Financial Services is responsible for the Consolidated Entity's major institutional relationships worldwide, incorporating all of the Consolidated Entity's capital markets, corporate finance, foreign exchange, money market, financial risk management and project and structured finance activities. HomeSide is the Consolidated Entity's international product specialist responsible for coordinating mortgage origination and servicing activities and the creation of mortgage backed securities sold in secondary markets. Information Technology is responsible for the technology infrastructure and systems to operate the business and keep customer data secure, and for developing technology solutions to meet the requirements of the business.

The accounting policies of the segments are, in all material respects, consistent with those described in Note 1 'Principal Accounting Policies' of the full financial statements. Operating revenues and expenses directly associated with each operating segment are included in determining their operating result. Inter-segment revenue includes intercompany revenue and revenue sharing agreements.

For the year ended September 30, 1999 Dollars in Millions	Consolidated							Total
	Business and Personal Financial Services	Products and Services	Global Wholesale Financial Services	HomeSide	Information Technology	All Other <sup>(1)</sup>	Intercompany Eliminations	
External revenue	6,577	1,275	1,089	659	(13)	502	–	10,089
Inter-segment revenue	227	670	5	–	558	106	(1,566)	–
Total operating income	6,804	1,945	1,094	659	545	608	(1,566)	10,089
Operating profit after tax and outside equity interests	2,130	69	551	153	(37)	(45)	–	2,821
Total assets	141,492	11,046	86,380	10,631	302	4,230	–	254,081

<sup>(1)</sup> Consists of non-operating units which comprise of corporate centre functions, goodwill amortisation and the Consolidated Entity's funding. These segments are not considered to be reportable operating segments under SFAS 131.

As it is impractical to provide prior year comparative information for the operating segments used by management during the current year, SFAS 131 requires that information for this year and previous years be provided using the basis of segmentation adopted in the previous period.

The tables below set out the segment information for the current year and the two previous years using the prior period basis of segmentation. There are no material inter-segment transactions.

For the year ended September 30, 1999 Dollars in Millions	Consolidated			Total
	Banking	Finance and Life Insurance	Merchant and Investment Banking	
Total operating income	8,730	924	435	10,089
Operating profit after tax and outside equity interest	2,505	200	116	2,821
Total assets	239,330	11,271	3,480	254,081

## 7 Segment information (continued)

For the year ended September 30, 1998 Dollars in Millions	Consolidated			Total
	Banking	Finance and Life Insurance	Merchant and Investment Banking	
Total operating income	8,522	562	155	9,239
Operating profit after tax and outside equity interest	1,857	112	45	2,014
Total assets	237,802	10,786	3,126	251,714

For the year ended September 30, 1997 Dollars in Millions	Consolidated			Total
	Banking	Finance and Life Insurance	Merchant and Investment Banking	
Total operating income	7,671	154	110	7,935
Operating profit after tax and outside equity interest	2,135	68	20	2,223
Total assets	200,635	352	982	201,969

### Geographical Segments

The Consolidated Entity has operations in Australia, its country of domicile, New Zealand, the United Kingdom, the United States, the Republic of Ireland and certain Asian countries.

The allocation of assets, income and profit is based on the geographical location in which transactions are booked. There are no material inter-segment transactions.

For the year ended September 30 Dollars in Millions	Consolidated					
	1999	%	1998	%	1997	%
<b>Assets</b>						
Australia	126,296	49.7	124,106	49.3	107,573	53.3
United Kingdom	54,689	21.5	59,339	23.6	44,278	21.9
Republic of Ireland	4,049	1.6	4,649	1.8	2,995	1.5
United States	32,768	12.9	30,454	12.1	16,825	8.3
New Zealand	24,195	9.5	23,128	9.2	20,674	10.2
Asian countries	12,084	4.8	10,038	4.0	9,624	4.8
Total	254,081	100.0	251,714	100.0	201,969	100.0
<b>Total operating revenue</b>						
Australia	9,243	47.1	8,763	45.3	8,208	51.8
United Kingdom	4,919	25.1	5,121	26.4	3,660	23.1
Republic of Ireland	286	1.4	321	1.7	244	1.5
United States	2,763	14.1	2,176	11.2	1,214	7.7
New Zealand	1,772	9.0	2,157	11.1	2,003	12.6
Asian countries	646	3.3	842	4.3	516	3.3
Total	19,629	100.0	19,380	100.0	15,845	100.0
<b>Operating profit after tax and outside equity interests</b>						
Australia	1,412	50.1	1,063	52.8	1,329	59.8
United Kingdom	721	25.6	470	23.3	455	20.5
Republic of Ireland	40	1.4	7	0.4	33	1.5
United States	376	13.3	242	12.0	181	8.1
New Zealand	240	8.5	189	9.4	197	8.9
Asian countries	32	1.1	43	2.1	28	1.2
Total	2,821	100.0	2,014	100.0	2,223	100.0

## 8 Contingent liabilities and credit commitments

As at September 30 Dollars in Millions	Notional Amount <sup>(1)</sup>		Consolidated Credit Equivalent <sup>(2)</sup>	
	1999	1998	1999	1998
<b>Contingent Liabilities</b>				
Guarantees	2,389	1,952	2,389	1,952
Standby letters of credit	3,337	2,450	3,337	2,450
Bill endorsements	–	3	–	3
Documentary letters of credit	409	622	56	68
Performance related contingencies	2,260	2,489	1,130	1,244
Other	230	621	230	621
<b>Total Contingent Liabilities</b>	<b>8,625</b>	<b>8,137</b>	<b>7,142</b>	<b>6,338</b>

The Consolidated Entity has shared its exposure on letters of credit with other financial institutions to the extent of \$13 million credit equivalent (1998: \$14 million). This amount is not included in the above figures. The Consolidated Entity has recourse arrangements with customers and others in respect of the major portion of the remaining contingent liabilities.

### Credit Related Commitments

Outright forward purchases and forward deposits	2,661	7,044	2,661	7,044
Underwriting facilities	202	253	101	127
Other binding credit commitments	63,572	62,494	13,932	14,476
<b>Total Credit Related Commitments</b>	<b>66,435</b>	<b>69,791</b>	<b>16,694</b>	<b>21,647</b>

<sup>(1)</sup> The notional amount represents the maximum credit risk.

<sup>(2)</sup> The credit equivalent amount records the estimated maximum or total potential loss if the counterparty were to default, and is determined in accordance with the Australian Prudential Regulation Authority's risk weighted capital adequacy guidelines. These credit equivalents are then weighted in the same manner as balance sheet assets according to counterparty for capital adequacy purposes.

### Legal Proceedings

There are contingent liabilities in respect of claims, potential claims and court proceedings against entities in the Consolidated Entity. The aggregate of potential liability, in respect thereof, cannot be accurately assessed.

The Company and Consolidated Entity are defendants from time to time in legal proceedings arising from the conduct of its business. One such case that has attracted some publicity recently is referred to below.

In September 1998, a summons was filed in the Supreme Court of New South Wales by Idoport Pty Limited (Idoport) and Market Holdings Pty Limited (Market Holdings) against the Company and others.

Idoport and Market Holdings are seeking damages calculated in the range of US\$271 million to more than US\$21 billion.

The dispute centres around what rights Idoport and Market Holdings have arising out of the entry into a consulting agreement by the Company, Idoport and others, and involves the development of a controlled entity, Australian Market Automated Quotation (AUSMAQ) System Limited (AUSMAQ).

The damages claim is primarily based upon an allegation that the AUSMAQ business has not been operated as Idoport and Market Holdings claim it should have been. It is also based on an allegation that Idoport is entitled to a share of the profits of some projects run by entities in the Consolidated Entity separately from AUSMAQ.

The Company and the other defendants are strongly disputing the claim. The Company is in the process of preparing its extensive response to the claim.

The final action will be heard in May 2000. It is expected to last around six months.

The Company and Consolidated Entity do not consider that the outcome of any current proceedings, either individually or in aggregate, are likely to have a material effect on its financial position. Where appropriate, provisions have been made.

## 9 Remuneration of Directors

The following table shows the remuneration details for the Directors of the Company for 1999.

Name and Position	Salary	Performance	Retirement	Other	Total	Options	Exercise	Date First
	Package <sup>(a)</sup>	Based Bonuses <sup>(b)</sup>	Allowances <sup>(c)</sup>	Benefits <sup>(d)</sup>	Remuneration	Granted	Price <sup>(e)</sup>	Exercisable
	\$	\$	\$	\$	\$	Number	\$	
<b>Executive Directors</b>								
DR Argus <sup>(f)</sup>	1,168,529	500,000	7,470,598	120,436	9,259,563	750,000	28.23	19 Mar 2002
FJ Cicutto	1,106,576	400,000	–	68,313	1,574,889	400,000	28.23	19 Mar 2002
<b>Non Executive Directors</b>								
DCK Allen	135,034	–	–	–	135,034	–	–	–
WF Blount <sup>(g)</sup>	51,350	–	–	–	51,350	–	–	–
CM Deeley	112,433	–	–	–	112,433	–	–	–
GJ Kraehe	86,533	–	–	–	86,533	–	–	–
BT Loton <sup>(h)</sup>	87,258	–	456,435	–	543,693	–	–	–
DK Macfarlane	182,000	–	–	–	182,000	–	–	–
TP Park	93,333	–	–	–	93,333	–	–	–
MR Rayner	300,100	–	–	–	300,100	–	–	–
ED Tweddell	92,933	–	–	–	92,933	–	–	–
CM Walter	149,033	–	–	–	149,033	–	–	–

<sup>(a)</sup> Executive Directors' remuneration consists of both basic salary and packaged benefit components. Non-executive Directors' remuneration represents fees in connection with attending Board, Board sub-committee and Subsidiary Board meetings.

<sup>(b)</sup> Reflects performance based remuneration in respect of prior year performance.

<sup>(c)</sup> Reflects payments in respect of retirement (including long service leave).

<sup>(d)</sup> Reflects non salary package remuneration and includes company contributions to superannuation, benefits paid under the National Australia Bank Limited Staff Reward Scheme.

<sup>(e)</sup> Refer to Note 32 of the full financial statements 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.

<sup>(f)</sup> Retired July 2, 1999.

<sup>(g)</sup> Appointed March 2, 1999.

<sup>(h)</sup> Retired May 17, 1999.

## 10 Remuneration of executives

The following table shows the remuneration details for the top five executives (excluding executive Directors) of the Company for 1999.

Name and Position <sup>(a)</sup>	Salary Package <sup>(b)</sup>	Performance Based Bonuses <sup>(c)</sup>	Retirement/ Retention Allowances <sup>(d)</sup>	Other Benefits <sup>(e)</sup>	Total Remuneration	Options Granted	Exercise Price <sup>(f)</sup>	Date First Exercisable
The Company	\$	\$	\$	\$	\$	Number	\$	
GLL Barnes Executive General Manager Business and Personal Financial Services	823,994	350,000	–	51,803	1,225,797	300,000	28.23	19 Mar 2002
RE Pinney Executive General Manager Products and Services	587,594	250,000	–	60,814	898,408	200,000	28.23	19 Mar 2002
RMC Prowse Chief Financial Officer	811,922	350,000	–	84,008	1,245,930	300,000	28.23	19 Mar 2002
EG Steel Executive General Manager Group Human Resources	601,324	230,000	889,151	289,169	2,009,644	200,000	28.23	19 Mar 2002
GJ Wheaton Chief Executive Officer Australian Financial Services	602,376	230,000	–	38,997	871,373	200,000	28.23	19 Mar 2002

The following table shows the remuneration details for the top five executives (excluding executive Directors) of the Consolidated Entity for 1999.

Name and Position <sup>(a)</sup>	Salary Package <sup>(b)</sup>	Performance Based Bonuses <sup>(c)</sup>	Retirement/ Retention Allowances <sup>(d)</sup>	Other Benefits <sup>(e)</sup>	Total Remuneration	Options Granted	Exercise Price <sup>(f)</sup>	Date First Exercisable
Consolidated	\$	\$	\$	\$	\$	Number	\$	
DE Ebert Chief Executive Michigan National Corporation	1,019,236	624,634	–	40,568	1,684,438	100,000	28.23	19 Mar 2002
J Pickett Chief Executive Officer, HomeSide	961,172	800,640	1,281,025	149,217	3,192,054	150,000	28.23	19 Mar 2002
RMC Prowse Chief Financial Officer	811,922	350,000	–	84,008	1,245,930	300,000	28.23	19 Mar 2002
MD Soden Executive General Manager Global Wholesale Financial Services	946,080	583,355	–	430,309	1,959,744	200,000	28.23	19 Mar 2002
EG Steel Executive General Manager Group Human Resources	601,324	230,000	889,151	289,169	2,009,644	200,000	28.23	19 Mar 2002

<sup>(a)</sup> The top five executives of the Company and Consolidated Entity are those executives responsible for the strategic direction and management of major business units for a significant period during the year.

<sup>(b)</sup> Reflects the total remuneration package consisting of both basic salary and packaged benefits.

<sup>(c)</sup> Reflects performance based remuneration in respect of prior year performance.

<sup>(d)</sup> Reflects payments in respect of termination, retirement (including long service leave) and retention payments.

<sup>(e)</sup> Reflects non salary package remuneration and includes company contributions to superannuation, benefits received under the National Australia Bank Limited Staff Share Plans and expatriate benefits.

<sup>(f)</sup> Refer to Note 32 of the full financial statements 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.

# Directors' Declaration

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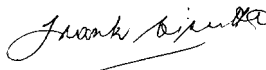
The Directors of National Australia Bank Limited declare that in their opinion, the accompanying Concise Financial Report of the Consolidated Entity, comprising National Australia Bank Limited and its controlled entities, for the year ended September 30, 1999 set out on pages 36 to 50:

- a) has been derived from or is consistent with the full financial report for the financial year; and
- b) complies with Accounting Standard AASB 1039 'Concise Financial Reports'.

Dated at Melbourne this 4th day of November, 1999 and signed in accordance with a resolution of the Board of Directors.



MR Rayner



FJ Cicutto

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## Independent Auditors' 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 and its controlled entities for the financial year ended September 30, 1999 as set out on pages 36 to 51 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, 1999. Our audit report on the full financial report was signed on November 4, 1999, 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'.

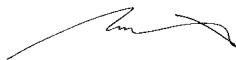
The audit opinion expressed in this report has been formed on the above basis.

### Audit opinion

In our opinion the Concise Financial Report of National Australia Bank Limited and its controlled entities for the year ended September 30, 1999 complies with AASB 1039 'Concise Financial Reports'.



KPMG  
Chartered Accountants



NW Smart  
Partner



CD Lewis  
Partner

Melbourne  
November 4, 1999

# Shareholder Information

## Top 10 Shareholders of the Bank as at October 22, 1999

	Number of Shares	%
Chase Manhattan Nominees Limited	168,051,854	11.3
National Nominees Limited	102,241,229	6.9
Westpac Custodian Nominees Limited	101,605,552	6.8
ANZ Nominees Limited	51,600,841	3.5
Perpetual Trustee Australia Group	47,887,301	3.2
BT Custodial Services Pty Limited	43,431,278	2.9
Citicorp Nominees Pty Limited	30,630,651	2.1
AMP Group	24,471,829	1.7
Permanent Trustee Group	23,844,472	1.6
Queensland Investment Corporation	23,583,037	1.6
	617,348,044	41.6

## Top 10 National Income Security Holders as at October 22, 1999

	Number of Securities	%
Perpetual Trustee Australia Group	664,370	3.3
National Nominees Limited	644,326	3.2
Commonwealth Custodial Services Limited	521,465	2.6
BT Custodial Services Pty Limited	412,657	2.0
Citicorp Nominees Pty Limited	322,894	1.6
Australian Foundation Investment Company Limited	317,160	1.6
AMP Group	279,849	1.4
University of Melbourne	225,476	1.1
LFG Holdings Pty Limited	200,000	1.0
Tower Trust Limited	192,439	1.0
	3,780,636	18.8

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 Share Registry. Shares offered under both the Dividend Reinvestment and Bonus Share plans are free of brokerage charges and stamp duty.

### Dividend Reinvestment Plan

Shareholders may use their cash dividends to buy additional shares which are issued under the plan at the 'current market price' (defined as the weighted average sales price of the Bank's shares for the four trading days up to and including the record date for the relevant dividend).

### Bonus Share Plan

Enables shareholders to receive bonus shares in lieu of cash dividends. Shares issued pursuant to this plan are not 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. Dividends received under this plan may enable shareholders to receive UK Advance Corporation Tax credits. Participation in the Dividend Reinvestment Plan is also possible under this plan.

### New Zealand Currency Payments

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

### Full Annual Report

Those shareholders wishing to obtain a copy of the National's full Annual Report can do so by contacting the Group's Share Registry. The full Annual Report is 176 pages, and includes the full financial report and United States Form 20-F information. A copy of the full Annual Report is also available on our web site.

### Shareholders' Centre

To ensure shareholders are fully informed about their investment, a separate section of the National's web site has been dedicated to shareholders. Called the Shareholders' Centre, the site contains a range of information including copies of recent result announcements, the Annual Report and excerpts from the National's Fact Book as well as useful forms from our Share Registry.

The National's web site can be found at [www.national.com.au](http://www.national.com.au)

### Contact Details

For information regarding the above dividend alternatives or other shareholding enquiries please contact the Share Registry.

In all communications with the Share Registry, please ensure you quote your Securityholder Reference Number (SRN) or in the case of broker sponsored shareholders, your Holder Identification Number (HIN).

#### Registered Office and Principal Share Register

24th Floor, 500 Bourke Street  
Melbourne Victoria 3000  
Australia  
Postal Address:  
GPO Box 2333V  
Melbourne Victoria 3001  
Australia  
Telephone local calls: 1300 367 647  
Fax: (03) 8641 4927  
Telephone (outside Australia):  
+61 3 8641 4200  
Fax (outside Australia):  
+61 3 8641 4927

#### United Kingdom Branch Share Register

c/- Computershare Services Plc  
The Pavilions  
Bridgwater Road  
Bedminster Down  
Bristol BS13 8AE  
United Kingdom  
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graphy coordinated by Media Equation Pty Ltd.  
Digital photographic enhancements and film separa-  
tions by  
EGO Electronic Graphic Output Pty Ltd.  
Printed by Canberra Press.