National

Annual Review 2000

We aim to be one of the world's **leading** financial services companies. We **tailor** financial services to help **people**, businesses and communities achieve their goals. We value - Service to our **customers**, **Quality** in everything we do, Professionalism and **ethics** in all we do, Competitiveness and a will to **win**, Growth and development of **our people**, Continuous productivity improvement, **Growing** profit for our stakeholders.

National Australia Bank Limited
ABN 12 004 044 937

*The National Group is an international financial services group that provides a comprehensive and integrated range of financial services across four continents. The National Group is the 22nd largest financial services company in the world by profitability and 54th by revenues.**

Annual Review 2000 is an overview of the National Australia Bank Group's operations. It is designed to give a concise summary of the Group's activities and the financial position for the year ended September 30, 2000.

Annual Review 2000 does not represent or summarise all publicly available information in relation to the Group. Other publicly available information about the National is in the Annual Financial Report 2000 document and has been notified to the Australian Stock Exchange and the Australian Securities and Investments Commission. To obtain a free copy of the Annual Financial Report 2000 telephone locally within Australia 1300 367 647 or outside Australia +61 3 8641 4200. If you prefer you can access both documents on the National's website http://www.national.com.au (see the shareholder section).

All figures in this document are in Australian dollars unless otherwise stated.

*Fortune 500, July 2000.

We are an international financial services group with more than 12 million customers worldwide.

We are pursuing our growth strategies and delivering shareholder value.

Contents

*All photography in this report is of National Group staff and clients.

We have more than 45 per cent of the National Group's assets and revenue streams located outside Australia.

We are the 22nd largest financial services company in the world by profitability and 54th by revenues. We employ about 50,000 people in Australia, New Zealand, in parts of Asia, the United States, the United Kingdom and the Republic of Ireland. Our customer base of more than 12 million customers worldwide is the largest of any of Australia's major banks.

Year 2000 at a

The 12 million plus National customers represent about two thirds of the combined customer base of Australia's other major banks.* ■

We have created a wealth management division and have more than $60 billion in funds under management and administration. ■

We are in the process of upgrading our customer relationship systems across all our global distribution channels and businesses. This will help us provide uniform customer information and service. ■

Our online offerings continue to expand. These include a range of online services for customers and the development of new businesses and alliances. ■

*** Ord Minnett Research**

glance

Operating profit after tax and before abnormals increased 19.8 per cent to $3.377 billion. ■

Our international activities contributed 47.3 per cent of profit after tax and before abnormals. ■

Earnings per share before abnormals increased 13.2 per cent to 211.3 cents. ■

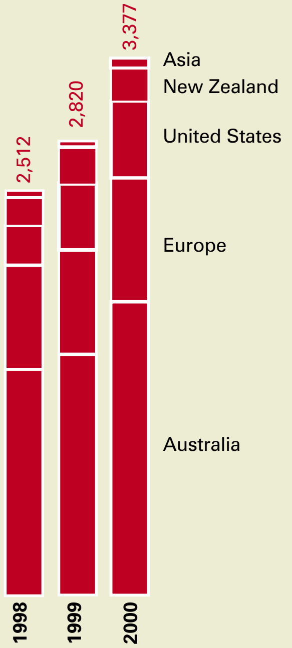
Economic Value Added (EVA) increased 6.3 per cent to $1.477 billion. ■

Total dividends per share for the year increased 9.8 per cent or 11 cents to 123 cents per share. ■

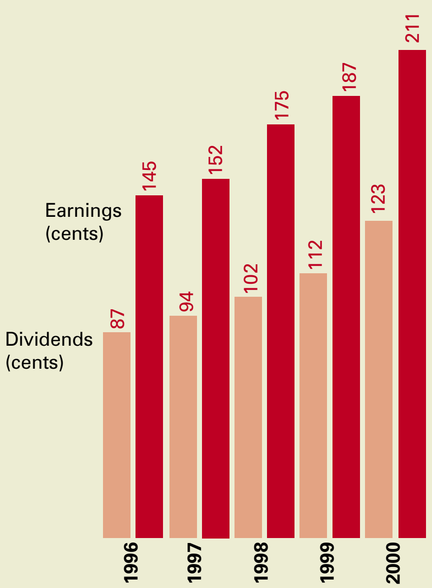
Far right: Lisa, an employee from the Camberwell Investment Centre demonstrates investment options. The new Investment Centre concept is being piloted in Melbourne and the Sydney CBD.

Financial highlights

Operating profit after tax and before abnormals



Earnings and dividends per share before abnormals



Profitability

- Operating profit after tax and before abnormal items increased 19.8 per cent
- International activities contributed $1.598 billion profit after tax and before abnormal items
- Other operating income increased 43.0 per cent and represents 50.6 per cent of total income
- Cost to income ratio improved to 51.2 per cent (excluding the impact of MLC and the effect of the change in accounting for life insurance businesses)

Earnings (1)

- Earnings per share climbed 13.2 per cent to 211.3 cents
- Cash earnings per share (before goodwill amortisation) were 224.4 cents
- EVA(2) increased 6.3 per cent
- Return on equity was 18.1 per cent
- Return on average tangible assets was 1.2 per cent
- Dividends per share increased 9.8 per cent

(1) All calculations are based on earnings before abnormal items.

(2) EVA represents the excess of cash earnings over the cost of capital employed, plus the value of franking credits generated. EVA is the registered trademark of Stern Stewart & Co.

National credit ratings

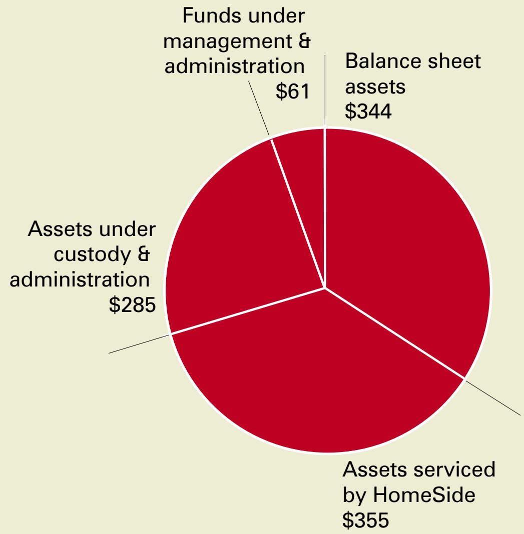
	Short term	Long term
Standard & Poor's	A1+	AA
Fitch	F1+	AA
Moody's Investor Services	P-1	Aa3

Growth and diversification

- Acquisition of MLC for $4.648 billion
- Underlying growth of 30.6 per cent in total assets in local currency terms
- Movements in exchange rates increased total assets by $12 billion
- Gross loans and advances increased 14.2 per cent in local currency terms
- Funds under management and administration (including MLC) moved up $40 billion to $61 billion
- Assets under custody and administration was up 58.3 per cent to $285 billion

As at September 30, 2000

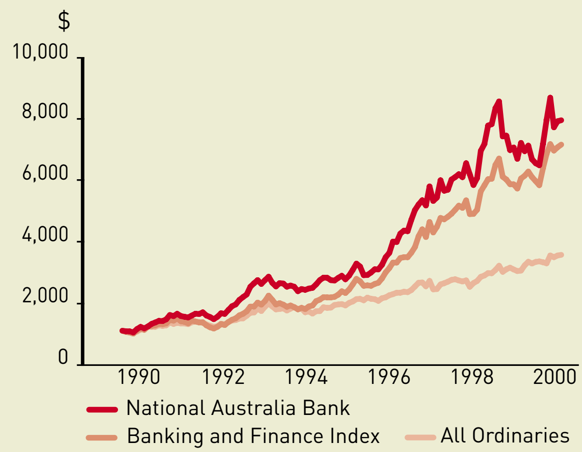
$ billion



Wealth index

- Total shareholder returns have increased on average by 23.0 per cent a year over the past 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 more than $7,900 (assuming dividend reinvestment)

Wealth index



Frank Cicutto,
Managing Director and Chief Executive Officer

Year in review

During the past year the National continued its transformation from a leading bank to a fully integrated financial services group, operating internationally and responding successfully to the challenges which confront the industry worldwide.

The capacity to anticipate and manage change has been a traditional strength of the National which has underpinned the Group's growth in assets, profits and dividends. It is even more important today as the pace of change in the financial services sector accelerates and the expectations of customers become increasingly sophisticated.

The latest result – a profit after tax and before abnormal items of $3.377 billion – was the Group's eighth successive record profit. This was achieved during a period of rapid transformation of the Group.

It was a pleasing achievement because competition was intense, with continued expansion of the range of product and service choice offered to the markets. As a result, the level of technology investment and use in our industry again rose substantially.

In this competitive environment, the National has concentrated on improving its ability to manage a diverse range of activities across four continents. It has

Mark Rayner, Chairman

by the Managing Director and Chairman

sought to ensure that it has the clear corporate strategies, capable staff, strong brands and demonstrated operational success necessary for continued growth.

The National's strategies are designed to gain the maximum shareholder value and competitive advantage from its existing strengths, particularly its international reach, large customer base and relationship management capabilities. They are designed to enable the Group to continue to grow at a strong but carefully controlled pace in its existing markets, as well as to invest in broader wealth management activities and emerging business sectors – particularly those that use Internet-based technologies.

At September 30, the National had more than 12 million customers, $344 billion in balance sheet assets, $61 billion in funds under management and administration, $285 billion in assets under custody and administration and a further $355 billion in assets serviced by HomeSide. More than 45 per cent of our assets and revenue streams are located outside Australia.

In the future we plan to expand our international presence, in particular in the northern hemisphere, and continue to refine the shape of the Group.

Core strategies

Five "core" strategies provide direction for all of the Group's activities. These are to:

- Drive performance and growth in businesses that rely on relationship management
- Accelerate the growth of selected global businesses
- Stake out positions in areas key to the evolution of financial services
- Manage our businesses to create maximum shareholder value
- Build diversified income streams

The Group's results reflect the successful pursuit of these strategies.

Customer relationship management

Our relationship management strength stems from our world class Customer Relationship Management (CRM) system. The CRM system combines the use of banking staff, mobile financial planners, customer response centres, the Internet, telephone banking and other distribution channels with computer data systems. This not only supports a broad range of customer services and products, but also provides information on customer needs to assist in tailoring products to best suit individual circumstances.

Three markets that have proven to be well suited to the National's relationship management capabilities are small to medium sized business enterprises (SMEs), including agribusiness and the rural sector; premium financial services; and wealth management.

The National improved its longstanding position as the leading provider of financial services to the SME market. In Australia, our market share of SME loans and deposits is estimated to be more than 10 per cent higher than our nearest competitor.

During the year, we reorganised our agribusiness and rural services into a separate division to consolidate our focus and capacity as the major provider of financial services to this sector in the Australian and New Zealand markets.

In the premium financial services market we continued to improve our position in Australia. Surveys in the first half of the year indicated that the National was meeting the majority of the financial services needs of its customers in this key segment.

We are successfully exporting this Australian expertise to international markets, having transferred our premium banking products, relationship management skills and unique distribution platform to the United States, New Zealand, Great Britain and the Republic of Ireland.

Wealth management

The acquisition of the MLC businesses (MLC) was a highlight of the Group's year for a number of reasons. It enabled us to boost funds under management, further diversify our earnings streams and cement our position as a leading banking and financial services group in Australia.

More importantly, MLC has provided us with the scale and expertise around which we can rapidly build our wealth management business in Australia and overseas. Already, Wealth Management contributes operating profit after tax and before abnormal items of $295 million, which represents 8.7 per cent of the Group's total operating profit.

As foreshadowed when the acquisition was announced, MLC has proven to be an ideal strategic fit for the National. We have similar business models; a strong retail focus with an emphasis on tailored financial solutions; leadership in cost efficiency; as well as complimentary products and distribution networks. As a result the integration process is ahead of schedule and progressing towards its completion in 2002.

An outcome of this process was the announcement of a number of strategic moves within the recently formed Wealth Management division. These included the planned sale of County Investment Management, the merger of MLC's Specialist Investment Management teams and National Asset Management, and the merger of the multi-manager portfolios of National Financial Management and MLC's "manager of managers" business.

Accelerated growth

An increase in the rate of growth of businesses which are well suited to achieving global presence, was another strategy successfully pursued during the year. Examples of this success are Wholesale Financial Services, HomeSide and Securities Services.

Wholesale Financial Services (WFS) completed the establishment of a capital markets distribution network. It also established its Project and Structured Finance operation in the United Kingdom and the United States to provide a global capability in that line of business.

WFS played key roles in some of the world's major financing deals, including the 30 billion financing for Vodafone AirTouch PLC's acquisition of Mannesman; the largest Australian corporate bond issue on record for ETSA Utilities; and the rationalisation of BHP's US$1.2 billion debt facilities.

The National has brought HomeSide capability to Australia, converting 370,000 National Australia Bank and Bank of New Zealand (Australia) loans to HomeSide Lending's unique servicing platform.

During the past year the number of homeowners who have their loans serviced by HomeSide increased to 2.3 million worldwide.

Another international success for the National has been Securities Services.

Growth in Australia's superannuation and finance sectors has led to a substantial increase in demand for master custody services.

The National is the leader in this business in Australia, with more than $180 billion in assets under custody and administration. Our strategy has been to build on this success by exporting our domestic custody capabilities to the United Kingdom.

Securities Services has entered into an arrangement with the world's largest custodian, the Bank of New York, to enable the National to settle equities and fixed interest transactions in 90 countries. Since September 30, we have secured two new major clients in the United Kingdom and effectively doubled our total assets under custody in that market to $200 billion.

Using technology to our advantage

The National has continued its effort to fully exploit the benefits of advances in computing and communications technology. This involves a number of programs including extensive use of the Internet for internal operations; the development and marketing of a range of online services; and the development of new businesses and alliances.

An outstanding example of this type of innovation is a partnership between HomeSide and one of the largest mortgage companies in the United States, Fannie Mae. This is a sophisticated online mortgage origination process that is expected to boost the use of the Internet in the United States to obtain home loans.

The National became one of the first companies to join a global alliance with Concert; a joint venture between two of the world's largest telecommunications groups – AT&T and British Telecom. The alliance will be a provider of Internet-based applications to improve the efficiency of the National's global operations and also add to our potential range of services for our customers.

A major initiative was the establishment of a new, wholly owned company – O_2-e Limited - to identify and accelerate the National's involvement in "new economy" capabilities and businesses.

One of the first moves of O_2-e Limited was an investment in and strategic distribution affiliation with, a leading Australian Internet group, Peakhour. This will assist us in offering our current business banking customers a wide range of new online services.

While we have been working to take advantage of the unique opportunities provided by "new technology", we have also concentrated on ensuring that our existing operations are structured and operated to derive the maximum value from them.

These efforts have ranged from comprehensive re-examination of the way in which we provide services, through new approaches to the management of staff, to enhanced performance measurement systems to maximise shareholder value.

Developing our staff

There is no doubt that the pace of massive change, intense competition and more complex customer needs places heavy demands on all the staff of the Group. To address these pressures we have given greater attention to the development needs of our staff and the fostering of an organisational culture that attracts, retains and motivates highly talented people.

We are giving greater attention to the development needs of our people and the fostering of a more flexible and innovative organisational culture.

As part of our Talent Review program, we have assessed the leadership abilities and overall capabilities of our 500 most senior staff. This has resulted in a number of structural changes, a sharper focus on specific performance measures for management, and the creation of individual career path and personal development plans for each member. This program will be progressively extended to other managers and staff.

Shareholder value

Perhaps the most significant initiative for enhanced shareholder value has been the adoption of Economic Value Added (EVA). At its heart is a key link between management performance and compensation.

EVA relates the profit a company earns to the cost of the capital it uses to generate that profit. It is considered to be a better way to measure financial performance than conventional approaches. The aim is to ensure shareholder value is maximised.

We have engaged Stern Stewart & Co. to partner us in this initiative. Stern Stewart developed the EVA concept and has worked with 350 of the world’s leading organisations on integrating it into key management processes.

Key external influences

Global factors continued to have a significant influence on our industry and Group during the past year. We also attracted widespread government, media and community comment.

In particular, the globalisation of financial markets, trade and commerce has raised concerns about the autonomy of national economies, the viability of many industries and companies, and the equitable distribution of the benefits of economic growth.

There is nothing new about expansion of trade, commerce, investment and technology across national boundaries. What is new is the use of Internet and other communications technologies to enable nations, corporations and individuals to more easily implement, manage and monitor developments in these areas.

Globalisation, convergent technology and deregulation have been the driving forces behind the fundamental changes that have occurred during the past decade in banking and financial services in Australia and internationally.

For well over a decade, the National has recognised the need to anticipate and respond to these changes. We have not been alone in that. Australia’s major banks have been amongst the first of its industries to adapt to "new" economic conditions and will continue to be in the vanguard of the industrial changes that are necessary for Australia’s economic success.

Australia’s banking, finance and insurance sector is the fourth largest in the Australian economy. It is larger than agriculture or mining.

The Federal Treasurer has noted that the Australian banking system has become a model for other countries. This view was endorsed by the International Monetary Fund when it listed the "strong financial position of banks…" as one of the factors that gave the Fund confidence about Australia's economic prospects.

An ongoing challenge for our industry will be to ensure that the link between the profitable operation of Australia's banking and financial services sector and the nation's economic wellbeing is widely understood.

The integrity, quality and operational efficiency of our major banks are equal to the best in the world and are a key factor in Australia's recent economic success. That success, in turn, has enabled the majority of Australians to improve their overall standard of living.

Corporate social responsibility

Despite this contribution to national economic progress, it is clear that Australia's banks do not stand high in the eyes of the community. The National, no doubt in common with its competitors, is highly conscious of this adverse perception.

The reversal of that perception, by understanding and responding properly to the community's expectations, is one of our highest priorities.

We are determined to earn the respect of all our stakeholders, including the community at large.

We do not underestimate the challenge or the time it will take. And there is self interest in our determination. However, corporate social responsibility is central to our corporate values and essential for our long term growth and prosperity.

Without such an effort, we believe there will continue to be a gap between the reality and the broad public perception of the value banking and financial services organisations such as the National create for Australia.

This, of course, is not only an issue for our industry, but for the corporate sector in general.

It is ironic that public ambivalence about corporate profits and moves to "mandate" subsidised service provision should come at a time of record levels of public share ownership.

When other demographic factors are taken into account such as the ageing of the Australian population and the growing reliance on superannuation to fund retirement, there seems to be a clear and strong common interest between the community at large and the corporate sector in setting high priority on policy and legislative reforms.

The areas that require attention include increasing the level of savings and superannuation; the refinement of competition policies to reflect the realities of global and national economic trends; and the rationalisation of Australia's corporate taxation regulations.

We are truly at a critical turning point in our national deliberations.

The convergence of banking, insurance and funds management in Australia has improved efficiency and quality of service and choice, but the size of our domestic market effectively sets limits on growth here. This is a pattern reflected in many other industries, whether they be in the mining, manufacturing or services sectors.

Australia then will need to acknowledge the fact that in order to grow further shareholder wealth for the benefit of all in our society, its major corporations will need to be flexible in the manner in which they structure and locate their assets, including their operational bases.

Indeed, many of our major companies – including the National – already face critical decisions as they seek to develop and implement the strategies necessary for continued growth.

Board changes

There were a number of changes in the composition of the Board of Directors during the year.

In accordance with the National Australia Bank Limited's Constitution, Mr David Macfarlane and Dr Michael Deeley retired from the Board, having reached the normal retirement age of 70 years. Mr Tom Park and Mr Frank Blount stood down as Directors and Mr Geoff Tomlinson and Dr Ken Moss were appointed Directors.

Mr Macfarlane joined the Board in 1985 and was elected Vice Chairman in 1992. He served as Chairman of the Principal Board Audit Committee and Chairman of National Asset Management Limited during a time of considerable business expansion.

Dr Deeley joined the Board in 1992. He served as a member and Chairman of the Principal Board Audit Committee, and Chairman of the Australia New Zealand Regional Audit Committee.

The Board thanks Mr Macfarlane and Dr Deeley for their significant contributions.

Mr Park, who joined the Board in 1996, resigned following his executive appointment with Southcorp Holdings Limited. Given that the Managing Director of Southcorp, Mr Graham Kraehe, was also a Director of the National, Mr Park tendered his resignation as a matter of good corporate governance. Mr Kraehe has subsequently announced his intention to retire from Southcorp and Mr Park has been nominated Managing Director to succeed him.

Mr Blount, who joined the Board in 1999, resigned following his appointment as Chairman and Chief Executive Officer of Cypress Communications Inc, a telecommunications company based in Atlanta in the United States. His resignation from the National's Board was due to the time commitments of his new role.

The Board thanks Mr Park and Mr Blount for their contributions.

Mr Tomlinson was appointed a Director in March 2000. He has also been appointed Chairman of National Wealth Management Holdings Limited, the wholly owned holding company of the National's global funds management and insurance operations. His previous roles include Group Managing Director and Chief Executive Officer of National Mutual Holdings Limited from 1992 to 1998.

Dr Moss was appointed a Director in August 2000 following his retirement as Managing Director of Howard Smith Limited. He was also appointed a member of the Principal Board Compensation and Nomination Committee.

The year ahead

The coming year will be particularly important in defining the nature and scope of our Group's activities. We expect the shape and profile of the Group to continue to change.

Once again we will be relying on the continued excellence of the contribution of all our staff members throughout our Group. We acknowledge what they have achieved in the past year and our confidence for the future is based on the knowledge that our people will continue to deliver success.

While growth remains strong in Australia, Europe and the United States, expectations are for more moderate levels over the coming year. The New Zealand economy has already slowed considerably, although exports continue to grow and should limit the duration of the downturn there.

In Australia key issues will continue to be concern about the level of the Australian dollar and potential increases in inflation.

We remain confident of prospects in Australia and in our international markets. Our aim is to continue to obtain the maximum value from our existing assets. Our strategies are flexible enough to enable us to achieve this value by increasing activity in those lines of business that offer the best local and global growth prospects; leveraging our assets through alliances, mergers or acquisitions; or divesting assets which do not meet our financial or strategic objectives.

We are well placed to derive the maximum benefits from our assets in both hemispheres.

Accordingly, we anticipate another successful year. ■

Frank Cicutto

FJ Cicutto
Managing Director

Mark Rayner

M R Rayner
Chairman

Corporate social responsibility

The National Group has continued to develop and implement a range of innovative and effective community involvement programs.

Our Group recognises that the communities in which we operate expect us to do more than provide banking and financial services. They want us to directly contribute to achieving broad social and economic goals, while supporting local community services and projects.

In seeking to meet local expectations we have focussed on four areas: community consultation; the involvement of employees in community life; community investment; and partnerships with major community services and volunteer groups.

Our most innovative and successful initiative has been the National CommunityLink program conceived by staff members in Melbourne – and now recognised as one of the most influential community involvement programs in Australia.

It recently received an award from the Prime Minister of Australia for excellence in "business – community" partnerships.

CommunityLink is a series of projects designed to promote the value of community service and volunteerism. It includes partnerships with leading community service groups; Australia's major awards program for volunteerism; a national magazine that promotes excellence in volunteerism; and employee outreach projects that enable our top young managers to be involved with community service groups.

As a result of the success of this program, CommunityLink is being extended Group wide. The first international project will be in the United Kingdom.

While we have other highly successful community projects in the United States, Europe and New Zealand, our overall community involvement effort must be integrated into a broader approach to the issue of corporate social responsibility.

We will continue with our community involvement programs including CommunityLink, Michigan National's Community Development programs, Bank of New Zealand's environmental protection projects and Europe's conservation and outreach activities.

These will form the "community" component of an integrated approach to meeting the needs of our stakeholders – employees; customers; shareholders; and communities.

Corporate social responsibility is best described as a "genuine commitment to meeting the needs and expectations of all stakeholders".

Only if we meet our obligations to our shareholders and our employees, will we be able to provide the service standards and product quality our customers expect of us.

However, the fulfilment of these key stakeholder needs does not meet all our obligations.

We also need to work actively with our local communities to address issues of mutual concern. In the case of major banks that means we need to address issues such as affordable access to our services, for groups in society with particular disadvantages.

For us to be seen as a "socially responsible" organisation, all of our stakeholders need to accept that we are genuine in our efforts to address broad social issues.

Clearly, we have some way to go before that occurs. However, we are increasing both our consultative activities and the investments we make in significant community programs. ■

Board of directors

Charles Allen
AO, MA, MSc, FTSE, FAICD

Mr Allen has been an independent non-executive director since 1992. He is a member of the Principal Board Audit Committee and Chairman of National Australia Investment Capital Limited.

Experience
35 years in the petroleum industry including 21 years with Shell International and 14 years as Managing Director of Woodside Petroleum Limited until 1996.

Other Directorships
Amcor Limited, The Australian Gas Light Company (AGL), Air Liquide Australia Limited and Earthwatch.
Chairman of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Cambridge Australia Trust.

Edward Tweddell
BSc, MBBS (Hons), FRACGP, FAICD

Dr Tweddell was appointed an independent non-executive director in 1998. He is a Director of O_2-e Limited and Chairman of National Asset Management Limited and the Board's Compensation and Nomination Committee.

Experience
24 years in the pharmaceutical and health care industries. Group Managing Director and Chief Executive Officer of FH Faulding & Co Limited since 1993.

Other Directorships
Chairman of Faulding Inc. and various subsidiaries in the Faulding Group in Australia, New Zealand, Asia, Europe and North America.

Geoffrey Tomlinson
BEc

Mr Tomlinson joined the Board as an independent non-executive director in March 2000. He is Chairman of National Wealth Management Holdings Limited, MLC Holdings Limited, MLC Limited and National Australia Financial Management Limited.

Experience
29 years with the National Mutual Group (now AXA), 6 years as Group Managing Director and Chief Executive Officer until 1998.

Other Directorships
Amcor Limited, Mirrabooka Investments Limited, Telecorp Limited and Pineapplehead Limited. Chairman of Reckon Limited, Funtastic Limited, Medweb Limited and Programmed Maintenance Services Limited. Deputy Chairman of Neverfail Springwater Limited and Hansen Technologies Limited. He is a non-executive consultant to PricewaterhouseCoopers.

Kenneth Moss
BE, PhD, FIEAust, CPEng, FAICD

Dr Moss was appointed an independent non-executive director in August 2000. He is a member of the Board's Compensation and Nomination Committee.

Experience
35 years in the mining, engineering, marine and hardware industries with BHP and the Howard Smith Group, including 7 years as Managing Director of Howard Smith Limited until July 2000.

Other Directorships
GPT Management Limited, Hunter Area Health Services, Hunter Medical Research Institute, Australian Maritime Safety Authority, an advisory board member of the Graduate School of Business at the University of Newcastle and Chairman of Boral Limited and Centennial Coal Company Limited.

Catherine Walter
LLB (Hons), LLM, MBA, FAICD

Mrs Walter joined the Board in 1995 as an independent non-executive Director. She is Chairman of the Principal Board Audit Committee and a director of National Wealth Management Holdings Limited, MLC Holdings Limited, MLC Limited and National Australia Financial Management Limited. She is also a member of the Board Audit Committee of National Australia Financial Management Limited.

Experience
20 years as a solicitor and 8 years as a partner in the firm Clayton Utz until 1994, including some time as Managing Partner of the Melbourne office.

Other Directorships
Australian Stock Exchange Limited, Melbourne Business School Limited, Orica Limited, Vodafone Pacific Limited, Committee for Economic Development of Australia, a council member of The University of Melbourne and Chairman of the Business Regulation Advisory Group.

Frank Cicutto
BCom, FAIBF, FCIBS

Mr Cicutto, the Managing Director and Chief Executive Officer, was appointed to the Board as an executive director in 1998. He is a Director of National Wealth Management Holdings Limited, MLC Holdings Limited, MLC Limited, National Australia Financial Management Limited, O_2-e Limited, Bank of New Zealand, HomeSide International, Inc, Michigan National Bank, Michigan National Corporation and Chairman of National Australia Group Europe Limited.

Experience
32 years in banking and finance in Australia and internationally. Previous executive positions in the National 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, and appointed Managing Director and Chief Executive Officer in June 1999.

Other Directorships
Melbourne Business School Limited (University of Melbourne) and Chairman of the Australian Bankers' Association.

Mark Rayner
BSc (Hons), FTSE, FAusIMM, FAICD, FIE Aust

Mr Rayner has been Chairman since September 1997 and an independent non-executive Director since 1985. He is a member of the Principal Board Audit Committee and the Compensation and Nomination Committee.

Experience
35 years with Comalco Limited, including 11 years as Chief Executive, 20 years as a Director and 6 years as Deputy Chairman; Group Executive and Director of CRA Limited until 1995.

Other directorships
Boral Limited and Vice President of the Australian Academy of Technological Sciences and Engineering Limited, and the Australia Japan Business Co-operation Committee. Also Chairman of the Australia Japan Business Forum, Pasminco Limited and Mayne Nickless Limited.

Graham Kraehe
BEc

Mr Kraehe was appointed an independent non-executive director in 1997. He is Chairman of O_2-e Limited.

Experience
38 years in the wine, automotive and diversified manufacturing industries. Managing Director of Pacifica Limited from 1985 until 1994. Managing Director and Chief Executive Officer of Southcorp Limited since 1994.

Other Directorships
Business Council of Australia and a director and Chairman of various entities in the Southcorp Group in Australia, New Zealand, North America and Europe.

The National Group's retailing activities are achieving international success.

Business and personal financial services

Business and Personal Financial Services (B&PFS) is the retailing arm of the National Group consisting of 30,700 employees working with our 8.2 million customers in this segment in Australia, New Zealand, Michigan in the United States, Great Britain and both Northern Ireland and the Republic of Ireland.

B&PFS is organised around customer segments with products, services and the skills of employees matched to the needs of customers in each region.

The segment based businesses include Business Financial Services (Custom, Business, Package Business and Agribusiness) and Personal Financial Services (Private Banking, Premium Financial Services and Retail Financial Services). These businesses are supported in each region by specialist Direct Retailing and Channel Management, Marketing Services and Product and Process Management units.

B&PFS aims to develop long term relationships with our customers through offering a range of products that are 'tailored' to specific customer needs (that is, tailored to various life stages).

The global team develops and implements a consistent model for each of the major customer segments. These retailing models are developed in a selected region, harnessing the global expertise of B&PFS, and then progressively used in other regions. This global development process leverages the purchasing scale of the National Group and avoids potential wasteful duplication of effort across the various regions.

A strength of this global model is the ability to transfer proven best practices and products across different regions.

The Bank of New Zealand (BNZ) provides a prime example of this process. BNZ's innovative mortgage product, Rapid Repay was successfully launched during the year in Great Britain at Yorkshire Bank.

A range of successful BNZ direct marketing campaigns for agribusiness customers were adapted for the Australian market.

The National Group retailing activities are spread across Australia (Australian Financial

Services), New Zealand (Bank of New Zealand), the United States (Michigan National), Great Britain (Yorkshire Bank and Clydesdale Bank) Ireland (Northern Bank and National Irish Bank).

Through Australian Financial Services (AFS) we provide a full range of financial services to 3.1 million customers. AFS has 7,200 front line banking employees who provide savings and cheque accounts, housing loans, term deposits, credit cards, personal loans and lines of credit to business and personal customers. They also provide access to specialist services such as international banking, leasing, trade finance, payments, foreign exchange and risk management products.

AFS customers have access to our services through more than 1,000 outlets (including supermarket banking and investment centres), 1,200 ATMs and an extensive network of point of sale (EFTPOS) terminals, the Internet (including free internet access via National FreeOnline) and telephone banking.

AFS has 257 business banking centres and business banking suites; more than 300 financial planners who provide individual financial advice and access to a wide range of investment options and managers through many masterfunds; 32 premium financial services centres; 36 financial services suites; and 13 private banking suites.

Relationship managers such as personal bankers, financial planners and mobile mortgage managers work from premium financial services centres and financial services suites to deliver 'tailored financial solutions' to our customers, meaning they seek to tailor the AFS product offerings to specific customer needs.

BNZ has 3,500 employees in this segment. The BNZ distribution network includes 192 branch outlets (including 52 locations with specialist business banking personnel), three private banking suites, 271 ATMs and shared access to an extensive EFTPOS network. BNZ internet banking has 35,000 registered users.

Michigan National has 2,200 employees in this segment; and 184 outlets (including 26 new concept centres focusing on investments and 31 in-store financial services centres), 333 ATMs in the state of Michigan, and telephone and Internet banking.

In Great Britain, Clydesdale Bank has a business and personal portfolio with 259 outlets (including three in London), 69 business banking centres and premium outlets, and 3,300 employees in this segment. Yorkshire Bank operates through 246 outlets in the north of England and the Midlands, 80 business banking centres and premium outlets, and has 4,300 employees in this segment. Yorkshire Bank has expanded its presence in personal segments through the provision of mortgages, and the business segments by applying the operating model used in AFS.

Both Northern Bank and National Irish Bank offer a broad range of financial services. Northern Bank has a strong business banking presence and has expanded its personal segments including adopting the AFS' tailored home loan product. Northern Bank has 105 outlets, 32 business banking centres and premium outlets and 1,900 employees, in this segment. National Irish Bank has 62 outlets, 26 business banking centres and premium outlets and 700 employees.

See also the regional franchises section beginning on page 30.

Far right: Maree, a National mobile mortgage manager with clients Ian and Stefanie at their home in Sydney.

A division serving more than two million customers across eight countries.

Wealth management

The National's Wealth Management division was formed following the completion of the National Group's acquisition of MLC in June 2000.

The division includes National Australia Financial Management, MLC and its subsidiaries, National Asset Management, National Australia Life, National Australia Trustees, BNZ Life Insurance and Independence One Life.

The division is a fully integrated wealth management business that offers investment, superannuation and insurance solutions to the retail and corporate markets, and business platforms to financial advisers.

Operating profit after tax and before abnormal items was $295 million, which represents 8.7 per cent of the National Group's total operating profit.

The division has a diverse range of operations in eight countries, including Australia, New Zealand, the United States, the United Kingdom and parts of Asia. Worldwide the wealth management division has more than two million customers and $61 billion in funds under management and administration.

The majority of these funds are held in Australia, where the division also has annual insurance premiums of more than $364 million.

The creation of the National's Wealth Management division provides the opportunity to realise the full potential of the National Group's international financial service operations by exporting certain capabilities developed in Australia to these international markets.

Numerous growth opportunities have been identified, including a substantial customer base in the United Kingdom, where the National has a strong presence. MLC's "manager of managers" investment approach may be readily exported to the United Kingdom and to Asian markets where we are rapidly growing.

In the Australian market the focus is to maximise the cross-selling opportunities arising as a result of the MLC acquisition through a range of distribution channels. This leverages the great strength of the National's customer base, product range and our multi-channel distribution strategy, which offers customers the broadest range of access points.

Choice and flexibility is the key in providing services to clients, whether it be through our adviser channels, direct and on-line through Your Prosperity, or via the corporate and workplace channels through MLC Implemented Consulting, Plum and AdvantEdge.

Business highlights include:

- Becoming Australia's largest integrated retail fund manager with $28.1 billion in retail funds under management, an estimated 14.5 per cent market share.
- Seeing our online business initiative, Your Prosperity being awarded "Best Broker for New Online Investors 2000" by yourbroker.com.au.
- Entering the life insurance market in Thailand with the launch of Advance MLC Assurance in Bangkok in August 2000. A joint venture with the Soon Hua Seng Group, this will offer tailored life insurance products to the premium market.
- Continuing the consolidated investment service offerings to

ensure we provide choice and flexibility to meet the needs of our customers and advisers.

www.mlc.com.au
www.national.com.au
www.yourprosperity.com.au

Standing: Etel with the People and Culture team at Campus MLC, the Wealth Management headquarters in Sydney. Campus MLC is widely regarded as one of Australia's leading work environments. Designed in consultation with employees, Campus has many features that were developed to improve communications and efficiency, reduce stress, enhance openness and transparency and save space.

Integration of MLC and the National Group businesses

The National is well advanced in realising the benefits of the acquisition of MLC with the integration of the National financial services businesses and MLC progressing rapidly.

The acquisition provides the National with the scale and expertise around which it plans to aggressively grow a successful wealth management business in Australia and overseas.

Only nine weeks after the acquisition was completed, the division's Board of Directors approved a master plan, including the vision for the business, organisational structure, operating models, product sets and employee care schemes, as well as budgets for the integration program for the new business.

The program is managed by a specialist team and has started to deliver a fully integrated business. The team aims to ensure that duplication of product and service offerings is reduced over the next 18 to 24 months and the synergy benefits realised.

The wholesale division looks after the Group's 1,500 major corporate and institutional relationships worldwide.

Wholesale financial services

Wholesale Financial Services (WFS) is responsible for the National Group's 1,500 major corporate and institutional relationships worldwide. WFS operates across four continents and 21 major financial centres and incorporates:

- Corporate and Institutional Financial Services which is responsible for managing the National Group's relationship with large corporate and institutional customers world wide using relationship management teams.
- Project and Structured Finance which provides a full range of products and services in project advisory, project finance, structured finance, structured property finance, loan syndication and agency management and securitisation. This team is based in Sydney, Melbourne, Wellington, Auckland, London and New York.
- The Global Markets division has major dealing centres in Sydney, Melbourne, Wellington, Hong Kong, Tokyo, Singapore, London and New York delivering a range of capabilities such as capital markets origination, distribution and trading, interest rate derivatives, foreign exchange, commodity risk management, credit derivatives and money market products.
- The core support services group is dedicated to driving efficiency and strategic flexibility and ensuring that systems and processes support not only current business activities but our future strategic directions, including ecommerce.

The division continues to identify new ecommerce business opportunities through joint ventures or alliances that support the business strategy.

Along with the development of additional electronic distribution channels and the establishment of new wholesale websites such as nabmarkets.com and bnzmarkets.co.nz, the division is also using ecommerce technology to re-engineer its dealing and distribution infrastructure.

This will allow us to leverage our existing cost base to expand customer reach and improve customer service.

The National's secure, electronic foreign exchange dealing system, FX Dealing, is now available to customers in Australia, New Zealand, the United Kingdom and the United States.

Expansion of core capabilities in commodity, interest rate and credit risk management,

Left to right: Greg, David and Rob, National Group wholesale staffers who worked on the ETSA utilities deal (privatisation of the South Australian electricity distribution business).

supported by quality research, has been a key to designing and delivering a comprehensive range of financial products to meet the diverse needs of our global customer base. The successful launch of Tailored Business Loans in the United Kingdom, in conjunction with Business Financial Services, brought together wholesale product expertise and the National's strength in relationship management.

Our global capability in project and structured finance has been expanded in Europe and the United States and continues to be acknowledged as world class. Recent awards include:

- Project Finance Deal of the Year for the Millmerran power project in Queensland; and
- Lead Arranger/ Provider of Project Finance in Asia-Pacific for the fourth year running.

WFS has established National Australia Capital Markets LLC, which enables the National to provide customers with brokerage and related services in the United States. This is an integral part of our global capital markets distribution network that encompasses all of the world's major financial centres.

The largest Australian corporate bond issue.

In Asia WFS's activities are focused on corporate and institutional financial services businesses and select market product capabilities in Hong Kong, Singapore, Seoul and Tokyo.

WFS was joint lead manager for ETSA Utilities, the privatisation of the South Australian electricity distribution business. This deal brought together our expertise in providing innovative solutions and our global distribution and relationship management strength in Australia's largest ever corporate bond issue. A further example was the 30 billion financing of Vodafone AirTouch PLC's acquisition of Mannesman in which the National had a key role.

In a dynamic and complex world marketplace, WFS is dedicated to helping its clients define goals, solve problems and execute short or long term strategies. The division is committed to enhancing return on equity through a focus on continued efficiency gains and its strengths in relationship management and product solutions globally.

www.nabmarkets.com.au
www.nabasia.com
www.bnzmarkets.co.nz

Our custody business is growing with $285 billion in assets under custody and administration worldwide.

Specialist and emerging businesses

Specialist and Emerging Businesses operates in Australia, New Zealand, the United States, Great Britain and Ireland, and has five product specialist units: Cards, Payments, Asset Finance and Fleet Management, Securities Services, International Trade and Business Finance, together with National OnLine Trading Ltd and National Australia Investment Capital Ltd.

Cards manages the National Group's Visa and MasterCard relationships in Australia, New Zealand, Great Britain and Ireland. Credit card receivables have been growing by more than 25 per cent in all these markets.

Credit card processing is a major activity and is being outsourced to Equifax. This is expected to result in a standard system across all markets, deliver cost efficiencies, converged processes, improved product functionality and faster speed to market for new initiatives. The new arrangement will be completed by the third quarter of 2001.

Significant investments have been made in fraud detection software and automated application processing to deliver better risk management, operational cost savings and improved customer service.

Payments is well advanced in the use of the latest technology to support new online products and services. National Secure Internet Payments was implemented in Australia this year to enable customers to make secure credit card payments over the Internet. This product reduces customer concerns about providing credit card details to online merchants.

In Australia, Payments is managing the implementation of continuous linked settlement to reduce the risk in foreign exchange settlements for the Group.

The National has also become an equity participant in Identrus. Formed in April 1999 by eight of the world's largest banks, including Bank of America, Deutsche Bank and HSBC, Identrus is a leading facilitator of identity and authentication services for global business-to-business online commerce, utilising digital certificates and public key infrastructure. This investment should allow the National Group to support its business-to-business customers with Identrus products and services for online information and value exchange.

- More than 4 million credit cards on issue
- Over $10 billion in leasing receivables under management
- $46 billion in trade and related turnover in the past year

At Michigan National in the United States, Payments has launched Internet based cash management products. For the ninth consecutive year, Michigan National's Bankcard Services received the prestigious VISA Quality Service Award, reaffirming the Bank's position as one of the best merchant service providers in the United States.

Asset Finance and Fleet Management achieved strong market share growth in Australia via its retailing and direct sales areas. In Europe operating income and sales to local authorities have increased significantly.

The National's fleet management business, Custom Fleet is well advanced in establishing a common global system, branding and business model. This year Custom Fleet integrated Custom Fleet Europe and moved to a 100 per cent shareholding in Fleet Systems, Australia's largest multi-brand fuel card.

At year end, the National's Custody area (Securities Services) had $285 billion in assets under custody and administration globally. Profits grew by 44 per cent and assets under custody by 40 per cent in the past 12 months.

The National is the largest custodian in Australia with total assets under custody and administration of more than $180 billion.

The National is well positioned to be a leader in the United Kingdom custody market. Brown Bros Harriman ($13 billion) and Mellon Trust ($70 billion) – two leading global custodians – have appointed the National as their United Kingdom custodian. Since September 30, the National has almost doubled its assets under custody and administration in the United Kingdom to $200 billion through a number of new mandates.

Other highlights of the custody business include:

- Being ranked number one custodian in Australia and New Zealand for 1999 and 2000 by Global Custodian Magazine.
- Obtaining custody of $11 billion out of a total of $32 billion of assets when the State Street Master Custody business was sold and a number of large clients chose to move to the National.

International Trade and Business Finance highlights include the restructure of business finance in the United Kingdom to improve sales and operational performance.

National OnLine Trading Ltd, launched in February 2000, was established to provide customers access to ebroking services to trade securities via the Internet and telephone. A feature is seamless integration with the National's Internet banking, allowing real-time transfer of funds.

The customer base and the level of online trading is growing with about 15,000 customers using the service.

Left to right: Glasgow based Specialist and Emerging Businesses team members, Kevin (compliance), Debbie (settlements) and Donna (corporate actions).

The National Group is upgrading its customer relationship systems worldwide.

National shared services

The National Shared Services (NSS) division combines information technology, operational services, real estate, finance and human resources shared services.

Through a global alliance with Concert, NSS is making substantial investments in building unrivalled Internet protocol networks and innovative, web-based solutions that are expected to provide additional ebusiness products and services for our customers. Concert is a joint venture between British Telecom and AT&T in the United States. The alliance with Concert, announced in late 1999, will also assist in the building of the National's corporate intranet, aimed at streamlining internal processes.

Leading software provider, Siebel Systems, is working with the National to provide a global, integrated Customer Relationship Management solution. We are in the process of upgrading our customer relationship systems across all global distribution channels and businesses to ensure uniform customer information and service.

The National Services Information Technology Enterprises (NSITE) unit is driving the information technology component of programs to upgrade ATM services, Internet banking, customer relationship management and customer response centre activities across the National.

In Australia, Lending Services completed the conversion of the Retail Financial Services, Premium Financial Services and Private and Business Financial Services segments into centralised document processing centres; and significantly improved the average time taken to produce home loan documents.

In Europe, Collections launched a debt collection service externally in January 2000. Results of the first trial exceeded expectations.

Transaction and Business Services has delivered significant cost savings over the past 12 months through major process re-engineering initiatives across all regions. It is also investing heavily in people through enhanced reward and recognition schemes and international exchange programs.

Left to right: Transaction and Business Services team members in Glasgow, Robert (design), Robert (risk) and Brian (finance).

O_2-e

The National Group established a new company - O_2-e Limited - to identify and accelerate its involvement in what have become known as "new economy" lines of business. These are businesses that typically use advanced computing and communications technology, particularly the Internet.

O_2-e will develop businesses and capabilities in product innovation, infrastructure and back office applications. An area of particular interest and high potential is "info-tailing". This is the process of linking customers with information, products and services suppliers.

In addition to building new and separate businesses to create shareholder value, O_2-e will also play a key role in the implementation of the National Group's existing business strategies. For example, O_2-e activities will support our strategies to acquire and retain premium and private retail customers, as well as providing new services for small to medium businesses.

Examples of key investments and initiatives already undertaken by O_2-e include:

- thinkorswim.com - An equity investment in thinkorswim.com, Inc., a portal for equity options and derivatives trading on the Chicago Options Exchange. It targets active traders and high net worth individuals seeking to diversify their risk. It is expected that thinkorswim.com will be launched in the United States in the first quarter of next year.

www.o2-e.com

- itsvivid.co.uk - A direct distribution and internet brand established by the National in the United Kingdom focussing on personal and housing loans. Demographic data mining and micro media analysis have been used to reduce the cost of acquiring new customers. Most customers are from southern England where the National currently has no physical distribution outlets.
- Peakhour - An equity investment in Peakhour Pty Limited and Peakhour Australia Holdings Pty Limited. This will assist the National to offer its business banking customers an extended range of online services.These include internet access, domain registration, website building, website hosting and software rental under a single account. The National is the first Australian bank, and one of the first in the world, to develop a complete suite of digital services under the one business banking relationship.

More than 2.3 million homeowners have their loans serviced by HomeSide globally

HomeSide

HomeSide combines the operations of HomeSide Lending, Inc. (HomeSide United States) based in Jacksonville, Florida, and a division of the National (HomeSide Australia), which was established during the year.

More than 2.3 million homeowners worldwide have their loans serviced by HomeSide.

HomeSide United States' profit after tax and before abnormal items decreased from $100 million to $87 million during 2000. The rising interest rate environment caused a steep decline in refinancing activity in the United States. Although the origination market was reduced by more than one third, the impact on HomeSide United States' earnings was smaller due to increasing revenues from mortgage servicing.

Right to left: HomeSide loan specialist Saundra with supervisor Ed are part of the United States team that make mortgage selection and servicing easier for customers.

HomeSide gives to the National Group a world class loan origination and servicing operation based on highly automated and cost effective processing systems, outsourcing of selected functions, and effective control of problem loans.

HomeSide continues to grow its servicing portfolio through its diversified loan production sources and by "bulk" acquisitions of mortgage servicing rights. HomeSide's mortgage servicing portfolio grew to $355 billion by September 30, 2000.

HomeSide Australia converted 370,000 National Australia Bank and Bank of New Zealand (Australia) loans to the HomeSide servicing platform. This is part of the National's drive to promote global best practice throughout its operations.

Broker originated volumes in Australia increased by a record 135 per cent during the year. HomeSide also implemented processes and technology to provide securitisation capability in Australia.

The HomeSide online mortgage solution, featuring HomeSide's proprietary mortgage platform and powered by technology provided by one of the largest United States mortgage companies, Fannie Mae, was launched in the United States in July 2000. This means the process of applying and being fully approved for a mortgage online can take as little as 10 minutes and results in a 50 per cent reduction in loan application paper work.

HomeSide intends to leverage this ecommerce capability across products, channels and existing and new preferred partner relationships.

The ecommerce based loan origination service and technology is designed to be provided to consumer-focussed companies that have strong

HomeSide customers Steve and Pauline shake hands with their real estate agent Mike after securing mortgage finance from HomeSide for their new home in Ponte Vedra, Florida.

marketing and brand recognition, but do not have their own mortgage capability.

HomeSide is actively assessing opportunities to extend its mortgage origination and servicing expertise into the United Kingdom.

www.homeside.com

Left: Cheryle helps customers and National bankers on a range of loan servicing queries at the HomeSide Australia (Melbourne) Call Centre.

Regional franchises

Australian Financial Services

Australian Financial Services (AFS) offers a full range of banking and selected financial services across the personal, business, and wholesale market segments.

Profit after tax and before abnormal items for the total Australian group (comprising AFS and all of the National Group's other activities in Australia including Wealth Management and Corporate Centre) increased by 27.7 per cent over the previous year to $1.779 billion.

AFS is undertaking a major integrated change program designed to transform the way customers do their banking and conduct other financial transactions.

The program aims to enhance customer satisfaction; build sales and service capability in our branch network and via our electronic and direct channels; and migrate transactions to lower cost channels such as the Internet and telephone.

The Customer Experience Program is designed to make more customers aware of the National's convenience banking services. It has been rolled out to 230 retail outlets in Victoria, New South Wales, Queensland and South Australia. The program has helped lift staff and customer satisfaction and has led to a decrease in over-the-counter transactions at retail outlets.

The Physical Outlets program aims to reconfigure the retail network to better support changing customer needs. A new Investment Centre - the latest retail concept – is being piloted in Camberwell (Melbourne) and in the Sydney CBD. It is a one-stop shop for investment information, education and advice, offering customers a welcoming, comfortable and user-friendly environment where they can learn about investing.

The 'store', a redesign of the existing 'traditional' retail branch, is being prototyped throughout Australia, including Adelaide Office, Adelaide, Camberwell and Sydney. The store offers enhanced self-service options and sales capability.

New supermarket branches were opened in Western Australia, Victoria and Queensland.

The metropolitan retail network has been reviewed to ensure services are provided where there is greatest demand. This is assisting in lifting sales and containing retail costs.

The Automated Deposit Machine (ADM) is an electronic deposit machine for business customers, currently being piloted in Victoria at Braeside, Moorabbin, Dandenong and Camberwell. The ADM is attached to an ATM which customers can access with a FlexiCard, offering an alternative deposit service 24 hours a day, seven days a week.

An AFS advertisement

The Customer Response Centre continues to support the retail networks in satisfying the needs of our customers by determining their immediate and future financial requirements. This has been enhanced by:

- Re-engineering processes within the telesales area.
- Selling additional products through the telesales area.
- Initiating a process to increase loan drawdowns.

We have also consolidated phone numbers to access the customer response centre, and piloted a remote fulfilment process for personal unsecured loans.

A new six to ten year fixed rate loan for business, a basic home loan for first home buyers and a new Professional's Choice package were launched.

The number of financial planners was increased and new private banking suites were opened.

By building leading edge internet capabilities, we intend to fully satisfy customer expectations, as well as increase revenue across all channels.

Achievements to date include:

- The launch of National FreeOnline – the National's own Internet access service.
- The launch of online applications for home loans, credit cards, and personal loans.
- Implementation of an auto response email system to reduce costs in the customer response centre.

Marketing initiatives have increased the Internet banking registrations from 45,000 to more than 300,000 customers.

A successful program for the year 2000 date change was implemented. The Goods and Services Tax implementation on July 1 was smooth.

A feedback and service recovery unit has been established so that customer feedback is efficiently actioned, monitored, analysed and used as the basis for improvement programs.

A comprehensive service recovery training program is underway for all staff who work with customers. ■

www.national.com.au
www.national.freeonline.com.au

National
Tailored Financial Solutions

National Australia Bank Asia

The National's business activities in Asia are focussed mainly on wholesale financial services and to a smaller extent, on personal banking services.

The Corporate & Institutional Financial Services businesses and select market product capabilities in Hong Kong, Singapore, Seoul and Tokyo continue to grow. The Corporate team has taken lead roles in a number of high profile syndications and cross-border transactions, and the Debt Markets team is recognised as a leader in the origination and distribution of Hong Kong dollar denominated debt instruments.

Our Personal Financial Services businesses in Hong Kong,Tokyo and Singapore continue to provide a good revenue stream. This business is set to develop further given the National Group's acquisition of MLC which has a 55 per cent owned subsidiary in Hong Kong and joint-venture operations in other parts of Asia.

The National was the only Australian bank to receive an upgraded licence in Singapore. The 'Qualified Offshore Banking Licence' allows the National to participate, at an increased level, in Singapore dollar denominated business. ■

www.nabasia.com

Bank of New Zealand

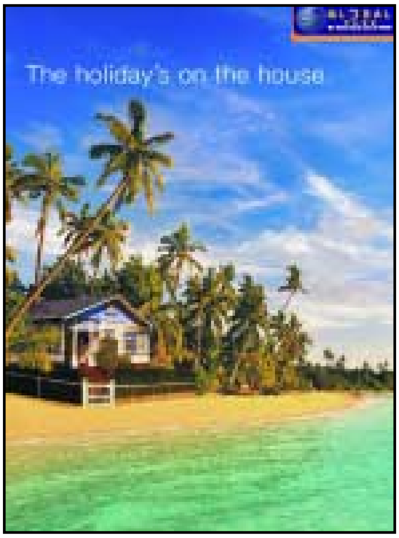
Bank of New Zealand (BNZ) is focussed on new technology and giving customers a wider choice of banking and investment channels.

Profit after tax and before abnormal items increased 5.6 per cent from the previous year to $318 million.

BNZ was the first bank in the country to offer online securities trading and online bond trading. The launch of online FX dealing together with BNZ Internet banking added to the suite of Internet-based products. BNZ continues its commitment to the delivery of ebanking solutions via its own technology platform and alliances and joint ventures with business partners.

Interest rate risk management products for Business Financial Services customers were introduced during the year. Business customer satisfaction remains high. In a survey of business customers, some 77 per cent said they would recommend BNZ to others for their business needs.

AgriBusiness Financial Services maintained its estimated 25 per cent market share. An innovative marketing campaign to give AgriBusiness customers free personal computers and Internet access earlier this year saw $121 million worth of business written in three months.



A BNZ advertisement

A unique mortgage product, GlobalPlus Home Loans which is linked to Air New Zealand Air Points, was launched through Retail Financial Services. This contributed to BNZ's strong results.

A continued focus on delivering distribution channels aligned to customer needs saw BNZ invest $2.8 million in its already strong ATM network in an alliance with Shell where 40 state-of-the-art machines were installed at Shell retail outlets.

With the launch of Premium Choice, Premium Financial Services is offering a suite of products specifically designed for high net worth customers focussing on the value BNZ can add through advice and relationship management.

BNZ regained its top ranking position in KPMG's Financial Institutions Performance Survey and was named Best Foreign Bank by leading global finance magazine Euromoney.

BNZ Wholesale Financial Services launched its own website to make its research, products and services easily accessible.

A suite of interest rate and currency hedging products was successfully launched into the business market segment.

The launch of the Platinum Visa for the country's high net worth customers signalled another first for BNZ. Available by invitation only, BNZ Platinum Visa has a unique range of benefits including higher credit and authorisation limits and membership of the Visa Platinum Club.

www.bnz.co.nz
www.bnz.markets.co.nz

Bank of New Zealand
Tailored Financial Solutions

The National Group is the largest Australian investor in Great Britain and Ireland. It is one of the biggest foreign-owned financial services groups in both regions, employing almost 15,000 people. Our retail operations in these locations comprise four regional banks, a wholesale arm and a life insurance company.

Great Britain

Clydesdale and Yorkshire Banks continue to grow in a highly competitive environment. Profit after tax and before abnormal items for Clydesdale and Yorkshire respectively increased 27.1 per cent and 9.3 per cent from the previous year to $333 million and $375 million.

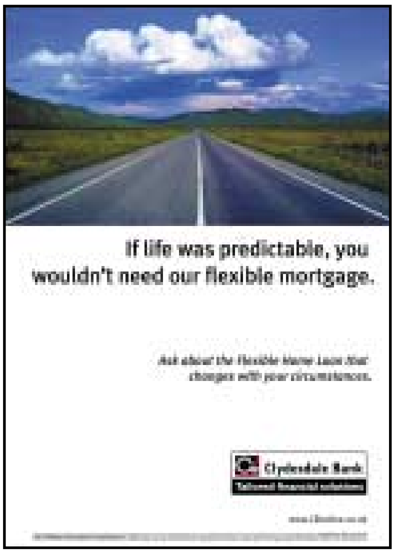
This reflected a strong performance from Personal Financial Services at both banks in an increasingly competitive marketplace. Yorkshire Bank had a particularly strong year, achieving a 30 per cent growth rate in new mortgage business, due in part to the introduction of Rapid Repay, the flexible repayment mortgage developed by the Bank of New Zealand.

At Clydesdale Bank a 12 week campaign to make sales of personal loans achieved record volumes, with new loans totalling $684 million compared with $410 million the previous year. The introduction of innovative liability products such as charity bonds, which raised $90,000 for children's charities, and the Guaranteed Equity Bond were particularly well received by the market.

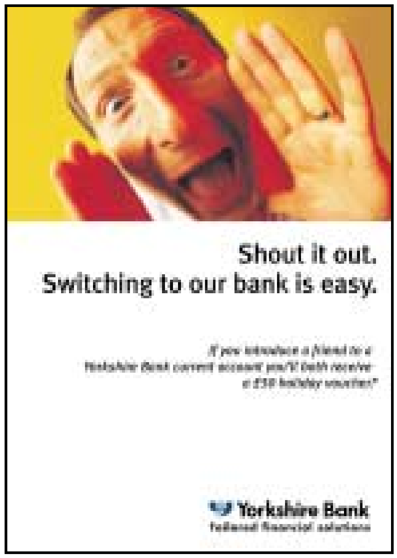
Yorkshire Bank's personal loan approval is available in about eight minutes – one of the fastest on the market.

Premium banking at both banks continued to expand with the recruitment of more bankers and a further expansion of private banking facilities.

Business Financial Services has expanded its premises and differentiated itself from competitors with the launch of new products such as the successful Tailored Business Loan, a suite of products developed with Wholesale Financial Services.



A Clydesdale Bank advertisement



A Yorkshire Bank advertisement

A significant milestone in Great Britain was the installation of the world's first new generation ATM - the Persona 86 - at Clydesdale's Davidson's Mains branch in Edinburgh, which will enable a range of new services.

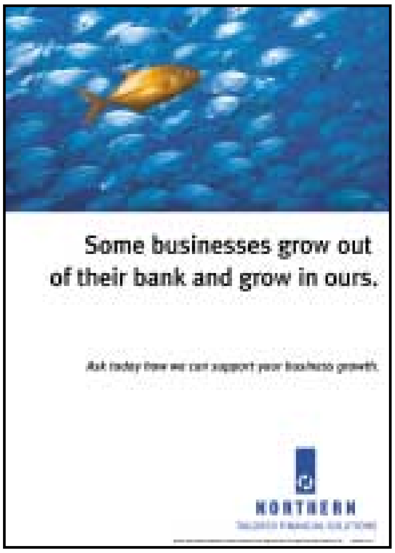
www.ybonline.co.uk
www.cbonline.co.uk

Clydesdale Bank
Tailored Financial Solutions

Ireland

Profit after tax and before abnormal items for National Irish Bank (NIB) and Northern Bank (NB) respectively, decreased 64.5 per cent and 4.7 per cent from the previous year, to $11 million and $163 million.

Impressive growth was recorded in the number of cards issued by both banks, with a rise of 36 per cent at NIB and 30 per cent at NB; and mortgages written grew by 14 per cent and 10 per cent respectively.



A Northern Bank advertisement

A new Personal Financial Services unit that integrates premium and retail from both Irish banks puts both in a better position to take advantage of potential growth and provide a seamless service to customers.

The first Premium Financial Services Centre was opened in Belfast, and further centres are scheduled to open throughout Northern Ireland.

The re-alignment of the branch network continues to result in branches being more strategically located to replace branches that close. A new NIB branch was opened in Wilton, Cork and a business centre opened in Sligo. A new NB branch was opened in Belfast, and new business centres in Lisburn and Enniskillen.

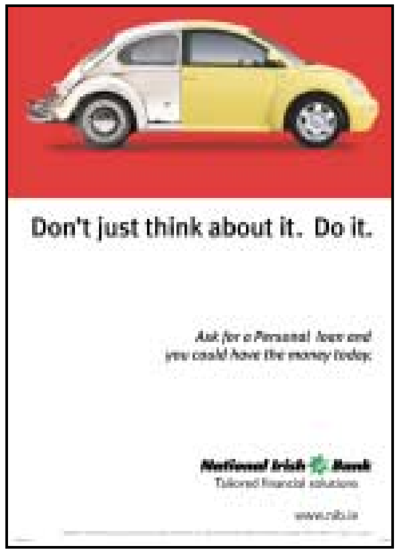
Business Financial Services has expanded in both banks and merged into one all-Ireland team with the aim of creating a more geographically-focused unit that is better able to serve the business community.

Many businesses in Ireland are heavily engaged in cross-border trade or have operations on both sides of the border. It is envisaged the new structure will enable both banks to provide expertise in business banking in line with the different legislations.

Business customers have migrated from the branch network to business centres across both banks. Business relationship managers are now in place for all business customers.

Key highlights include:

- NIB launched the first team of agribusiness bankers in the Republic of Ireland
- Both banks launched a highly successful personal loan sale. Sales targets were exceeded by more than 100 per cent



A National Irish Bank advertisement

- A National Group first, the trial of the Mondex technology Smartcard, took place at a shopping centre near Dublin
- Several new products were launched - Equity Bond at NIB; Tailored Business Loans at NIB and NB; and the 25 year business mortgage for customers of both banks
- The Principal account aimed at high net worth customers was launched at NIB; and several new banking positions were created across both banks to cater for the growth. ■

www.nbonline.co.uk
www.nib.ie

National Irish Bank
Tailored Financial Solutions.

NORTHERN
TAILORED FINANCIAL SOLUTIONS

Michigan National

Michigan National (MN) continues to focus on core businesses that yield long-term profits through leveraged technology, a focussed vision and meeting customers' needs.

Profit after tax and before abnormal items for Michigan National increased 18.0 per cent from the previous year, to $242 million.

A first for the National Group, Michigan National implemented a Customer Relationship Management (CRM) system that works to enhance customer service, perform cross selling and track previous customer contacts.

The Internet banking customer base has grown from 8,000 to more than 32,000. The goal is to have 50 per cent of customers bank with electronic facilities by 2003. The over-the-counter transactions at financial centres have dropped by 21 per cent.

Customer satisfaction scores have increased to an all time high.

The Retail Financial Services division has achieved significant improvements. These include the launching of a new branch design in financial centres, giving customers access to the MN website to pay bills, access their accounts and open new accounts.

Investment centres have been added to select locations giving customers access to a variety of investment resources, including current stock quotes, on-line brokerage and investment information.

Key highlights include:

- An additional 79 financial team members were licensed to sell mutual funds and variable annuities.
- Reintroduction of bank-at-work as financial solutions at work, providing a full complement of banking services to both the employer and employee.
- Introduction of Business ExpressChecking™ focusing on aggressive growth in business relationships.

Business customers can use the website to retrieve account balances, enter stop-payments, retrieve reports and make loan payments, replacing the former dial-up system.

Commercial treasury services were integrated in Business Financial Services encouraging teamwork and product cross sales.

The Business Financial Services product range was expanded and a tailored business loan was introduced. Loan syndication capabilities were enhanced; business Bankcard with customized reporting capabilities and a low variable revolving rate was launched and the "Growth Track" program to review market share and target sales activities was implemented.

MN received a Morningstar Four Star rating on its Equity Plus Mutual Fund and its proprietary fixed income fund. A new class of shares of Michigan National proprietary mutual funds – Equity Plus, Fixed Income and Government – was introduced allowing licensed employees and broker dealers to sell those investments.

More than $49 million in new customer assets were raised through the development of a proprietary fixed annuity.

The MN proprietary mutual funds division joined the Charles A. Schwab network. ■

www.michigannational.com

Michigan National
Tailored Financial Solutions

Concise financial report

The financial statements and specific disclosures included in this report have been derived from the Annual Financial Report 2000. 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 Annual Financial Report 2000.

A copy of the Annual Financial Report 2000 is available on request without charge at any time from Shareholder Services and is also available from the website (www.national.com.au/shareholder).

Report of the

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 Company and of the Consolidated Entity, being the Company and its controlled entities, for the year ended September 30, 2000 and the Audit 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 16 and 17 of this Annual Review 2000.

Board Changes

Details of other Directors, who have been Directors of the Company at any time during or since the end of the year, are included on pages 13,14 and 56 of this Annual Review 2000.

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.

Insurance

During the financial year, the Company paid a premium under a contract insuring each of certain officers of the Company and its controlled entities against liability permitted to be indemnified by the Company under section 199B of the Corporations Law.

Disclosure of the nature of the liability and the amount of the

Directors

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 the Report of the Directors and the accompanying 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.

Except for the acquisition of MLC and other Lend Lease Corporation Limited funds management assets, 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 Financial highlights on pages 6 and 7 of this Annual Review 2000.

Consolidated entity results

The operating profit after tax of the Consolidated Entity for the year ended September 30, 2000 attributable to the members of the Company was $3,239 million, an increase of $418 million (14.8%) on the previous year's results. Excluding abnormal items, operating profit after tax attributable to members of the Company increased by $554 million (19.6%) on the previous year’s result. Abnormal items included in the current year’s result were $136 million after tax.

Dividends

Information on the dividends paid and declared to date is contained in Note 5 "Dividends" to the Concise Financial Statements.

The interim dividend for 2000 of 59 cents per ordinary share paid on July 5, 2000 was fully franked. The final dividend of 64 cents per ordinary share payable on December 13, 2000 is also fully franked. The Company has been able to restore full franking of its dividends for the 2000 financial year due to the Australian Federal Government’s business tax reform measures in relation to the new company tax collection system and the reduction in the company tax rate from 36% to 34%, as well as a contribution of franking credits from MLC. Both the interim and final dividends for the 2000 year carry imputation credits based on the new company tax rate of 34%.

The extent to which future dividends will be franked, for Australian taxation purposes, will depend on a number of factors including the proportion of the Group’s profits that will be subject to Australian income tax and any future changes to Australia’s business tax system as a result of the Federal Government’s tax reform initiatives.

The National will continue its involvement in the Australian Federal Government’s business tax reform consultation process to ensure that its views are taken into account in the development of the Government’s tax reform measures which are relevant to the Group and its shareholders. The National will also continue to review the consequences of the Government’s tax reform measures for the Group and its shareholders to ensure that appropriate strategies are developed and implemented to enable the Group to deliver ongoing benefits to its shareholders.

Report of the Directors (continued)

State of affairs

On October 28, 1999 the Company announced it would join a global alliance with Concert; a joint venture between two of the world's largest telecommunications groups, AT&T and British Telecom. Concert is developing web-based applications that are expected to provide the Company's customers with additional products and services to support ebusiness and ecommerce solutions.

On January 21, 2000 the Company announced it had moved to preserve and strengthen its strategic shareholding in St George Bank Limited by increasing its holding to approximately 9.4%.

On February 14, 2000 the Company announced the launch of National OnLine Trading Ltd, a participating organisation of the Australian Stock Exchange. National OnLine Trading Ltd provides trading and settlement services for CHESS approved securities (including warrants) listed on the Australian Stock Exchange over the Internet or by telephone 24 hours a day.

On April 7, 2000 the Company established O_2-e Limited, a new economy business incubation and acceleration subsidiary to build new and separate businesses, and business building capabilities within the Company.

On April 10, 2000 the Company announced it had agreed to acquire the MLC businesses from Lend Lease Corporation Limited and has also agreed to establish with Lend Lease Corporation an ongoing relationship to explore a number of opportunities to work together in areas of mutual benefit. Having received all the necessary regulatory approvals for the acquisition, the Company announced on June 30, 2000 the completion of the MLC purchase for $4.6 billion cash. MLC and the Company's Fund Management businesses combined creates a wealth management business with funds under management and administration of $61 billion and has enhanced the Company's ability to offer the best tailored financial solutions to the Company's advisors and customers.

On May 4, 2000 following a detailed review of the Company’s group strategy, structure and operating processes the Company announced changes to its corporate structure and a number of senior management appointments. The change to the Company’s corporate structure is to enable it to optimise the value from its existing activities while progressively building its position in emerging and "new economy" businesses.

On May 15, 2000 the Company announced the successful completion of a US$1.6 billion subordinated debt raising in the US and European markets. The transaction represented the largest issue of debt securities undertaken by an Australian corporate and demonstrates the strength of the Company's name in global capital markets. The capital raising was undertaken to augment the Company's capital base for the MLC acquisition and for general corporate purposes.

On August 14, 2000 the Company announced a series of strategic moves within the Wealth Management division to build funds under management by exploiting the Group’s scale and competitive edge in retail and distribution. The moves include the planned sale of County Investment Management Limited and merger of MLC’s former Specialist Investment Management teams and National Asset Management.

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

Disclosures 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 8 to 14 of the Annual Review 2000.

Options

Disclosures of information relating to the granting and exercise of options over unissued ordinary shares are shown in Note 9 and Notes 36,

Report of the Directors (continued)

49 and 50 of the Annual Financial Report 2000. 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 National. The long term performance of the National, 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 Chairman and Directors. Additional fees are paid, where applicable, for participation in Board Committees and for serving on the boards of controlled entities. The total fees paid to members of the Principal Board, including fees paid for their involvement on Board Committees and Controlled Entity Boards, are kept within the total approved by shareholders from time to time. Non-Executive Directors are not eligible to receive performance based incentives 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, following recommendations from the Board Compensation and Nomination Committee. The Committee 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 this component 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 eight years.

Report of the Directors (continued)

Before executive share options can be exercised a performance hurdle must be met. The hurdle compares the Total Shareholder Return ("TSR") of the Company with the TSR's of the 50 largest corporations on the Australian Stock Exchange. The number of options which may be exercised, if any, depends on the relative ranking of the Company in this group of 50 corporations.

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 48 to the Annual Financial Report 2000.

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	Directors' Meetings of the Company		Audit Committee Meetings of the Company		Directors' Meetings of Controlled Entities		Additional Meetings(1)
	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held(2)	No. of Meetings Attended
M R Rayner	16	16	4	5	15	15	15
D K Macfarlane(3)	6	7	3	3	8	8	3
T P Park (4)	5	5	-	-	4	4	2
W F Blount(5)	11	13	-	-	9	9	2
D C K Allen	15	16	3	5	18	18	21
G A Tomlinson(6)	9	10	-	-	10	10	4
F J Cicutto	16	16	-	-	25	26	9
C M Deeley(7)	14	15	4	5	10	11	29
G J Kraehe	14	16	-	-	14	17	8
K J Moss (8)	2	2	-	-	2	2	1
E D Tweddell	16	16	-	-	20	22	21
C M Walter	15	16	5	5	19	19	25

(1) Reflects the number of additional formal meetings attended during the year by each Director, including committee meetings (other than the Audit Committee) where any two Directors are required to form a quorum.

(2) 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.

(3) Mr DK Macfarlane retired as a Director of the Company on March 27, 2000.

(4) Mr TP Park resigned as a Director of the Company on February 29, 2000.

(5) Mr WF Blount resigned as a Director of the Company on July 1, 2000.

(6) Mr GA Tomlinson commenced as a Director of the Company on March 22, 2000.

(7) Dr CM Deeley retired as a Director of the Company on September 1, 2000.

(8) Dr KJ Moss commenced as a Director of the Company on August 23, 2000

Report of the Directors (continued)

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	National Income Securities		Registered Schemes	
	Held Beneficially	Held Non-Beneficially	Held Beneficially	Held Beneficially	Held Non-Beneficially	Held Beneficially	Held Non-Beneficially
MR Rayner	21,008	-	-	-	-	-	-
DCK Allen	11,594	-	-	-	-	-	-
GA Tomlinson	5,000	-	-	500	-	-	-
FJ Cicutto*	39,647	-	1,300,000	-	-	-	-
GJ Kraehe	12,026	-	-	670	-	-	-
KJ Moss	2,000	-	-	-	-	-	-
ED Tweddell	2,376	-	-	-	-	-	-
CM Walter	14,542	-	-	400	-	-	-

** Includes Staff Share Scheme Issues.*

All of the Directors have disclosed interests in organisations not 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 2nd day of November, 2000 and signed in accordance with a resolution of the Directors.

M R Rayner

FJ Cicutto

Selected financial data for five years

For years ended September 30					Consolidated
Dollars in Millions	**2000**	1999	1998	1997	1996
Profit and Loss Information					
Interest income	**17,517**	15,066	15,427	12,936	12,088
Interest expense	**11,146**	9,000	9,569	7,578	6,958
Net interest income	**6,371**	6,066	5,858	5,358	5,130
Charge to provide for doubtful debts	**588**	581	587	332	333
Net interest income after provision for doubtful debts	**5,783**	5,485	5,271	5,026	4,797
Other operating income	**6,523**	4,563	3,953	2,909	2,631
Other operating expenses	**7,229**	5,907	5,501	4,619	4,366
Operating profit before abnormal items	**5,077**	4,141	3,723	3,316	3,062
Abnormal items	**(204)**	-	(749)	-	-
Operating profit	**4,873**	4,141	2,974	3,316	3,062
Income tax expense (benefit) attributable to:					
- Operating profit	**1,700**	1,321	1,211	1,095	959
- Abnormal items	**(68)**	-	(252)	-	-
Total income tax expense	**1,632**	1,321	959	1,095	959
Operating profit after income tax	**3,241**	2,820	2,015	2,221	2,103
Outside equity interests in operating profit after tax	**2**	(1)	1	(2)	1
Operating profit after income tax attributable to members of the Company	**3,239**	2,821	2,014	2,223	2,102
Underlying Profit					
Operating profit before tax, doubtful debt expense, abnormal items and goodwill amortisation	**5,862**	4,928	4,491	3,790	3,532
Goodwill amortisation	**197**	206	181	142	137
Underlying profit	**5,665**	4,722	4,310	3,648	3,395
Selected Balance Sheet Information					
Investments relating to life insurance business (1)	**31,103**				
Loans and advances (after provision for doubtful debts)	**195,492**	165,620	160,001	131,036	111,963
Total assets	**343,677**	254,081	251,714	201,969	173,710
Risk weighted assets	**238,589**	197,096	199,476	154,309	133,313
Deposits and other borrowings	**185,097**	162,468	158,084	128,469	109,158
Perpetual floating rate notes	**461**	383	421	347	424
Exchangeable capital units	**1,262**	1,262	1,262	1,262	-
Life insurance policy liabilities (1)	**29,879**				
Bonds, notes and subordinated debt	**21,051**	13,437	15,115	9,569	6,958
Ordinary shares	**7,180**	6,611	5,942	1,413	1,477
Equity instruments	**2,675**	2,675	733	-	-
Issued and paid-up capital	**9,855**	9,286	6,675	1,413	1,477
Total shareholders' equity	**21,407**	18,520	15,764	12,581	12,519

Selected financial data for five years (continued)

For years ended September 30					Consolidated
Dollars in Millions (unless otherwise stated)	**2000**	1999	1998	1997	1996
Share Information					
Dividends paid/payable	**1,858**	1,655	1,467	1,367	1,276
Earnings per share (before abnormal items) ($)					
- basic	**2.11**	1.87	1.75	1.52	1.45
- diluted	**2.04**	1.82	1.71	1.49	1.43
Earnings per share (after abnormal items) ($)					
- basic	**2.02**	1.87	1.40	1.52	1.45
- diluted	**1.96**	1.82	1.38	1.49	1.43
Cash earnings per share (before abnormal items) ($) (2)					
- basic	**2.24**	2.01	1.87	1.61	1.54
- diluted	**2.16**	1.95	1.83	1.58	1.52
Dividends per share ($) (3)	**1.23**	1.12	1.02	0.94	0.87
Percentages	**2000**	1999	1998	1997	1996
Selected Financial Ratios					
Operating profit (before abnormal items) as a percentage of:					
Average total assets	**1.2**	1.1	1.1	1.2	1.3
Average shareholders' equity	**18.1**	17.3	17.8	16.7	17.0
Year end total assets	**1.1**	1.1	1.0	1.1	1.2
Year end shareholders' equity	**17.0**	17.3	16.7	17.7	16.8
Operating profit (after abnormal items) as a percentage of:					
Average total assets	**1.1**	1.1	0.8	1.2	1.3
Average shareholders' equity	**17.3**	17.3	14.3	16.7	17.0
Cash return before abnormals on average tangible shareholders' funds (4)	**22.8**	22.8	22.9	21.2	21.1
Dividends as a percentage of operating profit (5)	**61.1**	60.2	73.1	61.5	60.7
Average net interest margin	**2.88**	3.00	3.17	3.53	3.93
Numbers	2000	1999	1998	1997	1996
Other Information					
Total Group staff					
- full time and part time	**51,879**	51,566	50,973	52,226	52,912
- full time equivalent	**47,034**	45,676	46,300	46,422	47,178

Notes:

(1) Refer to Note 1 for details of the effect of the change in accounting policies.

(2) Cash earnings are based on earnings attributable to ordinary shareholders excluding goodwill amortisation.

(3) Dividend amounts are for the year for which they are declared.

(4) Based on cash earnings as a percentage of average shareholder funds excluding goodwill.

(5) Based on operating profit after tax attributable to ordinary shareholders after deductions to other equity holders.

Consolidated profit and loss

Operating profit after income tax before abnormals (excluding outside equity interests) grew by 19.8% to $3,377 million. Excluding the net contribution from MLC to operating profit and the impact of the change to life insurance accounting, operating profit increased by 14.5%.

The increase in net interest income resulted from:

- Strong lending growth of 14.2%, across all regions; and
- favourable exchange rate movements;

partly offset by slightly reduced margins from 3.00% to 2.92%, excluding the impact of additional funding costs ($82 million) resulting from the purchase of MLC.

Excluding the impact of MLC and the effect of the change in accounting for life insurance businesses (which has grossed up some expenses and led to revaluations being reported in other operating income):

- other operating income increased by 8.8%, mainly as a result of volume related growth in:
  - lending fees;
  - fees and commissions from:
    - credit card fees; and
    - funds under management; and
    - mortgage servicing fees, partly offset by reduced mortgage origination fees.
- operating expenses increased by 2.6%, largely due to higher personnel costs arising from:
  - an Australian enterprise bargaining related pay increase in April 2000; and
  - market related pay increases in Europe; and

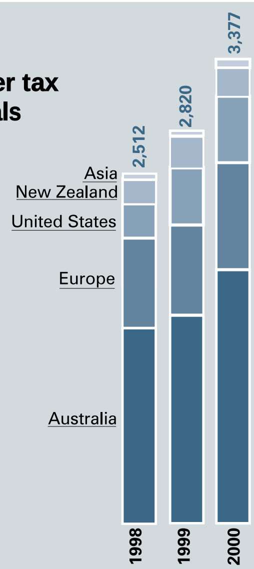
  ecommerce and marketing expenses.
- the cost to income ratio improved from 53.6% in 1999 to 51.2%, which reflected the strong income growth in the year.

The decrease in the charge for doubtful debts reflected improved asset quality in Asia and lower provisions in the United States, partly offset by volume related increases in Europe and Australia.

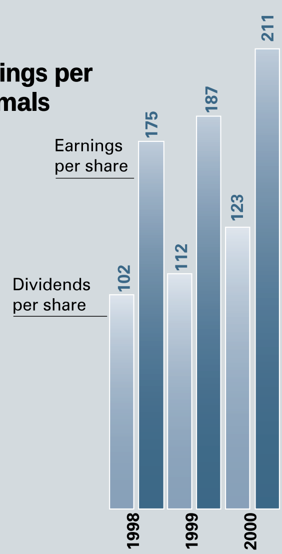
The increase in the tax expense included a $47 million charge to reflect the effect of the new Australian corporate tax rate regime on the net future income tax benefits, and $132 million due to the change in life insurance accounting, including $76 million gross up and $56 million on the revaluations. Excluding these impacts the effective tax rate decreased from 30.4% to 28.8% of operating profit before abnormals and goodwill.

Earnings per share have increased by 13.2%, in line with the operating result. The Directors have declared a fully franked (at 34%) final dividend of 64 cents a share, payable on December 13, 2000. This takes the total dividend for the year to 123 cents compared with 112 cents in 1999, and represents a pay out ratio of 58.2% of earnings per share. Dividends have been fully franked in all years, except 1999, when dividends were franked to an average of 89%.

Operating profit after tax and before abnormals ($millions)



Dividends and earnings per share before abnormals (cents)



Statement of profit and loss

For years ended September 30				Consolidated
Dollars in Millions	NOTES	**2000**	1999	1998
Interest income		**17,517**	15,066	15,427
Interest expense		**11,146**	9,000	9,569
Net interest income		**6,371**	6,066	5,858
Charge to provide for doubtful debts		**588**	581	587
Net interest income after provision for doubtful debts		**5,783**	5,485	5,271
Other operating income		**6,523**	4,563	3,953
Total operating income		**12,306**	10,048	9,224
Other operating expenses		**7,229**	5,907	5,501
Operating profit before abnormal items		**5,077**	4,141	3,723
Abnormal items	4	**(204)**	-	(749)
Operating profit before tax		**4,873**	4,141	2,974
Income tax expense (benefit) attributable to:				
Operating profit		**1,700**	1,321	1,211
Abnormal items		**(68)**	-	(252)
Total income tax expense		**1,632**	1,321	959
Operating profit after income tax		**3,241**	2,820	2,015
Outside equity interests in operating profit after income tax		**2**	(1)	1
Operating profit after income tax attributable to members of the Company		**3,239**	2,821	2,014
Retained profits at the beginning of the financial year		**8,432**	7,304	6,568
Adjustment relating to the adoption of accounting standard AASB 1038: Life Insurance Business		**58**	-	-
Dividend provisions not required		**71**	70	65
Aggregate of amounts transferred from reserves		**15**	36	184
Total available for appropriation		**11,815**	10,231	8,831
Dividends provided for or paid	5	**1,858**	1,655	1,467
Distributions	6	**198**	74	7
Aggregate of amounts transferred to reserves		**259**	70	53
Retained profits at the end of the financial year		**9,500**	8,432	7,304
Earnings per ordinary share before abnormal items (cents)				
- Basic		**211.3**	186.6	174.6
- Diluted		**204.0**	181.6	170.6
Earnings per ordinary share after abnormal items (cents)				
- Basic		**202.3**	186.6	140.0
- Diluted		**195.6**	181.6	137.9
Dividends per ordinary share (cents)				
- Interim		**59**	54	49
- Final		**64**	58	53

Consolidated balance sheet

The National's total assets increased by $90 billion, during the year, to $344 billion (1999: $254 billion), of which $27 billion relates to life insurance and funds management businesses due to the acquisition of MLC. There was a similar increase in liabilities, in particular $26 billion of life insurance policy and other liabilities from MLC. Movements in the market value of certain Wealth Management subsidiaries, including MLC, will be reported in the consolidated profit and loss statement.

Increased assets in the existing businesses arose from a combination of strong growth in lending and the impact of the weaker Australian dollar against the US dollar and Sterling. Excluding the impact of MLC and exchange rate movements, total assets grew $51 billion or 20% over the year.

Excluding the impact of exchange rate movements, gross loans and advances grew 14.2% over the year. The main areas of growth were housing loans, overdraft facilities and credit cards. There was strong growth across all regions, with Europe increasing by 21% reflecting an enhanced product range and strengthened sales platform.

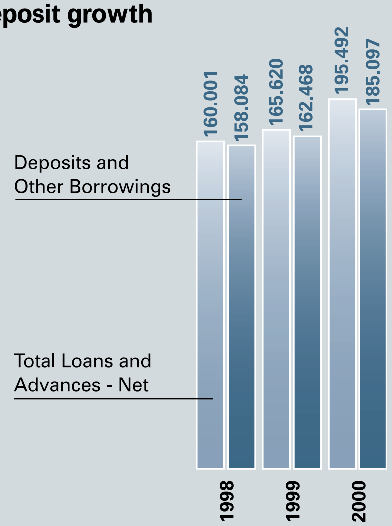
The position was one of robust asset quality, with gross non-accrual loans as a percentage risk weighted assets down to 0.6% compared with 0.8% for 1999.

The growth in loans and advances was partly funded by an increase in deposits and other borrowings, which grew by 9.2% excluding the impact of exchange rate movements.

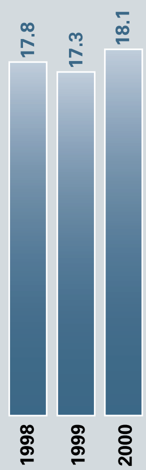
Following the acquisition of MLC the capital adequacy ratio reduced from 10.3% to 9.3%, which is within the National's target range of between 9.0% and 9.5%. This reduction was due to the regulations adopted by the Australian Prudential Regulation Authority, whereby investments in life insurance and funds management businesses are deducted from capital when calculating the capital adequacy ratio.

In order to bolster the capital required to hold MLC, $3.1 billion of subordinated debt was issued, including US$1.6 billion of 10-year fixed and floating rate bonds issued in May 2000.

Loan and deposit growth ($billions)



Return on average ordinary shareholders equity before abnormals (%)



Balance sheet

As at September 30		Consolidated	
Dollars in Millions	**2000**	1999	1998
Assets			
Cash and short-term liquid assets	**6,868**	3,649	4,152
Due from other financial institutions	**12,780**	11,120	9,303
Due from customers on acceptances	**22,945**	22,851	22,353
Trading securities	**15,112**	12,853	11,446
Available for sale securities	**3,047**	1,399	937
Investment securities	**7,452**	8,951	8,228
Investments relating to life insurance business	**31,103**	-	-
Loans and advances	**195,492**	165,620	160,001
Mortgage loans held for sale	**2,656**	1,980	3,473
Mortgage servicing rights	**8,226**	5,345	2,998
Shares in entities and other securities	**1,376**	1,068	1,013
Regulatory deposits	**135**	153	1,155
Fixed assets	**2,437**	2,032	2,219
Goodwill	**2,617**	2,905	3,095
Other assets	**31,431**	14,155	21,341
Total Assets	**343,677**	254,081	251,714
Liabilities			
Due to other financial institutions	**29,685**	16,203	16,541
Liability on acceptances	**22,945**	22,851	22,353
Deposits and other borrowings	**185,097**	162,468	158,084
Life insurance policy liabilities	**29,879**	-	-
Income tax liability	**2,920**	1,979	1,953
Provisions	**2,154**	1,743	1,680
Bonds, notes and subordinated debt	**21,051**	13,437	15,115
Other debt issues	**1,907**	1,645	1,683
Other liabilities	**26,632**	15,235	18,541
Total Liabilities	**322,270**	235,561	235,950
Net Assets	**21,407**	18,520	15,764
Shareholders' Equity			
Issued and paid-up capital	**9,855**	9,286	6,675
Reserves	**2,006**	802	1,782
Retained profits	**9,500**	8,432	7,304
Shareholders' equity attributable to members of the Company	**21,361**	18,520	15,761
Outside equity interests in controlled entities	**46**	-	3
Total Shareholders' Equity	**21,407**	18,520	15,764

The Consolidated Balance Sheet includes the assets and liabilities of the statutory funds of the Consolidated Entity's life insurance businesses which are subject to restrictions under the Life Insurance Act 1995. Refer to Note 2 for further detail.

Consolidated statement of cash flows

The consolidated statement of cash flows highlights the net growth from investing activities of $34 billion including lending assets of $24 billion and investment in MLC of $4.6 billion, financed by bank deposits and net long-term debt issues of $23 billion.

Investment purchases and proceeds on maturity are shown on a gross basis compared with the prior year in which they are shown on a net basis. In common with other banks, the National manages its liquidity position based on the maturity of its assets and liabilities, not on the accounting statement of cash flows.

Statement of cash flows

For years ended September 30	Consolidated		
Dollars in Millions	**2000**	1999	1998
Cash inflows (outflows) from operating activities:			
Interest received	**17,471**	16,470	15,720
Dividends received	**38**	42	21
Fees and other income received	**4,776**	4,479	3,879
Life Insurance:			
Interest received	**512**	-	-
Dividends received	**329**	-	-
Other investment income	**200**	-	-
Premiums received	**576**	-	-
Policy payments	**(215)**	-	-
Fees and commission paid	**(111)**	-	-
Interest paid	**(10,978)**	(10,562)	(9,528)
Personnel costs paid	**(3,343)**	(3,192)	(3,211)
Occupancy costs paid	**(435)**	(425)	(477)
General expenses paid	**(2,569)**	(1,630)	(1,224)
Income taxes paid	**(1,431)**	(1,236)	(1,547)
Net movement in trading instruments	**(2,268)**	(1,581)	(1,442)
Net movement in mortgage loans held for sale	**(274)**	1,177	(1,672)
Net cash provided by operating activities	**2,278**	3,542	519
Cash inflows (outflows) from investing activities:			
Investment securities:			
Purchases	**(172,874)**	(13,883)	(20,009)
Proceeds on maturity	**175,661**	12,552	19,182
Available for sale securities:			
Purchases	**(11,540)**	(2,624)	(69)
Proceeds on sale	**5**	5	6
Proceeds on maturity	**9,037**	2,117	1,323
Net movement in investments relating to life insurance business	**(3,287)**	-	-
Net movement in shares in entities and other securities	**(308)**	(55)	(732)
Payment for entities	**(4,660)**	(8)	(2,173)
Net movement in loans and advances represented by:			
Banking activities	**(22,895)**	(15,351)	(16,583)
Non-banking activities - new loans and advances	**(1,834)**	(2,019)	(3,260)
Non-banking activities - repayments	**648**	2,285	715

Statement of cash flows

For years ended September 30		Consolidated	
Dollars in Millions	**2000**	1999	1998
Continued			
Acquisition of mortgage servicing rights	**(1,272)**	(1,873)	(1,134)
Lodgement of regulatory deposits	**36**	978	(89)
Expenditure on fixed assets	**(725)**	(429)	(599)
Net proceeds from sale of fixed assets	**143**	169	397
Net movement in other assets	**(287)**	2,304	(2,150)
Net cash used in investing activities	**(34,152)**	(15,832)	(25,175)
Cash inflows (outflows) from financing activities:			
Net movement in bank deposits	**16,647**	11,809	15,333
Net movement in other deposits and borrowings represented by non-banking activities:			
New deposits and borrowings	**93,846**	29,237	8,346
Repayments	**(93,691)**	(28,632)	(9,947)
New equity issues:			
Ordinary share capital	**194**	277	155
Preference share capital	**-**	-	654
Net proceeds from National Income Securities	**-**	1,945	-
Buyback of shares:			
Ordinary share capital	**-**	-	(3)
Net movement in bonds, notes and subordinated debt represented by:			
New long term debt issues	**8,747**	5,183	7,052
Repayments	**(2,309)**	(6,142)	(2,443)
Net movement in other liabilities	**1,501**	1,198	471
Payments from provisions	**(189)**	(172)	(279)
Dividends paid	**(1,490)**	(1,110)	(941)
Net cash provided by financing activities	**23,256**	13,593	18,398
Net inflow (outflow) in cash and cash equivalents	**(8,618)**	1,303	(6,258)
Cash and cash equivalents at beginning of period	**(1,434)**	(3,086)	2,068
Effects of exchange rate changes on balance of cash held in foreign currencies	**15**	349	1,045
Cash and cash equivalents acquired	**-**	-	59
Cash and cash equivalents at end of period(1):			
Attributable to operating business	**(11,061)**	(1,434)	(3,086)
Attributable to statutory funds(2)	**1,024**	-	-

(1) 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.

(2) Cash held by the statutory funds are subject to restrictions imposed under the Life Insurance Act 1995 and other limitations which include solvency and capital adequacy requirements.

Notes to the concise financial statements

1. Principal Accounting Policies

This concise financial report has been prepared in accordance with Australian Accounting Standard AASB 1039 "Concise Financial Reports". The information contained within this concise financial report has been derived from the Annual Financial Report 2000 of the Company and the Consolidated Entity. The Annual Financial Report 2000 is prepared in accordance with the requirements of the Banking Act 1959, the Corporations Law, Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

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 Annual Financial Report 2000. Accordingly, this Concise Financial Report should be read in conjunction with the Annual Financial Report 2000.

A full description of the accounting policies adopted is contained in the Annual Financial Report 2000. There have been no changes in accounting policy from those policies applied at September 30, 1999 except as noted below.

Comparative amounts have been reclassified to accord with changes in presentation made in 2000, except where otherwise stated.

All amounts are expressed in Australian currency unless otherwise stated.

Changes in Accounting Policies

Life insurance business

Effective October 1, 1999, the Consolidated Entity adopted Australian Accounting Standard AASB 1038 "Life Insurance Business". The Standard requires all life insurance assets and liabilities to be carried at net market value, and the first time consolidation of policyholder assets, liabilities, revenues and expenses into the Consolidated Entity’s result. In addition, the excess of the net market value over the net assets of life insurance companies’ controlled entities is required to be recognised as an asset with any subsequent revaluation movements reflected in the profit and loss.

On initial adoption of the Standard at October 1, 1999, the Consolidated Entity’s assets increased by $4,896 million and liabilities increased by $4,838 million with a corresponding increase of $58 million in retained earnings. The adjustment in retained earnings represented the unrealised gains on life insurance company investments in controlled entities from prior years. The Consolidated Entity has tax effected these unrealised gains to reflect the potential tax liability of $31 million.

For the year ended September 30, 2000, the impact of the change in accounting policy, was an increase to the Consolidated Entity’s profit before tax of $79 million. This represented the movement in the excess of the net market value over the net assets of the life insurance company’s controlled entities which were held by the Consolidated Entity at October 1, 1999.

Comparatives have not been disclosed as it is impracticable to do so.

Income recognition on non-accrual loans

Effective April 1, 2000, the Consolidated Entity changed its accounting policy in relation to income recognition on non-accrual loans which are contractually past due. The previous policy applied cash receipts on non-accrual loans against the carrying value of the loans and did not recognise those receipts in the profit and loss account as interest income until the principal had been fully repaid. The revised accounting policy recognises cash receipts on non-accrual loans as income in the profit and loss account in priority over principal except where the cash receipt relates to the proceeds from the sale of security or are scheduled principal repayments.

The change in accounting policy achieves conformity with Australian Prudential Regulation Authority (APRA) guidelines (Prudential Statement L1: Asset Quality). The change had no net impact on operating profit after tax for the year ended September 30, 2000, nor is there any cumulative financial effect requiring disclosure of restated prior reporting period comparative information.

2. Supplementary Balance Sheets

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

To ensure that the assets of the statutory funds are readily identifiable and comparable between periods, supplementary balance sheets have been included below:

As at September 30		2000		1999(1)
Dollars in Millions	National Operating Businesses	Statutory Funds	Total	Total
Assets				
Cash and short-term liquid assets	5,844	1,024	**6,868**	3,649
Due from other financial institutions	12,780	-	**12,780**	11,120
Due from customers on acceptances	22,945	-	**22,945**	22,851
Trading securities	15,112	-	**15,112**	12,853
Available for sale securities	3,047	-	**3,047**	1,399
Investment securities	7,452	-	**7,452**	8,951
Investments relating to life insurance business (2)	287	30,816	**31,103**	-
Loans and advances	195,492	-	**195,492**	165,620
Mortgage loans held for sale	2,656	-	**2,656**	1,980
Mortgage servicing rights	8,226	-	**8,226**	5,345
Shares in entities and other securities	1,376	-	**1,376**	1,068
Regulatory deposits	135	-	**135**	153
Fixed assets	2,437	-	**2,437**	2,032
Goodwill	2,617	-	**2,617**	2,905
Other assets	30,942	489	**31,431**	14,155
Total Assets	311,348	32,329	**343,677**	254,081
Liabilities				
Due to other financial institutions	29,685	-	**29,685**	16,203
Liability on acceptances	22,945	-	**22,945**	22,851
Deposits and other borrowings	185,097	-	**185,097**	162,468
Life insurance policy liabilities (2)	163	29,716	**29,879**	-
Income tax liability	2,920	-	**2,920**	1,979
Provisions	2,154	-	**2,154**	1,743
Bonds, notes and subordinated debt	21,051	-	**21,051**	13,437
Other debt issues	1,829	78	**1,907**	1,645
Other liabilities	24,724	1,908	**26,632**	15,235
Total Liabilities	290,568	31,702	**322,270**	235,561
Net Assets	20,780	627	**21,407**	18,520
Shareholders' Equity				
Issued and paid-up capital	9,750	105	**9,855**	9,286
Reserves	2,006	-	**2,006**	802
Retained profits	8,978	522	**9,500**	8,432
Shareholders' equity attributable to members of the Company	20,734	627	**21,361**	18,520
Outside equity interests in controlled entities	46	-	**46**	-
Total Shareholders' Equity	20,780	627	**21,407**	18,520

(1) Comparatives for statutory funds have not been disclosed as it is impracticable to do so.

(2) Included within National Operating Businesses are investments relating to life insurance business and life insurance policy liabilities that relate to foreign domiciled life insurance entities held by the Consolidated Entity's life insurance business shareholders' funds. These non-Australian life insurers do not have statutory funds concepts.

3. Segment Information

The following segment information is disclosed in accordance with Australian Accounting Standard 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 AASB 1005 and 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 results are based on the operating segments as reviewed separately by the chief operating decision maker, the Managing Director and Chief Executive Officer, as well as other members of senior management. 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 Managing Director and Chief Executive Officer.

On May 4, 2000 the National announced changes to its corporate structure. Broadly, the new structure brings together existing growth businesses, high potential global businesses, and the various services required to support them.

The Consolidated Entity's business is organised into six major operating segments: Business and Personal Financial Services, Wealth Management, Specialist and Emerging Businesses, Wholesale Financial Services, HomeSide and National Shared Services. Business and Personal Financial Services is the retailing arm of the National Group and provides a full range of financial services to customers across all regions and segments. Wealth Management provides protection, insurance and investment products to safeguard and improve customers' income, assets and lives. Its operations include funds management, life insurance, funds under administration and investment management. Specialist and Emerging Businesses comprises five product specialist units, being Cards, Payments, Leasing and Asset Finance, Securities Services and International Trade & Business Finance, together with National OnLine Trading and National Australia Investments Capital. Wholesale Financial Services is responsible for managing the National's relationships with large corporations, institutions and government bodies worldwide. It is comprised of four divisions including Global Markets, Corporate Institutional Financial Services, Project and Structured Finance and Wholesale Support Services. 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. National Shared Services combines Operational Services, Financial Shared Services, Human Resources Shared Services and Information Technology, to form a 'true' shared services organisation with improved productivity and lower costs. The 'other' category includes O_2-e and the Corporate Centre. O_2-e became operational in June 2000 to create and accelerate "new economy" lines of business. The Corporate Centre focuses on strategic and policy direction for the Group and incorporates Risk Management, People and Culture, Finance & Planning, Corporate & Technology strategy and the Office of the CEO.

The accounting policies of the segments are, in all material respects, consistent with those described in Note 1 "Principal Accounting Policies" of the Annual Financial Report 2000. Operating revenues and expenses directly associated with each operating segment are included in determining their operating result. Transactions between operating segments are based on agreed recharges between segments operating within the same country and arm's length terms between segments operating in different countries.

Comparatives for the current basis of segmentation are not provided as it is impracticable to do so. In addition, it is impracticable to provide current period segment information for the previous years' basis of segmentation. Consequently, segment information for 1999 is provided for the operating segments defined in that year. Additionally, comparatives for 1998 have not been provided as the changes to the management operations and structure have been so significant that they render any disclosure on the old management structure for 1998 an ineffective comparison.

For the year ended September 30 2000 — **Consolidated**

Dollars in Millions	Business & Personal Financial Services	Wealth Management (1)	Wholesale Financial Services	Specialist and Emerging Businesses	HomeSide	National Shared Services	Other (2)	Intercompany Eliminations	Total
Net external revenue	7,178	1,858	1,276	1,227	557	(46)	256	-	12,306
Intersegment revenue	175	-	8	205	-	1,539	161	(2,088)	-
Total Operating Income	7,353	1,858	1,284	1,432	557	1,493	417	(2,088)	12,306
Operating profit after tax and outside equity interests	2,259	222	586	310	132	(141)	(129)	-	3,239
Total Assets	172,910	33,478	107,402	12,379	16,194	2,723	(1,409)	-	343,677

For the year ended September 30 1999								Consolidated
Dollars in Millions	Business & Personal Financial Services	Products and Services	Wholesale Financial Services	HomeSide	Information Technology	All Other (2)	Intercompany Eliminations	Total
Net external revenue	6,536	1,275	1,089	659	(13)	502	-	10,048
Inter-segment revenue	227	670	5	-	558	106	(1,566)	-
Total operating income	6,763	1,945	1,094	659	545	608	(1,566)	10,048
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

(1) Refer to Note 53 of the Annual Financial Report 2000 for Life Insurance disclosures relating to policyholder and shareholder revenues, expenses, assets and liabilities.

(2) Consists of non operating units which comprise of corporate centre functions, goodwill amortisation and the Consolidated Entity's funding. The year ended September 30,2000 also includes the O_2-e operating segment. These segments are not considered to be reportable operating segments under SFAS 131.

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 years ended September 30						Consolidated
Dollars in Millions	**2000**	**%**	1999	%	1998	%
Assets(1)						
Australia	**185,748**	54.2	126,296	49.7	124,106	49.3
United Kingdom	**70,256**	20.4	54,689	21.5	59,339	23.6
Republic of Ireland	**4,892**	1.4	4,049	1.6	4,649	1.8
United States	**44,799**	13.0	32,768	12.9	30,454	12.1
New Zealand	**25,465**	7.4	24,195	9.5	23,128	9.2
Asian countries	**12,517**	3.6	12,084	4.8	10,038	4.0
Total	**343,677**	100.0	254,081	100.0	251,714	100.0
Total Operating Revenue						
Australia	**12,385**	51.5	9,225	47.0	8,792	45.4
United Kingdom	**5,488**	22.8	4,919	25.1	5,121	26.4
Republic of Ireland	**279**	1.2	286	1.5	321	1.7
United States	**3,192**	13.3	2,770	14.1	2,168	11.2
New Zealand	**2,126**	8.8	1,772	9.0	2,157	11.1
Asian countries	**570**	2.4	657	3.3	821	4.2
Total	**24,040**	100.0	19,629	100.0	19,380	100.0
Operating Profit After Tax and Outside Equity Interests						
Australia	**1,646**	50.8	1,394	49.4	1,092	54.2
United Kingdom	**792**	24.5	721	25.6	470	23.3
Republic of Ireland	**12**	0.4	40	1.4	7	0.3
United States	**490**	15.1	383	13.6	234	11.6
New Zealand	**254**	7.8	240	8.5	189	9.4
Asian countries	**45**	1.4	43	1.5	22	1.2
Total	**3,239**	100.0	2,821	100.0	2,014	100.0

(1) Includes statutory funds' assets of $32 billion.

4 Abnormal Items

For years ended September 30	Consolidated		
Dollars in Millions	**2000**	1999	1998
Restructuring costs			
Personnel	**23**	-	248
Occupancy (1)	**38**	-	80
Fixed asset writedowns	**29**	-	23
General	**6**	-	29
Total restructuring costs before income tax	**96**	-	380
Integration costs before income tax	**108**	-	-
General provision charge upon adoption of a statistically based provisioning methodology	**-**	-	369
Total Abnormal Items Before Income Tax	**204**	-	749
Income Tax Expense (Benefit)			
Restructuring costs	**(31)**	-	(128)
Integration costs	**(37)**	-	-
General provision charge upon adoption of a statistically based provisioning methodology	**-**	-	(124)
Total Income Tax Expense (Benefit)	**(68)**	-	(252)
Abnormal Items After Income Tax	**136**	-	497

(1) During 2000, the Consolidated Entity recognised a write-back to the provision for restructuring costs raised in 1998 of $2 million. This write-back was based on periodic evaluations to ensure that any accrued amount no longer needed for its originally intended purpose is reversed in a timely manner.

5 Dividends

For years ended September 30	Consolidated		
Dollars in Millions	**2000**	1999	1998
Dividends provided for or paid			
59c Interim cash paid (1999: 54c, 1998: 49c) (1)	**882**	794	700
64c Final cash provided for (1999: 58c, 1998: 53c) (1)	**976**	861	767
Total Dividends provided for or paid	**1,858**	1,655	1,467

Dividends proposed and provided for in the prior year financial report and paid in the current year were $862 million (1999: $770 million).

(1) The interim and final dividend for 2000 are fully franked at a rate of 34%.

6 Distributions

For years ended September 30	Consolidated		
Dollars in Millions	**2000**	1999	1998
Trust Units	**61**	58	7
National Income Securities	**137**	16	-
Total Distributions	**198**	74	7

7 Asset Quality and Provisioning for Doubtful Debts

As at September 30	Consolidated		
Dollars in Millions	**2000**	1999	1998
Total Impaired Assets			
Gross			
Australia	**573**	644	602
Overseas	**911**	942	886
Total	**1,484**	1,586	1,488
Specific Provisions			
Australia	**196**	226	189
Overseas	**246**	231	214
Total	**442**	457	403
Net			
Australia	**377**	418	413
Overseas	**665**	711	672
Total	**1,042**	1,129	1,085

8 Legal Proceedings

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

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

Entities within the National Group are defendants from time to time in legal proceedings arising from the conduct of their business. One such case that has attracted recent publicity 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 (in liquidation) (Market Holdings) against the Company and others. Market Holdings was placed into voluntary liquidation in September, 2000.

Idoport and Market Holdings have recently increased their damages claim. It is now calculated to be in the range of US$8.3 billion to US$29.3 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 subsidiary, Australian Market Automated Quotation (AUSMAQ) Systems Limited (AUSMAQ).

The damages claim is primarily based upon an allegation that the AUSMAQ business has not been operated and developed 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 offerings provided by entities in the National Group separately from AUSMAQ.

The National Group is strongly disputing the claim and has prepared an extensive response to the claim.

A Cross Claim has been filed by the Company (and another) against a number of parties, including Idoport, Market Holdings and Mr John Malcolm Maconochie for in excess of $31 million. A defence to that cross claim has been filed. Idoport and Market Holdings have filed a second cross claim against the Company (and others). A defence to the second cross claim has also been filed. The second cross claim is also strongly disputed.

The hearing of the action commenced on July 24, 2000.

In September 2000, Idoport filed a new claim in the Supreme Court of New South Wales against the Company, MLC Limited (MLC), National OnLine Trading Limited (National OnLine Trading) and others. That claim includes an allegation that Idoport is entitled a share of the profits of some other offerings provided by entities in the National Group, including

MLC and National OnLine Trading. The damages claim has not been quantified. The National Group is also strongly disputing the new claim.

All of the claims referred to above will be heard together. The hearing is expected to last in excess of twelve months.

9 Remuneration of Directors

The following table shows the remuneration details for the Directors of the Company for 2000.

	Salary Package (a) $	Performance Based Bonuses (b) $	Retirement Allowances (c) $	Other Benefits (d) $	Total Remuneration $	Options Granted (No.)	Exercise Price $	Date first Exercisable
Executive Director								
FJ Cicutto	1,300,721	550,000	-	70,687	1,921,408	500,000	21.29	23-Mar-2003
Non Executive Directors								
DCK Allen	146,633	-	-	10,624	157,257	-	-	-
WF Blount (e)	68,234	-	39,601	-	107,835	-	-	-
CM Deeley (f)	111,765	-	293,357	-	405,122	-	-	-
GJ Kraehe	106,966	-	-	7,844	114,810	-	-	-
DK Macfarlane (g)	87,507	-	880,160	-	967,667	-	-	-
KJ Moss (h)	10,478	-	-	838	11,316	-	-	-
TP Park (i)	36,817	-	104,850	-	141,667	-	-	-
MR Rayner	286,100	-	-	20,748	306,848	-	-	-
GA Tomlinson (j)	79,722	-	-	6,100	85,822	-	-	-
ED Tweddell	128,608	-	-	9,449	138,057	-	-	-
CM Walter	152,533	-	-	11,100	163,633	-	-	-

(a) *Executive Directors' remuneration consists of both basic salary and packaged benefit components. Non-executive Directors' remuneration represents fees in connection with attending Board, Board Committee and Subsidiary Board meetings.*

(b) *Reflects performance based remuneration in respect of prior year performance.*

(c) *Reflects payments in respect of retirement (including long service leave).*

(d) *Reflects non salary package remuneration and includes company contributions to superannuation.*

(e) Resigned July 1, 2000.

(f) Retired September 1, 2000.

(g) Retired March 27, 2000.

(h) Appointed August 23, 2000.

(i) Resigned February 29, 2000.

(j) Appointed March 22, 2000.

Executive option details

Issue Date of Options	Exercise Period of Options	Latest Date for Exercise of Options	Exercise Price of Options	Total No. of Options Held at Sept 30, 2000	Fair Value of Options as at Grant Date
Mar 23, 2000	Mar 23, 2003 - Mar 23, 2008	Mar 23, 2008	$21.29	10,558,000	47,194,260
Sep 28, 2000	Sep 28, 2003 - Sep 28, 2008	Sep 28, 2008	$24.89	877,500	5,168,475

The market price of the Company’s shares at September 30, 2000 was $25.51 (1999:$22.43; 1998:$20.39).

In accordance with US Accounting Principles Board Opinion No.25, “Accounting for Stock Issued to Employees”, the Company adopts the intrinsic value method for valuing options issued under the National Australia Executive Option Plan and the National Australia Bank Executive Share Option Plan No.2 (the Plans). Under the intrinsic value method, a nil value is ascribed to the options issued under the Plans, as the exercise price and market value of the options at issue date are equivalent. Accordingly, Notes 9 and 10 ascribe a nil value to the options issued under the Plans.

The options are capable of exercise depending on the maximum total shareholder return of the Company relative to the total shareholder return of a group of companies during the exercise period of the options. This group of companies is to be based on the ASX Top 50 when the options are granted.

Refer to Note 36 of the Annual Financial Report 2000 for full details of the Plans and details of the valuation assumptions used.

10 Remuneration of Executives

The following table shows the remuneration details for the top five executives (excluding the executive director) of the Company for 2000.

Name and Position (a)	Salary Package (b) $	Performance Based Bonuses (c) $	Retirement/ Retention Allowances (d) $	Other Benefits (e) $	Total Remuneration $	Options Granted (No.)	Exercise Price (f)	Date First Exercisable
The Company								
GLL Barnes	908,715	375,000	-	66,607	1,350,322	300,000	21.29	23-Mar-2003
Managing Director								
O_2-e								
RMC Prowse	872,281	375,000	-	95,720	1,343,001	250,000	21.29	23-Mar-2003
Executive General Manager								
Office of the CEO								
SC Targett	475,790	600,000	-	34,592	1,110,382	100,000	21.29	23-Mar-2003
Executive General Manager						50,000	24.89	28-Sep-2003
Wholesale Financial Services								
RE Pinney	646,321	300,000	-	44,641	990,962	200,000	21.29	23-Mar-2003
Executive General Manager								
Specialist & Emerging Businesses								
M Coomer	573,691	275,000	-	43,280	891,971	100,000	21.29	23-Mar-2003
Executive General Manager								
Corporate & Technology Strategy								

The following table shows the remuneration details for the top five executives (excluding the executive director) of the Consolidated Entity for 2000.

Name and Position (a)	Salary Package (b) $	Performance Based Bonuses (c) $	Retirement/ Retention Allowances (d) $	Other Benefits (e) $	Total Remuneration $	Options Granted (No.)	Exercise Price (f)	Date First Exercisable
Consolidated								
J Pickett	737,463	764,526	1,304,206	74,096	2,880,291	100,000	21.29	23-Mar-2003
Chief Executive Officer								
HomeSide								
DE Ebert	1,115,334	706,880	-	50,276	1,872,490	100,000	21.29	23-Mar-2003
Chief Executive								
Michigan National Corporation								
M Soden	731,246	828,025	-	129,223	1,688,494	200,000	21.29	23-Mar-2003
Executive General Manager						100,000	24.89	28-Sep-2003
Business & Personal Financial Services								
GLL Barnes	908,715	375,000	-	66,607	1,350,322	300,000	21.29	23-Mar-2003
Managing Director								
O_2-e								
RMC Prowse	872,281	375,000	-	95,720	1,343,001	250,000	21.29	23-Mar-2003
Executive General Manager								
Office of the CEO								

(a) 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.

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

(c) Reflects performance-based remuneration in respect of prior year performance.

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

(e) 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.

(f) Refer to Note 9 for details of the valuation of options granted.

Directors' declaration

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, 2000 set out on pages 44 to 57:

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 2nd day of November, 2000 and signed in accordance with a resolution of the Board of Directors.

M R Rayner

FJ Cicutto

Independent audit report on concise financial report to the members of National Australia Bank Limited

Scope

We have audited the concise financial report of National Australia Bank Limited and its controlled entities for the financial year ended September 30, 2000, consisting of the profit and loss statement, balance sheet, statement of cash flows, accompanying notes (1 to 10), and the accompanying discussion and analysis on the profit and loss statement, balance sheet and statement of cash flows, 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, 2000. Our audit report on the full financial report was signed on November 2, 2000, 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 is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports" issued in Australia.

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

Audit opinion

In our opinion the concise financial report of National Australia Bank Limited and its controlled entities for the year ended September 30, 2000 complies with AASB 1039 "Concise Financial Reports".

CD Lewis
Partner

KPMG
KPMG
Chartered Accountants
November 2, 2000

Shareholder information

Top 10 Shareholders of the Company as at October 20, 2000

	Number of Shares	%
Chase Manhattan Nominees Limited	180,147,992	11.9
National Nominees Limited	134,593,602	8.9
Westpac Custodian Nominees Limited	81,296,273	5.4
ANZ Nominees Limited	53,383,681	3.5
Perpetual Trustee Australia Group	46,430,552	3.1
Citicorp Nominees Pty Limited	27,348,962	1.8
Permanent Trustee Group	24,824,016	1.7
Commonwealth Custodial Services Limited	24,094,282	1.6
AMP Group	23,264,756	1.5
Queensland Investment Corporation	21,069,576	1.4
	616,453,692	40.8

Top 10 National Income Security Holders as at October 20, 2000

	Number of Shares	%
Commonwealth Custodial Services Limited	750,735	3.7
National Nominees Limited	597,524	3.0
Perpetual Trustee Aust Group	584,770	2.9
Australian Foundation Investment Company Limited	506,160	2.5
Citicorp Nominees Pty Limited	373,482	1.9
AMP Group	313,760	1.6
University of Melbourne	235,090	1.2
MLC Limited	219,545	1.1
Flight Charter Services Pty Limited	200,000	1.0
Tower Trust Limited	192,288	1.0
	3,973,354	19.9

As an alternative to cash dividends, shareholders may participate in one or more of the following dividend alternatives. Full details of these alternatives may be obtained by contacting the Company's Shareholder Services. Shares offered under both the Dividend 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 this plan. Under current Australian tax law, the amount of the cash dividends used to buy the shares is treated as a dividend for the purposes of Australian income tax or withholding tax and carry imputation credits to the extent to which the cash dividends are franked.

Bonus Share Plan

Enables shareholders to receive bonus shares in lieu of cash dividends. Shares issued pursuant to this plan are not normally treated as dividends for the purposes of Australian income tax or dividend withholding tax. Consequently, these bonus shares do not carry imputation credits.

UK Dividend Plan

Allows dividends to be received from a United Kingdom subsidiary and paid in Pounds Sterling rather than in Australian Dollars. Participation in the Dividend Reinvestment Plan is also possible.

New Zealand Currency Payments

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

Annual Financial Report 2000

To obtain a free copy of the National's Annual Financial Report 2000 please contact Shareholder Services on 1300 367 647 (Australia only). A copy of the Annual Financial Report 2000 is also available on our website. The Annual Financial Report 2000 is filed on Form 20-F with the United States Securities and Exchange Commission.

Shareholders' Centre

To ensure shareholders are fully informed about their investment, a separate section of the National's website has been dedicated to shareholders. Called the Shareholders' Centre, the site contains a range of information including copies of recent Group announcements, the Annual Financial Report 2000, the Annual Review 2000 as well as useful Shareholder Services forms.

Emails can be sent to Shareholder Services using the 'Investor Feedback' button in the Shareholders' Centre section of the website or to Shareholders_Centre@nag.national.com.au

Contact Details

For information regarding the above dividend alternatives or other shareholding enquiries please contact Shareholder Services. In all communications with Shareholder Services, please ensure you quote your Securityholder Reference Number (SRN) or in the case of broker sponsored shareholders, your Holder Identification Number (HIN).

Company Secretary

Garry Nolan
MBus, FCIS, FAIBF,
FAICD, ASIA, CFTP

Head of Shareholder Services

Nicki Papadopoulos

Registered Office
Principal Share Register and Shareholders Services
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
Website: www.national.com.au

United Kingdom
Branch Share Register
c/- Computershare Services Plc
PO Box 82
The Pavilions
Bridgewater Road
Bedminster Down
Bristol BS99 7NH
United Kingdom
Telephone: (0870) 702 0000
Fax: (0870) 703 6101
Website: www.computershare.com

United States
ADR Depositary, Transfer Agent and Registrar
The Bank of New York
ADR Department
22nd Floor
101 Barclay Street
New York NY 10286
United States
Telephone local calls
Toll Free: 1 888 269 2377
All other: (212) 815 2345
Fax: (212) 571 3050
Website: www.adrbny.com

1300 367 647
Shareholder Information, Australia Only
www.national.com.au/shareholder
email: Shareholders_Centre@nag.national.com.au

Principal establishments

National Australia Bank Limited
Group Offices and Australian Financial Services
500 Bourke Street
(GPO Box 84A)
Melbourne Vic 3000
Australia

Tel: +61 3 8641 3500
Fax: +61 3 8641 4916
www.national.com.au

National Wealth Management Holdings Limited
105 – 153 Miller Street
North Sydney NSW 2060
Australia

Tel: +61 2 9957 8000
Fax: +61 2 9957 6881

MLC
MLC Building
105 – 153 Miller Street
North Sydney NSW 2060
Australia

Tel: +61 2 9957 8000
Fax: +61 2 9957 6881
MLC Adviser Hotline: 133652
www.mlc.com.au

National Australia Financial Management Limited
342 Flinders Street
(GPO Box 9895)
Melbourne Vic 3000
Australia

Tel: +61 3 9245 2500
Tol free: 13 22 95
Fax: +61 3 9245 2522

National Asset Management Limited
Level 6, 333 Collins Street
Melbourne Vic 3000
Australia

Tel: +61 3 9205 3345
Fax: +61 3 9205 3440/3436

National Custodian Services
5th Floor, 271 Collins Street
(GPO Box 1406M)
Melbourne Vic 3000
Australia

Tel: +61 3 9659 6218
Fax: +61 3 9659 7922

National Australia Trustees Limited
271 Collins Street
(GPO Box 247B)
Melbourne Vic 3000
Australia

Tel: +61 3 9659 7522
Fax: +61 3 9659 7511

HomeSide Lending Australia
120 Spencer Street
Melbourne Vic 3000
(GPO Box 14547 Melbourne City MC Vic 8001)

Tel: (in Aust.) 13 24 64
Fax: +61 3 9601 7711

O_2-e Limited
Level 1
553 St Kilda Road
Melbourne Vic 3004
Australia

Tel: +61 3 9909 8900
Fax: +61 3 9909 8999
www.o2-e.com

Michigan National Corporation
27777 Inkster Road
(PO Box 9065)
Farmington Hills MI 48333-9065
United States

Tel: +1 248 473 3000
Fax: +1 248 473 3086
www.michigannational.com

HomeSide International
7301 Baymeadows Way
Jacksonville
Florida
United States 32256

Tel: +1 904 281 3000
Fax: +1 904 281 3745
www.homeloan.com

New York Branch
34th Floor, 200 Park Avenue
New York NY 10166-0001
United States

Tel: +1 212 916 9500
Fax: +1 212 983 1969

Asia Regional Office and Hong Kong Branch
Level 27 One Pacific Place
88 Queensway
Hong Kong

Tel: + 852 2822 9800
Fax: + 852 2822 9801
Tel: + 852 2826 8111 (HK Branch)
Fax: + 852 2845 9251 (HK Branch)

Seoul Branch
16th Floor
Korea Deposit Insurance Bldg.
33 Da-dong, Chung-ku
(PO Box KPO 691)
Seoul, Korea

Tel: + 82 2 3705 4600
Fax: + 82 2 3705 4601

Singapore Branch
5 Temasek Boulevard
15-01 Suntec Five Tower
Singapore 038985

Tel: + 65 338 0038
Fax: + 65 338 0039

Tokyo Branch
Mitsui Nigokan
2-1-1, Nihonbashi
Muromachi
Chuo-ku
Tokyo 103-0022
Japan

Tel: + 81 3 3241 8781
Fax: + 81 3 3241 5369

Bangkok Representative Office
16/F, Sathorn Thani Building 1
90 North Sathorn Road
Bangkok 10500
Thailand

Tel: +66 2 236 6016
Fax: +66 2 236 6018

Beijing Representative Office
Office 1904 CITIC Building
19 Jianguomenwai Dajie
Beijing 10004
People's Republic of China

Tel: +8610 6500 3581
Fax: +86 10 6500 3642

Jakarta Representative Office
9/F, Bank Bali Tower
Jl. Jend Sudirmon Kav.27
Jakarta 12920
Indonesia

Tel: + 62 21 250 0685/0687
Fax: + 62 21 250 0690

Labuan Branch
Level 12 (C2) Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 W.P.Labuan
Malaysia

Tel: + 60 87 44 3286/3287
Fax: + 60 87 44 3288
natausm@po.jaring.my

Kuala Lumpur Representative Office
6/F, Wisma Genting
28 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Tel: + 60 3 2163 6545/6546
Fax: + 60 3 2163 6559
natausm@po.jaring.my

National Australia Group Europe Limited
The Athenaeum
8 Nelson Mandela Place
Glasgow G2 1BN
Scotland

Tel: +44 141 223 5958
Fax: +44 141 223 5959

London Office
6 – 8 Tokenhouse Yard
London EC2R 7AJ
United Kingdom

Tel: +44 171 710 2100
Fax: +44 171 588 8356

National Australia Life
91 Gresham Street
London EC2V 7NT
United Kingdom

Tel: +44 171 710 2100
Fax: +44 171 726 4926

Clydesdale Bank PLC
30 St Vincent Place
Glasgow G1 2HL
Scotland

Tel: +44 141 248 7070
Fax: +44 141 204 0828
www.cbonlione.co.uk

Northern Bank Limited
PO Box 183
Donegall Square West
Belfast BT1 6JS
Northern Ireland

Tel: +44 1232 245 277
Fax: +44 1232 893 214
www.nbonline.co.uk

National Irish Bank Limited
7/8 Wilton Terrace
Dublin 2
Republic of Ireland

Tel: +353 1 638 5000
Fax: +353 1 638 5198
www.nib.ie

Yorkshire Bank PLC
20 Merrion Way
Leeds LS2 8NZ
England

Tel: +44 113 247 2000
Fax: +44 113 247 2115
www.ybonline.co.uk

Bank of New Zealand
BNZ Tower
125 Queen Street
Auckland
New Zealand

Tel: +64 9 375 5179
Fax: +64 9 375 1023
www.bnz.co.nz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