

NATIONAL AUSTRALIA BANK LIMITED

PUBLIC COMPLIANCE COMMITMENT

July 2000



TAILORED FINANCIAL SOLUTIONS

Group Mission

To provide core banking and selected financial services professionally, efficiently and competitively to achieve a pre-eminent position in chosen markets

Our Group Values

Service to our Customers

Quality in Everything We Do

Professionalism and Ethics in all our Actions

Competitiveness and a Will to Win

Growth and Development of Our People

Continuous Productivity Improvement

Growing Profit for Our Stakeholders

Objectives

Develop and maintain mutually beneficial customer relationships based on high quality service

Quality earnings generated in core markets

A diverse high quality business base

Strong capitalisation

Disciplined growth strategy

Market leader in efficiency and productivity

Create shareholder wealth

Management style and practices that contribute to the well-being and development of a fully responsible and accountable workforce

High standard of corporate and business ethics



TAILORED FINANCIAL SOLUTIONS

1. Introduction

National Australia Bank Limited – Australian Group (*the National*) is firmly committed to complying with the New Tax System changes, including Part VB of the *Trade Practices Act 1974 (TPA)*. Specifically, the National is committed to ensuring that its customers benefit fully from reductions in indirect taxes and are not exposed to greater than necessary tax related price rises. To achieve this result, the National has entered into a Public Compliance Commitment (*PCC*) for the Commitment period.

2. Definitions

For the purposes of this document:

ACCC means the Australian Competition and Consumer Commission;

ANTS means the *A New Tax System (Goods and Services Tax) Act 1999* and its regulations;

Commitment period means the period from 24 July 2000 until 24 July 2001;

Compliance costs means costs that are directly incurred by the National to implement and comply with the legislation relating to the New Tax System changes;

GST means the Goods and Services Tax as defined in the ANTS;

Guidelines means the price exploitation guidelines issued by the ACCC as at 9 March 2000 pursuant to section 75AV(1) of the TPA;

New Tax System changes has the same meaning as in section 75AT of the TPA;

PCC means this Public Compliance Commitment and includes the Introduction and other attachments; and

TPA means the *Trade Practices Act 1974 (Cth)*.

3. General Commitments

Although not legally binding, the National is providing this PCC to demonstrate its commitment:

- to comply with the Part VB of the TPA;
- where applicable, comply with the ACCC's Price Exploitation Guidelines issued by the ACCC under s. 75AV of the TPA;
- where applicable, to pass on to consumers any net cost benefits realised as a result of the New Tax System changes;
- where applicable, advertise and display the GST-inclusive price in a manner that is not misleading or deceptive; and
- maintain an effective compliance program.

The National will endeavour to ensure that its customers receive the full benefit of the tax changes as they relate to financial services.

This PCC will:

- be in force until 30 June 2001
- will not apply to the repricing of products and services which is unrelated to the New Tax System changes.

4. Goods and Services Tax (GST) and the National

Under the New Tax System, when registered entities such as banks, life insurance companies, superannuation funds and other corporations provide financial services, they will generally be making financial supplies. Financial supplies will generally be input taxed, meaning that providers of financial supplies will not charge GST and also will not (in most cases) be able to claim input tax credits for GST included in the price of goods and services purchased to make those supplies.

4.1 Cost Changes

The National, being a provider of financial supplies, will generally be input taxed. Input taxing has led to an increase in the National's cost base. However, the National will benefit directly from the removal of Wholesale Sales Tax and other indirect tax changes, and indirectly from reduced costs of taxable suppliers who benefit from these changes.

The National has implemented a methodology to estimate its cost changes that result from these New Tax System changes.

4.2 Pass through of net cost savings

The National has implemented a methodology to estimate its cost savings that result from the New Tax System changes. In broad terms, the National's methodology has included:

- determining the tax treatment of its various products and services;
- determining the effect on the National's cost base of input taxing;
- estimating the direct cost savings which should result from the abolition of WST and other State taxes;
- estimating the indirect cost savings which should be passed on to the National by suppliers;
- assessing implementation and compliance costs reasonably incurred and directly attributable to the introduction of the New Tax System changes, and offset by any compliance cost reductions from the removal of the previous tax system.

The National also has implemented a program to attempt, as far as possible, to ensure major suppliers pass on to it cost savings they achieve as a result of the New Tax System changes.

4.3 Implementation and compliance costs

The National has made a significant investment in resources to develop its capability to carry out its obligations under the New Tax System changes. In assessing the net effect of the New Tax System changes on the National's costs, the National has used its best endeavours to ensure that only those implementation and compliance costs reasonably incurred and directly attributable to the introduction of the New Tax System changes have been included. While the National will endeavour to offset compliance costs by such benefits as referred to in paragraph 2.29 of the Guidelines, it may not be possible for the National to quantify these benefits.

4.4 Consumer Information

The National has certain obligations and commitments, both legal and voluntary, in regard to informing customers of product and service price changes. These obligations and commitments specify notice periods for informing customers to changes in product and service pricing. The customer notification method varies according to product, however, is usually in the form of customer mailouts and/or newspaper advertisements.

All current communication practices and notice periods will be observed for the repricing of products and services to take account of the net effects of the New Tax System changes.

The National will also be advising customer relations personnel of any New Tax System changes repricing and providing them, and call centre staff, with relevant information to help with customer inquiries.

4.5 Price display

The National is committed to display the GST-inclusive price of its taxable supplies in a manner that is not misleading or deceptive.

4.6 Complaints handling

The National has well established customer inquiry and complaint resolution systems. To further enhance these systems the National has appointed a senior officer to manage any complaints arising from the GST, as well as other complaints about the National's products and services from retail and small business customers.

4.7 Compliance program and implementation project

The National's GST implementation effort comprises numerous discrete programs coordinated at a senior level. The main umbrella program, the GST program, was established to identify, implement and deliver the necessary changes to the National's business processes. This also includes the contracts review program, change management project and technology and systems projects.

Throughout this process a team of external consultants from KPMG has assisted the National. As well as providing ongoing project assistance and taxation advice, KPMG have independently reviewed the National's methodology and assumptions in determining the net cost of GST to be recovered through repricing.

The activities of all programs and projects were supervised by a GST Steering Committee of senior National executives.

5. Liaison with the ACCC

In the development of this Public Compliance Commitment, the National has liaised extensively with the ACCC. The National has appointed a senior officer to be responsible for providing information to, and being the first point of contact for, the ACCC regarding this commitment and its obligations in relation to compliance with Part VB of the TPA.

It is the National's desire for this mutual cooperation to continue.

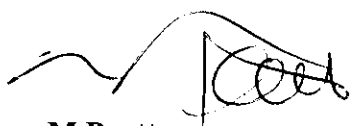
During the Commitment period the National will provide a report to the ACCC every six months, containing where possible its most up to date information on its NTS related costs and its cost savings, its New Tax System changes related repricing and compliance costs.

Furthermore, the National will liaise with the ACCC to ensure that issues and complaints arising in relation to the New Tax System changes will be dealt with expeditiously and with the full cooperation of the National.

In the event that the ACCC considers that an explanation is required from the National in relation to its compliance with the New Tax System changes, the ACCC will, prior to issuing a notice under section 75AW of the TPA or making any public comment about the National, contact the liaison officer in the National to seek further information or clarification.

6. Confidentiality

All attachments and schedules to this document are to be treated as confidential and commercially sensitive and must not be placed on the Public Register unless specifically stated otherwise or agreed to by the National.

A handwritten signature in black ink, appearing to read 'M Pratt', is written over a horizontal line.

M Pratt
Chief Executive Officer
Australian Financial Services