National

Annual Financial Report 2000

National Australia Bank Limited
ABN 12 004 044 937

This Annual Financial Report 2000 includes the disclosure requirements for both Australia and the United States Securities and Exchange Commission (SEC). It will be lodged with the SEC as an annual report on Form 20-F.

Nothing in this Annual Financial Report 2000 is, or should be taken, as an invitation or application or offer to subscribe for, or to buy, securities in the National Australia Bank.

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

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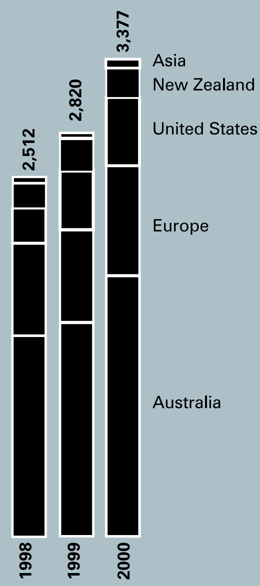
Financial highlights

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)

Operating profit after tax and before abnormals



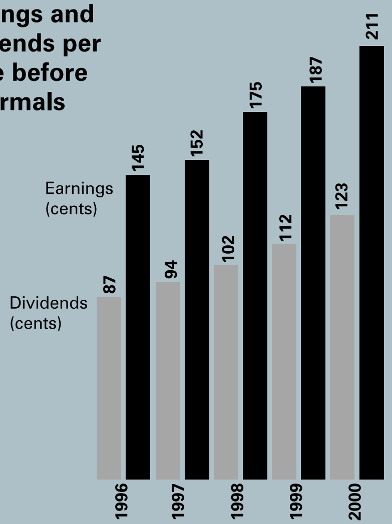
Earnings(1)

- 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.

Earnings and dividends per share before abnormals

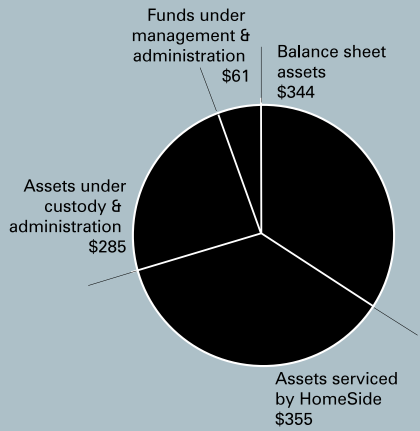


Growth and diversification

- 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



Description of business

Introduction

National Australia Bank Limited (herein referred to as the National , the Company or the Group) is an international financial services group providing a comprehensive and integrated range of financial products and services across four continents and 15 countries. Globally, as at September 30, 2000, the National had:

- Total balance sheet assets of $344 billion
- Over $60 billion in assets under management and administration
- $285 billion in assets under custody and administration
- More than 12 million customers

The National is the largest financial services institution listed on the Australian Stock Exchange and was the 22nd largest financial services company in the world by profitability and 34th by revenues, (Fortune 500, July 2000).

From an operation based almost entirely in Australia in 1986, the National now has 46.0% of its assets outside Australia, which generated 48.5% of the Group s operating revenue and 47.3% of the Group s operating profit after tax and before abnormal items for the year ended September 30, 2000.

As well as diversifying its banking activities geographically, the National has also developed the financial services activities of each bank within its respective regional market to improve the quality of its earnings.

On June 30, 2000 the National completed the acquisition of MLC, a leading Australian funds management and insurance group, for $4.6 billion in cash. The National is now the largest manager of retail funds in Australia and has substantial insurance activities.

This diversification in income streams has led to an increase in the National s other operating income and reduced the reliance on net interest income. As a result, 50.6% of the National s operating income for the year ended September 30, 2000, was derived from non-interest sources.

Vision and Strategy

General

The National s vision is to build a leading international financial services group. The National is committed to growing its current profitable lines of business and focusing on areas that are key to the future growth and evolution of financial services in selected markets.

With the assistance of a global business operating model, this vision is being pursued through the following core strategies:

- Drive performance and growth in businesses that rely on relationship management and tailoring of financial services such as the small and medium business segments of the business market and the premium segment of the consumer market. The National has strategic capabilities and positions in these segments. The focus will be on developing and transferring core skills and products between the key markets in which the National operates;
- Accelerate the growth of selected global businesses where capability, efficiency and service give the Group a competitive edge such as HomeSide, Wholesale Financial Services, Wealth Management and Securities Services;
- Stake out positions in areas key to the evolution of financial services using O_2-e to create and accelerate new economy business opportunities;
- Manage the Group businesses to create maximum value through the implementation of EVA shareholder value principles throughout all areas of the Group; and
- Build diversified income streams to reduce the Group s reliance on interest income and produce sustainable, reliable revenues.

Global Business Operating Model

In April 1998, the National introduced a business operating model to accelerate its transition to an international financial services group and to assist in achieving its vision.

On May 4, 2000 the National announced a refinement to its corporate structure. The aim of the updated business operating model is to ensure the National s structure enables it to optimise the value from its existing activities while progressively building its position in emerging and new economy businesses. Broadly, the new structure brings together existing growth businesses, high potential global businesses, and the various services required to support them.

The National uses the new lines of business for internal management reporting, and the descriptions and analysis in this Annual Financial Report are based on the new structure.

Business and Personal Financial Services

Business and Personal Financial Services (B&PFS) is the retailing arm of the Group consisting of the 30,700 staff meeting the needs of our 8.2 million customers 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 staff matched to the needs of a customer, or a similar group of customers, in each operating region. This reflects the National s core strategy of driving performance and growth in core businesses that rely on relationship management and the tailoring of financial services .

The segment-based businesses include Business Financial Services (comprising Custom Business, Package Business and Agribusiness) and Personal Financial Services (comprising Private Banking, Premium Financial Services and Retail Financial Services). The segment-based businesses in each operating region are supported by specialist Direct Retailing and Channel Management, Marketing Services and Product and Process Management units. The aim is to develop mutually beneficial long-term relationships with customers worldwide.

A brief discussion of the National s retailing activities in each of its operating regions follows. For a detailed discussion of results by geographic segment, refer to pages 24 to 26.

Australia

In Australia, the National s retailing business units provide a full range of financial services to approximately 3.1 million customers.

The National is one of the largest providers of credit and deposit facilities in the Australian marketplace. The National s 7,200 front-line banking professionals provide savings and cheque accounts, term deposits, credit cards, personal loans, housing loans and lines of credit and transaction facilities to both business and personal customers. They also provide access to financial planners as well as tax and estate planning, trustee services, international banking, trade finance, wholesale, leasing, and payments specialists able to offer products and services tailored to customers full financial service needs.

The National is a substantial provider of business financial services in Australia, and has 24.1% market share. It has 77% share of services among its small business customers and 54% in the medium business market.

The National s strong position in business markets is the result of carefully targeted initiatives over a number of years. These have included the development of specialist Business and Agribusiness banking teams with expert business knowledge and a sound understanding of the financial needs of businesses.

Services to business customers comprise a full range of deposit, lending and payment facilities supplemented with a range of other financial services. These services include foreign exchange and interest rate risk management products, fleet vehicle leasing, equity finance, nominee and custodian services, corporate trustee services and life insurance and investment products.

Business customer sales and relationship servicing are primarily conducted through a network of 257 Business Banking Centres and Business Banking Suites.

Over the last two years the National has made a significant investment in the reconfiguration of its metropolitan Australian branch network. Through this reconfiguration, known as Area Integrated Markets (AIM), the National has established dedicated Premium sales centres (Financial Service Centres and Suites) to service premium customers. There are 32 Premium Financial Services Centres and 36 Financial Services Suites operating nationally. Relationship managers such as personal bankers and financial planners, as well as mobile mortgage managers, operate from these centres, delivering tailored products and services to customers.

With over 300 financial planners throughout Australia, the National s Financial Planning Network has grown to be one of the largest and most successful in Australia, achieving over $3.5 billion of total financial services sales in the past financial year. Financial planners provide customers with individual financial advice and access to a wide range of investment options and managers through a range of masterfunds.

During the course of this year the National has been undertaking a major integrated change programme designed to transform the way that customers conduct their financial services transactions. This programme is ongoing and will receive further significant investment. The objective of this programme is to increase awareness among the National s customers of the variety of channels through which to conduct their business and to assist them to optimise the use of these channels.

Customer transactions and inquiry services are provided through a network of traditional branches, specialist outlets and electronic distribution channels. Transactions are currently conducted at over 1,000 outlets, including supermarket banking and investment centres, plus over 1,200 Automatic Teller Machines (ATMs). Customers are also able to conduct a range of transactions and other information services over the telephone or via the Internet and through an extensive network of point of sale (EFTPOS) terminals. Free internet access (National FreeOnline) is offered to customers. Over 85% of all transactions conducted by the National s customers are electronic.

B&PFS within Australia had a staff of 14,400 (or 12,700 full time equivalent positions) at September 30, 2000.

Europe

The Group s retailing operations in Europe primarily consist of four regional banks and a life insurance company. These investments make the National one of the largest foreign owned banking and financial services group in the United Kingdom and Ireland in terms of assets, with more than four million customers.

Great Britain

The National s regional banks in Great Britain are Clydesdale Bank PLC of Scotland (Clydesdale Bank) and Yorkshire Bank PLC in northern England (Yorkshire Bank). Each bank offers a broad range of financial services.

Clydesdale Bank is the third largest bank in Scotland, with total assets of $16 billion at September 30, 2000. It had 259 outlets (including 3 in London), together with 69 business banking centres and premium outlets and a staff of 3,300 (or 3,000 full time equivalent positions) at September 30, 2000.

Yorkshire Bank operates in the north of England and Midlands, with total assets of $12 billion at September 30, 2000. It had 246 outlets, together with 80 business banking centres and premium outlets and a staff of 4,300 (or 3,800 full time equivalent positions) at September 30, 2000.

Clydesdale and Yorkshire Banks have well-balanced portfolios of business and personal customers. Both entities have been active in expanding market share in their respective natural market areas. A number of innovative products aligned with the Group s global offerings have successfully launched in Great Britain during the last financial year including Tailored Business Loans and Rapid Repay Mortgages.

Ireland

The National owns Northern Bank Limited in Northern Ireland (Northern Bank) and the National Irish Bank Limited in the Republic of Ireland (National Irish Bank). Each bank offers a broad range of financial services.

Northern Bank is the largest bank in Northern Ireland with total assets of $6 billion at September 30, 2000. Northern Bank has a strong business banking presence and over recent years has expanded its profile in the personal segments utilising the National s tailored home loan product. It had 105 outlets, together with 32 business banking centres and premium outlets, and a staff of 1,900 (or 1,800 full time equivalent positions) at September 30, 2000.

National Irish Bank had total assets of $3 billion at September 30, 2000 and operates throughout the Republic of Ireland. It had 64 outlets, together with 26 business banking centres and premium outlets, and a staff of 700 at September 30, 2000.

New Zealand

Bank of New Zealand (BNZ) was acquired by the National in 1992. It has a strong brand name and franchise with comprehensive coverage of New Zealand s North and South Islands. It offers a full range of financial services and had a total asset base of $14 billion at September 30, 2000, which is well balanced between the personal, and business segments.

As at September 30, 2000 B&PFS in BNZ had 3,500 staff (or 3,000 full time equivalent staff positions).

The ongoing enhancement of the physical distribution network, coupled with the improved technology, automation and functionality through the telephone, electronic and remote channels, continues to be a core strategy. BNZ s vision is to provide customers with tailored financial solutions, which are deliverable through a full range of convenient and cost effective channels.

The distribution network includes, 192 branch outlets (including 52 locations with specialist business banking personnel), 3 private banking suites, 271 ATMs, 2 customer contact centres, and shared access to an extensive nationwide EFTPOS network. BNZ has also successfully launched an Internet banking capability with over 35,000 registered users as at September 30, 2000.

United States

The National s retail presence in the United States was established in 1995 with the purchase of Michigan National Corporation (MNC). MNC s principal subsidiary is Michigan National Bank (MNB). MNC was the third largest bank holding company in the state of Michigan and the 68th largest in the United States in terms of total assets as at June 30, 2000. As at September 30, 2000, MNC s total assets were $16 billion.

As at September 30, 2000, MNB operated through 184 outlets (including 26 new concept centres focusing on investments and 31 in-store financial services centres) and 333 ATMs across the State of Michigan.

MNB also provides sophisticated telephone and web banking services enabling customers to open accounts, apply for loans and conduct transactions over the phone and on-line.

MNB s telephone call centre has successfully implemented Siebel system s state of the art customer relationship and sales management capability. This capability is currently being rolled out throughout the Group for both business and personal segments.

At September 30, 2000, B&PFS in MNC had a staff of 2,200 (or 2,000 full time equivalent employees).

Wealth Management

Wealth Management is a diverse financial services business with more than $60 billion in funds under management and administration and more than two million customers as at September 30, 2000. Wealth Management services both the retail and corporate markets, providing integrated insurance, superannuation and investment solutions to build and protect customers wealth throughout their lives.

The Wealth Management division was created with the merger of the National s financial services business (National Asset Management, National Australia Life, National Australia Trustees and National Australia Financial Management) with MLC and its subsidiaries, which were acquired on June 30, 2000. Refer to page 7 for a full description of the acquisition of MLC.

As at September 30, 2000, Wealth Management had a staff of more than 4,000.

Wealth Management s operations include:

- *funds management*, covering superannuation and investment services for both retail and corporate clients, management of unit trusts, investment management and portfolio management services for corporate and institutional clients;
- *funds administration*, providing customers with the ability to direct their investments to fund managers and investment products of their choice, through one point of service;
- *investment management*, providing strategic advice, asset management and investment portfolio management services;
- *insurance*, covering traditional life insurance, income and general insurance businesses; and
- *services to financial advisers*, offering total business solutions that enhance their efficiency and provides flexibility and choice in investment and planning.

Specialist and Emerging Businesses

Specialist and Emerging Businesses operates along global lines of business and comprise five product specialists units (Cards, Payments, Asset Finance & Fleet Management, Securities Services and International Trade & Business Finance), together with National OnLine Trading Ltd and National Australia Investment Capital Ltd.

Specialist and Emerging Businesses had approximately 3,100 employees at September 30, 2000 based in Australia, New Zealand, United States, Great Britain and Ireland.

As an indication of the size of the Group’s product specialist businesses, as at September 30, 2000 the National had:

- more than 4 million credit cards on issue;
- over $10 billion in leasing receivables under management;
- $46 billion in trade and related turnover during the year; and
- $285 billion of assets under custody and administration.

Cards

Cards manages the National’s credit card business (predominantly Visa and MasterCard) in Australia, New Zealand, Great Britain and Ireland.

Payments

Payments is responsible for the processing and completion of payment transactions, development of payment processes and systems, particularly in the emerging areas of smartcards and e-commerce.

Asset Finance & Fleet Management

Asset Finance & Fleet Management is the National’s product specialist in plant, equipment and motor vehicle leasing as well as the broader area of fleet management.

Securities Services

This area holds and safeguards the assets of large companies as well as government institutions, superannuation funds and asset managers. Securities Services also provides settlement functions, back office processing and performance monitoring of investments.

International Trade & Business Finance

International Trade and Business Finance provides sales, processing, settlement and finance services for import and export trade and invoice discounting and factoring.

National OnLine Trading

National OnLine Trading is the National s online securities trading company, providing customers access to securities trading via the internet and telephone.

National Australia Investment Capital

National Australia Investment Capital is the National s venture capital operation in Australia, which invests equity into business growth opportunities.

Wholesale Financial Services

Wholesale Financial Services (WFS) is responsible for managing the National's 1,500 relationships with large corporations, institutions and government bodies. It operates in Australia and New Zealand, and through its branch network in Belfast, Dublin, Glasgow, Hong Kong, Leeds, London, New York, Singapore, Seoul and Tokyo.

WFS comprises three divisions — Global Markets, Corporate & Institutional Financial Services and Project & Structured Finance — and a global support unit. WFS employed more than 1,600 staff at September 30, 2000.

Global Markets focuses on structured solutions. It provides foreign exchange, money market, commodities, derivatives and capital markets products globally through a dedicated 24-hour dealing capability. These products assist both wholesale clients and the National's business clients manage their increasingly diverse range of financial risks. In selected products, Global Markets acts as a market maker and liquidity provider.

The division also manages the liquidity portfolio for the National in each of its major markets. It assists in the interest rate risk management and provides short-term funding for the Group for maturities to approximately 12 months.

Corporate & Institutional Financial Services is responsible for the delivery of lending and transactional banking solutions to wholesale customers. It also manages the Group s total relationship with large corporate and financial institution customers with an industry sector focus. This division also manages the Group's 3,000 correspondent banking relationships.

Project & Structured Finance provides a full range of investment and specialist financial services, covering sectors such as airports, power, infrastructure, water, utilities, telecommunications, transport, property, metals and mining. It offers access to investment funds, advisory services in large-scale privatisations and green field development opportunities, project and acquisition finance and capital development finance. It also provides loan syndication and agency management services and securitisation.

The Project & Structured Finance division offers expertise in arranging and delivering large scale leveraged leasing, operating leasing, cross border leasing, cross border preference equity arrangements, ownership structures, infrastructure related tax concessions and defeasance.

Wholesale Support Services is responsible for the management of the operating platform for WFS, including technology, operations (ie. administration of all transactions undertaken by the National s dealing room), human resources, finance, planning and strategy.

Asian Operations

WFS manages the National's Asian network, providing products and services to wholesale and retail segments.

HomeSide

HomeSide combines the operations of HomeSide Lending, Inc. (HomeSide US), based in Jacksonville, Florida, which was acquired by the National in 1998, and HomeSide Australia, a division of the Company that was established during the year ended September 30, 2000.

The conversion of the Bank of New Zealand (Australia) and the National loans in May and June 2000 onto the HomeSide servicing platform, is part of the National s model to promote global best practice throughout its operations.

With a US servicing portfolio of US $173 billion, and an Australian servicing portfolio of $30 billion, each as at September 30, 2000, HomeSide now services the loans of over 2.3 million homeowners globally.

HomeSide brings to the Group a world class loan servicing and origination experience, based on highly automated and cost effective processing systems, outsourcing of selected functions, and effective control of delinquencies and foreclosures.

HomeSide's diversified origination sources include long-term strategic relationships with US partners including a number of large financial institutions. As a natural extension to preferred partner relationships, HomeSide also intends to provide e-commerce based loan origination services and technology to other consumer companies with strong marketing and brand recognition, but which lack mortgage origination and servicing capabilities.

During the year, HomeSide continued to invest in its US e-commerce and direct origination capabilities to include additional business to business and business to consumer functionality, and additional value-added services such as home equity products, complete moving services, real-estate agent referrals, locating temporary housing, and other home-buying and home-selling information.

National Shared Services

National Shared Services (NSS) combines operational services (ie. transaction and loan application processing including collections), Financial Shared Services, Human Resources Shared Services, Information Technology and Corporate Real Estate to form a true shared services organisation with improved productivity and lower costs.

NSS is structured globally, with an emphasis on the transfer of best practices across all regions, and the ability to build single process solutions for global implementation. However at the same time, NSS also focuses on regional delivery to take into account regional diversity.

Within NSS, the National undertakes a number of specialised business activities through other subsidiaries and business units. These include a property owning company, NBA Properties Limited, which, with its subsidiary companies, is primarily an owner of the Group's business related properties and a provider of custodian services.

At September 30, 2000 National Shared Services had 8,600 employees.

O_2-e

O_2-e Limited was established in April 2000 to create and accelerate new economy businesses and introduce value adding Internet based capabilities to our core business. O_2-e aims to facilitate the National s participation in the Internet-driven revolution, and develop a core portfolio of rapid growth businesses capable of delivering earnings growth in the future.

Corporate Centre

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.

Acquisition of MLC

On June 30, 2000, the National s subsidiary, National Australia Financial Management Limited (NAFM) acquired the financial services businesses of Lend Lease Corporation, known as the MLC group (MLC), for approximately $4.6 billion.

As NAFM is a life company, it accounts for its subsidiaries on a mark to market basis in accordance with Australian Accounting Standard AASB 1038 Life Insurance Business , and does in relation to the majority of MLC entities. On acquisition of the MLC Group, there was no goodwill, instead the excess of market value over the net assets of the MLC subsidiaries is reported in the consolidated balance sheet. The same treatment applies to the other non-MLC subsidiaries of NAFM. Full independent valuations will be obtained as at December and June each year for all NAFM subsidiaries and will be rolled forward for the purpose of half year and full year reporting. Any revaluation increments above the company's net assets will be reflected in both the profit and loss statement and the balance sheet as an increase in the excess of market value.

The National has also established a service infrastructure group, National Wealth Management Services, comprising service entities previously owned by NAFM and MLC. These entities are owned outside of the mark to market environment. The service infrastructure group provides employees, information technology and related services to the wealth management operations.

The benefit of the structure is the grouping of the National's major insurance and investment operations separately from its other financial services businesses, as required by the Australian Prudential Regulatory Authority (APRA).

Competition

The financial services market is rapidly evolving into an increasingly competitive and integrated global market. Accordingly, the key forces shaping the future of the financial services industry cannot be viewed within regional or geographic boundaries.

The Australian financial system is characterised by a large number of traditional and new players and well developed equity and, more recently, corporate bond markets. There are four major national banks (including the National) and many other financial conglomerates with national operations offering a full range of financial services as well as a number of smaller regional institutions and niche players. Mutual societies have been a force in the Australian financial system, although many have demutualised over the past several years to capture capital-related and other competitive advantages. These institutions have also widened their range of products and services from insurance, investments and superannuation (pensions) to compete in the markets traditionally serviced by banks. Competition also comes from numerous Australian and, in many cases, international non-bank financial intermediaries including investment/merchant banks, specialist retail and wholesale fund managers, building societies, credit unions and finance companies. More recently, product and functional specialists have also emerged as important players in, for example, household and business mortgages, credit cards and other payment services. The rapid development and acceptance of the Internet and other technologies has increased competition in the financial services market and improved choice and convenience for customers.

These forces are evident across all of the National's businesses in each of its geographic markets. Within the broader financial services industry, increased competition has led to a reduction in operating margins only partly offset by fees and other non interest income and increased efficiencies. These trends are likely to continue in the future.

Regulation of the Financial Services System

Australia

Effective from July 1, 1998 APRA assumed responsibility for the prudential and regulatory supervision of Australian banks, insurance companies and superannuation funds. Subsequently, on July 1, 1999 APRA also assumed responsibility for the prudential supervision of building societies, credit unions and friendly societies.

The Reserve Bank of Australia (Reserve Bank), the prior supervisor of the Australian banking system, has overall responsibility for monetary policy, financial system stability and, through a Payments System Board, payments system regulation including the operations of Australia's real time gross settlement system (RTGS).

The Australian Securities and Investments Commission (ASIC) has responsibility for market integrity, disclosure and consumer protection.

APRA initially adopted the prudential framework that the Reserve Bank applied to banks. As part of the policy initiative of APRA to harmonise the supervision of banks and other deposit takers as Authorised Deposit-Taking Institutions (ADIs), APRA has now rolled the previous regulatory arrangements into a single set of standards covering all ADIs. They cover liquidity, credit quality, capital, audit arrangements, large exposures and equity associations. Guidelines were also issued setting out a uniform approach to the authorisation of ADIs. APRA has indicated that it has commenced and will continue through 2000/2001 a more thorough reassessment of the standards to ensure that they address all significant risks facing ADIs as flexibly and non-intrusively as possible.

APRA carries the responsibility for depositor protection in relation to the ADIs it supervises. To achieve this it has been given stronger and more defined powers to direct the activities of an ADI in the interests of depositors or when an ADI has contravened its prudential framework. These direction powers enable the prudential regulator to impose correcting action without assuming control. It also has the power to intervene to prevent a crisis from emerging.

APRA requires banks to provide regular reports covering a broad range of information, including financial and statistical data relating to their financial position and prudential matters. APRA gives special attention to capital adequacy (see pages 29 to 31 for current details), sustainability of earnings, loan loss experience, liquidity, concentration of risks, potential exposures through equity investments, funds management and securitisation activities and international banking operations.

In carrying out its supervisory role, APRA supplements its analysis of statistical data collected from banks with selective "on site" visits by specialist teams to overview discrete areas of banks' operations. These include asset quality and market risk reviews and formal meetings with banks' senior management and external auditors. APRA has also formalised a consultative relationship with each bank's external auditors with the agreement of the banks. The external auditors provide additional assurance to APRA that prudential standards agreed with the banks are being observed, and that statutory and other banking requirements are being met. External auditors also undertake targeted reviews of specific risk management areas selected at the annual meeting between the bank, its external auditors and APRA. In addition, each bank's Chief Executive Officer attests to the adequacy and operating effectiveness of the bank's management systems to control exposures and limit risks to prudent levels.

The Reserve Bank has the authority, with the approval of the Treasurer of the Commonwealth of Australia, to set interest rates paid or charged by ADIs and institutions undertaking banking operations. This authority is currently not being exercised and Australian banks are free to determine their own rates based on market conditions. However, at the direction of the Federal Government, housing loans under $100,000 entered into prior to April 1986 are still subject to an interest rate ceiling of 13.5%, although actual rates are currently well below this level.

There are no formal prohibitions on the diversification by banks through equity involvements or investments in subsidiaries. However, without the consent of the Treasurer of the Commonwealth of Australia, no bank may enter into any agreement or arrangement for the sale or disposal of its Australian banking business.

Non-Australian Jurisdictions

APRA, under the Basel framework, now assumes the role of home banking supervisor and maintains an active interest in overseeing the operations of the Group, including its offshore branches and subsidiaries.

The National's banking subsidiaries in the United Kingdom, the Republic of Ireland, New Zealand and the United States are subject to supervision by the Financial Services Authority, the Central Bank of Ireland, the Reserve Bank of New Zealand, and the Federal Reserve Board and the Office of the Comptroller of the Currency, respectively.

In the United Kingdom, Ireland and the United States, the local regulatory frameworks are broadly similar to that in force in Australia. Each of the banking regulatory authorities in these countries has introduced risk based capital adequacy guidelines in accordance with the framework developed by the Basel Committee on Banking Supervision. Also, the regulators monitor the adequacy of liquidity and portfolio concentrations, including lending to individuals, economic or business sector exposures and cross border risk.

In addition, the Financial Services Authority in the United Kingdom, the Federal Reserve Board and the Office of the Comptroller of the Currency in the United States have each taken steps to enhance the effectiveness of their examinations and inspections by sharpening their focus on the areas of greatest risk to the soundness of banking organisations. These efforts have been directed at adapting examination and inspection processes so that they remain responsive to changing market realities, while retaining those practices that have proven most successful in supervising institutions under a variety of economic circumstances and industry conditions.

The emphasis of the Reserve Bank of New Zealand's regulatory framework is primarily on capital adequacy and systemic risk management. The framework has moved away from detailed rules and private monitoring by the supervisor, in favour of enhanced public disclosure of financial information, a relaxation of supervisory regulation and increased emphasis on the role of bank directors.

In other offshore areas of activity, including the overseas branch banking operations and the various non-bank operating subsidiaries, the National believes it is currently in full compliance with the operating requirements of local regulatory authorities.

Description of Property

The Group is a substantial property owner due to the scale and nature of its operations. The majority of its operations relating to property holding are in Australia with the largest proportion of the remainder being in the United Kingdom. For further detail on the Group's property holding, refer to Note 22 of the financial statements.

Certain Legal Proceedings

Companies within the Group are defendants from time to time in legal proceedings arising from the conduct of their businesses. For further information on contingent liabilities of the Group, including those related to the AUSMAQ litigation, refer to Note 41 of the financial statements. The National does not believe that the outcome of any current proceedings, either individually or in the aggregate, are likely to have a material effect on the Group s financial position.

Overview

The Financial Review on pages 9 to 45 is prepared in accordance with Generally Accepted Accounting Principles applicable in Australia (Australian GAAP).

	Consolidated					
For years ended September 30 *Dollars in Millions unless otherwise stated*	***2000*** [(1)] ***AUD***	***2000*** [(2)] ***USD***	*1999* *AUD*	*1998* [(3)] *AUD*	*1997* *AUD*	*1996* [(4)] *AUD*
Summary of Consolidated Statements of Income						
Australian GAAP						
Interest income	**17,517**	**9,485**	15,066	15,427	12,936	12,088
Interest expense	**11,146**	**6,036**	9,000	9,569	7,578	6,958
Net interest income	**6,371**	**3,449**	6,066	5,858	5,358	5,130
Charge to provide for doubtful debts	**588**	**318**	581	587	332	333
Net interest income after provision for doubtful debts	**5,783**	**3,131**	5,485	5,271	5,026	4,797
Other operating income	**6,523**	**3,532**	4,563	3,953	2,909	2,631
Other operating expenses	**7,229**	**3,915**	5,907	5,501	4,619	4,366
Operating profit before abnormal items	**5,077**	**2,748**	4,141	3,723	3,316	3,062
Abnormal items	**(204)**	**(110)**	-	(749)	-	-
Operating profit	**4,873**	**2,638**	4,141	2,974	3,316	3,062
Income tax expense (benefit) attributable to:						
Operating profit	**1,700**	**920**	1,321	1,211	1,095	959
Abnormal items	**(68)**	**(37)**	-	(252)	-	-
Total income tax expense	**1,632**	**883**	1,321	959	1,095	959
Operating profit after income tax	**3,241**	**1,755**	2,820	2,015	2,221	2,103
Outside equity interests in operating profit (loss) after tax	**2**	**1**	(1)	1	(2)	1
Operating profit after income tax attributable to members of the Company	**3,239**	**1,754**	2,821	2,014	2,223	2,102

(1) Includes the amount relating to MLC from June 30, 2000, the date on which the Consolidated Entity acquired this entity.

(2) Translated at the Noon Buying Rate on September 30, 2000 of US$0.5415 = A$1.00. See Selected Financial Data for five years ended September 30, 2000 — Exchange Rates on Page 13.

(3) Includes the amount relating to HomeSide from February 10, 1998, the date on which the Consolidated Entity acquired this entity.

(4) Includes the amount relating to MNC from November 2,1995 the date on which the Consolidated Entity acquired this entity.

- Net interest income in 2000 increased 5.0% to $6,371 million after increases of 3.6% and 9.3% in 1999 and 1998 respectively.
- Charge to provide for doubtful debts increased 1.2% to $588 million from $581 million in 1999 after a decrease from $587 million in 1998.
- Other operating income in 2000 increased by 43.0% to $6,523 million after increases of 15.4% and 35.9% in 1999 and 1998 respectively.
- Other operating expenses in 2000 increased by 22.4% to $7,229 million after increases of 7.4% and 19.1% in 1999 and 1998 respectively.
- Operating profit before income tax and abnormal items in 2000 increased by 22.6% to $5,077 million after increases of 11.2% and 12.3% in 1999 and 1998 respectively.
- Operating profit after income tax and abnormal items increased 14.8% in 2000 to $3,239 million after increasing by 40.1% to $2,821 million in 1999 and decreasing by 9.4% to $2,014 million in 1998.
- The 2000 result included abnormal losses of $136 million after tax. There were no abnormal items in 1999, and in 1998 the result included abnormal losses of $497 million. Excluding the effect of abnormal items, operating profit after tax grew by 19.6% from $2,821 million in 1999 to $3,375 million in 2000 after an increase of 12.3% from $2,511 million in 1998.
- Gross loans and advances grew 17.8% during 2000 from $169.7 billion in 1999 to $200.0 billion. Excluding the effect of exchange rate movements, the increase was 14.2%.
- Total provision for doubtful debts increased during 2000 by 7.1% from $2,529 million in 1999 to $2,709 million. Gross non-accrual loans decreased during 2000 by 6.6% from $1,570 million to $1,467 million. Gross non-accrual loans as a percentage of risk weight assets is a modest 0.6%.
- The $4.6 billion acquisition of MLC during 2000 has reduced the Group s capital ratios, as investments in life insurance and funds management businesses are deducted from capital when calculating the ratios. The Tier 1 capital ratio as at September 30, 2000 was 6.6% compared with 7.8% in 1999 and 6.4% in 1998. The total risk weighted capital ratios at September 30, 2000, 1999 and 1998 were 9.3%, 10.4% and 9.2% respectively.

In Australia, economic growth remains robust, buoyed by pre-GST activity and also strong government spending. However, economic activity is expected to moderate to 3.75% in 2000/01 from 4.5% in 1999/00. The slowing will largely be driven by weaker private demand, however exports and higher government spending should provide some offset. Whilst inflation and wage pressures remain moderate, underlying inflation is expected to pick up as a result of above trend economic growth and also the weak Australian dollar. Headline inflation could approach 6% due to the introduction of the GST and high oil prices.

Interest rates are likely to have peaked in this cycle. However the Reserve Bank of Australia (Reserve Bank) retains a tightening bias, given the inflationary risks posed by the weak Australian dollar. If the economy slows as projected and the currency recovers, the Reserve Bank could be cutting interest rates in late 2001.

The pace of growth in the US economy appears set to ease from the rapid rates seen earlier this year. Growth of around 2% is expected in 2001 following growth of around 5% this year. Significant productivity improvements have played an important part in restraining costs, with the unemployment rate reaching a 30-year low. Interest rates look to have peaked and may now start to move down in the first half of 2001.

The UK economy has continued to expand steadily, underpinned by solid growth in domestic demand. Service sector growth remains firm, although manufacturing activity is still patchy. Economic growth of around 2% is forecast in 2001, as increased public spending compensates for an expected slowing in domestic demand. With inflation well contained, it appears increasingly likely that interest rates are close to peaking.

The expansion in the Irish economy remains very rapid, underpinned by very strong domestic demand. Europe is growing strongly although there are signs that activity has plateaued. Strong growth in net exports, however, should support continued expansion in the region, boosted by the weak currency. Upward pressure on inflation is expected to cause the European Central Bank raise interest rates over the next year. These increases, however, are unlikely to be enough to cool the Irish economy.

After expanding very rapidly in the second half of 1999, economic activity in New Zealand has stalled in 2000 as domestic demand has slumped. Growth in exports, boosted by the weak currency, should prevent the New Zealand economy from experiencing a prolonged recession. Economic growth is expected to slow from 2% in 2000 to 1% or less in 2001. With spare capacity likely to increase in the short term, interest rates look to have peaked in the current cycle.

Selected financial data for five years ended September 30, 2000

The Consolidated Entity s financial report is prepared in accordance with accounting principles generally accepted in Australia, which differ in certain material respects from accounting principles generally accepted in the United States (see Note 54 to the financial statements "Reconciliation with US GAAP"). The information hereunder has been derived from the audited financial report of the Consolidated Entity or where certain items are not shown in the consolidated financial report, has been prepared for the purpose of this annual report and should be read in conjunction with and qualified in their entirety by reference to the financial report and notes included elsewhere in this financial report. For details of credit quality data refer to pages 34 and 35. Comparative amounts have been reclassified to accord with changes in presentation made in 2000, except where otherwise stated.

	Five Year Average Compound Growth	*Consolidated*					
For years ended September 30 *Dollars in Millions unless otherwise stated*		***2000 [1] AUD***	***2000 [2] USD***	*1999 AUD*	*1998 [3] AUD*	*1997 AUD*	*1996 [4] AUD*
Share Information							
Dividends paid/payable[5][6]	9.85%	**1,858**	**1,006**	1,655	1,467	1,367	1,276
Earnings per share (before abnormal items) ($)[7]							
- basic	9.87%	**2.11**	**1.14**	1.87	1.75	1.52	1.45
- diluted	9.29%	**2.04**	**1.10**	1.82	1.71	1.49	1.43
Earnings per share (after abnormal items) ($)[7]							
- basic	8.68%	**2.02**	**1.10**	1.87	1.40	1.52	1.45
- diluted	8.15%	**1.96**	**1.06**	1.82	1.38	1.49	1.43
Cash earnings per share (before abnormals) ($)[8]							
- basic	9.87%	**2.24**	**1.21**	2.01	1.87	1.61	1.54
- diluted	9.22%	**2.16**	**1.17**	1.95	1.83	1.58	1.52
Dividends per share ($)[5][6]	9.04%	**1.23**	**0.67**	1.12	1.02	0.94	0.87
Dividends per ADS ($)[5][6]	9.04%	**6.15**	**3.33**	5.60	5.10	4.70	4.35
Dividends per ADS (US$)[5][6][9]		**N/A**	**N/A**	N/A	3.17	3.24	3.40
Dividend cover (times) before abnormal items		**1.82**	**1.82**	1.70	1.71	1.63	1.65
Dividend cover (times) after abnormal items		**1.74**	**1.74**	1.70	1.37	1.63	1.65
Net tangible asset backing per ordinary share ($) [10][11]	1.64%	**7.44**	**4.03**	8.67	8.24	7.40	6.97
Share prices for the year ($)							
- High [12]		**27.90**	**15.11**	30.28	23.50	22.85	13.30
- Low [12]		**19.88**	**10.77**	18.99	16.87	13.15	10.98
- End [12]		**25.51**	**13.81**	22.43	20.39	21.22	13.30
Adjusted to Accord with US GAAP							
Net income	9.19%	**3,051**	**1,652**	2,862	2,099	2,289	2,147
Earnings per share[8]							
- basic	6.44%	**1.90**	**1.03**	1.89	1.46	1.56	1.48
- diluted	5.95%	**1.84**	**1.00**	1.84	1.44	1.53	1.46
Cash earnings per share[8]							
- basic	6.63%	**2.03**	**1.10**	2.03	1.59	1.66	1.57
- diluted	6.04%	**1.96**	**1.06**	1.99	1.56	1.62	1.55
Earnings per ADS[7]							
- basic	8.22%	**10.15**	**5.50**	9.45	7.30	7.80	7.40
- diluted	7.64%	**9.80**	**5.31**	9.20	7.20	7.65	7.30

Summary of Consolidated Balance Sheet

For years ended September 30 Dollars in Millions unless otherwise stated	2000 (1) AUD	2000 (2) USD	Consolidated 1999 AUD	1998 (3) AUD	1997 AUD	1996 (4) AUD
Australian GAAP						
Investments relating to life insurance business	**31,103**	**16,842**	-	-	-	-
Loans and advances (after provision for doubtful debts)	**195,492**	**105,859**	165,620	160,001	131,036	111,963
Total assets	**343,677**	**186,101**	254,081	251,714	201,969	173,710
Risk weighted assets	**238,589**	**129,196**	197,096	199,476	154,309	133,313
Deposits and other borrowings	**29,879**	**16,179**	-	-	128,469	109,158
Perpetual floating rate notes	**461**	**250**	383	421	347	424
Exchangeable capital units (12) (13)	**1,262**	**683**	1,262	1,262	1,262	-
Life insurance policy liabilities	**185,097**	**100,230**	-	-	-	-
Bonds, notes and subordinated debt	**21,051**	**11,399**	13,437	15,115	9,569	6,958
Ordinary shares	**7,180**	**3,888**	6,611	5,942	1,413	1,477
Equity instruments	**2,675**	**1,449**	2,675	733	-	-
Issued and paid-up capital	**9,855**	**5,337**	9,286	6,675	1,413	1,477
Shareholders equity(11)	**21,407**	**11,592**	18,520	15,764	12,581	12,519
Book value per share	**14.12**	**7.65**	12.46	10.87	8.88	8.45
Book value per ADS	**70.60**	**38.23**	62.30	54.35	44.40	42.25
Adjusted to Accord with US GAAP						
Shareholders equity(11)	**21,836**	**11,824**	19,226	16,359	13,153	13,011
Total assets	**344,227**	**186,399**	258,791	256,753	205,743	173,552

Selected Financial Ratios

For years ended September 30	2000 %	Consolidated 1999 %	1998 %	1997 %	1996 %
Australian GAAP					
Operating profit (before abnormal items) as a percentage of:					
Average total assets (excluding statutory funds)	**1.2**	1.1	1.1	1.2	1.3
Average ordinary shareholders equity	**18.1**	17.3	17.8	16.7	17.0
Year end total assets (excluding statutory funds)	**1.1**	1.1	1.0	1.1	1.2
Year end ordinary shareholders' equity	**17.0**	17.3	16.7	17.7	16.8
Operating profit (after abnormal items) as a percentage of:					
Average total assets (excluding statutory funds)	**1.1**	1.1	0.8	1.2	1.3
Average ordinary shareholders equity	**17.3**	17.3	14.3	16.7	17.0
Year end total assets (excluding statutory funds)	**1.0**	1.1	0.8	1.1	1.2
Year end ordinary shareholders' equity	**16.2**	17.3	13.4	17.7	16.8
Dividends as a percentage of operating profit (5)(6)	**61.1**	60.2	73.1	61.5	60.7
Average shareholders equity as a percentage of average total assets (excluding statutory funds)	**7.3**	6.7	5.9	7.1	7.5
Cash return before abnormals on average tangible shareholders' funds(19)	**22.8**	22.8	22.9	21.2	21.1
Capital: risk asset ratios(14)					
- Tier 1	**6.6**	7.8	6.4	6.8	7.6
- Tier 2	**4.0**	2.9	3.1	2.2	1.9
- deductions	**(1.3)**	(0.3)	(0.3)	(0.3)	(0.2)
- total	**9.3**	10.4	9.2	8.7	9.3
Net average interest margin	**2.88**	3.00	3.17	3.53	3.93

Selected financial data for five years ended September 30, 2000 (continued)

			Consolidated		
For years ended September 30	***2000***	*1999*	*1998*	*1997*	*1996*
Adjusted to Accord with US GAAP	*%*	*%*	*%*	*%*	*%*
Net income as a percentage of period end:					
Total assets (excluding statutory funds)	**1.0**	1.1	0.8	1.1	1.2
Shareholders equity	**14.0**	14.9	12.8	17.4	16.5
Dividends as percentage of net income(5)(6)	**60.9**	57.8	69.9	59.7	59.4
Shareholders equity as percentage of total assets (excluding statutory funds)	**7.0**	7.4	6.4	6.5	7.5

Exchange Rates (Average and Closing)	***2000***	*1999*	*1998*	*1997*	*1996*
Average					
- British pound	**0.3902**	0.3934	0.3914	0.4714	0.5000
- Irish punts	**0.4970**	0.4592	0.4530	0.4934	0.4846
- United States dollar	**0.6102**	0.6404	0.6468	0.7695	0.7710
- New Zealand dollar	**1.2648**	1.2012	1.1576	1.1240	1.1426
- Singapore dollar	**1.0402**	1.0804	1.0720	1.1052	1.0880
Closing					
- British pound	**0.3710**	0.3697	0.3480	0.4467	0.5082
- Irish punts	**0.4856**	0.4840	0.3972	0.4940	0.4959
- United States dollar	**0.5427**	0.6528	0.5934	0.7197	0.7935
- New Zealand dollar	**1.3351**	1.2589	1.1880	1.1272	1.1341
- Singapore dollar	**0.9449**	1.1116	1.0017	1.1043	1.1172

For each of the National Australia Bank's years indicated, the high, low, average and year-end Noon Buying Rates were as set out below.

(US$ per A$1.00)	***2001*** (15)	***2000***	*1999*	*1998*	*1997*	*1996*
High	0.5450	0.6687	0.6712	0.7386	0.818	0.8017
Low	0.5187	0.5372	0.5887	0.5550	0.7455	0.7350
Average(16)	0.5308	0.6091	0.6404	0.6571	0.7639	0.7591
September 30		0.5415	0.6528	0.5930	0.7250	0.7912

On October 20, 2000 the Noon Buying Rate was US$0.5280 per A$1.00.

Other Information (Numbers)

Total Group staff					
- full time and part time (17)	51,879	51,566	50,973	52,226	52,912
- full time equivalent(18)	47,034	45,676	46,300	46,422	47,178

Notes:

(1) *Includes the amounts relating to MLC from June 30, 2000, the date on which the Consolidated Entity acquired this entity.*

(2) *Translated at the Noon Buying Rate on September 30, 2000 of US$0.5415 = A$1.00.*

(3) *Includes the amounts relating to HomeSide from February 10, 1998, the date on which the Consolidated Entity acquired this entity.*

(4) *Includes the amounts relating to MNC from November 2, 1995, the date on which the Consolidated Entity acquired this bank.*

(5) *Dividend amounts are for the year for which they are declared. Dividends and book value per share and per ADS calculations are based on year end fully-paid equivalent shares, adjusted for loans and rights issues as appropriate. Operating profit is based on amounts attributable to ordinary shareholders after deducting distributions to other equity holders.*

(6) *Includes issues under the Bonus Share Plan in lieu of cash and scrip dividends.*

(7) *See Note 8 and 54 of the financial report for explanation of earnings per share.*

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

(9) *Dividend amounts are translated into US dollars per ADS (representing five ordinary shares) at the exchange rate on each of the respective payment dates for interim and final dividends. The 2000 final ordinary dividend of A$0.64 per share is not payable until December 13, 2000. Accordingly, the total US dollar dividend per ADS cannot be determined until that date.*

(10) *After deducting goodwill.*

(11) *Excludes outside equity interests.*

(12) *Translated at the daily average of the Noon Buying Rates.*

(13) *The Exchangeable Capital Units of US$1 billion are recorded in the financial report at the historical rate of US$0.7922 = A$1.00.*

(14) *Based on Tier 1 and Tier 2 capital, as defined by Australian Prudential Regulation Authority, related to risk weighted assets. See "Capital Adequacy" on pages 29 to 31. Also see "Regulation of the Banking System" on pages 7 and 8.*

(15) *Through to October 20, 2000.*

(16) *The daily average of the Noon Buying Rates.*

(17) *Full time and part time staff excludes unpaid absences (eg maternity leave).*

(18) *Full time equivalent includes part time staff (pro rated).*

(19) *Based on cash earnings as a percentage of average shareholders funds excluding the average unamortised balance of goodwill.*

Net Interest Income

2000	*$ 6,371*	*million*
1999	*$ 6,066*	*million*
1998	*$ 5,858*	*million*

The principal source of income is net interest income which is the difference between interest income and interest expense.

Net interest income is derived from diverse business activities, including extending credit to customers, accepting deposits from customers, regulatory deposits, amounts due to and from other financial institutions and managing the Group s other interest sensitive assets and liabilities, especially investment, available for sale and trading securities.

Net interest income in 2000 increased by 5.0% to $6,371 million after increases of 3.6% to $6,066 million in 1999 and 9.3% to $5,858 million in 1998. During 2000, movements in exchange rates increased net interest income by $20 million, in contrast to 1999, where the strengthening of the Australian dollar decreased net interest income by $19 million. (Excluding the effect of exchange rate movements, the increase in 2000 was 4.7%.) In each period, strong lending growth was partly offset by a reduction in product margins, unfavourable product lending mix and a higher proportion of wholesale funding. Net interest income includes MLC acquisition funding costs of $82 million, which is offset by growth in non interest income.

Interest income increased by 16.3% to $17,517 million in 2000 after decreasing by 2.3% to $15,066 million in 1999 and increasing by 19.3% to $15,427 million in 1998. Excluding the impact of exchange rate movements the increase in 2000 was 15.9% and in 1999 the decrease was 2.0%.

Interest expense increased 23.8% to $11,146 million during 2000 after decreasing 5.9% to $9,000 million during 1999 and increasing 26.3% to $9,569 million in 1998. Exchange rate movements added $31.9 million to interest expense in 2000.

Average interest earning assets for 2000 increased by 9.4% to $221.0 billion from $202.1 billion in 1999 and $184.9 billion in 1998.

The interest margin (net interest income as a percentage of average interest earning assets), which includes the impact of non-accrual loans on net interest income, decreased to 2.88% in 2000 from 3.00% in 1999 and 3.17% in 1998. Excluding MLC funding costs, the interest margin was 2.92% in 2000. The interest spread (the difference between the average interest rate earned and the average interest rate paid) decreased to 2.40% from 2.47% in 1999 and 2.63% in 1998.

Volume and Rate Analysis

The following table allocates changes in net interest income between changes in volume and changes in rate for the latest three years. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. The variance caused by changes of both volume and rate has been allocated in proportion to the relationship of the absolute dollar amounts of each change to the total.

For years ended September 30	***2000 over 1999***			*1999 over 1998*			*1998 over 1997*		
	Increase/(decrease) due to change in			*Increase/(decrease) due to change in*			*Increase/(decrease) due to change in*		
Dollars in Millions	***Average Balance***	***Average Rate***	***Total***	*Average Balance*	*Average Rate*	*Total*	*Average Balance*	*Average Rate*	*Total*
Interest earning assets									
Due from other financial institutions									
Australia	**20**	**17**	**37**	(11)	5	(6)	7	(23)	(16)
Overseas	**103**	**70**	**173**	(89)	(67)	(156)	40	44	84
Regulatory deposits									
Australia	**-**	**-**	**-**	(1)	-	(1)	1	(7)	(6)
Overseas	**-**	**-**	**-**	(1)	-	(1)	-	-	-
Marketable debt securities									
Australia	**117**	**65**	**182**	131	(34)	97	85	(97)	(12)
Overseas	**29**	**68**	**97**	31	(235)	(204)	235	62	297
Loans and advances									
Australia	**571**	**413**	**984**	512	(493)	19	870	(1,032)	(162)
Overseas	**679**	**(7)**	**672**	728	(1,033)	(305)	1,420	175	1,595
Other interest earning assets	**(519)**	**825**	**306**	176	20	196	275	436	711
Change in interest income	**1,000**	**1,451**	**2,451**	1,476	(1,837)	(361)	2,933	(442)	2,491

For years ended September 30	***2000 over 1999***			*1999 over 1998*			*1998 over 1997*		
	Increase/(decrease) due to change in			*Increase/(decrease) due to change in*			*Increase/(decrease) due to change in*		
Dollars in Millions	***Average Balance***	***Average Rate***	***Total***	*Average Balance*	*Average Rate*	*Total*	*Average Balance*	*Average Rate*	*Total*
Interest bearing liabilities									
Time deposits									
Australia	**205**	**(157)**	**48**	224	(84)	140	283	(445)	(162)
Overseas	**(97)**	**235**	**138**	470	(942)	(472)	479	205	684
Savings deposits									
Australia	**52**	**(46)**	**6**	(3)	(2)	(5)	(9)	(21)	(30)
Overseas	**19**	**62**	**81**	46	(210)	(164)	112	140	252
Other demand deposits									
Australia	**(2)**	**139**	**137**	52	(52)	-	139	(175)	(36)
Overseas	**70**	**49**	**119**	29	(83)	(54)	50	25	75
Government and official institutions									
Australia	**37**	**-**	**37**	-	-	-	-	-	-
Overseas	**46**	**6**	**52**	8	1	9	11	(2)	9
Due to other financial institutions									
Australia	**11**	**46**	**57**	1	2	3	(32)	(39)	(71)
Overseas	**417**	**(141)**	**276**	(112)	(70)	(182)	355	55	410
Short-term borrowings									
Overseas	**141**	**10**	**151**	(114)	135	21	146	(49)	97
Long-term borrowings									
Australia	**209**	**68**	**277**	27	(114)	(87)	216	7	223
Overseas	**17**	**51**	**68**	(62)	12	(50)	84	8	92
Other interest bearing liabilities	**(15)**	**696**	**681**	204	68	272	167	209	376
Other debt issues									
Australia	**5**	**6**	**11**	(1)	(2)	(3)	3	5	8
Overseas	**(25)**	**32**	**7**	(1)	4	3	56	8	64
Change in interest expense	**1,090**	**1,056**	**2,146**	768	(1,337)	(569)	2,060	(69)	1,991
Change in net interest income	**(90)**	**395**	**305**	708	(500)	208	873	(373)	500

Interest Margins and Spreads

For years ended September 30 *Dollars in millions, except percentages*	***2000***	*1999*	*1998*
Australia			
Net interest income	**3,106**	2,867	2,896
Average interest earning assets	**104,806**	95,106	85,748
Interest spread adjusted for interest foregone on non-accrual and restructured loans %	**2.38**	2.30	2.63
Interest foregone on non-accrual and restructured loans %	**(0.04)**	(0.03)	(0.05)
Interest spread[(1)] %	**2.34**	2.27	2.58
Benefit of net free liabilities, provisions, and equity %	**0.62**	0.75	0.80
Interest margin[(2)] %	**2.96**	3.02	3.38
Overseas			
Net interest income	**3,265**	3,199	2,962
Average interest earning assets	**120,580**	108,485	99,127
Interest spread adjusted for interest foregone on non-accrual and restructured loans %	**2.35**	2.65	2.74
Interest foregone on non-accrual and restructured loans %	**(0.03)**	(0.05)	(0.05)
Interest spread[(1)] %	**2.32**	2.60	2.69
Benefit of net free liabilities, provisions, and equity %	**0.39**	0.34	0.30
Interest margin[(2)] %	**2.71**	2.94	2.99

Net interest income (continued)

For years ended September 30 *Dollars in millions, except percentages*	***2000***	*1999*	*1998*
Group			
Net interest income	**6,371**	6,066	5,858
Average interest earning assets	**220,987**	202,052	184,875
Interest spread adjusted for interest foregone on non-accrual and restructured loans %	**2.42**	2.51	2.68
Interest foregone on non-accrual and restructured loans %	**(0.02)**	(0.04)	(0.05)
Interest spread[1] %	**2.40**	2.47	2.63
Benefit of net free liabilities, provisions, and equity %	**0.48**	0.53	0.54
Interest margin[2] %	**2.88**	3.00	3.17

(1) *Interest spread represents the difference between the average interest rate earned and the average interest rate incurred on funds.*

(2) *Interest margin is net interest income as a percentage of average interest earning assets.*

The interest rate on Australian interest earning assets increased to 8.2% from 7.5% in 1999 and 8.1% in 1998, while the interest rate on interest bearing liabilities also increased to 5.9% from 5.2% in 1999 and from 5.5% in 1998. Excluding MLC funding costs, interest margins in Australia were stable in 2000, largely a reflection of effective margin management.

The interest rate on overseas interest earning assets increased to 7.6% in 2000 from 7.4% in 1999 and 8.6% in 1998 while the interest rate on interest bearing liabilities increased to 5.3% in 2000 from 4.8% in 1999 which was a decrease from 5.9% in 1998. Overseas interest margins reduced in 2000 and were impacted by reduced customer lending margins across all regions and a reduced margin in HomeSide resulting from a lower level of mortgage origination and rising funding costs in the US.

During the twelve months to September 2000, net interest income increased by $305 million. Australian net interest income increased by 8.8% to $3,106 million, while overseas net interest income increased 1.7% to $3,265 million. Average interest earning assets increased 9.4% to $221.0 billion during the year. Australian average interest earning assets grew by 10.1% to $104.8 billion, while overseas average interest earning assets grew by 8.7% to $116.2 billion.

Bad and Doubtful Debts

2000	*$*	*588*	*million*
1999	*$*	*581*	*million*
1998 [1]	*$*	*587*	*million*

The total charge for bad and doubtful debts for 2000 amounted to $588 million, $7 million higher than the 1999 charge of $581 million. The charge of the Australian Group increased to $207 million in 2000 from $180 million mainly reflecting higher general provisions.

The charge in Europe was $291 million, an increase of $27 million or 10.2% over the charge of $264 million in 1999 which in turn was $57 million higher than the charge of $207 million in 1998.

Clydesdale Bank's charges decreased by $85 million reflecting a lower general provision charge in the 2000 year compared with the prior year which had a higher general charge due to the introduction of statistical provisioning. Yorkshire Bank's charge increased by $25 million due to a change in the mix of the loan book. Northern Bank's charge increased by $3 million reflecting an increase in specific provision. National Irish Bank's charge increased by $3 million due to a higher specific and general charge.

The charge in the New Zealand Group decreased to $11 million in 2000 from $19 million in 1999, due to the improved quality of the loan portfolio.

The charge in the United States Group decreased by $20 million due to lower charges in Michigan National Corporation of $16 million due to the adoption of the Group's statistical based provisioning and a decline in specific provisioning in New York of $9 million partly offset by higher charges in HomeSide of $5 million mainly due to movements in foreign exchange.

(1) *Excludes the impact of the adoption of a statistically based provisioning methodology to determine the general provision for doubtful debts on September 30, 1998. The impact of the adoption of this methodology is discussed in the "Abnormal Items" section on pages 21 and 22 and Notes 1 and 3 to the financial statements.*

Bad and doubtful debts (continued)

Charge to Provide for Doubtful Debts

For years ended September 30 *Dollars in millions*	***2000***	*1999*	*1998*	*2000/1999 % change*
Total Charge				
Australian Group	**207**	180	256	15.0
European Group: [(1)]				
Clydesdale Bank	**131**	216	111	(39.4)
National Irish Bank	**10**	7	8	42.9
Northern Bank	**17**	14	9	21.4
Yorkshire Bank	**129**	104	69	24.0
Other	**4**	(77)	10	large
Total European Group	**291**	264	207	10.2
New Zealand Group	**11**	19	24	(42.1)
United States Group	**70**	90	69	(22.2)
Asia Group	**9**	28	31	(67.9)
Total	**588**	581	587	1.2

(1) The 1999 doubtful debts charge for each of the European entities includes the impact of a realignment of the statistically determined general provision, adopted in 1998, between Europe Other (including National Australia Group (NAG) Europe) and the individual Banks. The realignment has impacted the European Banks' and Europe Other by the following amounts: Clydesdale Bank [up $79 million], Northern Bank [down $11 million], Yorkshire Bank [up $9 million], National Irish Bank [up $3million] and Other Europe [down $74million]. The net impact on the European Group charge was an increase of $6 million.

Net write-offs (advances written off less recoveries) in 2000 were $433 million compared with $422 million in 1999 and $457 million in 1998. As a percentage of risk weighted assets, net write-offs were 0.2% in 2000, 0.2% in 1999 and 0.3% in 1998.

Percentage of Risk Weighted Assets

For years ended September 30	***2000 %***	*1999 %*	*1998 %*
Australian Group [(1)]			
Charge	**0.18**	0.19	0.27
Net write-offs	**0.15**	0.19	0.17
European Group [(1)]			
Charge	**0.50**	0.57	0.42
Net write-offs	**0.38**	0.40	0.48
New Zealand Group [(1)]			
Charge	**0.06**	0.11	0.14
Net write-offs	**0.02**	0.07	0.05
United States Group [(1)]			
Charge	**0.16**	0.15	0.16
Net write-offs	**0.04**	0.07	0.06
Group			
Charge	**0.25**	0.27	0.29
Net write-offs	**0.18**	0.21	0.23

(1) Ratio calculated as a percentage of Risk Weighted Assets of Australian Group, European Group, New Zealand Group and United States Group, as appropriate.

The Consolidated Entity maintains a conservative and prudent approach to actual and potential loan losses. The overall provision for doubtful debts (see Notes 1 and 17 to the financial statements) is augmented as necessary by a charge against profit having regard to both specific and general factors. An explanation of the Consolidated Entity's lending and risk analysis policies is provided within the "Risk Management" section on pages 37 to 40.

Other Operating Income

2000	*$ 6,523*	*million*
1999	*$ 4,563*	*million*
1998	*$ 3,953*	*million*

Other operating income includes loan fees from banking, money transfer fees, net mortgage servicing fees, trading income, foreign exchange income, income from wealth management activities, fees and commissions and other income including rental income, dividends received and profit on sale of fixed assets.

Other operating income increased by $1,960 million or 43.0% in 2000 after an increase of 15.4% in 1999. Exchange rate movements during 2000 increased other operating income by $32 million. The adoption of AASB 1038 Life Insurance Business led to an increase in other income of $649 million due to the gross up of income, and $202 million due to revaluations. The 2000 year reflects a three months contribution from MLC businesses, including $699 million in other operating income. Income from net mortgage servicing fees increased by 71.5% during the year however net mortgage origination revenue fell by 53.1% . Mortgage origination revenue decreased as a result of diminished refinance activity, causing a decrease in production volume. In addition, increased competition and extreme rate volatility in the market caused a decrease in margins. Loan fees from banking grew 15.7% due to increased banking activity and higher volumes which also resulted in increased fee and commission income of 15.0%.

As a result of this growth, excluding the impact of AASB 1038, 47.1% of net income was derived from non-interest sources for the 2000 year (1999: 42.9%). The change in income mix demonstrates the success the Group has been able to achieve to date in its strategy of diversifying the income base to provide greater stability in income streams.

Loan Fees from Banking

2000	*$ 1,246*	*million*
1999	*$ 1,077*	*million*
1998	*$ 938*	*million*

Loan fees from banking primarily consist of acceptance fees, which are charged for accepting bills of exchange, application fees charged to cover costs of establishing lending facilities, commitment fees charged to compensate for undrawn funds set aside for a customer's ultimate use and service fees to cover costs of maintaining credit facilities.

Loan fees from banking in 2000 increased by $169 million or 15.7% after increasing 14.8% in 1999. The increase in 2000 reflects increased activity across all geographic regions.

Money Transfer Fees

2000	*$ 1,048*	*million*
1999	*$ 1,030*	*million*
1998	*$ 1,050*	*million*

Money transfer fees are fees earned on the transfer of monies between accounts and/or countries and include fees for bank cheques and teletransfers, dishonours and special clearances and periodical payments.

Money transfer fees in 2000 increased by $18 million or 1.7% after decreasing 1.9% in 1999. The slow growth rate reflects the migration of customers to lower cost electronic distribution channels.

Revenue from Life Insurance Business

2000	*$ 1,557*	*million*

Interest, dividends realised and unrealised capital gains and other returns on all the investments under the life insurer s control are revenues of the life insurer.

Revaluation of Life Insurance Entities Interests in their Controlled Entities

2000	*$ 202*	*million*

Following the adoption of AASB 1038, life insurance entities of the Consolidated Entity are required to value their investments in subsidiaries at market value, with changes in the excess of market value over recognised net assets reflected in the consolidated profit and loss statement.

At September 30, 2000, valuations of National Australia Financial Management Limited's (NAFM s) subsidiaries, based on those carried out by independent actuaries Tillinghast-Towers Perrin and Trowbridge Consulting, gave rise to a $202 million upward revaluation.

Tillinghast-Towers Perrin valued the MLC Group, whose key entities include MLC Limited and MLC Lifetime Company Limited. Trowbridge Consulting valued the non-MLC Group subsidiaries of NAFM, whose key entities include National Asset Management Limited, National Australia Fund Management Limited and County Investment Management Limited.

Other operating income (continued)

In respect of the valuation of the MLC Group, the value is net of estimated integration costs associated with the acquisition of the MLC Group by NAFM and includes the value of estimated future revenue and expense synergies, as identified by management. Tillinghast-Towers Perrin has reviewed these estimated synergies and integration costs for reasonableness and has concluded that, while there is clearly considerable uncertainty surrounding these estimates, they are not unreasonable for the purpose of this valuation.

The following table summarises the valuation of subsidiaries.

Consolidated *As at September 30, 2000* *Dollars in Millions*	
MLC Group	
Life companies embedded value [1]	1,887
Life companies value of future new business before synergies [2]	1,113
Other companies before synergies	756
Other NAFM subsidiaries before synergies	332
Value of revenue and expense synergies arising in subsidiaries from the integration of MLC Group with the National Group after allowing for costs of implementation of relevant plans [3]	1,274
Market value	5,362
Recognised net assets	780
Excess of market value over recognised net assets as at September 30, 2000	4,582

The following table reconciles the movement in the excess of net market value over recognised net assets.

Excess of market value over recognised net assets as at October 1, 1999	203
Excess included in acquisition of MLC Group	4,177
Total excess before current period movement	4,380
Movement recognised in consolidated profit and loss statement	
MLC Group - life companies	47
MLC Group - other companies	76
Other NAFM subsidiaries	79
Total movement recognised in the consolidated profit and loss statement	202
Excess of market value over recognised net assets as at September 30, 2000	**4,582**

[1] Embedded value is the sum of:
- the shareholders' interest in the net market value of the entity's assets in excess of regulatory capital requirements and other liabilities; and
- the present value of estimated future shareholder distributable profits and imputation credits associated with the existing portfolio of business of the entity
The amount shown excludes the value of the life companies own subsidiaries, which is shown in the above table separately.
[2] Value of future new business is the present value of estimated future shareholder distributable profits and imputation credits associated with the expected future sales of the entity.
[3] Synergy benefits include the value of some future new business previously assumed to arise in National Australia Financial Management Limited.

Significant assumptions used in the valuation basis adopted by the independent actuaries include:
(i) The valuations are based on the present value of estimated after tax distributable profits together with the present value of 70% of attaching imputation credits in the case of the Australian entities.
(ii) Present values have been determined at the following risk discount rates:-

Life insurance business within Australia	*12%*
Funds management business within Australia	*13%*
Life insurance business written in US dollars within Indonesia	*11.5%*
Life insurance business written in Indonesian Rupiah within Indonesia	*20.5%*
Life insurance business written in US dollars within Hong Kong	*13%*
Life insurance business written in Hong Kong dollars within Hong Kong	*14%*

(iii) In the case of the life insurance entities, the value of future business above has been determined by applying a multiplier to the value of one year's sales. The average multipliers used were as follows:

MLC Limited	*9*
MLC Lifetime Company Limited	*10*
CEF Lend Lease Life Assurance Limited	*9*
PT Simas Lend Lease Life	*7*

Net Mortgage Servicing Fees

2000	*$*	*535*	*million*
1999	*$*	*312*	*million*
1998	*$*	*197*	*million*

Following the acquisition of HomeSide in February 1998, the Group derives fees from mortgage servicing. Net mortgage servicing fee income represents fee income derived from mortgage servicing activities less amortisation of capitalised cost. Refer to Note 1 to the financial statements, for more details.

Net mortgage servicing fees in 2000 increased by $223 million or 71.5% over 1999, reflecting an increase in the servicing portfolio due to higher volumes from strategic alliances entered into during 1999.

Net Mortgage Origination Revenue

2000	*$*	*105 million*
1999	*$*	*224 million*
1998	*$*	*126 million*

Following the acquisition of HomeSide in February 1998, the Group derives fee income from mortgage origination and selling activities. Net mortgage origination revenue is comprised of fees earned on the origination of mortgage loans, gains and losses on the sale of loans, gains and losses resulting from hedges of secondary marketing activity and fees charged to review loan documents for purchased loan production.

Net mortgage origination revenue in 2000 decreased by $119 million or 53.1% over 1999, reflecting a decrease in production volume and a decrease in production pricing fee margins. The increasing interest rate environment has adversely impacted the mortgage origination market and sparked fierce price competition.

Fees and Commissions - banking

2000	*$*	*1,098 million*
1999	*$*	*955 million*
1998	*$*	*829 million*

Fees and commissions consist of fees charged to cover the costs of establishing credit card facilities and commissions.

Fees and commissions income increased by $145 million or 15.0% in 2000 after increasing 15.2% in 1999. The increase in fee and commission income is due primarily to higher personal insurance income and credit card fees related to growth in volumes.

Treasury Related Income

2000	*$*	*468 million*
1999	*$*	*457 million*
1998	*$*	*360 million*

Treasury related income includes all realised and unrealised profits and losses resulting directly from foreign exchange trading activities, trading securities and interest rate related derivative trading activities. Treasury related income increased by $11 million or 2.4% in 2000 after increasing by 26.9% in 1999.

Other Income

2000	*$*	*264 million*
1999	*$*	*504 million*
1998	*$*	*453 million*

Other income includes other wealth management income, rental income, dividends received, profit on sale of fixed assets, foreign exchange income and sundry other income.

Other income decreased by $156 million or 30.7% in 2000 after increasing by 12.1% in 1999. The decrease in Other Income reflects the separate disclosure of income from life insurance operations previously disclosed net of expenses and tax.

Other Operating Expenses (Excluding Goodwill Amortisation and Abnormal Items)

2000	*$*	*7,032 million*
1999	*$*	*5,701 million*
1998	*$*	*5,320 million*

In 2000 other operating expenses, including personnel, occupancy and other general expenses (but excluding goodwill amortisation and abnormal items) increased $1,331 million or 23.4% over 1999. Excluding the impact of three months of MLC expenses ($607 million), and the gross up of expenses as a result of AASB 1038 ($573 million), other operating expenses increased by 2.6% or $151 million. This compares with an increase of 7.2% in 1999. Adjusting for the effects of movements in exchange rates, the increase of 2.6% becomes an increase of 2.3%.

The movement in expenses resulted from:

Personnel Costs

2000	*$*	*3,401 million*
1999	*$*	*3,267 million*
1998	*$*	*3,036 million*

Occupancy Costs

2000	*$*	*512*	*million*
1999	*$*	*498*	*million*
1998	*$*	*480*	*million*

General Expenses

2000	*$*	*3,119*	*million*
1999	*$*	*1,936*	*million*
1998	*$*	*1,804*	*million*

Excluding the impact of MLC, personnel costs increased by 2.2% or $72 million, which reflects market based salary increases, increased contractor costs (telephonic channel in Australia and growth in Securities Services in Australia) and higher performance based compensation. Partially offsetting these increases are lower long service leave charges.

Excluding the impact of MLC, occupancy costs for 2000 increased by $8 million or 1.6%, which reflects higher rental expense partly offset by lower land tax and rates, both resulting from the sale and leaseback activities in Australia and Europe. Rental expense also increased due to the opening of several new financial centres for Michigan National.

Excluding the impact of MLC and AASB 1038, general expenses increased by $60 million or 3.4% which was mainly attributable to higher data processing equipment depreciation, reflecting an increase in IT capital purchases, increased consultants and other professional fees, higher advertising and marketing, and increased legal expenses. Partly offsetting these increases were lower non lending losses and the write down during 1999 in the residual value of leased vehicles.

The Group s cost to income ratio (excluding the impact of MLC and AASB 1038) was 51.2% in 2000 compared to 53.6% in 1999. The Group s cost to income ratio has improved, due to continued income growth and effective cost control.

Refer to Note 4 to the financial report for details of income and expense items.

Abnormal Items

Abnormal items recognised in 2000 related to restructuring costs of $98 million, partly offset by the write-back of $2 million to the abnormal restructuring provision raised in 1998, and business integration costs of $108 million.

Restructuring Costs

During 2000, the Group recognised restructuring costs of $98 million resulting from two major initiatives. The majority of these costs are expected to be recovered by the end of 2003 from annual productivity improvements and revenue enhancements. The first initiative involves a significant transformation of Business & Personal Financial Services' Australian distribution network to meet the rapidly customer changing preferences for accessing financial services. The second initiative is intended to bring about globally consistent processes and the centralisation of processes where scale efficiencies can be realised for Wholesale Financial Services.

The total restructuring charge included $23 million for redundancy and outplacement, $40 million for occupancy costs including surplus leased space resulting from branch closures, relocations and reconfigurations, $29 million for asset writedowns associated with restructuring business operations and $6 million for other restructuring initiatives. The restructuring charge was classified as an abnormal item due to its size and effect on the Group's result.

The $23 million in redundancy and outplacement costs related to redundancies for approximately 192 positions in support and Head Office roles. In the period ended September 30, 2000, payments of $3 million were made in respect of 56 positions made redundant.

During 1998, the Group recognised restructuring costs of $380 million resulting from its transition to a fully integrated financial services organisation, including migration to a new operating framework and distribution, technology and workforce initiatives to improve operational efficiency and productivity.

During 2000, the Group 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.

At September 30, 2000 the total provision for restructuring was $166 million. The provision for restructuring (refer to Note 29 to the financial statements) represents the liability relating to future payments for redundancies, occupancy and general costs. Future payments for redundancies and general costs will predominantly be made in 2001. Future payments for occupancy costs will be made in periods corresponding with the relevant lease terms. Future expenditure relating to the liability is not expected to have a significant effect on the liquidity or financial position of the Group.

Abnormal items (continued)

Other restructuring costs incurred in 2000 and 1999 have been expensed as incurred. Such costs were not material. Refer to Notes 4 and 5 to the financial statements for further details regarding restructuring costs.

Business Integration Costs

During 2000, the Group recognised business integration costs of $108 million resulting from the integration of MLC's operations with the Group's existing life insurance and funds management businesses. The total integration charge includes costs for the intergration of asset management and administration systems, changes to information technology and distribution systems, the on-going functional requirements of the MLC Group as a result of the separation from Lend Lease Corporation Limited, the previous owner of MLC, and the write-off of capitalised software and systems which will not form part of the integrated Wealth Management business going forward.

Operating Profit After Income Tax

Profitability

Operating Profit after income tax and outside equity interest (before abnormal items) increased by 19.6% to $3,375 million in 2000 from $2,821 million in 1999 and by 12.3% in 1999 from $2,511 million in 1998. The profit after tax before abnormal items for 2000 included $17 million from exchange rate movements compared with $9 million in 1999. Operating profit after income tax and abnormal items was $3,239 million in 2000 and $2,014 million in 1998. There were no abnormal items in the 1999 year.

This increase in earnings after tax before abnormal items primarily reflected:

- a $105 million contribution from MLC before funding costs for the 3 months to September 2000;
- a $305 million or 5.0% increase in net interest income in 2000 after a $208 million or 3.6% increase in 1999 (4.7% excluding exchange rate movements);
- a $1,960 million or 43.0% increase in other operating income in 2000 after a $610 million or 15.4% increase in 1999. Excluding the impact of life insurance standard AASB 1038 and other operating income of MLC, other operating income increased by 8.8% in 2000; and
- a $1,331 million or 23.4% increase in operating expenses (before goodwill amortisation) after a $407 million or 7.6% increase in 1999. Excluding the impact of AASB 1038, the expenses of MLC and exchange rate movements, operating expenses increased by 2.3% in 2000.

The result reflects the Group's continued efforts to diversify its income streams across geographies and business lines. The acquisition of MLC on June 30, 2000 has particularly assisted in this regard. As a result, for the September 30, 2000 year, 50.6% of net income was derived from non interest sources while 47.3% of the Group's operating profit after tax was generated outside Australia.

Despite market based increases in personnel costs and higher depreciation charges, e-commerce and marketing expenses, the Group's cost to income ratio, excluding the impact of MLC and AASB 1038, reduced to 51.2% from 53.6% in 1999.

For years ended September 30 *Dollars in millions*	***2000***	*1999*	*1998*	*1997*	*1996*	*Average Growth Compound %*
Operating profit (after tax and outside equity interest and before abnormal items)	**3,375**	2,821	2,511	2,223	2,102	12.57%
Abnormal items	**(204)**	-	(749)	-	-	
Income tax expense	**1,632**	1,321	959	1,095	959	14.22%
Operating profit (before tax after outside equity interest)	**4,803**	4,142	2,721	3,318	3,061	11.92%

Adjusted to Accord with US GAAP

Prepared in accordance with US GAAP, consolidated net income for the year to September 30, 2000 was $3,051 million compared to $2,862 million in 1999 and $2,099 million in 1999. There were no individually material adjustments between US GAAP net income and Australian GAAP net profit for the years ended September 30, 2000, 1999 and 1998. See Note 54 to the financial statements for a detailed reconciliation of Australian GAAP net profit to US GAAP net income.

Underlying Profit

Underlying profit shows the growth in the core business of the organisation, and provides an indication of its capacity to absorb current and possible future bad debts charges.

Operating profit after income tax (continued)

For years ended September 30	***2000***	*1999*	*1998*	*1997*	*1905*
Dollars in Millions					
Operating profit before tax, doubtful debt expense, goodwill amortisation and abnormal items	**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
Deduct:					
Charge to provide for doubtful debts	**(588)**	(581)	(587)	(332)	(333)
Income tax expense	**(1,700)**	(1,321)	(1,211)	(1,095)	(959)
Operating profit before abnormal items and outside equity interests	**3,377**	2,820	2,512	2,221	2,103
Add/(Deduct) Abnormal items (after tax)	**(136)**	-	(497)	-	-
Operating profit after income tax before outside equity interest (per Statement of Profit and Loss)	**3,241**	2,820	2,015	2,221	2,103
Outside equity interests in operating profit after income 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

Operating Profit By Segments

Contributions to Consolidated Operating Profit by Major Operating Segments:

In April 1998, the Group introduced a new business operating model, designed to leverage its global scale while improving its customer focus. This model was refined during 2000. On May 4, 2000 the National announced further 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 previous Products and Services division was restructured and four new divisions were created, Wealth Management, Specialist and Emerging Business, National Shared Services and O_2-e. The financial results of O_2-e are currently not disclosed separately but are included within the results below.

For year ended September 30	***2000***
Dollars in Millions	
Operating Segments:	
Business and Personal Financial Services	**2,259**
Wealth Management	**222**
Wholesale Financial Services	**586**
Specialist and Emerging Businesses	**310**
HomeSide	**132**
National Shared Services	**(141)**
All Other	**(129)**
Operating Profit after Tax and Outside Equity Interests	**3,239**

Comparatives for the current basis of segmentation for 1999 and 1998 are not provided as it is impracticable to do so. Refer to Note 3 to the financial statements for further detail on the Group's major operating segments.

During 2000, the Group s operating profit after income tax increased 14.8% to $3,239 million after increasing by 40.1% to $2,821 million in 1999 and decreasing by 9.4% to $2,014 million in 1998. The 1998 result included abnormal charges of $497 million after tax. There were no abnormal items in 1999, and a $136 million abnormal charge in 2000. Excluding the effect of abnormal items, operating profit after tax grew by 19.6% in 2000 from $2,821 million in 1999 to $3,375 million, and by 12.3% in 1999. Excluding the impact of the acquisition of MLC and the adoption of AASB 1038, operating profit after tax and before abnormals increased by 14.5% in 2000 to $3,229 million.

The 2000 result reflects strong growth in lending and the benefits of the Group s income diversification deriving from a broad geographic and business spread, operating efficiency and risk management. The Group s international operations contributed $1,593 million or 49.2% of the profit after tax for 2000. This compares with 1996 when the Group derived only 31.1% of the profit after tax from operations outside Australia.

Operating profit by segments (continued)

Contributions to Consolidated Operating Profit by Major Geographic Areas:

For years ended September 30	***2000***	*1999*	*1998*	*1997*	*1996*
Dollars in Millions					
Australian Group:					
Australia	**1,778**	1,405	1,351	1,329	1,448
Less: Goodwill amortisation	**(1)**	(11)	(6)	-	-
Abnormal items (after tax)	**(131)**	-	(253)	-	-
Total Australian Group	**1,646**	1,394	1,092	1,329	1,448
European Group:					
Clydesdale Bank	**333**	262	286	211	162
Northern Bank	**163**	171	169	119	97
Yorkshire Bank	**375**	343	344	227	159
National Irish Bank	**11**	31	33	33	27
National Australia Life	**2**	10	5	5	(9)
Other (1)	**(17)**	6	(62)	(45)	(33)
Less: Goodwill amortisation	**(62)**	(62)	(62)	(62)	(62)
Abnormal items (after tax)	**(1)**	-	(236)	-	-
Total European Group	**804**	761	477	488	341
New Zealand Group:					
Bank of New Zealand	**315**	298	280	277	241
NAG(NZ)	**(30)**	(27)	(42)	(49)	(49)
Less: Goodwill amortisation	**(31)**	(31)	(31)	(31)	(31)
Abnormal items (after tax)	**-**	-	(18)	-	-
Total New Zealand Group	**254**	240	189	197	161
United States Group:					
Michigan National Corporation	**291**	254	226	222	158
HomeSide	**141**	153	84	-	-
Other (2)	**161**	78	(7)	8	17
Less: Goodwill amortisation	**(103)**	(102)	(82)	(49)	(44)
Abnormal items (after tax)	**-**	-	13	-	-
Total United States Group	**490**	383	234	181	131
Asian Group					
Asian Branches	**39**	33	13	18	13
Other (3)	**10**	10	12	10	8
Less: Abnormal items (after tax)	**(4)**	-	(3)	-	-
Total Asian Group	**45**	43	22	28	21
Operating Profit after Tax and Outside Equity Interests	**3,239**	2,821	2,014	2,223	2,102

(1) *Europe Other includes National Australia Group (Europe) Limited, London Branch, NAB Investments Limited and NAB Finance (Ireland) Limited.*
(2) *US Other includes New York Branch, National Australia Funding (Delaware) Inc., National Americas Investments, Inc. and HomeSide Investment, Inc.*
(3) *Asia Other includes Nautilus Insurance Pte Limited.*

Operating Profit by Major Geographic Areas

Australian Group

The Australian Group includes Personal Banking, Business Banking, Wholesale Banking, National Australia Financial Management, MLC Group, National Asset Management, the Australian Property Companies, Custom Service Leasing , National Australia Trustees, Global Securities Services and County Investment Management and National Australia Investment Capital, corporate centre costs and National Equities.

Australia produced a strong result with operating profit after tax (before goodwill amortisation and abnormal items) increasing by $373 million or 26.5% to $1,778 million in 2000 from $1,405 million in 1999 and $1,351 million in 1998. The cost income ratio increased during the period from 53.5% to 56.0%, primarily due to the inclusion of MLC for the fourth quarter. Adjusting for the impact of the MLC acquisition, the opportunity cost of capital used to fund the acquisition and debt funding costs, and the gross up of income and expenses as a result of the adoption of AASB 1038 "Life Insurance Business", the cost to income ratio declined from 53.5% to 49.7%.

Operating profit by segments (continued)

The inclusion of MLC's results for the three months to September 30, 2000 contributed $105 million before funding costs, including $53 million from revaluation of the investment in MLC and its subsidiary and $54 million from margin on services profits.

Net interest income increased by $243 million or 8.5% in 2000 due to strong lending growth and effective margin management.

The introduction of AASB 1038 impacted revenue, expense and tax disclosure in the 2000 year. The standard requires revenue, expenses and tax to be separately disclosed; these amounts were reported on a net basis in other operating income in previous periods. As a result of the new accounting standard, revenue and expenses and tax before MLC increased by $586 million, $510 million and $76 million respectively for the September 2000 year. The net adjustment had no impact on profit.

After adjusting for AASB 1038, the revaluation of the investments in life insurance entities and the inclusion of MLC's results for three months, other operating income showed strong growth increasing by 7.6% due to volume related growth in credit card fee income, higher fee income from strong growth in lending.

Excluding the impact of AASB 1038 and MLC, other operating expenses grew 2.1% during 2000. Contributing to the increase were market related increases in personnel costs, higher communication costs reflecting channel management strategy and fees and commissions which reflected higher card and electronic transaction volumes.

The charge for doubtful debts increased 15% from $180 million in 1999 to $207 million in 2000 due to volume related growth and a change in asset mix partly offset by lower specific provisioning. Strong credit quality was maintained with gross non accrual loans as a percentage of total loans and advances reducing from 0.75% in 1999 to 0.61%.

Tax expense for the September 2000 year was impacted by $47 million due to the revaluation of new future income tax benefits to reflect the lower Australian tax rates that will apply for future years and $76 million due to the gross up from the adoption of AASB 1038.

European Group

The European banks are now being managed as two regions. The Great Britain region includes Clydesdale and Yorkshire Banks and the Irish region comprises Northern and National Irish Banks.

Common management and processes are being progressively adopted in each region and the individual regional results need to be viewed in total to understand underlying regional performance. A process has been commenced to consolidate the legal entity structures of the two Great Britain banks and the two Irish banks to reflect the new management structure.

Great Britain

Great Britain's profit after tax (before goodwill amortisation and abnormal items) grew 11.6% in the year to $693 million. The result was due to strong lending growth and volume related growth in other operating income.

Clydesdale Bank's profit after tax (before goodwill amortisation and abnormal items) increased by 27.1% to $333 million in 2000 from $262 million in 1999 and $286 million in 1998. The improvement in the Clydesdale result was attributable to higher net interest income, reflecting increased lending volumes and a small improvement in margin, volume related increases in lending fees and brokerage/commissions, and a lower doubtful debts charge. Expenses increased 6.9% (6.0% in local currency) due to sale and leaseback activities and from a change in the methodology used for the recognition of credit card non lending losses.

Yorkshire Bank's profit after tax (before goodwill amortisation and abnormal items) was $375 million, an increase of 9.3% compared with 1999 of $343 million and $344 million in 1998. Underlying profit of $676 million grew by 12.5%. Contributing to Yorkshire's result were higher net interest income due to lending volume increases partly offset by the impact of competitive pressures and product mix on customer lending margins. Volume related increases in lending fees and brokerage/commissions, drove a 4.2% increase in non interest income while lower operating expenses were due to a write down in the residual value of leased vehicles in the prior year.

Ireland

The combined result for the two banks in Ireland represented a reduction in profit of 13.9% mainly impacted by a reduction in net interest margin and higher expenses, including the investigation costs in National Irish Bank and provision for the Deposit Interest Retention Tax settlement of $11 million.

Northern Bank's profit after tax (before goodwill amortisation and abnormal items) decreased by $8 million or 4.7% (4.5% in local currency terms) to $163 million from $171 million in 1999 and $169 million in 1998. This outcome was principally due to a 9.1% (8.3% in local currency) increase in operating expenses. This was driven by an increase in charges for support activities from the NAG Europe operation with a greater proportion of the European Group's costs now being consolidated directly into the results of Northern Bank. Occupancy costs also showed an increase reflecting the impact of the prior year's sale and leaseback of properties, with the sale proceeds being recorded in the previous year's results.

Bad and doubtful debts charge increased by $3 million due to one large provision in the September quarter. Net interest income was in line with the previous year. While in local currency terms gross loans and advances increased by 21.4%, this was offset by a contraction in net interest margin by 12 basis points to 3.94%. Other operating income grew by 7.2% (6.2% in local currency) resulting from improved life insurance commission income, an increase in treasury income driven by new products and increases in application and service fees.

National Irish Bank's profit after tax (before goodwill amortisation and abnormal items) reduced from $31 million in 1999 to $11 million for the current year and $33 million in 1998. Net interest income declined by 8.5% (no change in local currency terms) reflecting the entry of new competitors in the Irish market place which has had a significant impact on mortgage margins, offset by growth in fixed rate and term lending.

Expenses increased by 7.1% mainly reflecting on-going investigation costs, while other operating income was lower by 9.6% (4.2% in local currency) principally due to profits on disposal of properties in the prior year.

New Zealand Group

The New Zealand Group contributed a profit after tax (before goodwill amortisation and abnormal items) of $285 million compared to $271 million in 1999, an increase of 5.2%, and $238 million in 1998.

Bank of New Zealand (BNZ), including its offshore operations, contributed a profit after tax (before goodwill amortisation and abnormal items) of $315 million in 2000 compared to $302 million in 1999, an increase of 5.7%, (8.1% in local currency), and $280 million in 1998.

Net interest income increased by 2.0% (7.7% in local currency terms) during the 2000 year to $509 million from $498 million in 1999 due to an improved net interest margin and growth in lending.

Other operating income rose by $57 million or 16.9% to $395 million from $339 million in 1999 and $300 million in 1998, due to growth in treasury related trading income, origination fees from project and structured finance transactions, and higher insurance and credit card fee income. Higher credit card fee income reflects the introduction of new products and loyalty programs.

Other operating expenses increased 3.6% from $476 million in 1999 to $493 million in 2000 and $506 million in 1998 reflecting higher volume related operating expenses and a non lending loss recovery recorded in the previous year.

United States Group

The United States Group contributed a profit after tax (before goodwill amortisation and abnormal items) of $593 million compared to $485 million in 1999, an increase of 60.1%, and $303 million in 1998. Excluding the impact of exchange rate movements, profit for the United States Group increased by 17.1%.

MNC contributed a profit after tax (before goodwill amortisation and abnormal items) of $291 million in 2000, an increase of 14.6% (9.2% in local currency) from $254 million in 1999 and $226 million in 1998. Contributing to the increase in profit was an increase in other operating income of 10.9% (5.1% in local currency terms). In local currency terms, net interest income decreased by 1.3% due to tightening lending margins, which were partly offset by higher volumes. Other operating expenses have decreased 2.6% in local currency terms due to lower contractor costs and lower bureau charges. MNC's cost to income ratio improved from 53.2% in 1999 to 51.5% in 2000 due to income growth and cost containment.

HomeSide US, contributed a profit after tax (before goodwill amortisation and abnormal items) of $141 million compared to $153 million in 1999 and $84 million in 1998. Excluding the impact of exchange rate movements, HomeSide’s profit decreased by 12.2%. Net servicing revenue was significantly higher than the prior year (63.0% in local currency terms) due to an 18% increase in the average servicing portfolio, lower average servicing costs and a lower amortisation rate, reflecting the impact of higher mortgage interest rates on prepayment activity. Mortgage origination revenue decreased by 55.6% in local currency terms, as a result of diminished refinance activity. In addition, pricing competition and extreme rate volatility in the market caused a decrease in margins.

HomeSide also experienced a significant decrease in net interest income largely due to lower mortgage production volumes, resulting from rising interest rates in the US, which impacted the level of mortgage loans held for resale. Excluding exchange rate effects, operating expenses decreased by 12.2% as a result of cost containment initiatives in respect to lower production volumes and a decrease in the servicing cost per loan.

NAB New York also contributed to the United States profit with an increase in profit after tax (before goodwill amortisation and abnormal items) of 113.6% from $66 million to $141 million. The increase in profit was due to a large increase in net interest income of 156.7% attributable to National Income Securities Funding which was raised in August 1999.

Asian Group

The contribution from Asian operations increased from $43 million (before abnormals) for 1999 and $25 million in 1998, to $49 million in 2000. The Asian region continues to experience improved confidence which was reflected in the improvement in the quality of the business written and lower provision for doubtful debts which contributed to the strong profit growth.

Assets and Shareholders Equity

Year end assets increased to $343.7 billion after an increase to $254.1 billion at September 30, 1999 from $251.7 billion in 1998. The depreciation of the Australian dollar, primarily against the US dollar and Sterling, increased total assets by $11.9 billion in 2000. Excluding the impact of exchange rate movements, total assets grew $77.7 billion or 30.6% during 2000, reflecting strong growth in lending, the acquisition of MLC and the introduction of the new accounting standard for life insurance businesses (AASB 1038).

Over the same period shareholders' equity in the Group increased to $21.4 billion in 2000 from $18.5 billion in 1999 and $15.8 billion in 1998. The increase in shareholders equity was primarily attributable to an increase of $1.1 billion (1999 $1.1 billion) in retained profits, dividend reinvestment and share issues totalling $0.6 billion (1999 $0.7 billion), the impact of favourable exchange rate movements of $0.9 billion (1999 unfavourable $1.0 billion) and in 1999 the issue of National Income Securities ($1.9 billion net of issuing costs). For further discussion on the National Income Securities refer to Liquidity and Capital Resources on pages 28 and 29.

In Australia during 2000, assets grew by $59.5 billion to $185.7 billion with gross loans and advances increasing by 12.8% to $97.3 billion. The major contributor to this increase was housing loans which grew by 16.1% to $48.7 billion. In Australian dollar terms, assets in Europe increased by 27.9% to $75.1 billion during 2000. Excluding the effect of exchange rate movements, European assets grew by 21.0%, reflecting strong growth in lending, particularly in housing lending, leasing finance and other commercial and industrial lending. In New Zealand, assets grew 5.2% to $25.5 billion in 2000 due largely to increases in BNZ s lending assets. Excluding the impact of exchange rate movements, total assets in New Zealand increased by 11.2%. In the United States, total assets increased by 36.7% to $44.8 billion in 2000. Excluding the impact of exchange rate movements, total assets in the United States increased by 15.8% largely due to growth in HomeSide s mortgage servicing rights and MNC s lending assets. In Asia, total assets grew by 3.6% to $12.5 billion in 2000 reflecting a significant increase in amounts receivable from other financial institutions.

Assets and Shareholders' Equity Adjusted to Accord with US GAAP

Year end assets under US GAAP increased to $344.2 billion in 2000 after an increase to $258.8 billion at September 30, 1999 from $256.8 billion in l998. In US dollar terms, year end total assets grew by $17.5 billion, or 10.3%, from $169.0 billion in 1999 to $186.4 billion in 2000, having increased by $16.7 billion or 11.0% in 1999 from $152.3 million at end of 1998. The increase in assets in 2000 is mainly attributable to the factors outlined above under Assets and Shareholders' Equity , offset in part by the impact of the strong US dollar. In 2000, shareholders' equity under US GAAP reported in Australian dollars increased to $21.8 billion from $19.2 billion in 1999 and $16.4 billion in 1998. See Note 54 to the financial statements for a detailed reconciliation of total assets and shareholders' equity according to US GAAP.

Return on Average Shareholders Equity

Profitability, as measured by return on average shareholders' equity after goodwill, increased to 18.1% in 2000 from 17.3% in 1999 and 17.8% in 1998. The impact of higher earnings in 2000 was partly offset by an increase of 10.5% in average shareholders equity due to retention of profits and funding of business growth.

Cash return attributable to ordinary shareholders, as measured by earnings before abnormal items excluding goodwill and related amortisation expense on tangible shareholders equity (excluding goodwill), remained steady in 2000, with both cash earnings and average tangible shareholders equity growing by around 10%.

For years ended September 30 *Dollars in Millions, except percentages*	***2000***	*1999*	*1998*	*1997*	*1996*
Weighted average shareholders' equity*	**17,586**	15,915	14,054	13,312	12,386
Return* (before abnormal items) on average equity %	**18.1**	17.3	17.8	16.7	17.0
Cash return* (before goodwill amortisation and abnormal item) on average tangible equity %	**22.8**	22.8	22.9	21.2	21.1

** based on amounts attributable to ordinary shareholders*

Shareholder Value

The National is committed to growing value for its shareholders. Value for shareholders is created by generating returns which are greater than the cost of capital employed in the business. The National measures its success in generating value in terms of Economic Value Added or EVA¤. EVA represents the excess of adjusted earnings (which the National calls Net Operating Profit after Tax or NOPAT over the cost of Economic Capital employed in the business. The cost of capital reflects the cost of equity capital adjusted for risk.

The National intends to use EVA as its primary internal measure of financial performance in the year ending September 30, 2001. The measure will be embedded in the Group s pricing tools, resource allocation decisions and sustainable growth in EVA is intended to be used as the basis for performance-based remuneration throughout the Group.

Economic Value Added for 2000 was $1,477 million, an increase of 6.3% from the EVA of $1,390 million generated during 1999. The increase was primarily due to the higher level of earnings and imputed franking credits (generated by higher Australian earnings). These improvements were partially offset by a higher level of capital employed from growth in business volumes and a higher cost of capital, which moved from 10.5% to 12.0% during 2000.

Shareholder value (continued)

For years ended September 30 *Dollars in Millions, except percentages*	***2000***	*1999*	*1998*	*1997*	*1996*
Economic Value Added	**1,477**	1,390	957	1,056	668
Average annual cost of capital %	**11.4**	10.5	10.5	11.0	13.0

Net Operating Profit after Tax and Economic Capital are derived by adjusting reported operating profit before tax and shareholders funds respectively. These adjustments are set out below.

Reconciliation of operating profit before tax to NOPAT for 1999-2000	**$M**
Operating profit before tax	5,077
Amortisation of goodwill	197
Non-recurring items	(38)
Other	(96)
Adjusted Operating Profit Before Tax	5,140
less Projected cash taxes [1]	(1,697)
Franking benefits	544
National Income Securities coupons	(137)
Preference share dividends	(61)
NOPAT	**3,789**

Reconciliation of shareholders equity to Economic Capital as at September 2000	**$M**
Shareholders Equity (before dividends)	22,383
Accumulated amortisation of goodwill	1,325
Cumulative non-recurring items	508
Other	(201)
Cumulative tax adjustment [1]	(446)
Net of FITB and income tax liability	1,712
National Income Securities	(1,945)
Preference share capital	(730)
Economic Capital	**22,606**

(1) *The National s EVA calculation uses a projected tax rate equal to the expected average cash tax rate to be paid by the National in 2000-04. Differences between the projected rate and the actual rate in any one year are capitalised in the cumulative tax adjustment.*

EVA ¤ is a registered trademark of Stern Stewart & Co.

Dividends and Earnings per Share

Basic earnings per share (after goodwill amortisation, and before abnormal items) increased 13.2% during 2000 from 186.6 cents in 1999 to 211.3 cents.

The increase in basic earnings per share (before abnormal items) from 1998 of 174.6 cents to 186.6 cents in 1999 and 211.3 cents in 2000 reflects strong growth in profitability and active capital management.

For years ended September 30 *Cents*	***2000***	*1999*	*1998*	*1997*	*1996*
EPS - Basic (before abnormal items)	**211.3**	186.6	174.6	151.6	144.8
- Diluted (before abnormal items)	**204.0**	181.6	170.6	148.7	143.1
EPS - Basic (after abnormal items)	**202.3**	186.6	140.0	151.6	144.8
- Diluted (after abnormal items)	**195.6**	181.6	137.9	148.7	143.1
Dividend	**123.0**	112.0	102.0	94.0	87.0

Interim dividends of 59, 54 and 49 Australian cents per Ordinary Share were paid during the years ended September 30, 2000, 1999 and 1998 respectively. The final dividend declared from the 2000 profit was 64 Australian cents an increase of 6 cents, or 10.3% compared with 1999 of 58 cents (1998: 53 cents). The 2000 final dividend is payable on December 13, 2000.

In 1988, the Company introduced the Bonus Share Plan (BSP) enabling shareholders (principally those who do not benefit from dividend imputation) to elect to take all or part of their dividend in the form of unfranked bonus Ordinary Shares. With effect from the 1990 final dividend these Ordinary Shares were issued at a discount of 7.5% to market value. Furthermore, the Dividend Reinvestment Plan (DRP) was amended in 1988 to permit re-investment of cash dividends in new Ordinary Shares issued at a discount of 7.5% to market value. In 1989, the dividend scheme was further amended to permit shareholders to receive dividends paid out of the profits of a United Kingdom subsidiary. The discount rate was reduced from 7.5% to 2.5% on September 30, 1994 and applied from the 1994 final dividend. The discount rate was removed on May 16, 1996.

Liquidity and Capital Resources

As at September 30 *Dollars in Millions*	***2000***	*1999*	*1998*
Shareholders’ equity	**21,361**	18,520	15,761
Outside equity interest	**46**	-	3
Perpetual floating rate notes	**461**	383	421
Exchangeable capital units	**1,262**	1,262	1,262
Total	**23,130**	20,165	17,447

As indicated in the above table, the Group has significantly increased its capital position. Each year shareholders equity has increased due to improved profitability, higher issued capital resulting from re-investment of dividends under the Company s Dividend Re-investment Plan (DRP) and share issues pursuant to option plans. On June 29, 1999 the Group concluded a large hybrid equity issue in the form of National Income Securities, which increased shareholders' equity by $1.95 billion (after costs of issue). Refer Note 34 of the financial statements for full details. On September 30, 1998 the Group issued preference shares (as detailed in Note 34 to the financial statements) which contributed to an increase in shareholders equity of $733 million.

During the three years ended September 30, 2000, 1999 and 1998, 15.0 million, 15.6 million and 18.8 million Ordinary Shares were issued under the DRP to shareholders at varying prices. The increase in shareholders equity has been offset in part by the impact of the Company s share buy-back which was completed on October 7, 1997.

As is the case with most major banking groups, the Company has traditionally relied on retained earnings to augment its capital resources to allow for real and inflation induced growth in its asset base.

Changes in Financial Condition

For years ended September 30 *Average balances (Dollars in Billions)*	***2000***	*1999*	*1998*	*1997*	*1996*
Total assets	**285**	255	238	192	168
Total liabilities	**265**	239	224	179	155

Average total assets in 2000 increased by 11.8% to $285 billion from $255 billion in 1999 and $238 billion in 1998. Year end total assets increased 35.3% from 1999. See 'Assets and Shareholders' Equity above for an explanation of major movements in 2000. A discussion of changes in significant assets and liabilities follows.

Capital Adequacy

At September 30, 2000 the Consolidated Entity's total risk weighted capital was 9.3%, consisting of Tier 1 capital of 6.6%, Tier 2 capital of 4.0% and deductions of 1.3%.

Capital Adequacy Ratios

As at September 30	***2000***	*1999*	*1998*
	%	*%*	*%*
Tier 1	**6.6**	7.8	6.4
Tier 2	**4.0**	2.9	3.1
Deductions	**(1.3)**	(0.3)	(0.3)
Total	**9.3**	10.4	9.2

The decrease in capital ratios is attributable to the acquisition of MLC in June 2000. Under the regulations adopted by the Australian Prudential Regulation Authority (APRA) (the National's prime supervisor), life insurance and funds management businesses are de-consolidated for the purposes of calculating capital adequacy. The portion of the investment relating to intangible assets (the difference betweenpurchase price and the embedded value) is deducted from Tier 1, and the balance from total capital.

The National issued $3.1 billion of subordinated debt which qualifies as Tier 2 capital during the year, through three tranches issued into the US and European markets in May 2000. These three tranches consisted of US$900 million ($1,554 million) in the form of a 10-year fixed rate bond, US$700 million ($1,209 million) in the form of a 10-year floating rate bond, callable after 5 years and US$200 million ($345 million) in the form of a 11-year floating rate bond, callable after 6 years at the National's option.

The principal objective of the APRA's capital adequacy requirements is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a bank s balance sheet, in particular "credit risk". The risk-based capital adequacy framework is consistent with the international standards of The Basel Committee on Banking Supervision. The framework has three basic aspects - the capital base elements, the required capitalisation level and therisk weighting regime.

The capital base for regulatory purposes is comprised of two elements, namely Tier 1 and Tier 2 capital after making certain deductions. Together these two elements comprise "Total Capital". Tier 1 capital includes paid up ordinary capital (including hybrid instruments such as National Income Securities), paid up non-cumulative irredeemable preference shares, retained earnings, reserves (other than asset revaluation reserves) less goodwill and other intangible assets. In addition, where future income tax benefits are greater than deferred income tax liabilities, the net future income tax benefit is deducted from Tier 1 capital. Tier 2 capital includes asset revaluation reserves, general provision for doubtful debts (net of associated future income tax benefits), certain hybrid debt/equity instruments and subordinated term debt with an original maturity of at least seven years.

Net assets in "non consolidated" controlled entities and holdings of other bank's capital instruments are deducted from Total Capital.

Australian banks are required to maintain a minimum Total Capital to risk asset ratio of 8%. Tier 1 capital must be at least 50% of the minimum capital requirements.

In order to determine the capital adequacy ratio, all assets are weighted in order to provide a broad indication of relative credit risk. From August, 1998 the number of risk weightings categories was reduced from five to four (0%, 20%, 50% and 100%) and the assets to which those weightings apply are described more fully below (see Risk-Adjusted Assets and Off-Balance Sheet Exposures). Off-balance sheet transactions are converted to balance sheet equivalents, using a credit conversion factor, before being allocated a risk category.

Capital adequacy (continued)

Off-balance sheet activities are categorised as follows: - direct credit substitutes such as financial guarantees and standby letters of credit; - trade and performance related contingent items such as performance bonds, warranties, and documentary letters of credit; - long-term commitments such as formal credit lines with a residual maturityexceeding one year; and - market related transactions such as foreign exchange contracts, currency and interest rate swaps and forward rate agreements.

In addition to holding sufficient levels of capital to cover credit risk, APRA prescribed capital requirements for market risk to be applicable to all Australian banks with effect from January 1, 1998. This approach is broadly consistent with the Basel Committee on Banking Supervision's January, 1996 recommendations.

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices pertaining to interest rate related instruments and equities in the trading book and foreign exchange risk and commodities risk throughout the bank.

The total of risk weighted assets, risk assessed off-balance sheet business and the notional market risk amount is then related to the capital base and the resultant risk ratio is used as a measure of capital adequacy.

Under guidelines issued by APRA, life insurance and funds management activities are excluded from the calculation of risk-weighted assets, and the related subsidiaries are de-consolidated for the purposes of calculating capital adequacy. The intangible component of the investment in these subsidiaries (the difference between the total investment and their net assets) is deducted from Tier 1 Capital, and the balance from Total Capital. Additionally, any profits from these activities included in the consolidated entity's results are excluded from the determination of Tier 1 Capital to the extent that they have not been remitted to the National.

The following tables provide details of Tier 1 and Tier 2 capital position, risk-adjusted assets and off-balance sheet exposure.

Regulatory Capital

As at September 30	***2000***	*1999*	*1998*
Dollars in Millions			
Tier 1			
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
Minority interests	**46**	-	3
Estimated reinvestment under dividend reinvestment plan[1]	**283**	245	276
Less:			
Asset revaluation reserve	**(14)**	-	(3)
Goodwill	**(2,617)**	(2,905)	(3,095)
Intangible Component of investment in non-consolidated subsidiaries	**(2,290)**	-	-
Other	**(938)**	(523)	(290)
Total Tier 1 capital	**15,831**	15,337	12,652
Tier 2			
Asset revaluation reserve	**14**	-	3
General provisions for doubtful debts	**1,562**	1,390	1,544
Perpetual floating rate notes	**461**	383	421
Dated subordinated debts	**6,277**	2,586	3,014
Exchangeable capital units	**1,262**	1,262	1,262
Notional revaluation of investment securities to market	**(28)**	(5)	26
Total Tier 2 capital	**9,548**	5,616	6,270
Total Tier 1 and 2 capital	**25,379**	20,953	18,922
Less Deductions:			
Investment in non-consolidated subsidiaries (net of intangible component deducted from Tier 1)	**(2,788)**	(354)	(281)
Holdings of other financial institutions' capital instruments	**(446)**	(219)	(219)
Total regulatory capital	**22,145**	20,380	18,422

(1) The amount is derived from reinvestment experience on the National's dividend reinvestment and bonus share plans.

Risk-Adjusted Assets and Off-Balance Sheet Exposures

	Balance			Risk Weights	Risk Adjusted Balance (1)		
As at September 30	**2000**	1999	1998		**2000**	1999	1998
Assets	**$M**	$M	$M	%	**$M**	$M	$M
Cash, claims on RBA, claims on Australian Commonwealth & State Governments, claims on OECD Central governments and Central Banks (2)	**19,257**	18,192	19,053	0	**-**	-	-
Claims on Australian banks, local governments and banks incorporated in OECD countries	**31,188**	24,810	23,975	20	**6,238**	4,962	4,795
Housing loans(3)	**69,348**	60,579	56,311	50	**34,674**	30,289	28,156
All other assets	**164,195**	135,860	137,827	100	**164,195**	135,861	137,827
Total assets(4)	**283,988**	239,441	237,166		**205,107**	171,112	170,778

	Contract or Notional Amount	Credit Equivalent Amount	Risk Weights	Risk Adjusted Balance (1)		
As at September 30	**2000**	**2000**		**2000**	1999	1998
Dollars in millions			%			
Off-Balance Sheet Exposures						
Financial guarantees, standby letters of credit and other letters of credit	**11,083**	**9,920**	0 - 100	**8,743**	6,332	5,696
Performance related guarantees, warranties and indemnities	**3,149**	**1,575**	0 - 100	**1,480**	1,311	1,446
Commitments to provide finance facilities with residual term to maturity of over 12 months and other commitments	**93,905**	**18,501**	0 - 100	**15,156**	12,368	15,240
Foreign exchange, interest rate and other market related transactions	**935,363**	**21,865**	0 - 50	**6,334**	3,146	3,897
Total off-balance sheet exposures	**1,043,500**	**51,861**		**31,713**	23,157	26,279
Total risk-adjusted assets				**205,107**	171,112	170,778
Total risk-adjusted assets and off-balance sheet exposures - credit risk				**236,820**	194,269	197,057
Add: Risk-adjusted assets - market risk (5)				**1,769**	2,827	2,419
Total assessed risk exposure				**238,589**	197,096	199,476

(1) Claims secured by cash, government securities or guarantees from banks and governments reflect the risk weight attaching to the collateral security or a direct claim on the guarantor.

(2) Short-term claims on the Australian Commonwealth Government are those with a residual term to maturity of less than 12 months; longer term claims are those with residual term to maturity greater than 12 months. Following the August 1998 APRA amendments both these categories attract 0% risk weighting.

(3) APRA announced on August 17, 1994 that housing loans approved after September 5, 1994 having a loan to market valuation ratio in excess of 80% must be risk weighted at 100%. Following the August 1998 APRA amendments these loans may qualify for the 50% risk weighting if they are covered by an adequate level of mortgage insurance provided by an acceptable lenders mortgage insurer. These loans are reported under All Other Assets .

(4) Total assets differ from the consolidated balance sheet due to the adoption of APRA's classification of certain items for capital adequacy purposes, particularly goodwill and general provision for doubtful debts. In addition, fair value of trading derivative financial instruments have been excluded as they have been trading derivative financial instruments have been excluded as they have been incorporated into the calculation of the credit equivalent amount of off-balance sheet exposures.

(5) Under APRA Prudential Statement C3 (PS C3), Australian Banks are now required to hold sufficient levels of capital to cover market risk. PS C3 requires the measure of market risk charge to be multiplied by 12.5 (ie. the reciprocal of the minimum capital ratio of 8%) to determine a notional risk weighted asset figure.

Gross Loans and Advances

Average Balances

2000	*Australia*	*$*	*91*	*billion*
	Overseas	*$*	*88*	*billion*
1999	*Australia*	*$*	*83*	*billion*
	Overseas	*$*	*80*	*billion*
1998	*Australia*	*$*	*76*	*billion*
	Overseas	*$*	*71*	*billion*

The diversification and size of the Group is such that its lending is widely spread both geographically and in terms of the types of industries served. The loan portfolio continues to consist of short term outstandings with 39.8% of the loans at September 30, 2000 maturing within one year and 24.0% maturing between 1 year to 5 years. Real estate mortgage lending comprises the bulk of the loan portfolio maturing after 5 years. The average balance of loans in 2000 was 62.8% of average total assets. This compares with 63.9% in 1999 and 62.6% in 1998.

Average gross loans and advances were $179.2 billion in 2000, an increase of 10.1% over the 1999 balances of $162.8 billion, which followed an increase of 10.4% over the 1998 balance of $147.5 billion. Continuing low interest rates assisted in growth in lending volumes.

Average Australian loans and advances accounted for 50.9% of the total average loans and advances in 2000, 51.1% in 1999 and 51.7% in 1998. The increase in average Australia loans and advances reflects strong growth in housing lending and commercial and industrial lending.

Overseas growth was achieved in all regions and products, particularly in housing loans, lease finance and commercial and industrial lending.

Year End Loans by Industry

	Australian Group		*European Group*		*New Zealand Group*		*United States Group*	
As at September 30, 2000	*$M*	*%*	*$M*	*%*	*$M*	*%*	*$M*	*%*
Government & public authorities	478	0.5	818	1.4	164	0.8	517	2.6
Agriculture, forestry & fishing	5,329	5.5	2,389	4.0	2,336	11.3	245	1.2
Financial, investment & insurance	4,656	4.8	5,634	9.6	3,605	17.5	1,899	9.6
Real estate construction	1,661	1.7	1,499	2.5	145	0.7	1,188	6.0
Real estate mortgage	48,720	50.1	13,976	23.7	6,994	33.9	917	4.6
Manufacturing	2,268	2.3	3,259	5.5	1,106	5.4	2,797	14.1
Instalment loans to individuals	8,223	8.5	8,257	14.0	1,105	5.4	2,650	13.4
Lease financing	6,929	7.1	7,299	12.4	2	0.0	95	0.5
Other commercial & industrial	19,000	19.5	15,858	26.9	5,160	25.0	9,468	48.0
Total	97,264	100.0	58,989	100.0	20,617	100.0	19,776	100.0
Less Unearned income	(1,013)		(781)		-		(19)	
Provision for doubtful debts	(1,265)		(820)		(151)		(434)	
Net loans and advances	94,986		57,388		20,466		19,323	

In Australia, net loans and advances grew by 13.0% during 2000, with strong growth in housing lending and commercial and industrial lending. Residential mortgage loans increased 16.1% from $42.0 billion to $48.7 billion. Other commercial and industrial lending grew by $5.0 billion or 36.1% to $19.0 billion over 2000.

The European Group’s net loans and advances at September 30, 2000 were $57.4 billion compared with $44.3 billion at September 30, 1999. In local currency terms, net loans and advances grew by 21.6% during 2000. The major areas of growth in Europe during 2000, based on gross balances, were in real estate mortgages increasing by 20.1%, leasing finance up 35.5% and other commercial and industrial lending up 29.0%.

The United States net lending, in local currency terms, was up 13.8%, principally in term lending.

The New Zealand Group s net loans and advances grew by $0.4 billion from $20.1 billion to $20.5 billion at September 30, 2000.
In local currency terms, the New Zealand Group net loans and advances grew 8.0%, principally in term lending.

Impaired Assets, Provisions and Allowance for Loan Losses

Non-Accrual Loans

Total non-accrual loans less specific provision for credit losses at September 30, 2000 were $1,025 million, a decrease of 7.9% from the 1999 balance of $1,113 million. Net non-accrual loans in Australia and Asia showed a significant reduction whilst the US Group showed a small reduction. This was partly offset with increases in Europe.

Gross non-accrual loans at September 30, 2000 were $1,467 million, a decrease of $103 million, or 6.5%, from the 1999 balance of $1,570 million. In 1998, gross non-accrual loans were $1,470 million.

As at September 30, 2000, the Group s non-accrual loans to risk weighted assets showed a decrease from 0.8% to 0.6%, primarily a reflection of improved asset quality and a strong growth in risk weighted assets. The Australian Group component of the gross non accrual loans in 2000 was $568 million, representing a $76 million or 11.8% decrease from the 1999 balance of $644 million. In Europe, gross non accrual loans increased by $58 million, or 9.9%, from $586 million to $644 million. In New Zealand, gross non accrual loans reduced from $89 million at September 30, 1999 to $66 million, a reduction of $23 million or 25.8%. During 2000, gross non accrual loans in the United States rose by $24 million, or 13.0% from $160 million to $184 million. In Asia, gross non accrual loans fell from $91 million at September 30, 1999 to $5 million.

The Group has specialist Asset Structuring Units operating in each region which has resulted in earlier identification and work out of problem loans.

	September 30, 2000			*September 30, 1999*		
		Specific [1]			*Specific* [1]	
	Gross	***Provisions***	***Net***	*Gross*	*Provisions*	*Net*
Dollars in Millions						
Australian Group	568	196	372	644	226	418
European Group	644	169	475	586	162	424
New Zealand Group	66	12	54	89	20	69
United States Group	184	62	122	160	24	136
Asian Group	5	3	2	91	25	66
Total	1,467	442	1,025	1,570	457	1,113
Percentage of risk weighted assets	0.6	0.2	0.4	0.8	0.2	0.6

	2000	*1999*
Net non-accrual loans	**1,025**	1,113
Shareholders' equity	**21,407**	18,520
%	**4.8**	6.0

(1) *Includes specific provisions for impaired off-balance sheet credit exposures.*

Doubtful Debts Closing Balance by Geographic Group

As at September 30	***2000***	*1999*	*1998*	*1997*	*1996*
Dollars in Millions					
Australian Group					
General [1]	**1,056**	995	1,031	422	378
Specific [2]	**208**	231	193	193	218
Total	**1,264**	1,226	1,224	615	596
European Group					
General [1]	**642**	528	542	169	134
Specific [2]	**178**	164	167	174	162
Total	**820**	692	709	343	296
New Zealand Group					
General [1]	**137**	132	133	76	73
Specific [2]	**14**	22	24	21	55
Total	**151**	154	157	97	128

Impaired assets, provisions and allowance for loan losses (continued)

As at September 30 *Dollars in Millions*	***2000***	*1999*	*1998*	*1997*	*1996*
United States Group [3]					
General [1]	**383**	377	403	89	74
Specific [2]	**51**	15	5	180	175
Total	**434**	392	408	269	249
Other					
General [1]	**20**	23	34	15	5
Specific [2]	**3**	26	13	15	12
Total	**23**	49	47	30	17
Group					
General [1]	**2,238**	2,055	2,143	771	664
Specific [2]	**454**	458	402	583	622
Total	**2,692**	2,513	2,545	1,354	1,286
% of Risk Weighted Assets	**1.1**	1.3	1.3	0.9	1.0

(1) General provision balance includes the impact of the adoption of a statistically based provisioning methodology which was adopted on September 30, 1998. Comparatives have not been restated.

(2) Excludes specific provisions for impaired off-balance sheet credit exposures.

(3) Prior to the adoption of a statistically based provisioning methodology by the Consolidated Entity, Michigan National Corporation adopted a provisioning methodology under which a portion of the specific provision was determined against segments of the loan portfolio based on historical loan loss experience and current trends evident in those segments of the loan portfolios. This amount is included in the prior period specific provision figure quoted in the above table (1997: $168 million, 1996: $135 million). Due to the nature of the MNC provisioning methodology, the above table did not include gross loan amounts to which this portion of the specific provision relates. Following the adoption of a statistically based provisioning methodology by the Consolidated Entity, the corresponding provision is included in the general provision at September 30, 1998 and 1999.

Total allowance for loan losses, excluding off-balance sheet credit exposures, held at September 30, 2000 were $2,692 million or 1.1% of risk weighted assets. This compares with $2,513 million or 1.3% of risk weighted assets in 1999 and $2,545 million or 1.3% of risk weighted assets in 1998. Of the total at September 30, 2000, general provisions represented $2,238 million or 1.0% of risk weighted assets.

Credit Quality Data

As at September 30, 1998, the Group adopted a statistically based provisioning methodology to determine its general provision for doubtful debts. Comparative information for 1997 and 1996 has not been restated to reflect the change in methodology.
For further information see Note 1 to the financial statements "Principal Accounting Policies".

For further information on Asset Quality Disclosures, see Note 18 to the financial statements "Asset Quality Disclosures".

For years ended September 30 *Dollars in Millions*	***2000***	*1999*	*1998*	*1997*	*1996*
Provision for doubtful debts					
Specific (excluding off-balance sheet credit exposures)	**454**	458	402	583	622
General	**2,238**	2,055	2,143	771	664
Gross non-accrual and restructured loans	**1,471**	1,573	1,476	1,286	1,507
Charge to the profit & loss account	**588**	581	587	332	333
Ratios [1]					
Provision for doubtful debts at end of year as a percentage of end of year loans (before provisions)					
Specific	**0.23**	0.27	0.25	0.44	0.54
General	**1.12**	1.21	1.31	0.58	0.58
	1.35	1.48	1.56	1.02	1.12
Provision for doubtful debts at end of year as a percentage of end of year loans & acceptances (before provisions)					
Specific	**0.20**	0.24	0.22	0.38	0.47
General	**1.00**	1.07	1.15	0.50	0.50
	1.20	1.31	1.37	0.88	0.97

Impaired assets, provisions and allowance for loan losses (continued)

As at September 30 *Dollars in Millions*	***2000***	*1999*	*1998*	*1997*	*1996*
Provision for doubtful debts at end of year as a percentage of risk weighted assets					
Specific	**0.19**	0.23	0.20	0.38	0.47
General	**0.94**	1.04	1.07	0.50	0.50
	1.13	1.27	1.27	0.88	0.97
Non accrual and restructured loans as a percentage of end of year loans (before provisions)	**0.74**	0.93	0.90	0.96	1.32
Charge to profit & loss as a percentage of:					
Year end loans	**0.29**	0.34	0.36	0.25	0.29
Year end loans and acceptances	**0.26**	0.30	0.31	0.22	0.25
Average loans and acceptances	**0.33**	0.36	0.40	0.27	0.32
Risk weighted assets	**0.25**	0.29	0.29	0.22	0.25

(1) *Ratios exclude specific provision for off-balance sheet credit exposures.*

Provisioning Coverage Ratio

The level of provisioning for non-accrual loans (the provisioning coverage ratio) is determined having regard to all identifiable losses anticipated to result from these loans. Accordingly, the balance of the specific provision is maintained equal to the total of all estimated losses.

To ensure that adequate provisions and write offs are maintained, rigorous credit monitoring procedures are in place to facilitate the early identification of all doubtful debts and correspondingly, the estimated losses likely to arise. Central to this process, all entities are required to formally review their loan portfolio at least quarterly to ensure all doubtful debts have been identified and loss estimations made. Provisions must be adjusted upwards or downwards to equate to the current estimates of loss on doubtful accounts.

This approach is designed to ensure that the Group has sufficiently covered the fall in security values through a combination of provisions and write offs. It is considered a more prudent approach in addressing the immediate loss of security value than maintaining high levels of provisions.

The actual levels of specific provisioning set aside to cover estimated losses on loans which are considered to be sufficiently impaired to warrant raising of a provision are set out below:

For years ended September 30	***2000*** *%*	*1999* *%*	*1998* *%*
Specific Provision Coverage	**29.8**	28.8	27.2
Total Provision Coverage	**182.5**	158.4	171.2

The coverage ratios include specific provisions for off-balance sheet credit exposures.

In addition to the specific provision, the Group maintains a general provision to provide cover for bad debts which are inherent in lending but which are not yet identified. Effective September 30, 1998, the Group adopted a statistically based provisioning methodology. Under this methodology, the Group estimates the level of losses inherent, but unidentified, in its existing credit portfolio, based on the historical loss experience of component exposures.

The operation of a statistically based provisioning methodology is such that when individual loans are classified as non-accrual, specific provisions will be raised by making a transfer from the general provision for the specific provision required. The general provision is then re-established based on the remaining book of performing credit exposures. Refer to Note 1 to the financial report for additional information.

The general provision provides further coverage against these loans of 151.1% at September 30, 2000, bringing total effective coverage to 182.5%.

Deposits and Other Borrowings

Total deposits and other borrowings (net of set-offs) increased by 13.9% to $185.1 billion at September 30, 2000, compared with $162.5 billion in 1999 and $158.1 billion in 1998. Excluding the effect of exchange rate movements during 2000, the increase in deposits was 9.2%.

Non interest bearing deposits at September 30, 2000 represent 7.8% of total deposits compared to 7.8% in 1999 and 8.3% in 1998.

In Australia, deposits increased by $3.7 billion or 5.0%. In Europe, deposits increased by $8.5 billion or 19.6%, however in local currency terms, deposits increased 13.1%. United States deposits increased by $9.1 billion or 42.1%. Excluding the impact of exchange rate movements, deposits in the United States still had solid growth, with an increase of 21.2%. In New Zealand, deposits decreased by $1.8 billion or 10.9%. However, in local currency terms, New Zealand deposits fell by 5.2%.

As at September 30, 2000	*Australian Group*		*European Group*		*New Zealand Group*		*United States Group*	
Dollars in millions		*%*		*%*		*%*		*%*
Not bearing interest (net)	4,409	5.6	5,958	11.6	579	4.0	3,463	11.3
Demand & short-term deposits	35,245	45.2	27,141	52.5	3,502	24.1	7,940	25.9
Certificates of deposit	7,210	9.2	10,709	20.8	2,151	14.8	2,341	7.6
Term deposits	22,864	29.3	7,762	15.1	7,903	54.5	6,324	20.6
Other debt obligations	8,332	10.7	-	-	370	2.6	10,589	34.6
Total deposits	78,060	100.0	51,570	100.0	14,505	100.0	30,657	100.0

Risk Management

Management of risk is fundamental to the business of being a full financial services provider and is an essential element of the Consolidated Entity s strategy. Financial Services organisations face an array of risks and increasingly the success or otherwise of the institution relies upon its proactive rather than reactive management of risk.

An enterprise-wide risk management model structure implemented throughout the Consolidated Entity comprises a common policy framework and set of controls to achieve standardisation of risk/reward practices across the Consolidated Entity. Each business unit is responsible, using best practice methodology, for the identification and quantification of the particular risks it is exposed to and for implementation of appropriate policies and procedures.

Overview and monitoring of this process throughout the Consolidated Entity is undertaken by the globally focussed divisions of Risk Management. Risk Management comprises Credit Bureau, Internal Audit, Operational Risk, Insurance and Compliance, Market Risk and Prudential Control, Property Finance & Investment and Group Legal.

Risk Management s role is to constantly monitor and systematically assess the Consolidated Entity s risk profile in existing and future business operations, and to assist business units in the design and implementation of appropriate risk management policies and strategies. Risk Management also promotes awareness of the need to manage risk and the achievement of a balance between risk minimisation and reward for risks accepted.

Developments are being made in the quantification of risks, and the allocation of appropriate risk capital. Portfolio Management methods are being adopted to manage the Group s risk profile. The use of modelling to forecast future risk management trends is being used increasingly to assist in decision making.

Periodically, Risk Management prepares and submits to the Principal Board the Group Risk Profile . This document profiles the major recognised balance sheet, off balance sheet strategy/performance and operational risks together with procedures for their day to day management, control and responsibility.

A Group Risk Policy Committee, comprising executive and senior management, is the principal risk policy decision making body within the Consolidated Entity. A Risk Policy Committee also exists in each region. These Risk Policy Committees operate under criteria detailed in a Risk Management Template .

Major balance sheet risk areas and their management are outlined below, but many other types of risks such as environmental, payment systems, computer systems fraud, legislative compliance, business continuity/disaster recovery, and e-commerce, are routinely managed throughout the Consolidated Entity.

Certain sections of the Annual Financial Report 2000 contain forward looking statements. These statements are subject to assumptions, risks and uncertainties, as discussed in this section and referred to elsewhere in the report. Actual results could differ materially from the forward looking statements.

Market Risk

This recognises the potential change in value of assets and liabilities as a result of movement in interest rates, foreign exchange rates, asset prices, option volatility and the level of concentration in any or all of the financial markets in which the National operates.

Trading Risk

Member banks of the Consolidated Entity have a value at risk limit approved by the Principal Board to cover trading activities.

Overview of trading risk is performed by the Market Risk & Prudential Control Department of Risk Management Division. The risk control function is fully segregated from Wholesale Financial Services (WFS) Division. This is to ensure its independence meets both internal and external requirements. A comprehensive global market risk control framework is in operation, and it comprises five regional market risk teams supported by a team located in Head Office.

Limits for the management of trading risk assumed in the normal course of business are delegated to regional or global management in accordance with the organisational structure of WFS. These limits take into account the capacity of regional and global management to manage trading risks and the relative sophistication and liquidity of each market.

Refer to Note 42 to the financial statements, Derivative Financial Instruments for a profile of the Consolidated Entity s derivatives credit risk exposures and further information on risk management.

Balance Sheet Risk

The Group Asset and Liability Management Committee (Group ALCO), under delegated Board authority, sets policies in relation to the management of structural balance sheet exposures. These exposures include structural interest rate risk, structural foreign exchange risk and liquidity risk. The Consolidated Entity s global structural balance sheet risk is monitored against approved policies by Group Balance Sheet Management and reported on a monthly basis to the Group ALCO.

Each geographical region in the Consolidated Entity has an Asset and Liability Committee (ALCO) which is delegated the responsibility for managing local structural balance sheet risks in accordance with Group balance sheet management policies. Group ALCO supervises the management of these local structural risks and monitors activity for compliance with Group policies.

Structural Interest Rate Risk

In carrying out its business activities, each member bank in the Consolidated Entity strives to meet customer demands for products with various interest rate structures and maturities. Sensitivity to interest rate movements arises from mismatches in the repricing dates, cash flows and other characteristics of assets and liabilities. As interest rates and yield curves change over time, the size and nature of these mismatches may result in a loss or gain in earnings.

In managing structural interest rate risks, the primary objective is to limit the extent to which net interest income could be impacted by an adverse movement in interest rates. Each Regional ALCO is responsible for managing the structural interest rate risk within the region, in accordance with approved group policy.

Structural interest rate risk is calculated using balance sheet simulation processes which are undertaken across the National s banking operations. The balance sheet simulation process is based on planned product volumes and margins, which are regularly updated to reflect the Group s latest views on business projections and interest rate environments.

The results of balance sheet simulations, together with other balance sheet risk management information and strategies, are presented and reviewed by regional ALCOs, Group ALCO and the Principal Board on a monthly basis.

The table below presents a summary of the non-consolidated structural earnings at risk relating to non-trading assets and liabilities that are sensitive to changes in interest rates. Based on the structural interest rate risk position at balance date, the table shows the possible impact on income, for the 12 months ending September 30, 2001, under a rising or declining interest rate environment.

For member banks, the rising and declining interest rate scenarios are calculated using a 95% confidence interval around the market implied yield curve. For example, the effect on net interest income from rising interest rates over the coming year is calculated by assuming that interest rates will rise to a level which is exceeded only 5 times out of 100 cases (based on the historical behaviour of rates).

The interest rate scenarios for the non-banking entities are based on a sudden and sustained 50 basis point increase or decrease in market interest rates over twelve months.

The impact of interest rate movements on the net income of life insurance and funds management entities is not incorporated within the table below. However, interest rate movements are one of the factors taken into account when determining the change in net market value of these entities when applying Australian Accounting Standard AASB 1038 Life Insurance Business .

	Forecast effect on Net Income 2001[(1)]		*Forecast effect on Net Income 2000*[(1)]	
Australian Dollars in Millions	*Rising Rates*	*Declining Rates*	*Rising Rates*	*Declining Rates*
Australian dollars	(5)	14	39	(43)
Non-Australian dollars	(45)	27	(16)	(13)

[(1)]*Represents forecast effect as at September 30, 2000 and 1999 respectively for the forthcoming 12 months.*

The exposure expressed in non-Australian dollars is a net exposure of offshore banking and non-banking entities. Structural interest rate exposure in some currencies may be biased towards rising interest rates, whilst others may be biased to falling interest rates.

Commencing October 1, 2000, the National began using a wider range of interest rate scenarios in measuring structural interest rate risk. This will provide the ability to derive a statistical distribution of potential movements in net income. The confidence interval is being increased to 99%, to capture a wider range of potential outcomes.

The non-banking entities do not hold any market risk sensitive instruments for trading purposes.

Interest rate risk relating to trading activities is captured within the Value at Risk framework discussed separately within the annual report (refer table 2 of Note 42 to the financial statements).

Group Structural Foreign Exchange Risk

Structural foreign exchange risk arises from investments in the Consolidated Entity s foreign branches and subsidiaries. Both earnings and capital are exposed to movements in foreign exchange rates as a result of these investments.

Reported earnings and shareholders funds are exposed to movements in exchange rates as a result of the need to translate earnings and net assets of the foreign operations into the Australian dollar consolidated accounts. This exposure of reported earnings and capital to movements in exchange rates is sometimes referred to as an accounting or translation exposure which, in the absence of any long term realignment in exchange rates, has no impact on underlying economic exposures.

The policy of the Group is that the net asset position of integrated operations is to be fully hedged, whilst the net asset position and profit and loss of offshore subsidiaries and self sustaining operations is to remain unhedged. The rationale for this approach is that the Group bases its hedging decisions on economic considerations and not on the potential impact which short term currency fluctuations may have on reported earnings and net worth.

Real foreign exchange exposures, on the other hand, arise independent to the accounting process. Such exposures arise from the risk that future cash flows will be converted to Australian dollars at less favourable rates than at present. Such cash flows could result from the repatriation of profits or capital back to the parent entity. Hedging of these exposures is assessed on a case-by-case basis.

Liquidity Risk

Liquidity risk is the risk that the bank is unable to service its cash flow obligations today or in the future. Liquidity within the Group is managed in accordance with policies approved by the Board of Directors, with oversight from both Regional and Group ALCOs.

Throughout the year, the Group managed liquidity risk by a combination of positive cash flow management, the maintenance of portfolios of high quality liquid assets and diversification of its funding base. Liquidity standards approved by Group ALCO ensure that suitable liquid assets are held to meet prudential and regulatory liquidity requirements. In September 2000, the National moved to a liquidity risk measurement system based entirely on cash flow scenarios. As a consequence, the National was released by it prime regulator, APRA, from the need to maintain a fixed percentage of deposit liabilities in the form of high quality liquid assets (the "prime asset ratio").

Liquidity is managed on a regional basis, with day to day responsibility residing with member banks, offshore branches and regional treasury operating divisions.

Operational Risk

Operational Risk is the potential risk of financial loss arising from the performance of operational business processes and activities.

To enhance the Consolidated Entity s ability to identify, measure and manage operational risks, a systematic framework and methodology for operational risk management has been developed and implemented in each regional bank. Operational Risk, Insurance and Compliance is responsible for the overview of action plans to mitigate high risks, and administration of the methodology and process discipline, including maintenance of a Group Risk profile to ensure changes occurring within the organisation and industry are reviewed in a timely manner. Documented action plans are in place to control the Group s most significant operational risks and reported to Executive Management and Principal Board on a regular basis for their information and approval.

Credit Risk

Credit Risk is the potential risk of financial loss resulting from the failure of a customer or counterparty to settle their financial and contractual obligations to the Group, as and when they fall due.

The National s Credit Risk infrastructure is framed to provide sound management principles and practices.

Establishing an appropriate credit risk environment

All major credit policies, including portfolio concentration limits, are authorised by the Principal Board. These policies are then delegated to and disseminated under the guidance and control of executive management.

The National s credit policies are documented in a Credit Policy Manual which is applicable in all Group Entities. This Manual provides a consistent view of all major credit policies supporting the credit operations of the Group. The Manual is currently undergoing an extensive review to segregate the credit policies as they apply to each of the customer focussed segments of the National Business Model to improve its effectiveness as a support base.

For complex credit products and services, Credit Bureau provides product profiles which define risks, their quantification, recording methodologies and mitigation.

Portfolio concentration limits are in place across the Group for exposures to certain industry types. Portfolio exposures are reported to the Principal Board half-yearly.

Credit risk inherent in new products and services is managed via infrastructure which includes Risk Management Templates requiring approval by all impacted areas, product profiles defining risks and mitigants, and approval from Risk Policy Committees prior to implementation.

Operating under a sound credit granting process.

The National s strong credit culture reinforces the continued use and focus of sound credit granting criteria including: aggregation of all linked exposures, use of financial covenants, focus on repayment capacity and integrity of the borrower, use of collateral and consideration of economic and industry conditions.

Two important developments in the credit granting process occurred in 2000. Credit Bureau will implement new financial analysis software in all Member Banks. The new software provides for common templates across the Group for credit applications for Wholesale Financial Services and Business Financial Services, and drives analysis and commentary on all of the critical credit assessment factors.

The National s Risk Rating System has been the hub of credit assessment and related processes for the past 10 years. A new Customer Rating System based on probability of default has been developed which provides much greater granularity than the present system and matches more closely the rating systems of supervisory bodies and external agencies. This System will more objectively define individual credit risks and statistical provisions, and will provide greater focus in pricing for risk.

A system of overview of lending approvals by a higher level of authority is fundamental to the Group s lending culture and philosophy.

Policy and practice has been in place within the Group for many years and it provides that overall credit limits are established at the level of individual borrowers and counterparties, and groups of connected counterparties that aggregate in a comparable and meaningful manner different types of exposures, both on and off the balance sheet. Credit policy sets out the factors requiring aggregation of exposure and final determination of which exposures are aggregated lies with the approving authority. Delegated Commitment Authorities are measured against the total aggregated exposure of the applicant group.

There is a clearly established process for approving new credits and the extension of existing credits and all extensions of credit are assessed on an arms-length basis.

A structure comprising centralised, independent Credit Bureaus staffed with appropriately skilled resources to service particular customer focussed segments eg. Wholesale Financial Services and Business Financial Services, ensures compliance with credit policy and process. Extension of credit to related entities within the Group is subjected to the same independent assessment and monitoring processes.

For Retail Financial Services, scoring solutions are implemented via robust packaged operational software, supported by the mandatory use of appropriate monitoring tools. These monitoring tools coupled with dedicated regional Decision Tools Units, provide the essential continual review of data integrity, scorecard performance and decision strategies. Software to validate and verify input data is used globally to support data integrity and prevent fraudulent activity.

Maintaining an appropriate credit administration, measurement and monitoring process

Efficient and effective credit administration operations and adequate control over back office procedures such as monitoring documentation, contractual requirements, legal covenants, collateral etc. are recognised as being vitally important aspects of the whole credit function.

At the National these responsibilities are assigned to various business units, eg. Cards, Leasing & Asset Finance, and centralised structures supporting the branch network, eg. Personal Credit Office, Business Securities Units and others. These units are all subject to quality controls and periodic audit.

Monitoring the condition of individual credits principally rests with Relationship Managers, with overview by supervising authorities where systems detect irregularities.

Over the next twelve months Data Warehouses will be created at Regional level which will provide the National with the ability to monitor credit portfolios independently of Relationship Management by identifying borrowers for whom current financial statements are not held, identifying borrowers not observing financial covenants, stress testing to identify borrowers exhibiting adverse trends in financial performance, and development of early warning systems.

Information systems and analytical techniques that enable management to measure credit risk inherent in all on and off balance sheet activities are under continuous development. During the past 12 months an updated system to provide a more accurate view of credit exposure for off balance sheet items has been implemented Group wide. Credit Bureau has defined data needed to manage credit risk and asset quality at both individual credit and portfolio levels and this data is populated into Risk Data Marts within Data Warehouses.

Systems for monitoring overall composition and quality of the credit portfolio are in place and work is proceeding to identify risk correlations within the National s portfolios which may create concentrations.

Ensuring adequate controls over credit risk

Periodic audits, Risk Asset Reviews and one-off Credit Reviews all provide an overview of credit risk.

There is a formal Risk Asset Review process with units in place in each Region across the Group. Detailed quarterly reports are submitted to executive management and the Principal Board Audit Committee. Additionally the National is formalising the concept of regular Credit Reviews targeted at specific elements of credit portfolios.

Samples of individual credit approvals are overviewed by higher levels of authority. All asset accounting systems are programmed to report excesses of approved limits or debts without limits to higher levels of authority.

Credit policy sets minimum approval levels for variation of credit policy and standard audit practices monitor compliance.

Formal large exposure reporting is provided quarterly to the Principal Board and to relevant Regulatory Authorities.

The Asset Structuring functional stream, reporting to Credit Bureau, has proven highly effective in remediating stressed credits and exiting severely impaired credits with minimal losses. The National is considered to employ industry best practice in this regard, with the use of skilled external resources on secondment and upskilling of internal staff being a feature of this function.

The role of supervisors

The Group provides quarterly information to the Australian Prudential Regulation Authority (APRA), on a no-names basis, of exposures to individual customers or groups of related customers in excess of 10% of Tier 1 and Tier 2 capital. Notification to APRA is required in advance before approving any exceptionally large exposures.

Country Risk

Sound international lending practices require not only commercial credit analysis of the borrower of the type normally associated with domestic lending, but also an assessment of country risk. Country risk arises from economic, financial, political or social factors within a country which may affect a borrower’s ability to repay loans made by the Consolidated Entity. This consideration is applied notwithstanding the fact that the borrower s own credit standing domestically might not have been impaired.

The Group has an established process for measuring country risk which is used in setting and monitoring its cross-border exposures. Each country is graded from AAA (least risky) to D (most risky). Grading depends upon the analysis of various economic indicators and the assessment of social and political factors. On the basis of the country credit grading, together with the relative size of the country, its ability to produce foreign exchange reserves and meet financial obligations, the Consolidated Entity sets prudential cross-border limits for each country which are apportioned to each member of the banking group.

Limits are allocated into maturity time-bands which vary according to the risks of the country concerned and the outlook for the economy/political landscape. Exposures are monitored daily. The Principal Board approves these individual country limits on an annual basis.

Cross-Border Outstandings by Industry Category

The following table analyses the aggregate cross-border outstandings due from countries other than Australia where such outstandings individually exceed 0.75% of the Consolidated Entity s assets. For the purposes of this presentation, cross-border outstandings are based on the country of domicile of the borrower or guarantor of the ultimate risk, and comprise loans, balances due from banks, acceptances and other monetary assets. Local currency activities with local residents by foreign branches and subsidiaries are excluded.

	Bank and other financial Institutions $M	*Other commercial and industry $M*	*$M*	*% of Group assets*	*Commit-ments including irrevocable letters of credit*
As at September 30, 2000					
United Kingdom	2,093	1,192	3,285	1.0	3,744
Japan	5,384	125	5,509	0.6	2,887
United States	1,424	1,481	2,905	0.8	6,942
As at September 30, 1999					
United Kingdom	2,648	1,067	3,715	1.0	4,234
Japan	2,154	-	2,154	0.6	1,129
United States	2,434	637	3,071	0.8	7,125
As at September 30, 1998					
United Kingdom	3,188	1,285	4,473	1.0	1,990
Japan	4,397	-	4,397	1.0	566
United States	3,956	1,035	4,991	1.2	7,397

People and Culture

The table below summarises the Consolidated Entity s staffing position as at September:

	2000	*1999*	*1998*	*1997*	*1996*
Number of Employees full-time and part-time[(1)]	***51,879***	*51,566*	*50,973*	*52,226*	*52,912*
Number of Employees full-time equivalents[(2)]	***47,034***	*45,676*	*46,300*	*46,422*	*47,178*
Operating profit after tax (before abnormal items) per full-time employee	***71,757***	*61,761*	*55,529* [(3)]	*47,918*	*44,885*[(4)]

[(1)] Full-time and part-time staff excludes unpaid absences (eg maternity leave). Full-time equivalents include part-time staff (pro rated).
[(2)] Includes the amount relating to MLC from June 30, 2000, the date on which the Consolidated Entity acquired this entity. Calculation has been adjusted to include MLC full-time equivalent staff at September 30, 2000 in proportion to the 93 day period which they contributed to the profit of the Consolidated Entity.
[(3)] Calculation has been adjusted to include HomeSide full-time equivalent staff at September 30, 1998 in proportion to the 232 day period during which they contributed to the profit of the Consolidated Entity.
[(4)] Calculation has been adjusted to include MNC full-time equivalent staff at September 30, 1996 in proportion to the 332 day period during which they contributed to the profit of the Consolidated Entity.

Full time equivalents by region for each of the years presented:

	2000[1]	1999	1998	1997	1996
Australia	**23,178**	21,210	21,124	22,323	22,622
Europe	**13,382**	13,621	13,755	14,926	15,078
New Zealand	**4,532**	4,433	4,461	5,154	5,534
United States	**5,718**	6,120	6,669	3,775	3,717
Asia	**224**	292	291	244	227
Total	**47,034**	45,676	46,300	46,422	47,178

(1) Includes 2,274 MLC

Full time equivalents by line of business as at September 30, 2000:

B&PFS	**26,871**
Wealth Management	**3,467**
WFS	**1,578**
Specialist and Emerging Business	**3,003**
HomeSide	**2,835**
National Shared Services	**7,670**
Other *	**1,610**
Total	**47,034**

** Includes Corporate Centre functions*

The Group s full time equivalent employee numbers increased by 1,358 people or 3.0% from 45,676 for 1999 to 47,034 for 2000. This compares with a 1.3% decrease from 1998 to 1999. During the year 408 positions were made redundant under the restructuring provision that was created during 1998. A further 112 positions remain under this restructuring provision.

In Australia full time equivalent employees increased by 1,968 people as new capacity was created to provide enhanced customer service levels, resource new business lines and meet the demands of increased volumes of business. The introduction of new global business strategy and a number of other initiatives both in Australia and overseas have also resulted in new positions being created.

Employee numbers in the European Group fell by 239 having decreased by 134 in 1999. The reduction resulted from back office efficiencies, offset by increases in the number of financial planners, wholesalers and premium business planners.

In the New Zealand Group employees increased by 99 in 2000 having decreased marginally in 1999. The 2000 increase resulted from the implementation of a programme designed to transform the way that customers conduct their financial services transactions.

In the US Group, the reduction in employee numbers of 412 mostly relates to HomeSide and is a reflection of process improvements and lower production volumes.

Approximately 48% of Group employees in Australia are members of the Finance Sector Union of Australia (FSU). Over the last twelve months, the National has continued to maintain a good relationship with the FSU and there has been no industrial disruption at a time of increasing reform and reductions in staff numbers brought on by constant technological changes and dynamics associated with the application of the National s operating business model. The union has been consulted on key initiatives including restructuring as the result of globalisation, channel migration from traditional bricks and mortar branches to various electronic distribution channels, greater emphasis on sales and customer service, supermarket operations, HomeSide operations within Australia, security matters and a broad range of issues associated with the Year 2000 date change. Site arrangements have been achieved in several Specialist and Emerging Business areas together with HomeSide. During the past year a broad range of discussions with the FSU have taken place on the introduction of a new award and enterprise agreement. Consultation, and where appropriate, negotiation has taken place with unions representing employees of the Group in Europe and New Zealand.

European Economic and Monetary Union

International and wholesale financial operations continue to support trading, all types of accounts and payments in Euro. National Irish Bank operates domestically with Euro and Irish Punt capability.

The National continues to prepare for the arrival of Euro cash in January 2002 and the cessation of the use of National Currency Denominations (NCDs).

In the UK, the Government is committed to entry early in the next parliament, subject to certain economic criteria being met and a national referendum in favour of UK entry. Against this uncertain background, the National has assessed the impact that UK entry might bring and has laid the foundations of a program to prepare for such entry should it occur. The National continues to monitor the UK Government and industry developments so that it can ensure that its operations will not be disrupted whatever the eventual outcome. The National is also ensuring that it can continue to service its customers as the use of the Euro in business evolves.

Further developments in respect of the EMU and possible UK entry are not expected to have a materially adverse effect on the Group. However, it is not possible to predict all strategic practical implications of EMU and there may be other key potential impacts. Where the Group is relying on third parties to provide EMU related services there can be no guarantee that they will provide those services in a timely manner, but it is not expected that the late provision of those services will disrupt materially the Group's operations during the transition period.

Year 2000 Readiness Disclosures

The National s Year 2000 Program successfully managed the date change from 1999 to 2000 within budget.

The program was the largest ever undertaken by the National and was an investment aimed at maintaining safe, accurate and accessible financial systems for all National customers. The key objective of the Year 2000 Program was business as usual and this was achieved in all areas of the National s business. No material interruptions associated with the date change were experienced by the National, its supply chain or its customers.

Checks and procedures are now embedded within the National s business processes to maintain this date functionality on an ongoing basis.

Goods and Services Tax

The National established a major program in December 1998 to prepare for the implementation of GST in Australia and to ensure compliance with the law. The total cost of implementing the GST compliance regime, including significant systems and other costs, was $22 million, which was below the initial budget estimate. The overall implementation programme was successfully completed in line with legislative and internal timetables.

The program covered a range of activities to ensure legislative compliance and to manage the business outcome :

- Detailed evaluation of legislative and regulatory requirements;
- Financial impact analysis for all Australian based entities;
- Accounting processes, across all business units were reviewed and enhanced to ensure the efficient handling and recording of GST paid and collected;
- Review of all major contracts with the National s customers and suppliers;
- External communications to customers;
- Internal communications and training to staff;
- Liaison with key regulators including Australian Tax Office, Australian Competition and Consumer Commission;
- Commonwealth Treasury and relevant Ministerial staff; and
- Significant system changes and associated testing.

The National s primary financial products are input taxed and therefore GST is not added directly to the consumer s price for financial services and products. However, leasing, general insurance and a range of specialist products are subject to GST like most goods and services.

As most banking products are input taxed and not subject to GST, the National is not able to recover the net increase in the cost of its purchases directly. Accordingly, pricing of fees and interest rates have been adjusted to reduce the impact on the business of these costs attributable to GST. Consistent with the National s policy, any pricing changes fully comply with the guidelines released by the Australian Competition and Consumer Commission.

Accounting Developments

The following is a summary of accounting standards and exposure drafts, that may impact the accounting and reporting of the Group's transactions when adopted in future years.

Financial Report Presentation and Disclosures

In October 1999, the Australian Accounting Standards Board (AASB) reissued AASB 1034 Financial Report Presentation and Disclosures . The revised AASB 1034 prescribes the general requirements for the structure and content of financial reports including specific disclosures relating to the entity s operations, audit, economic dependency, dividends and franking credits. The amended standard will apply to the Group s financial report for the year ending September 30, 2001, and is not expected to have a significant impact.

Statement of Financial Performance (Profit and Loss Statement)

In October 1999, the AASB reissued AASB 1018 Statement of Financial Performance . The revised AASB 1018 states that revenues and expenses must not be set-off unless required or permitted by a Standard, and requires expenses from operating activities to be classified according to their nature or function. The revised standard replaces the requirement to disclose abnormal items on the face of the statement of financial performance with the requirement to disclose the nature and the amount of significant items in the notes. The concept of fundamental errors is introduced for the first time, whereby a correction of a fundamental error is recognised as revenue or expense in the period that the error is discovered. Non-owner changes in equity are included in a separate section of the profit and loss statement. Restated comparative information is required in the notes for prior period fundamental errors. The amended standard will apply to the Group s financial report for the year ending September 30, 2001, and is not expected to have a significant impact.

Statement of Financial Position (Balance Sheet)

In October 1999, the AASB reissued AASB 1040 Statement of Financial Position . The revised AASB 1040 requires assets and liabilities to be presented in the current/non-current format or in an order that reflects their relative liquidity, with assets classified according to their nature or function, and liabilities and items of equity classified according to their nature. Errors are to be corrected in the period in which they are discovered with specific disclosures about fundamental errors required. The amended standard will apply to the Group s financial report for the year ending September 30, 2001, and is not expected to have a significant impact.

Presentation and Disclosure of Financial Instruments

In October 1999, the AASB reissued AASB 1033 Presentation and Disclosure of Financial Instruments . The revised AASB 1033 requires that a financial instrument that mandatorily converts to equity instruments of the issuer be classified as a financial liability of the issuer to the extent that the holder of the instrument is not exposed to changes in the fair value of the issuer s ordinary shares. The revised standard must be applied to converting financial instruments issued on or before October 28, 1999, in the Group s financial report for the year ending September 30, 2003. For converting financial instruments issued after October 28, 1999, the revised standard must be applied in the Group s financial report for the year ending September 30, 2001. For converting financial instruments that have both liability and equity components, the revised standard will only apply to those issued on or after January 1, 1998. The revised standard is not expected to have a significant impact.

Acquisition of Assets

In November 1999, the AASB reissued AASB 1015 Acquisition of Assets . The revised AASB 1015 prohibits the use of the pooling method and requires the purchase method of accounting to be applied to all combinations of entities or operations other than certain reconstructions within an economic entity. The standard also requires that transaction costs arising on the issue of equity instruments be recognised by the issuer of the equity instruments directly in equity. Where the fair value of any cash consideration is to be given by way of a deferred settlement, the amount payable is to be discounted to its present value using the incremental borrowing rate.

Subsequent to the release of the revised AASB 1015, the Senate passed a resolution to disallow the exemption applicable to the treatment of internal reconstructions. The resolution requires that the treatment of reconstructions within an entity be consistent with that for external acquisitions and accounted for at acquisition date at the cost of acquisition. The identifiable assets acquired must be measured at their fair values and any difference between the cost of acquisition and the aggregate of fair values of the identifiable assets must be recognised as goodwill in accordance with AASB 1013 Accounting for Goodwill . The amended standard will apply to the Group s financial report for the year ending September 30, 2001, and will not have a significant impact.

Revaluation of Non-Current Assets

In December 1999, the AASB issued AASB 1041 Revaluation of Non-Current Assets . AASB 1041 allows an entity to value non-current assets at either cost or fair value. An entity that adopts the fair value basis cannot subsequently revert to the cost basis and must ensure revaluations are made regularly. Progressive revaluation of a class of assets is permitted, with revaluation increments and decrements only able to be offset against one another within the same class of non-current asset. At the date of adoption of the standard, either the fair value or cost basis can be selected for use. If the cost basis is selected, the choice of either deeming the current carrying value as the cost or using the original purchase price as the cost must be made. The standard will apply to the Group s financial report for the year ending September 30, 2001, and is not expected to have a significant impact.

Recoverable Amount of Non-Current Assets

In December 1999, the AASB reissued AASB 1010 Recoverable Amount of Non-Current Assets. The revised AASB 1010 applies only to non-current assets measured on the cost basis and requires the carrying amounts of non-current assets to be written down to their recoverable amount when their carrying value is greater than their recoverable amount. The standard defines the recoverable amount of an asset as the net amount expected to be recovered through cash inflows and outflows arising from its continued use and subsequent disposal. Write-downs are to be recognised as expenses. The amended standard will apply to the Group s financial report for the year ending September 30, 2001, and will not have a significant impact.

Income Taxes

In December 1999, the AASB reissued AASB 1020 Income Taxes . The revised AASB 1020 requires income tax to be accounted for using the balance sheet method of tax-effect accounting in contrast to the current income statement method. It focuses on temporary differences rather than timing differences and requires the difference between the carrying amount of a revalued asset and its tax base to be recognised as an assessable temporary difference. The tax payable on the taxable income of a reporting period is to be recognised as an expense in the profit/loss for the period and referred to as current tax. The tax, which remains unpaid at reporting date, is recognised as a current tax liability in the balance sheet. Future tax consequences of transactions recognised give rise to deferred tax liabilities/assets in the period in which the transactions are recognised. The amended standard will apply to the Group s financial report for the year ending September 30, 2003 and its impact is currently being assessed.

Segment Reporting

In August 2000, the AASB reissued AASB 1005 Segment Reporting . The revised AASB 1005 r equires information to be reported for business (rather than industry) and geographical segments. Segment information must be split into primary and secondary segments, with considerably less information required to be disclosed for secondary segments. The standard provides detailed guidance for specific revenue and expense items that must be included/excluded from segment revenues/expenses. The revised standard requires more extensive disclosure for primary segments particularly for segment liabilities, total acquisition amount of segment non-current assets, depreciation and amortisation expense, other non-cash expenses and the entity's share of the net profit/loss and the carrying amount of the investment in an associate accounted for under the equity method. The amended standard will apply to the Group s financial report for the year ending September 30, 2002 and will not have a significant impact.

Discontinuing Operations

In August 2000, the AASB issued AASB 1042 Discontinuing Operations . AASB 1042 requires disclosure of information about a discontinuing operation when the Board of Directors have approved a detailed formal plan for the discontinuance and either the plan has been announced or the entity has entered into a binding sale agreement for the assets of the discontinuing operation. The standard requires disclosures to be made in respect of discontinuing operations for the reporting period in which the disclosure event occurs and subsequent reporting periods in which the discontinuance is completed. Revenues and expenses relating to a "discontinuing operation" must be classified within ordinary activities except in an event where they would meet the definition of an extraordinary item. Disclosure in subsequent periods includes actual sales of assets or settlement of liabilities, binding agreements for such sales, spin-offs of assets to shareholders, and legal or regulatory approvals. The standard will apply to the Group s financial report for the year ending September 30, 2002 and will not have a significant impact.

Earnings per Share

In October 2000, the AASB reissued AASB 1027 Earnings per Share . The revised AASB 1027 requires the calculation and disclosure of basic earnings per share (EPS) and diluted EPS. The revised standard includes new requirements to present earnings per share on the face of the statement of financial performance and requires the use of earnings inclusive of extraordinary items in its calculation. The amended standard will apply to the Group s financial report for the year ending September 30, 2002 and will not have a significant impact.

Interim Financial Reporting

In October 2000, the AASB reissued AASB 1029 Interim Financial Reporting . The revised AASB 1029 replaces the existing AASB 1029 Half-Year Accounts and Consolidated Accounts . The standard prescribes principles for preparing and reporting financial information for a period less than a financial year. An interim report should contain condensed statements of income and cash flow, a condensed balance sheet and selected note disclosures. The entity should apply the same accounting policies in its interim and annual financial reports. The amended standard will apply to the Group s financial report for the half-year ending March 31, 2002 and will not have a significant impact.

Foreign Currency Translation

In December 1997, the Australian Accounting Research Foundation (AARF) issued exposure draft ED 86 "Foreign Currency Translation". ED 86 proposes to amend AASB 1012 "Foreign Currency Translation" to include in its scope the accounting treatment for speculative dealings. Exchange differences on a severe devaluation should be recognised as revenue or expenses in the period of the exchange rate change. On disposal of a self-sustaining foreign operation, the balance of the foreign currency translation reserve should be recognised as revenue or expense in the same reporting period in which the gain/loss on the disposal is recognised.

The tax effects of exchange differences on monetary items forming part of the net investment in a self-sustaining foreign operation and hedge of those items should be taken to the foreign currency translation reserve on consolidation.

In November 1998, the AARF issued Invitation to Comment "Application of Foreign Currency Translation to Equity". The paper proposes to translate equity denominated in a foreign currency at the rate applicable at issue date without subsequent retranslation. Returns of equity and returns on equity denominated in a foreign currency will be required to be translated at the rate prevailing on transaction date.

The amended standard emanating from ED 86 and the invitation to comment is likely to apply to the Group's financial report for the year ending September 30, 2002 and will not have a significant impact.

Provisions and Contingencies

In December 1997, the AARF issued exposure draft ED 88 "Provisions and Contingencies" and in February 1999, AASB issued an invitation to comment "Provisions and Contingencies: Restructuring Upon Acquisitions, and Transitional Provisions" dealing with additional issues raised after deliberation of ED 88. ED 88 defines provisions as liabilities for which the amount or timing of future sacrifice of economic benefits is uncertain. Provisions are to be discounted to their present value using a discount rate equivalent to the current market yield on high quality corporate bonds. The invitation to comment paper proposes that restructuring provisions do not exist at acquisition date, and therefore are excluded from the fair value calculation of the net assets acquired, unless the acquiree has entered into firm contracts, publicly announced restructuring plans or commenced restructuring before acquisition date. Similarly, provisions do not exist for future losses or other costs estimated to be incurred as a result of the acquisition. The standard emanating from ED 88 is likely to impact the Group's financial report for the year ending September 30, 2002 and will not have a significant impact.

Employee Benefits

In October 1998, the AARF issued exposure draft ED 97 "Employee Benefits: Amendments to AAS 30/AASB 1028" for comment. ED 97 proposes amending AASB 1028 "Accounting for Employee Entitlements" to harmonise with IAS 19 "Employee Benefits". ED 97 proposes specific recognition criteria for employee benefit liabilities relating to wages and salaries, compensated absences, profit sharing and bonus plans, post-employment benefits and termination benefits. The entity will be required to disclose aggregate and individual components of employee benefit liabilities and expenses in addition to information about share options issued to employees that have been exercised or have expired during the year. The amended standard emanating from ED 97 is likely to apply to the Group's financial report for the year ending September 30, 2002 and will not have a significant impact.

Impairment of Assets

In December 1999, the AASB issued exposure draft ED 99 Impairment of Assets . ED 99 proposes amending the recoverable amount test contained in AASB 1010 to harmonise with IAS 36 Impairment of Assets , and to replace the requirements for a recoverable amount test in several other Australian accounting standards. ED 99 proposes that an asset s recoverable amount need only be measured where there is an indication that the asset s carrying amount may exceed its recoverable amount. Impairment losses recognised in previous periods are required to be reversed when the asset s recoverable amount rises above its carrying value with the exception of goodwill where reversals are prohibited. The amended standard emanating from ED 99 is likely to apply to the Group s financial report for the year ending September 30, 2002, and will not have a significant impact.

Accounting for Derivative Instruments and Hedging Activities

In June 1998, the Financial Accounting Standards Board (FASB) issued statement of Financial Accounting Standards (SFAS) 133 "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 requires all derivatives to be recognised as assets or liabilities and measured at fair value. The accounting for gains or losses on a derivative depends on the intended use of the derivative and the type of the designation of the related hedge. An entity applying hedge accounting must establish at the beginning of the hedge, the method to assess the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. This standard will be adopted as a US GAAP reconciling item in the Group's financial report for the year ending September 30, 2001. It is estimated that the impact of adopting SFAS 133 on October 1, 2000 for US GAAP reconciliation purposes will be the recognition of an expense in net income according to US GAAP of $380.8 million.

Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

In September 2000, the FASB issued SFAS 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities which replaces SFAS 125 of the same name. SFAS 140 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on control. Under an approach which is based on control, after a transfer of financial assets, an entity recognises the financial and servicing assets it controls and the liabilities it has incurred, derecognises financial assets when control is surrendered, and derecognises liabilities when extinguished.

SFAS 140 differs from SFAS 125 in relation to: circumstances in which a special purpose entity can be considered qualifying; circumstances in which the assets of a special purpose entity should appear in the consolidated financial statements of the transferor; whether a right to repurchase a transferred asset precludes the adoption of sale accounting; whether the accounting for transfers should be affected by arrangements that obligate a transferor to repurchase or redeem transferred financial assets; and, whether transfers of financial assets measured using the equity method accounting should be included in the scope of SFAS 140.

SFAS 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The standard will not have a significant impact.

Consolidated Financial Statements

In February 1999, the FASB issued proposed SFAS ED 194-B "Consolidated Financial Statements: Purpose and Policy". ED 194-B revises the existing ED 154-D by proposing that a parent entity consolidate all entities that it controls, unless the control is temporary when the entities are acquired. Control involves having the decision-making ability that is not shared with others. The standard emanating from the ED is likely to apply to the Group's financial report for the year ending September 30, 2002 and will not have a significant impact.

Business Combinations and Intangible Assets

In September 1999, the FASB issued proposed SFAS ED 201-A "Business Combinations and Intangible Assets". FASB ED 201-A addresses the method of accounting for business combinations and eliminates the pooling of interests method. ED 201-A also establishes new accounting standards for identifiable and unidentifiable intangible assets acquired, including goodwill, whether acquired singularly, in a group, or part of a business combination. The standard emanating from ED 201-A is likely to apply to the Group's financial report for the year ending September 30, 2002 and will not have a significant impact.

Obligations Associated with the Retirement of Long-Lived Assets

In June 1999, the FASB issued proposed SFAS ED 206-B Accounting for Obligations Associated with the Retirement of

Long-Lived Assets . ED 206-B requires that an entity recognise a liability for an asset retirement obligation when that obligation meets the definition of a liability, the future transfer of assets is probable, and the amount of the liability can be reliably estimated. The exposure draft also requires an entity to initially measure the liability for an asset retirement obligation at fair value. The standard emanating from ED 206-B is likely to apply to the Group s financial report for the year ending September 30, 2003 and is not expected to have a significant impact.

Corporate Governance

The main Corporate Governance practices that were in place throughout the financial year are outlined below.

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

Responsibilities and Functions of the Board

The most significant responsibilities of the Board are:

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

There is a Principal Board Audit Committee, a Compensation & Nomination Committee and Board Committees are set up to consider large credit facilities and large borrowing programs. Other Board committees are established from time to time to consider matters of special importance including capital strategies, major investments and commitments, capital expenditure, delegation of authorities to act and the allocation of resources.

Board Appraisal

The Board has a process to review and evaluate the performance of the Board. The process involves all of the Board s key areas of responsibility listed above.

Composition of the Board

At present, the composition of the Board of Directors of the Company is one executive director and seven independent non-executive directors including the Chairman. Details in respect of individual directors are contained on pages 48 and 49 of this Annual Financial Report 2000.

The composition of the Board is set having regard to the following factors:

- The Constitution of the Company provides for the number of directors to be not less than five nor more than fourteen as the directors determine from time to time;
- The Chairman of the Board should be an independent non-executive director;
- The Board should comprise a majority of independent, non-executive directors; and
- The Board should comprise directors with a broad range of expertise and knowledge. Current or previous experience as the chief executive of a significant enterprise with international operations is highly regarded.

In accordance with the Constitution at least one third of the directors retire from office at the annual general meeting each year. Such retiring directors may be eligible for re-election. When a vacancy exists, the full Board identifies candidates with the appropriate expertise and experience utilising external consultants as appropriate. The most suitable candidate is appointed but must stand for election at the next annual general meeting.

The retirement age for non-executive directors has been fixed by the shareholders at 70 years of age.

Directors Arrangement with the Company

The Constitution provides that a director may enter into an arrangement with the Company or with any controlled entity. Directors or their firms may act in a professional capacity for the Company or controlled entities, other than to act as an Auditor of the Company. These arrangements are subject to the restrictions of the Corporations Law. Financial services must be provided to directors under terms and conditions that would normally apply to the public, or in the case of an executive director under terms and conditions that would normally apply to employees. Disclosure of related party transactions is set out in Note 48 to the financial statements.

When a potential conflict of interest arises, the director concerned does not receive copies of the relevant Board papers and withdraws from the Board Meeting whilst such matters are considered. Accordingly, the director concerned takes no part in discussions nor exercises any influence over other members of the Board if a potential conflict of interest exists.

Board and Committee Agendas

Board and Committee agendas are structured throughout the year in order to ensure that each of the significant responsibilities of the Board, referred to earlier, is addressed. This includes the Board receiving a detailed overview of the performance and significant issues confronting each business unit and the Corporate Centre, and to identify major risk elements for review to ensure that assets are properly valued and that protective strategies are in place.

Directors receive detailed financial, operational and strategy reports from senior management during the year and management is available to discuss the reports with the Board.

Independent Professional Advice

Each director has the right to seek independent professional advice at the Company s expense subject to the prior approval of the Chairman.

Sales / Purchase of Securities by Directors

A director or officer must not buy, sell or subscribe for securities in the Company if they are in possession of inside information , i.e. information that is not generally available, and, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of the securities in the Company. The Corporations Law provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities of a body corporate if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the securities.

Directors may only trade in the Company s securities (subject to the insider trading restrictions above), during each of the four weeks following each quarterly profit announcement or the date of issue of a prospectus. Directors should discuss their intention to trade in the Company s securities with the Chairman of the Company prior to trading.

In addition, directors must not trade in the shares of any other entity if inside information on such entity comes to the attention of the director by virtue of holding office as a director of the Company.

Confidential Information

The Company through its operations possesses confidential information in respect of a number of organisations and, quite apart from its legal obligations, the Company has systems and processes to ensure that this information is not released to its related entities such as the funds management and development capital business units. This ensures that such information is not exploited for the benefit of the Company.

Internal control systems are monitored and employee integrity within the organisation is fostered to ensure that confidential customer information is not disclosed outside the organisation or used for individual personal gain nor for the gain of any entity within the Consolidated Entity.

Remuneration of Directors

The remuneration policy for directors is set out in the Report of the Directors on pages 51 and 52 of this Annual Financial Report 2000 and the remuneration of each director and the formula for calculation of retirement allowances of directors is set out in Note 49 to the financial statements.

Remuneration and Succession Planning for Executives

The full Board reviews the succession planning for executive management and sets the remuneration packages applicable to the Managing Director and Chief Executive Officer and senior executives. The remuneration policy for executives is set out in the Report of the Directors on pages 51 and 52 of this Annual Financial Report 2000. Further details on the remuneration of executives, including the remuneration of the five executives receiving the highest emolument, is set out in Note 50 to the financial statements.

Communicating with Shareholders

It is the intention of the Board that shareholders are informed of all major developments that impact on the Company. Information is communicated to shareholders through:

- the annual review (unless a shareholder has requested not to receive the document);
- the Annual Financial Report (for those shareholders who have requested a copy);
- disclosures to the Stock Exchanges in Australia, London, Luxembourg, New York, New Zealand and Tokyo, the Australian Securities and Investments Commission and US Securities and Exchange Commission;
- notices and explanatory memoranda of Annual General Meetings;
- the *National Shareholders Bulletin* which provides shareholders with details of profit performance and other matters of interest; and
- the Internet on www.national.com.au.

Audit Committee

The Company has an Audit Committee whose role is documented in a Charter which has been approved by the Board. The Charter defines the purpose, authority and responsibility of the Committee. In accordance with this Charter, all members of the Committee must be independent non-executive directors.

The members of the Audit Committee at the date of the Report of the Directors are:

Mrs CM Walter (Chairman)
Mr DCK Allen
Mr MR Rayner

The internal and external auditors, the Managing Director and Chief Executive Officer, the Chief Financial Officer and other members of management are invited to attend Audit Committee meetings at the discretion of the Committee.

The responsibilities of the Audit Committee include:

- reporting to the Board on its activities, and formally tabling the agendas and minutes of the intervening Audit Committee meetings;
- directing and evaluating the internal audit function;
- reviewing internal and external audit reports to ensure that any potential major deficiencies or breakdowns in controls or procedures may be identified and that prompt action is taken by management;
- liaising with the external auditors and ensuring that the annual statutory audit, half-year and quarterly limited reviews are conducted in an effective manner;
- reviewing internal controls and recommending enhancements;
- reviewing Consolidated Entity accounting policies and practices; and

- reviewing the consolidated financial report.

The Audit Committee meets with the external auditors during the year to review the adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit. The Committee then reports to the Board on the external auditors continuance and achievement of their terms of engagement.

The Principal Board Audit Committee is supported by regional audit committees and management committees in the areas in which the Consolidated Entity conducts its business activities. Audit committees are comprised of non-executive directors of the relevant operating companies within the Consolidated Entity.

Compensation & Nomination Committee

During the year, the Company established a Compensation & Nomination Committee.

The members of the Committee at the date of this Report are:

Dr ED Tweddell (Chairman)
Dr KJ Moss
Mr MR Rayner

The responsibilities of the Compensation & Nomination Committee are to:

- Monitor, review and make recommendations to the Board as necessary and appropriate regarding:

  - Frame the objectives for and subsequently assess the performance of the Chief Executive;
  - the compensation arrangements for the Chief Executive Officer and other senior executives, including incentive plans, other benefits and service contracts;
  - the remuneration policies and practices of the Company generally;
  - option and share schemes or other incentive schemes for executives or other employees;
  - the remuneration arrangements for non-executive members of the Board.

- Make grants of options pursuant to the National Australia Bank Executive Share Option Scheme from time to time on such conditions (not inconsistent with the provisions of the Scheme) as the Committee may, in its absolute discretion, think fit, where prior in-principle approval had been given by the Board to the grants contemplated on each occasion.

  Undertake all acts, matters, resolutions or things necessary or desirable in connection with the making of those grants.

- Review and make recommendations to the Board as appropriate regarding:

  - The size and composition of the Board;
  - The criteria for Board membership and desirable specifications of qualifications, experience and domicile for individual new appointees to the Board;
  - Identification of potential candidates for appointment to the Board.

- Review the Terms of Reference and composition of the Committee annually.

Risk Management

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

More comprehensive details on risk management appear on pages 37 to 40 of this financial report.

Ethical Standards

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

The Values include the requirement that the business be conducted ethically and with professionalism to achieve the highest standards of behaviour. This Value is reinforced by the Company s internal Code of Conduct, which is provided to all staff members and which requires observance of strict ethical guidelines. The Code of Conduct covers:

- Personal conduct;
- Honesty;
- Relations with customers;
- Prevention of fraud;
- Financial advice to customers;
- Conflict of interest; and
- Disclosure.

In addition, the directors of the Company support the Code of Conduct issued by the Australian Institute of Company Directors.

Report of the Directors

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 below:

Mr 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.

Mr 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.

Mr 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 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.

Mr 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.

Dr 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 Principal Board 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.

Mr 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.

Dr 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 Ltd and the Principal Board 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.

Mrs 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.

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 listed below.

There were a number of changes in the composition of the Board of Directors during the year. In accordance with the Company's Constitution, Mr DK Macfarlane and Dr CM Deeley retired from the Board having reached the normal retirement age of 70 years. Mr TP Park and Mr WF Blount stood down as Directors and Mr GA Tomlinson and Dr KJ Moss were appointed as 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 as Chairman of National Asset Management Ltd during a time of considerable business expansion. Mr Macfarlane retired on March 27, 2000.

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. Dr Deeley retired as a Director on September 1, 2000.

The Board thanks David Macfarlane and Michael 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 GJ Kraehe, was also a Director of the Company, Mr Park tendered his resignation as a matter of good corporate governance, with effect from February 29, 2000. 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 of the Company in March 1999, resigned, effective July 1, 2000, following his appointment as Chairman and Chief Executive Officer of Cypress Communications Inc, a telecommunications company based in Atlanta in the United States. Mr Blount's resignation from the Board of the Company, was due to the time commitments of his new role.

The Board thanks Tom Park and Frank Blount for their contributions.

Mr Tomlinson was appointed as a Director of the Company on March 22, 2000. He has also been appointed Chairman of National Wealth Management Holdings Limited, the wholly owned holding company of the Company'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 as a Director of the Company on August 23, 2000, following his retirement as Managing Director of Howard Smith Limited. He was also appointed a member of the Principal Board Compensation & Nomination Committee.

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 liabilities 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 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 page 2 of this Annual Financial Report 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 7 "Dividends" to the 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.

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 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 advisers 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

Disclosure of information relating to likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years which will not result in unreasonable prejudice to the interests of the Consolidated Entity are made below.

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.

Options

Disclosure of information relating to the granting and exercise of options over unissued ordinary shares are shown in Notes 36, 49 and 50 to the financial statements. No options have been granted over any other securities or interests of the Company or the Consolidated Entity.

Remuneration Policy and Relationship to Company Performance

Board Members

The fees paid to members of the Principal Board are based on advice and data from the Company's remuneration specialists and from external remuneration advisers. This advice takes into consideration the level of fees paid to board members of other major Australian corporations, the size and complexity of the Company's operations, the achievements of the Company and the responsibilities and workload requirements of Board members.

Because the focus of the Board is on the long term strategic direction of the Company there is no direct link between Director remuneration and the short term results of the 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.

  Before executive share options can be exercised a performance hurdle must be met. This 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 relevant 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 financial statements.

Directors' and executives' remuneration disclosures are set out in Notes 49 and 50, respectively, to the 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 G A Tomlinson commenced as a Director of the Company on March 22, 2000.
[7] Dr C M Deeley retired as a Director of the Company on September 1, 2000.
[8] Dr K J Moss commenced as a Director of the Company on August 23, 2000.

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.

MR Rayner

FJ Cicutto

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Statement of profit and loss

	Note	Consolidated			The Company		
For years ended September 30		***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions							
Interest income	4	**17,517**	15,066	15,427	**11,315**	9,123	9,287
Interest expense	4	**11,146**	9,000	9,569	**8,498**	6,514	6,741
Net interest income		**6,371**	6,066	5,858	**2,817**	2,609	2,546
Charge to provide for doubtful debts	4 ,17	**588**	581	587	**216**	225	294
Net interest income after provision for doubtful debts		**5,783**	5,485	5,271	**2,601**	2,384	2,252
Other operating income	4	**6,523**	4,563	3,953	**5,847**	2,337	1,997
Total operating income		**12,306**	10,048	9,224	**8,448**	4,721	4,249
Other operating expenses	4	**7,229**	5,907	5,501	**2,772**	2,713	2,484
Operating profit before abnormal items		**5,077**	4,141	3,723	**5,676**	2,008	1,765
Abnormal items	5	**(204)**	-	(749)	**(98)**	-	(348)
Operating profit before tax		**4,873**	4,141	2,974	**5,578**	2,008	1,417
Income tax expense (benefit) attributable to:							
Operating profit		**1,700**	1,321	1,211	**689**	573	543
Abnormal items		**(68)**	-	(252)	**(32)**	-	(127)
Total income tax expense	6	**1,632**	1,321	959	**657**	573	416
Operating profit after income tax		**3,241**	2,820	2,015	**4,921**	1,435	1,001
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	**4,921**	1,435	1,001
Retained profits at the beginning of the financial year		**8,432**	7,304	6,568	**2,681**	2,834	3,171
Adjustment relating to the adoption of accounting standard AASB 1038: Life Insurance Business		**58**	-	-	**-**	-	-
Dividend provisions not required	7	**71**	70	65	**91**	85	84
Aggregate of amounts transferred from reserves	34	**15**	36	184	**2**	-	45
Total available for appropriation		**11,815**	10,231	8,831	**7,695**	4,354	4,301
Dividends provided for or paid	7	**1,858**	1,655	1,467	**1,858**	1,655	1,467
Distributions	34	**198**	74	7	**137**	16	-
Aggregate of amounts transferred to reserves	34	**259**	70	53	**1**	2	-
Retained profits at the end of the financial year		**9,500**	8,432	7,304	**5,699**	2,681	2,834
Earnings per ordinary share before abnormal items (cents)	8						
- Basic		**211.3**	186.6	174.6			
- Diluted		**204.0**	181.6	170.6			
Earnings per ordinary share after abnormal items (cents)	8						
- Basic		**202.3**	186.6	140.0			
- Diluted		**195.6**	181.6	137.9			
Dividends per ordinary share (cents)	7						
- Interim		**59**	54	49			
- Final		**64**	58	53			

Balance Sheet

	Note	Consolidated			The Company		
As at September 30		***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions							
Assets							
Cash and short-term liquid assets	9	**6,868**	3,649	4,152	**772**	928	1,519
Due from other financial institutions	10	**12,780**	11,120	9,303	**9,803**	7,516	5,465
Due from customers on acceptances	11	**22,945**	22,851	22,353	**21,953**	21,903	21,371
Trading securities	12	**15,112**	12,853	11,446	**13,819**	11,761	9,394
Available for sale securities	13	**3,047**	1,399	937	**2,823**	1,211	749
Investment securities	14	**7,452**	8,951	8,228	**2,986**	5,598	5,341
Investments relating to life insurance business	15	**31,103**	-	-	**-**	-	-
Loans and advances	16	**195,492**	165,620	160,001	**107,488**	91,103	82,921
Mortgage loans held for sale		**2,656**	1,980	3,473	**-**	-	-
Mortgage servicing rights	19	**8,226**	5,345	2,998	**-**	-	-
Due from controlled entities		**-**	-	-	**37,365**	22,684	20,745
Shares in entities and other securities	20	**1,376**	1,068	1,013	**11,225**	5,463	5,383
Regulatory deposits	21	**135**	153	1,155	**12**	6	961
Fixed assets	22	**2,437**	2,032	2,219	**832**	575	544
Goodwill	23	**2,617**	2,905	3,095	**-**	-	-
Other assets	24	**31,431**	14,155	21,341	**19,133**	8,539	13,688
Total Assets		**343,677**	254,081	251,714	**228,211**	177,287	168,081
Liabilities							
Due to other financial institutions	25	**29,685**	16,203	16,541	**25,688**	13,304	11,675
Liability on acceptances	11	**22,945**	22,851	22,353	**21,953**	21,903	21,371
Life insurance policy liabilities	26	**29,879**	-	-	**-**	-	-
Deposits and other borrowings	27	**185,097**	162,468	158,084	**107,120**	94,128	84,739
Income tax liability	28	**2,920**	1,979	1,953	**803**	856	756
Provisions	29	**2,154**	1,743	1,680	**1,596**	1,361	1,182
Due to controlled entities		**-**	-	-	**20,106**	13,032	13,313
Bonds, notes and subordinated debt	30	**21,051**	13,437	15,115	**17,437**	11,287	12,735
Other debt issues	31	**1,907**	1,645	1,683	**461**	383	421
Other liabilities	32,33	**26,632**	15,235	18,541	**17,263**	8,859	12,174
Total Liabilities		**322,270**	235,561	235,950	**212,427**	165,113	158,366
Net Assets		**21,407**	18,520	15,764	**15,784**	12,174	9,715
Shareholders' Equity							
Issued and paid-up capital	34	**9,855**	9,286	6,675	**9,855**	9,286	6,675
Reserves	34	**2,006**	802	1,782	**230**	207	206
Retained profits		**9,500**	8,432	7,304	**5,699**	2,681	2,834
Shareholders' equity attributable to members of the Company		**21,361**	18,520	15,761	**15,784**	12,174	9,715
Outside equity interests in controlled entities	35	**46**	-	3	**-**	-	-
Total Shareholders' Equity		**21,407**	18,520	15,764	**15,784**	12,174	9,715

Contingent liabilities and commitments are excluded from the Balance Sheet and are listed in Note 41.

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 1 for further details.

Statement of Cash Flows

	Consolidated			The Company		
For years ended September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						
Cash inflows (outflows) from operating activities:						
Interest received	**17,471**	16,470	15,720	**11,143**	10,671	9,169
Dividends received	**38**	42	21	**3,724**	340	273
Fees and other income received	**4,776**	4,479	3,879	**2,120**	1,984	1,716
Life insurance:						
Interest received	**512**	-	-	**-**	-	-
Dividends received	**329**	-	-	**-**	-	-
Other investment income	**200**	-	-	**-**	-	-
Premiums received	**576**	-	-	**-**	-	-
Policy payments	**(215)**	-	-	**-**	-	-
Fees and commissions paid	**(111)**	-	-	**-**	-	-
Interest paid	**(10,978)**	(10,562)	(9,528)	**(8,527)**	(8,065)	(6,578)
Personnel costs paid	**(3,343)**	(3,192)	(3,211)	**(1,661)**	(1,565)	(1,533)
Occupancy costs paid	**(435)**	(425)	(477)	**(197)**	(232)	(284)
General expenses paid	**(2,569)**	(1,630)	(1,224)	**(630)**	(677)	(470)
Income taxes paid	**(1,431)**	(1,236)	(1,547)	**(685)**	(538)	(893)
Net movement in trading instruments	**(2,268)**	(1,581)	(1,442)	**(2,059)**	(2,368)	(1,210)
Net movement in mortgage loans held for sale	**(274)**	1,177	(1,672)	**-**	-	-
Net cash provided by/(used in) operating activities	**2,278**	3,542	519	**3,228**	(450)	190
Cash inflows (outflows) from investing activities:						
Investment securities:						
Purchases	**(172,874)**	(13,883)	(20,009)	**-**	(10,919)	(16,586)
Proceeds on maturity	**175,661**	12,552	19,182	**2,612**	10,662	14,831
Available for sale securities:						
Purchases	**(11,540)**	(2,624)	(69)	**(10,632)**	(2,579)	(29)
Proceeds on sale	**5**	5	6	**-**	-	-
Proceeds on maturity	**9,037**	2,117	1,323	**9,020**	2,117	922
Investments relating to life insurance business:						
Net purchases	**(3,287)**	-	-		-	-
Net movement in shares in entities and other securities	**(308)**	(55)	(732)	**(4,568)**	(75)	(1,866)
Payment for entities	**(4,660)**	(8)	(2,173)	**(1,200)**	-	-
Net movement in loans and advances represented by:						
Banking activities	**(22,895)**	(15,351)	(16,583)	**(14,970)**	(9,233)	(11,072)
Non-banking activities - new loans and advances	**(1,834)**	(2,019)	(3,260)	**-**	-	-
Non-banking activities - repayments	**648**	2,285	715	**-**	-	-
Acquisition of mortgage servicing rights	**(1,272)**	(1,873)	(1,134)	**-**	-	-
Lodgement of regulatory deposits	**36**	978	(89)	**(6)**	956	(114)
Net amounts due to (from) controlled entities	**-**	-	-	**(7,607)**	(2,219)	(4,402)
Expenditure on fixed assets	**(725)**	(429)	(599)	**(411)**	(194)	(321)
Net proceeds from sale of fixed assets	**143**	169	397	**10**	59	61
Net movement in other assets	**(287)**	2,304	(2,150)	**(3,314)**	1,966	(721)
Net cash used in investing activities	**(34,152)**	(15,832)	(25,175)	**(31,066)**	(9,459)	(19,297)

For years ended September 30	*Consolidated* **2000**	*1999*	*1998*	*The Company* **2000**	*1999*	*1998*
Dollars in Millions						
Cash inflows (outflows) from financing activities:						
Net movement in bank deposits	**16,647**	11,809	15,333	**13,032**	9,388	14,540
Net movement in other deposits and borrowings represented by non-banking activities:						
New deposits and borrowings	**93,846**	29,237	8,346	**(40)**	-	-
Repayments	**(93,691)**	(28,632)	(9,947)	**-**	-	-
New equity issues:						
Ordinary share capital	**194**	277	155	**194**	277	155
Preference share capital	**-**	-	654	**-**	-	654
Net proceeds from the issue of National Income Securities	**-**	1,945	-	**-**	1,945	-
Buyback of shares:						
Ordinary share capital	**-**	-	(3)	**-**	-	(3)
Net movement in bonds, notes and subordinated debt represented by:						
New long term debt issues	**8,747**	5,183	7,052	**7,665**	5,183	5,262
Repayments	**(2,309)**	(6,142)	(2,443)	**(2,284)**	(6,134)	(2,772)
Net movement in other liabilities	**1,501**	1,198	471	**656**	(378)	(123)
Payments from provisions	**(189)**	(172)	(279)	**(96)**	(62)	(137)
Dividends paid	**(1,490)**	(1,110)	(941)	**(1,238)**	(1,031)	(941)
Net cash provided by financing activities	**23,256**	13,593	18,398	**17,889**	9,188	16,635
Net inflow (outflow) in cash and cash equivalents	**(8,618)**	1,303	(6,258)	**(9,949)**	(721)	(2,472)
Cash and cash equivalents at beginning of period:	**(1,434)**	(3,086)	2,068	**(4,860)**	(4,691)	(2,012)
Effects of exchange rate changes on balance of cash held in foreign currencies	**15**	349	1,045	**(304)**	552	(207)
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)	**(15,113)**	(4,860)	(4,691)
attributable to statutory funds	**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.

Details of Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities, Reconciliation of Cash, Controlled Entities Acquired and Non Cash Financing and Investment Facilities are provided in Note 39. Details of Financing Arrangements are provided in Note 47.

Cash held by the statutory funds of the Consolidated Entity's life insurance businesses are subject to restrictions imposed under the Life Insurance Act 1995 and other limitations which include solvency and capital adequacy requirements.

1 Principal Accounting Policies

In this financial report, National Australia Bank Limited, the 'Parent Entity', is referred to as 'the Company', and the 'Consolidated Entity' consists of the Company and all entities in which it has control. The consolidated financial statements comprise the financial statements of the Consolidated Entity.

The financial report is a general purpose financial report which is prepared in accordance with the requirements of the Banking Act, Corporations Law, Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report also includes disclosures required by the United States Securities and Exchange Commission (SEC) in respect of foreign registrants. Other prescribed SEC disclosures, which are not required to be included in the financial report, are presented elsewhere in this annual financial report.

The preparation of the financial report requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Although the Consolidated Entity has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. It is not anticipated that such differences would be material.

Historical cost

The financial report is based on historical cost and therefore does not reflect changes in the purchasing power of money or current valuations of non-monetary assets, except:

- certain non-monetary assets which are reflected at independent valuation; and
- the assets and liabilities of life insurance businesses funds which are measured at net market value and net present value respectively. (refer to Principles of Consolidation below)

Currency of presentation

All amounts are expressed in Australian currency and all references to '$' are to Australian dollars unless otherwise stated.

Rounding of amounts

In accordance with Australian Securities and Investment Commission Class Order 98/100 dated July 10, 1998 all amounts have been rounded to the nearest million dollars, except where indicated.

Changes in accounting policy

(i) 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 accounts.

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.

(ii) 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 receipts relate to 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.

Principles of consolidation

All entities which are 'controlled' by the Company are consolidated in the financial report. Control means the ability or power of the Company to dominate decision making directly or indirectly in relation to the financial and operating policies of another entity, to enable that other entity to operate with it in pursuing its objectives.

All inter-entity balances, transactions and profits are eliminated on consolidation. Controlled entities prepare accounts for consolidation in conformity with the Company's accounting policies.

Where controlled entities have been acquired or sold during the year, their operating results have been included from the date of acquisition or to the date of sale. Controlled entity acquisitions have been accounted for using the purchase method of accounting.

Statutory funds of life insurance operations have been consolidated into this financial report for the first time, as required by Australian Accounting Standard AASB 1038 "Life Insurance Business". The financial report consolidates all the assets, liabilities, revenues and expenses of the statutory funds and non-statutory fund life insurance operations irrespective of whether they are designated as relating to the policyholders or to the shareholders.

Associates are entities over which the Company exerts significant influence but does not exercise control. Associates are accounted for utilising the cost method with only dividends received or receivable recognised in profit and loss. When applied to the Consolidated Entity, the impact of this method does not differ significantly from accounting for associates under the equity method.

Foreign currency translation

All foreign currency monetary assets and liabilities, including those of overseas operations are revalued at the rates of exchange ruling at balance date. Unrealised gains and losses arising from these revaluations are recognised immediately in the profit and loss account. Foreign currency income and expense amounts are translated at average rates of exchange for the year.

Differences arising on the translation of the financial report of the Consolidated Entity's overseas operations which are considered to be economically self-sustaining are included in the Foreign Currency Translation Reserve, net of any related hedges, on a pre-tax basis. Differences arising on the translation of the financial report of all other overseas controlled entities and overseas branches are recognised immediately in the profit and loss account.

It is the Consolidated Entity's policy from a trading risk viewpoint to maintain a substantially matched position in assets and liabilities in foreign currencies and net exposure to exchange risk in this respect is not material.

Derivative financial instruments held or issued for trading purposes

Trading derivatives include swaps, futures, forward, option and other contingent or exchange traded contracts in the interest rate and foreign exchange markets. Trading derivatives are measured at fair value and the resultant gains and losses are recognised in Other Income. The fair value of trading derivatives is reported on a gross basis as Other Assets or Other Liabilities, as appropriate.

The fair value of a derivative financial instrument represents the present value of future expected cash flows arising from that instrument.

Derivative financial instruments held or issued for purposes other than trading

The principal objective of using derivative financial instruments for purposes other than trading is to maximise the level of net interest income, while maintaining acceptable levels of interest rate and liquidity risk, and to facilitate the funding needs of the Consolidated Entity. To achieve this objective, a combination of derivatives including swaps, futures, forward, option and other contingent or exchange traded contracts in the interest rate and foreign exchange markets may be used.

Hedging derivatives must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Accordingly, changes in the fair value of the hedging derivative must be closely correlated with changes in the fair value of the underlying exposure at inception of the hedge and over the term of the hedged exposure. Hedging derivatives are accounted for in a manner consistent with the accounting treatment of the hedged items.

The net income or expense on derivatives used to manage interest rate exposures are recorded in Net Interest Income on an accruals basis. If a derivative that is used to manage an interest rate exposure is terminated early, any resulting gain or loss is deferred within Other Assets or Other Liabilities and amortised to Net Interest Income over the remaining period originally covered by the terminated contract. If the underlying interest rate exposure position ceases to exist, any deferred gain or loss is recognised immediately in Other Operating Income.

Gains or losses on derivatives used to hedge exposures arising from anticipated future transactions, are deferred within Other Assets or Other Liabilities until such time as the accounting impact of the anticipated transaction is recognised in the financial report. Such gains or losses only qualify for deferral where there is a high probability of the future transaction materialising. If it becomes apparent that the future transaction will not materialise, any deferred gain or loss is recognised immediately in Other Operating Income.

Interest receivables and payables for interest rate swaps with the same counterparty are reported on a net basis as Other Assets or Other Liabilities where a legal right of set-off exists.

Margin deposits for exchange traded derivatives are reported as Other Assets.

Trading securities

Trading securities are public and other debt securities which are purchased for current resale in day to day trading operations. Trading securities are recorded at fair value and unrealised gains or losses in respect of fair value adjustments are recognised immediately in the profit and loss account.

The fair value of trading securities represents the quoted market value of those securities adjusted for any risk, control or liquidity premium.

Trading securities are recorded on a trade date basis.

Available for sale securities

Available for sale securities are public and other debt securities which are purchased with the intention to be held for an indefinite period of time but not necessarily to maturity. Such securities may be sold in response to various factors including significant changes in interest rates, liquidity requirements and regulatory capital considerations.

Available for sale securities are recorded at the lower of aggregate cost or market value. Cost is adjusted for the amortisation of premiums and accretion of discounts to maturity. Unrealised losses in respect of market value adjustments and realised gains and losses on sale of available for sale securities are recognised in the profit and loss account. The cost of securities sold is calculated on a specific identification basis.

Available for sale securities are recorded on a trade date basis.

Investment securities

Investment securities are public and other debt securities which are purchased with the positive intent and ability to hold until maturity. Such securities are recorded at original cost adjusted for the amortisation of premiums and accretion of discounts to maturity. Unrealised losses relating to other than temporary diminutions in the value of investment securities are recognised in the profit and loss account and the recorded values of those securities adjusted accordingly. In those rare instances where investment securities are sold prior to maturity, profits and losses on sale are taken to the profit and loss account when realised.

Investment securities are recorded on a trade date basis.

Investments relating to life insurance business

Investment assets held by the National's life insurance entities have been recorded at net market value including an allowance for estimated realisation costs. Where no quoted market values exist, various valuation methods are adopted by the Directors. In those cases, the values adopted are deemed equivalent to net market value. Details of particular methods adopted are as follows:

(i) Freehold land and leasehold properties are stated at values not greater than independent valuations which are carried out at regular intervals not exceeding three years. As market value is adopted, building depreciation is not provided.

(ii) Ordinary and preference shares, equity options and investments in unit trusts that are not controlled entities are recorded at their latest available market value or, where no quoted security exists, at Directors' valuations with reference to various recognised valuation methods including net tangible assets, cash flows and earnings multiples.

(iii) Investments in controlled entities of life insurance operations that do not have quoted market values are recorded at not greater than independent valuation or where no independent valuation is available at Directors' valuation, or, for entities in voluntary liquidation, at net tangible assets.

(iv) Investments in associated entities are recorded at Directors' valuation with reference to the life insurance entity's proportionate interest in the market value of each associated entity.

(v) Interest bearing securities listed on stock exchanges are shown at prices quoted at balance date. Unlisted interest bearing securities are recorded at amounts based on valuations using rates of interest equivalent to the yields obtainable on comparable listed investments.

(vi) Participations in lease transactions are included in investment assets. The transactions are recorded at market value, based on the net present value of the after tax cashflows arising from the transactions.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase are retained within the investment, available for sale or trading portfolios and accounted for accordingly. Liability accounts are used to record the obligation to repurchase. The difference between the sale and repurchase price represents interest expense and is recognised in the profit and loss account over the term of the repurchase agreement. Securities held under reverse repurchase agreements are recorded as receivables. The difference between the purchase and sale price represents interest income and is recognised in the profit and loss account over the term of the reverse repurchase agreement.

Acceptances

The Consolidated Entity's liability under acceptances is reported in the Balance Sheet. The Consolidated Entity has equal and offsetting claims against its customers which are reported as an asset. The Consolidated Entity's own acceptances discounted are held as part of either the trading securities or loan portfolio depending on whether, at the time of such discount, the intention was to hold the acceptances for resale or until maturity respectively.

Leasing

(i) Finance leases

Finance leases, in which the Consolidated Entity is the lessor, are included in Loans and Other Receivables and are accounted for using the finance method, whereby income determined on an actuarial basis is taken to account over the term of the lease in proportion to the outstanding investment balance. Where the Consolidated Entity is a lessee, leased assets are capitalised and the corresponding liability is recognised in Other Liabilities.

(ii) Operating leases

Lease rentals receivable and payable on operating leases are recognised in the profit and loss account in periodic amounts over the effective lease term.

(iii) Leveraged leases

Leveraged leases with lease terms beginning on or after October 1 1999, are accounted for as finance leases.

Investments in leveraged leases entered into before October 1 1999, are recorded at an amount equal to the equity participation and are net of long-term debt for which there is no recourse to the lessor in the event of default by the lessee. Income is taken to account on an actuarial basis over the term of each lease. Where a change occurs in estimated lease cash flows during the term of a lease, total lease profit is recalculated and reallocated over the entire lease term. Net of tax income has been grossed up at current rates to reflect the appropriate pre-tax equivalent amount.

Unearned income

Unearned income on the Consolidated Entity's consumer instalment lending and leasing is calculated on an actuarial basis. The actuarial basis does not differ significantly from a level yield basis.

Bad and doubtful debts

The provision for bad and doubtful debts provides for losses inherent in loans, and off-balance sheet credit extensions such as letters of credit, guarantees and undrawn commitments to extend credit.

The specific provision is established to cover all identified doubtful debts and is recognised when there is reasonable doubt over the collectability of principal and interest in accordance with the loan agreement. Amounts provided for are determined by specific identification and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable. All bad debts are written off against the provision in the period in which they are classified as irrecoverable.

The general provision is established to cover all doubtful debts that have not been specifically identified. Effective September 30, 1998, the Consolidated Entity adopted a statistically based provisioning methodology for its general provision for doubtful debts. Under this methodology, the Consolidated Entity estimates the level of losses inherent, but not specifically identified, in its existing credit portfolio, based on the historical loss experience of the component exposures.

The operation of the statistically based provisioning methodology is such that when individual loans are classified as non-accrual, specific provisions will be raised by making a transfer from the general provision. The general provision is then re-established based on the remaining portfolio of performing credit exposures.

Prior to adopting this methodology, charges to the profit and loss account in respect of the general provision were recognised having regard to asset growth, economic conditions, the level of risk weighted assets and other general risk weighted factors and without regard to tax deductibility.

All loans and off-balance sheet credit extensions are subject to continuous management surveillance.

Asset quality

The Consolidated Entity has disclosed, in Note 18, certain components of its loan portfolio as impaired assets according to the classifications discussed below.

Non-accrual loans which consist of:
- all loans against which a specific provision has been raised;
- loans which are contractually past due 90 days with security insufficient to cover principal and arrears of interest;
- restructured loans where the interest rate charged is lower than the Consolidated Entity's average cost of funds;
- loans not included above, that are maintained on a cash basis because of a significant deterioration in the financial performance or position of the borrower; and
- impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

Restructured loans are those loans on which the original contractual terms have been concessionally modified due to the financial difficulties of borrowers, and on which interest continues to be accrued at a rate which is equal to or greater than the Consolidated Entity's average cost of funds at the date of restructuring.

Assets acquired through security enforcement are those assets (primarily real estate) acquired through actual foreclosure or in full or partial satisfaction of loans.

Income recognition on non-accrual loans

When a loan is classified as non-accrual, income ceases to be recognised in the profit and loss account on an accruals basis as reasonable doubt exists as to the collectability of interest and principal. Interest charged on non-accrual loans in the current reporting period is reversed against income.

Cash receipts in relation to non-accrual loans are recognised as interest income to the extent that the cash receipts represent unaccrued interest except where there is a contrary agreement with the customer, the receipts relate to proceeds from the sale of security, or are scheduled principal repayments.

Mortgage loans held for sale

Mortgage loans held for sale are carried at the lower of aggregate cost or fair value. Fair value is based on the contract prices at which the mortgage loans will be sold or, if the loans are not committed for sale, the current market price. Deferred hedge gains and losses on risk management hedge instruments are included in the cost of the mortgage loans held for sale for the purpose of determining the lower of aggregate cost or fair value. Mortgage loans held for resale are typically sold within three months.

Mortgage servicing rights

Mortgage servicing rights are the rights to receive a portion of the interest coupon and fees collected from the mortgagor for performing specified servicing activities. The total cost of loans originated or acquired is allocated between the mortgage servicing rights and the mortgage loans without the servicing rights, based on relative fair values. The value of servicing rights acquired through bulk transactions is capitalised at cost.

Mortgage servicing rights are amortised in proportion to and over the period of estimated net servicing revenue. They are evaluated for impairment by comparing the carrying amount of the servicing rights to their fair value. Fair value is estimated using market prices of similar mortgage servicing assets and discounted future net cash flows considering market prepayment rates, historic prepayment rates, portfolio characteristics, interest rates and other economic factors. For purposes of measuring impairment, the mortgage servicing rights are stratified by the predominant risk characteristics which include product types of the underlying loans and interest rates of the mortgage notes. Impairment is recognised through a valuation reserve for each impaired stratum and is included in the amortisation of mortgage servicing rights.

Shares in entities

Except where a life insurance controlled entity consolidates a subsidiary (as detailed in Investments relating to life insurance business), shares in entities are stated at original cost less any necessary provision for diminution in value, or at Directors' valuation. Unrealised losses relating to diminution in the value of shares in entities are recognised in the profit and loss account.

Other assets

Where a life insurance controlled entity consolidates a subsidiary, any difference between the values consolidated line by line and the market value of the subsidiary recorded in the life insurer's financial report is shown as "excess of the interest of life insurance entities in their controlled entities over their recognised net assets". This excess represents:

- acquired goodwill to the extent it remains at reporting date;
- increases in the value of goodwill of the subsidiary since acquisition or establishment; and
- differences between the values assigned to the assets and liabilities of the subsidiary within the Consolidated Entity financial report and those in the financial report of the subsidiary, arising due to valuation methodology differences.

The excess is not amortised. Movements in the excess of interest of life insurance entities in their controlled entities over their recognised net assets are included in consolidated Other Operating Income.

Fixed assets

Except for life insurance business investments, all land and buildings are revalued annually by Directors to reflect current market values. Directors valuations are based on advice received from independent valuers on an existing use basis. Independent valuations are carried out on a three-year cycle on an existing use basis. Revaluation increments are credited to the Asset Revaluation Reserve. To the extent that they reverse previous revaluation increments, revaluation decrements are charged against the Asset Revaluation Reserve.

A provision for capital gains tax is only provided when it is known that the asset will eventually be sold. This provision, when required, is made against the Asset Revaluation Reserve.

All other fixed assets and land and buildings acquired since the last revaluation are carried at the lower of cost, less accumulated depreciation, and recoverable amount.

If the carrying amount of a fixed asset exceeds its recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value unless otherwise stated.

The costs of developing, acquiring and enhancing internal use software are capitalised and amortised over the estimated useful life of the software which ranges from three to five years.

With the exception of land, all fixed assets are depreciated or amortised by the straight line method at the rates appropriate to their estimated useful lives to the Consolidated Entity. For major classes of fixed assets, the rates are: buildings - 3.3%, furniture, fixtures & fittings - 10%, PC and related software - 33.3%, and other data processing equipment and related software - 20%.

Profit or loss on the sale of fixed assets, which is determined as the difference between the carrying amount of fixed assets at the time of disposal and the sale proceeds, is treated as operating income or expense. Any Asset Revaluation Reserve amount relating to assets sold is transferred to Retained Profits.

Goodwill

Goodwill, representing the excess of the purchase consideration over the fair value of the identifiable net assets acquired on the date of acquisition of a non-life insurance controlled entity, is recognised as an asset. Goodwill is amortised from the date of acquisition by systematic charges on a straight-line basis against income over the period in which the benefits are expected to arise, but not exceeding 20 years. The carrying value of goodwill is reviewed at least annually. If the carrying value of goodwill exceeds the value of the expected future benefits, the difference is charged to the profit and loss account.

Life insurance business revenue and expenses

The Consolidated Entity conducts life insurance business through a number of controlled entities including National Australia Financial Management Limited, MLC Limited, MLC Lifetime Company Limited, National Australia Life Company Limited, BNZ Life Insurance Limited and their subsidiaries.

(i) Types of business

The Australian life insurance operations of the Consolidated Entity consist of investment-linked business and non-investment linked business, which are conducted in separate statutory funds as required under the Life Insurance Act 1995.

Investment-linked business relates to business where policyholders' investments are made into the statutory funds and policyholders' returns are directly linked to the investment performance of the assets in that fund. The policyholder bears all the risks and rewards of the investment performance. The policyholder has no direct access to the specific assets, however the policy value is calculated by reference to the market value of the statutory fund's assets. Investment-linked business includes superannuation and allocated pension business.

Non-investment-linked business refers to business where an insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness or, in the case of an annuity, either the continuance of the annuitant's life or the expiry of the annuity term. The benefit payable is not referrable to the market value of the fund's assets. Non-investment-linked business includes traditional whole of life and endowment policies (where the risks and rewards generally are shared between policyholder and shareholder) and risk products such as death, disability and income insurance (where the shareholder bears all the financial risks).

(ii) Allocation of profit

Profits are brought to account in the statutory funds on a Margin on Services ("MoS") basis in accordance with guidance provided by Actuarial Standard AS 1.02 "Valuation Standard" as issued by the Life Insurance Actuarial Standards Board.

Under MoS, profit is recognised as fees are received and services are provided to policyholders. When fees are received but the service has not been provided, the profit is deferred. Losses are expensed when identified.

Consistent with the principle of deferring unearned profit is the requirement to defer expenditure associated with the deferred profit. MoS permits costs associated with the acquisition of policies to be charged to the profit and loss account over the period that the policy will generate profits. Costs may only be deferred, however, to the extent that a policy is expected to be profitable. (Refer to the deferred acquisition costs policy note below).

Profit from investment-linked business is derived as the excess of the fees earned by the shareholder for managing the funds invested, over operating expenses and amortisation of policy acquisition costs.

Profit arising from policies comprising non-investment linked business is based on actuarial assumptions, and calculated as the excess of premiums and investment earnings less claims, operating expenses and the amortisation of acquisition costs that will be incurred over the estimated life of the policies. The profit is systematically recognised over the estimated time period the policy will remain in force.

Certain policies are entitled to share in the profits that arise from the non-investment linked business. This profit sharing is governed by the Life Insurance Act 1995 and the life insurance companies Constitution. This profit sharing amount is treated as an expense in these financial statements.

(iii) Premium revenue

Premiums are separated into their revenue and liability components. Premium amounts earned by providing services and bearing risks including protection business are treated as revenue. Other premium amounts received, net of initial fee income, which are akin to deposits, are recognised as an increase in policy liabilities. The initial fee, which is the difference between the premium received and the initial surrender value is recognised as premium revenue. The Consolidated Entity has taken advantage of the transitional rules under Australian Accounting Standard AASB 1038 Life Insurance Business , and for the annuity business and traditional business, all premiums are recognised as revenues. For the Consolidated Entity s unit linked business, premiums are recognised as an increase in policy liabilities.

Premiums with a regular due date are recognised as revenue on a due basis. Premiums with no due date are recognised as revenue or an increase in policy liabilities on a cash received basis. Premiums due before the end of the financial year but not received as at year-end are included as outstanding premiums in Note 24. Premiums due after, but received before the end of the financial year are accounted for as premiums in advance.

(iv) Investment revenue

All investment revenue is recognised on an accruals basis.

Dividend and interest income is brought to account on an accruals basis when the life insurance controlled entity obtains control of the right to receive the interest income or dividend revenue.

Net realised and unrealised gains represent changes in the measurement of net market values in respect of all investments recognised at net market value, as described in the Investments relating to life insurance business policy note.

(v) Claims

Claims are recognised when the liability to the policyholder under the policy contract has been established or upon notification of the insured event depending on the type of claim.

Claims incurred in respect of investment-linked business which are in the nature of investment withdrawals are recognised as a reduction in policy liabilities.

Claims incurred that relate to the provision of services and bearing of risks are treated as expenses and these are recognised on an accruals basis

(vi) Basis of expense apportionment

All expenses charged to the profit and loss statements are equitably apportioned to the different classes of business in accordance with Division 2 of Part 6 of the Life Insurance Act 1995 as follows:

(a) Expenses and other outgoings that related specifically to a particular statutory fund have been directly charged to that fund.
(b) Expenses and other outgoings (excluding commissions, medical fees and stamp duty relating to policies which are all directly allocatable) have been apportioned between each statutory fund and shareholders fund. Expenses are apportioned between classes of business by first allocating the expenses to major functions and activities, including those of sales support and marketing, new business processing and policyholder servicing; then to classes of products using relevant activity cost drivers, including commissions, policy counts, funds under management and benchmark profit.

Apportionment between policy acquisition, policy maintenance and investment management has been made in line with principles set out in Actuarial Standard AS1.02 Valuation Standard as issued by the Life Insurance Actuarial Standards Board.

(vii) Restriction on assets

The assets and liabilities held in the statutory funds are subject to the restrictions of the Life Insurance Act 1995 and the Constitution of the life insurance entities. The main restrictions are that the assets in a statutory funds can only be used to meet the liabilities and expenses of the fund, to acquire investments to further the business of the fund or make profit distributions when solvency and capital adequacy requirements of the Life Insurance Act 1995 are met. Therefore, assets held in the statutory funds are not available for use by other parts of the Consolidated Entity s business other than any profits generated in the statutory funds. Conversely the liabilities of the statutory funds (including policyholder liabilities) are not obligations of the Consolidated Entity but are obligations of (and quarantined to) the statutory funds (refer Note 2).

(viii) Policy liabilities

Policy liabilities in the Consolidated Entity s balance sheet, and the change in policy liabilities disclosed in operating expenses in Note 4, have been calculated using the MoS methodology in accordance with guidance provided by Actuarial Standard AS 1.02 Valuation Standard .

Policy liabilities for investment-linked business are calculated using the accumulation method. The liability is generally the accumulation of amounts invested by policyholders plus investment earnings less fees specified in the policy. Deferred acquisition costs are offset against this liability.

Policy liabilities from non-investment-linked business are measured mainly using the projection method which is the net present value of estimated future policy cash flows. Future cash flows incorporate investment income, premiums, expenses, redemptions and benefit payments (including bonuses). The accumulation method may be used only where the result would not be materially different to the projection method.

The measurement of policy liabilities is subject to actuarial assumptions. Assumptions made in the calculation of the policy liability at each reporting date are based on best estimates at that date. The assumptions include the benefits payable under the policies on death, disablement or surrender, future premiums, investment earnings and expenses. "Best estimate" means that assumptions are neither too optimistic nor too pessimistic but reflect the most likely outcome. The assumptions used in the calculation of the policy liabilities are reviewed at each reporting date. A summary of the significant actuarial methods and assumptions used is contained in Note 53.

(ix) Deferred acquisition costs

Policy acquisition costs are deferred, provided that the business generated continues to be profitable. The deferred costs are reflected as a reduction to policy liabilities and are amortised in the profit and loss account over the expected duration of the relevant policies.

Trustee and funds management activities

The consolidated financial report includes the shareholders' interest in trustee companies, which act as the trustee and/or manager of a number of investments and trusts. These funds and trusts, as disclosed in Note 52, are not included in the consolidated accounts as the Consolidated Entity does not have direct or indirect control of the funds and trusts as defined by Australian Accounting Standard AASB 1024 Consolidated Accounts . The Trustees hold a right of indemnity against the assets of the applicable funds or trusts for liabilities incurred in their capacity as trustees. As these assets are sufficient to cover the liabilities, the liabilities are not included in the consolidated financial report.

Commissions and fees earned in respect of the Consolidated Entity's trust and funds management activities are included in the profit and loss account.

Recognition of loan related fees and costs

Loan origination fees, if material, are recognised in income over the life of the loan as an adjustment of yield. Commitment fees are deferred, and if the commitment is exercised, recognised in income over the life of the loan as an adjustment of yield or, if unexercised, recognised in income upon expiration of the commitment. Where commitment fees are retrospectively determined and nominal in relation to market interest rates on related loans, commitment fees are recognised in income when charged. Where the likelihood of exercise of the commitment is remote, commitment fees are recognised in income over the commitment period. Loan related administration and service fees are recognised in income over the period of service. Credit card fees are recognised in income over the card usage period. Syndication fees are recognised after certain retention, timing and yield criteria are satisfied.

Direct loan origination costs, if material, are netted against loan origination fees and the net amount recognised in income over the life of the loan as an adjustment of yield. All other loan related costs are expensed as incurred.

Loan origination fees and direct loan origination costs are recognised in income as an adjustment of yield using the constant yield method of amortisation. All other loan related fees are recognised in income using the straight line method of amortisation.

Superannuation

Superannuation expense represents the Consolidated Entity's contributions to various superannuation plans. The contributions are determined on an actuarial basis. The assets and liabilities of plans are not consolidated as the Consolidated Entity has no control over them.

Employee entitlements

Employee entitlements to long service leave are accrued using an actuarial calculation based on legal and contractual entitlements and assessments having regard to staff departures, leave utilisation and future salary increases. This method does not differ significantly from calculating the amount using present value techniques.

The provision for annual leave is accrued based on each employee's total remuneration package.

Income tax

The Consolidated Entity adopts tax-effect accounting using the liability method.

The tax-effect of timing differences, which occur where items are claimed for income tax purposes in a period different from when they are recognised in the accounts, is included in the provision for deferred income tax or future income tax benefits, as applicable, at current taxation rates. The future income tax benefit relating to timing differences, and any future income tax benefit relating to tax losses are not carried forward as an asset unless the benefits are virtually certain of being realised.

The Consolidated Entity's Australian future income tax benefit and provision for deferred income tax accounts have been restated to reflect the change in Australian company income tax rates to 34% effective from October 1, 2000 and 30% effective from October 1, 2001 and beyond.

Following the adoption of a statistically based provisioning methodology, charges to the general provision for doubtful debts are now tax effected. Prior to the adoption of this methodology, future income tax benefits associated with the general provision were not recognised.

Capital gains tax, if applicable, is provided for in determining period income tax expense when an asset is sold.

For life insurance business, taxation is not based on the concept of profit but rather different rates of tax are applied to the taxable income of the various classes of business calculated according to particular rules relating to each class.

Comparative amounts

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

Definitions

'The Company' is National Australia Bank Limited.

Amounts booked in branches and controlled entities outside Australia are classified as 'overseas'.

2 Supplementary Balance Sheet

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:

	Note		*Consolidated*		
As at September 30					
Dollars in Millions			*2000*		*1999*[1]
Assets		*National Operating Businesses*	*Statutory Funds*	*Total*	*Total*
Cash and short-term liquid assets	9	5,844	1,024	6,868	3,649
Due from other financial institutions	10	12,780	-	12,780	11,120
Due from customers on acceptances	11	22,945	-	22,945	22,851
Trading securities	12	15,112	-	15,112	12,853
Available for sale securities	13	3,047	-	3,047	1,399
Investment securities	14	7,452	-	7,452	8,951
Investments relating to life insurance business [2]	15	287	30,816	31,103	-
Loans and advances	16	195,492	-	195,492	165,620
Mortgage loans held for sale		2,656	-	2,656	1,980
Mortgage servicing rights	19	8,226	-	8,226	5,345
Shares in entities and other securities	20	1,376	-	1,376	1,068
Regulatory deposits	21	135	-	135	153
Fixed assets	22	2,437	-	2,437	2,032
Goodwill	23	2,617	-	2,617	2,905
Other assets	24	30,942	489	31,431	14,155
Total Assets		311,348	32,329	343,677	254,081
Liabilities					
Due to other financial institutions	25	29,685	-	29,685	16,203
Liability on acceptances	11	22,945	-	22,945	22,851
Life insurance policy liabilities [2]	26	163	29,716	29,879	-
Deposits and other borrowings	27	185,097	-	185,097	162,468
Income tax liability	28	2,920	-	2,920	1,979
Provisions	29	2,154	-	2,154	1,743
Bonds, notes and subordinated debt	30	21,051	-	21,051	13,437
Other debt issues	31	1,829	78	1,907	1,645
Other liabilities	32,33	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	34	9,750	105	9,855	9,286
Reserves	34	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	35	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 comprise 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 comprises four divisions including Global Markets, Corporate & Institutional Financial Services, Project & 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 $_2$-e and the Corporate Centre. O_2-e became operational in April 2000 to create and accelerate 'new economy' lines of business. The Corporate Centre focuses o 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 . 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. The operating profit after tax for the 1998 segments were as follows: Banking $1,857 million; Finance and Life Insurance $112 million and Merchant and Investment Banking $45 million.

Consolidated

For the year ended September 30, 2000
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 interest income	5,253	(8)	506	554	(42)	(104)	212	-	6,371
Charge to provide for doubtful debts	458	-	17	99	58	(21)	(23)	-	588
Non interest income	2,383	1,866	787	772	657	37	21	-	6,523
Inter-segment 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
Other operating expenses	2,365	1,359	390	549	361	1,623	385	-	7,032

For the year ended September 30, 2000 *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*
	Consolidated								
Goodwill	-	-	-	-	-	-	197	-	197
Inter-segment expenses	1,471	23	107	412	7	81	(13)	(2,088)	-
Operating profit before tax, abnormals and outside equity interests	3,517	476	787	471	189	(211)	(152)	-	5,077
Income tax expense	1,200	181	192	161	57	(69)	(22)	-	1,700
Operating profit after tax before abnormals & outside equity interests	2,317	295	595	310	132	(142)	(130)	-	3,377
Abnormal items	(86)	(108)	(12)	-	-	1	1	-	(204)
Tax on abnormal items	(28)	(37)	(3)	-	-	-	-	-	(68)
Operating profit after tax and abnormal items	2,259	224	586	310	132	(141)	(129)	-	3,241
Outside equity interests	-	2	-	-	-	-	-	-	2
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 *Dollars in Millions*	*Business & Personal Financial Services*	*Products and Services*	*Wholesale Financial Services*	*HomeSide*	*Information Technology*	*Other* [(2)]	*Intercompany Eliminations*	*Total*
	Consolidated							
Net interest income	4,791	430	379	103	(14)	377	-	6,066
Charge to provide for doubtful debts	517	89	(52)	12	-	15	-	581
Non interest income	2,262	934	658	568	1	140	-	4,563
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
Other operating expenses	2,483	1,544	300	410	605	565	-	5,907
Inter-segment expenses	1,042	335	136	4	-	49	(1,566)	-
Operating profit before tax and outside equity interests	3,238	66	658	245	(60)	(6)	-	4,141
Income tax expense	1,108	(2)	107	92	(23)	39	-	1,321
Operating profit after tax and outside equity interests	2,130	68	551	153	(37)	(45)	-	2,820
Outside equity interests	-	(1)	-	-	-	-	-	(1)
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 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 incudes 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.

	Consolidated					
For the years ended September 30 *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	1.4	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	9.3	2,157	11.1
Asian countries	**570**	**2.4**	657	3.1	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 at September 30, 2000.

4 Operating Profit Before Income Tax Expense

	Consolidated			The Company		
For years ended September 30 *Dollars in Millions*	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Operating profit is determined after including:						
Income						
Interest Income						
Other financial institutions	**691**	481	643	**482**	326	478
Marketable debt securities	**1,465**	1,186	1,293	**1,135**	938	924
Loans to customers[(1)]	**13,854**	12,198	12,484	**7,242**	6,125	5,957
Controlled entities	**-**	-	-	**1,338**	886	1,117
Other interest (incl. regulatory deposits, interest on swaps etc.)	**1,507**	1,201	1,007	**1,118**	848	811
Total Interest Income	**17,517**	15,066	15,427	**11,315**	9,123	9,287

For years ended September 30 Dollars in Millions	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Other Operating Income						
Dividends received from:						
Controlled entities	**-**	-	-	**3,701**	316	258
Other entities	**38**	42	21	**22**	24	15
Profit on sale of fixed assets[2]	**27**	42	53	**2**	11	8
Loan fees from banking	**1,246**	1,077	938	**1,001**	868	753
Money transfer fees	**1,048**	1,030	1,050	**366**	347	355
Revenue from life insurance business:						
Premium and related revenue	**487**	-	-	**-**	-	-
Investment revenue	**1,070**	-	-	**-**	-	-
Movement in the excess of the interest of life insurance entities in their controlled entities over their recognised net assets	**202**	-	-	**-**	-	-
Net mortgage servicing fees	**535**	312	197	**-**	-	-
Net mortgage origination revenue	**105**	224	126	**-**	-	-
Trading income:[3]						
Foreign exchange derivatives	**399**	251	367	**262**	124	267
Trading securities	**76**	(14)	160	**69**	(20)	150
Interest rate derivatives	**(7)**	220	(167)	**6**	218	(168)
Net profit (loss) on available for sale securities	**1**	1	(1)	**-**	2	(2)
Foreign exchange income	**19**	20	(8)	**3**	8	(24)
Fees and commissions	**1,098**	955	829	**415**	369	308
Other income	**179**	403	388	**-**	70	77
Total Other Operating Income	**6,523**	4,563	3,953	**5,847**	2,337	1,997
Total Operating Revenue	**24,040**	19,629	19,380	**17,162**	11,460	11,284

Expenses

Dollars in Millions	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Interest Expense						
Other financial institutions	**1,422**	1,089	1,268	**1,233**	911	957
Deposits and other borrowings	**8,225**	6,893	7,037	**5,452**	4,320	4,049
Controlled entities	**-**	-	-	**904**	676	946
Bonds, notes and subordinated debt	**1,333**	870	1,116	**875**	582	760
Other debt issues	**166**	148	148	**34**	25	29
Total Interest Expense	**11,146**	9,000	9,569	**8,498**	6,514	6,741
Charge to Provide for Doubtful Debts - Note 17						
Specific	**-**	-	422	**-**	-	189
General [4]	**588**	581	165	**216**	225	105
Total Charge to Provide for Doubtful Debts	**588**	581	587	**216**	225	294

(1) *Included within interest income is rental income of $297 million (1999: $365 million 1998: $344 million) and depreciation of $209 million (1999: $237million, 1998: $215 million) in relation to operating leases where the Consolidated Entity is the lessor.*

(2) *Profit on sale of fixed assets of $27 million (the Company $2 million) is the difference between the proceeds from sale of $143 million (the Company $10 million), their carrying value of $130 million (the Company $10 million) and loss on sale of fixed assets $14 million (the Company $2 million).*

(3) *Under Australian Accounting Standard AASB1032, "Specific Disclosures by Financial Institutions", separate disclosure of trading income arising from foreign exchange trading, securities trading and interest rate derivatives trading is required. As the Consolidated Entity manages its trading positions utilising a variety of instruments, fluctuations between the disclosed components may occur.*

(4) *The 1998 figure represents the general provision charge during the year using the pre-statistically based provisioning method of determining the provision.*

	Consolidated			The Company		
For years ended September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						

Other Operating Expenses

Personnel						
Salaries	**2,368**	2,263	2,201	**1,130**	1,083	1,069
Related personnel costs:						
Superannuation	**129**	129	66	**84**	76	42
Payroll tax	**154**	144	133	**82**	74	70
Fringe benefits tax	**26**	24	37	**23**	23	33
Charge to provide for:						
Annual leave	**20**	17	15	**16**	15	14
Long service leave and retiring allowances	**37**	57	25	**34**	54	23
Performance based compensation	**192**	164	133	**104**	79	63
Restructuring costs (1)	**23**	30	-	**22**	29	-
Depreciation of motor vehicles provided to employees	**1**	3	4	**-**	-	-
Other	**451**	436	422	**216**	200	167
Total Personnel Costs	**3,401**	3,267	3,036	**1,711**	1,633	1,481
Occupancy Costs						
Depreciation of buildings and amortisation of leasehold assets	**77**	73	76	**37**	33	35
Rental on operating leases	**234**	219	197	**151**	156	165
Other	**201**	206	207	**65**	75	78
Total Occupancy Costs	**512**	498	480	**253**	264	278
General						
Expenses of life insurance business:						
Claims	**262**	-	-	**-**	-	-
Net increase in policy liabilities (2)	**664**	-	-	**-**	-	-
Policy acquisitions (3)	**137**	-	-	**-**	-	-
Policy maintenance (3)	**124**	-	-	**-**	-	-
Investment management	**38**	-	-	**-**	-	-
Other	**235**	-	-	**-**	-	-
Depreciation and amortisation of furniture, fixtures, fittings and equipment	**254**	206	192	**108**	78	63
Loss on sale of fixed assets	**14**	48	23	**2**	5	3
Rental on operating leases	**44**	46	43	**20**	28	31
Charge to provide for:						
Non-lending losses/contingencies	**35**	69	60	**20**	53	32
Diminution in value of shares in entities	**-**	8	8	**8**	36	-
Fees and commissions	**93**	76	91	**53**	53	69
Communications, postage and stationery	**459**	427	378	**165**	157	144
Computer equipment and software	**216**	186	201	**93**	84	87
Other expenses (4)	**544**	870	808	**339**	322	296
Total General Expenses	**3,119**	1,936	1,804	**808**	816	725
Amortisation of Goodwill						
Australia	**1**	11	6	**-**	-	-
United Kingdom and Irish Banks	**62**	62	62	**-**	-	-
Bank of New Zealand	**31**	31	31	**-**	-	-
Michigan National Corporation	**49**	49	49	**-**	-	-
HomeSide	**54**	53	33	**-**	-	-
Total Amortisation of Goodwill	**197**	206	181	**-**	-	-
Total Other Operating Expenses	**7,229**	5,907	5,501	**2,772**	2,713	2,484

(1) Significant restructuring costs incurred during 2000 and 1998 have been classified as abnormal items.

(2) Included within net increase in policy liabilities is the change in unvested policyholder benefits and bonuses vested in policyholders during the financial year.

(3) Included within policy acquisitions and policy maintenance are personnel, occupancy and general expenses of the Consolidated Entity's life insurance businesses. Refer to Note 1.

(4) Included within other expenses are the following donations to political parties paid by the Company on September 30, 2000 - Australian Liberal Party $Nil (1999: $Nil, 1998:$50,000); Australian Labor Party $Nil (1999: $Nil, 1998:$50,000); and Australian National Party $Nil (1999: $Nil, 1998:$25,000).

5 Abnormal Items

	Consolidated			The Company		
For years ended September 30 Dollars in Millions	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Restructuring costs						
Personnel	**23**	-	248	**23**	-	94
Occupancy (1)	**38**	-	80	**40**	-	41
Fixed asset writedowns	**29**	-	23	**29**	-	13
General	**6**	-	29	**6**	-	19
Total restructuring costs before income tax (1)	**96**	-	380	**98**	-	167
Business integration costs before income tax	**108**	-	-	**-**	-	-
General provision charge upon adoption of statistically based provisioning	**-**	-	369	**-**	-	181
Total Abnormal Items Before Income Tax	**204**	-	749	**98**	-	348
Income Tax Expense (Benefit)						
Restructuring costs	**(31)**	-	(128)	**(32)**	-	(61)
Business integration costs	**(37)**					
General provision charge upon adoption of statistically based provisioning	**-**	-	(124)	**-**	-	(66)
Total Income Tax Expense (Benefit)	**(68)**	-	(252)	**(32)**	-	(127)
Abnormal Items After Income Tax	**136**	-	497	**66**	-	221

(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.

Restructuring costs

During 2000, the Consolidated Entity recognised restructuring costs of $98 million resulting from two major initiatives. The majority of these costs are expected to be recovered by the end of 2003 from annual productivity improvements and revenue enhancements. The first initiative comprises a significant transformation of Business & Personal Financial Services' Australian distribution network to meet the rapidly changing customer preferences for accessing financial services. The second initiative will bring about globally consistent processes and centralisation of processes where scale efficiencies can be realised for Wholesale Financial Services.

Personnel costs of $23 million relate to redundancies for approximately 192 positions in support and Head Office roles. In the period ended September 30, 2000, payments of $3 million were made in respect of 56 positions made redundant. The reduction in staff numbers will occur in both managerial and non-managerial positions in the following regions:

	Australia & Asia	Europe	New Zealand	United States	Total
Original number of positions to be made redundant	154	25	1	12	192
Number of positions made redundant	(56)	-	-	-	(56)
Number of positions to be made redundant as at September 30, 2000	98	25	1	12	136

The provision for restructuring in respect of these costs represents the liability relating to future payments for redundancies, occupancy and general costs. Future payments for redundancies and general costs will be predominantly made in 2001, whilst future payments for occupancy costs will be made in periods corresponding with the relevant lease terms.

During 1998, the Consolidated Entity recognised restructuring costs of $380 million resulting from its transition to a fully integrated financial services organisation, including migration to a new operating framework and distribution, technology and workforce initiatives to improve operational efficiency and productivity.

For the year ended September 30, 2000, payments of $15 million (1999: $86 million, 1998: $132 million) were made in respect of approximately 219 positions (1999: 1,180 positions, 1998: 1,490 positions) made redundant. The reduction in staff numbers has occurred in both managerial and non-managerial positions in the following regions:

	Australia	*Europe*	*New Zealand*	*United States*	*Total*
Original number of positions to be made redundant	870	1,390	430	780	3,470
Number of positions made redundant during 1998	(490)	(510)	(210)	(280)	(1,490)
Adjustments to the number of positions to be made redundant during 1999	30	(50)	30	(290) [2]	(280)
Number of positions made redundant during 1999	(300)	(580)	(130)	(170)	(1,180)
Adjustments to the number of positions to be made redundant during 2000	-	(50)	(76)	-	(126)
Number of positions made redundant during 2000	(45)	(122)	(42)	(10)	(219)
Total number of positions to be made redundant as at September 30, 2000	65	78	2	30	175

[2] *During 1999, HomeSide modified their tactical plan to exit an acquired business. Under the modified plan, approximately 320 positions previously identified for termination will be retained to support business growth. As a result, redundancy costs were reduced by $4.4 million. In addition, general costs were increased by $4.2 million. The net decrease in the restructuring provision of $0.2 million was booked to goodwill because the liability was recognised as part of an acquisition.*

The remaining provision for restructuring costs raised in 1998 relates to future payments for redundancies, occupancy and general costs. Future payments for redundancies and general costs will be predominantly made in the first quarter of 2001, whilst future payments for occupancy costs will be made in periods corresponding with the relevant lease terms.

Business integration costs

During 2000, the Consolidated Entity recognised business integration costs of $108 million resulting from the integration of the MLC Group's operations with the Consolidated Entity's existing life insurance and funds management businesses. The total integration charge includes costs for the integration of asset management and administration systems, changes to information technology and distribution systems, the on-going functional requirements of the MLC Group as a result of the separation from Lend Lease Corporation Limited, the previous owner of MLC, and the write-off of capitalised software and systems which will not form part of the integrated Wealth Management business going forward.

Adoption of statistically based provisioning

Refer to Note 1 for an explanation of the statistically based provisioning methodology.

6 Income Tax Expense

		Consolidated			*The Company*	
For years ended September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						
Reconciliation of income tax expense shown in the statement of profit and loss, with prima facie tax payable on the pre-tax accounting profit:						
Operating profit before income tax and abnormal items						
Australia	**2,615**	2,122	1,977	**5,476**	1,897	1,718
Overseas	**2,462**	2,019	1,746	**200**	111	47
Operating profit before tax attributable to the statutory funds of the life insurance business [1]	**222**	-	-	**-**	-	-
Total operating profit excluding that attributable to the statutory funds of the life insurance business before income tax and abnormals	**4,855**	4,141	3,723	**5,676**	2,008	1,765
Prima facie income tax at 36%	**1,748**	1,491	1,340	**2,043**	723	635
Add (or deduct) tax effect of permanent differences:						
Non-allowable depreciation on buildings	**9**	10	10	**-**	-	-
Charge to fund general provision for doubtful debts [2]	**-**	-	49	**-**	-	36

For years ended September 30 Dollars in Millions	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Rebate of tax on dividends, interest, etc.	**(77)**	(87)	(79)	**(1,342)**	(125)	(104)
Foreign tax rate differences	**(102)**	(70)	(53)	**(7)**	(1)	10
Amortisation of goodwill	**70**	74	65	**-**	-	-
Future income tax benefits no longer recognised	**10**	(3)	4	**10**	(3)	2
Restatement of tax timing differences due to change in Australian company income tax rate	**42**	-	-	**52**	-	-
Over provision in prior years	**(24)**	(12)	(70)	**(15)**	4	(4)
Non-assessable income - gain on group hedging activities	**(14)**	-	-	**(14)**	-	-
Impact of lower effective tax rate on HomeSide's deferred tax liabilities - US operations	**(11)**	-	-	**-**	-	-
Other	**(59)**	(82)	(55)	**(38)**	(25)	(32)
Total income tax expense on operating profit excluding that attributable to the statutory funds of the life insurance business before abnormal items	**1,592**	1,321	1,211	**689**	573	543
Income tax expense attributable to the statutory funds of the life insurance business (1)	**108**	-	-	**-**	-	-
Total income tax expense on operating profit before abnormal items	**1,700**	1,321	1,211	**689**	573	543
Abnormal items before tax	**(204)**	-	(749)	**(98)**	-	(348)
Prima facie income tax at 36%	**(73)**	-	(270)	**(35)**	-	(125)
Add (or deduct) tax effect of permanent differences:						
Foreign tax rate differences	**5**	-	18	**3**	-	(2)
Total income tax expense (benefit) on abnormal items	**(68)**	-	(252)	**(32)**	-	(127)
Total Income Tax Expense	**1,632**	1,321	959	**657**	573	416

(1) The income tax expense attributable to the statutory funds of the life insurance business has been determined after segregating the life insurance business into various classes of business and then applying, when appropriate, different tax treatments to these classes of business. The rates of taxation applicable to the taxable income of the classes of business are as follows:

(2) Following the adoption of a statistically based provisioning methodology on September 30, 1998 charges to the general provision for doubtful debts are tax effected. Prior to the adoption of this methodology, future income tax benefits associated with the general provision were not recognised.

	3 months ended September 30 2000	9 months ended June 30 2000
Ordinary life insurance business	***34%***	*39%*
Complying superannuation	***15%***	*15%*
Non-complying superannuation	***47%***	*47%*
Immediate annuity business	***Exempt***	*Exempt*
Accident and disability business	***34%***	*39%*
Shareholders' funds	***34%***	*36%*

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

7 Dividends

For years ended September 30 Dollars in Millions	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Dividends provided for or paid						
59c Interim cash paid (1999: 54c, 1998: 49c) (1)	**882**	794	700	**882**	794	700
64c Final cash provided for (1999: 58c, 1998: 53c) (1)	**976**	861	767	**976**	861	767
Total Dividends Provided for or Paid	**1,858**	1,655	1,467	**1,858**	1,655	1,467
Dividend provisions not required						
Bonus share issues	**-**	-	34	**-**	-	34
Dividends paid under U.K. Dividend Plan	**(20)**	(15)	(19)	**-**	-	-
Dividend over provided	**91**	85	50	**91**	85	50
Total Dividend Provisions not required	**71**	70	65	**91**	85	84

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

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

Dividend Imputation

The interim and final dividends for the 2000 year are fully franked.

The Company has been able to restore full franking of its dividends for the 2000 financial year due mainly to the 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 the MLC Group. Both the interim and final dividends for the 2000 financial year carry imputation credits based on the new company tax rate of 34% .

The extent to which future dividends will be franked will depend on a number of factors including the level of the Consolidated Entity'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 franking credits available to the Consolidated Entity at September 30, 2000, after allowing for tax payable in respect of the current year's profits and the payment of the final dividend, are estimated to be $Nil (1999: $Nil).

The franking credits that will be available to the Consolidated Entity at June 30, 2001 (being the end of the Consolidated Entity's franking year), after allowing for the instalments of tax payable in respect of the 2001 financial year, are estimated to be $Nil (2000: $Nil).

8 Earnings per Share

For years ended September 30 *Dollars in Millions*	*Consolidated* **2000**		*1999*		*1998*	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
Weighted average ordinary shares (000's)						
Weighted average ordinary shares	**1,503,253**	**1,503,253**	1,472,144	1,472,144	1,433,616	1,433,616
Potential dilutive ordinary shares:						
- Options	**-**	**40,211**	-	25,153	-	15,541
- Exchangeable capital units	**-**	**65,460**	-	65,460	-	65,460
- Partly paid shares	**-**	**1,550**	-	1,963	-	2,446
Total weighted average ordinary shares	**1,503,253**	**1,610,474**	1,472,144	1,564,720	1,433,616	1,517,063
Earnings per share ($ Millions)						
Earnings	**3,239**	**3,239**	2,821	2,821	2,014	2,014
Distributions	**(198)**	**(198)**	(74)	(74)	(7)	(7)
Potential dilutive adjustments						
- Options	**-**	**23**	-	12	-	6
- Exchangeable capital units	**-**	**85**	-	82	-	78
- Partly paid shares	**-**	**1**	-	1	-	1
Adjusted earnings	**3,041**	**3,150**	2,747	2,842	2,007	2,092
Abnormal items (after tax)	**136**	**136**	-	-	497	497
Adjusted earnings before abnormal items	**3,177**	**3,286**	2,747	2,842	2,504	2,589
Earnings per share						
- before abnormal items (cents)	**211.3**	**204.0**	186.6	181.6	174.6	170.6
- after abnormal items (cents)	**202.3**	**195.6**	186.6	181.6	140.0	137.9

As set out in Note 1, during the current year, the Consolidated Entity changed its accounting policy with respect to accounting for life insurance business and income recognition on non-accrual loans. Neither of these changes had an impact on basic or diluted earnings per share.

During the previous year, the Consolidated Entity changed its accounting policy with respect to accounting for software costs. The effect for the financial year ended September 30, 1999 was to increase basic earnings per share by 4.0 cents and diluted earnings per share by 3.8 cents as compared with the amounts of earnings per share that would have been determined using the previous accounting policy.

There has been no: (a) conversion to, calls of, or subscriptions for ordinary shares; or (b) issues of potential ordinary shares since September 30, 2000 and before the completion of this financial report.

The weighted average diluted number of ordinary shares includes the impact of options, partly paid shares and the potential conversion of exchangeable capital units.

9 Cash and Short Term Liquid Assets

	Consolidated			The Company		
As at September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						
Coins, notes and cash at bank	**3,800**	927	1,015	**7**	311	338
Money at short call	**919**	1,305	586	**532**	618	251
Other (including bills receivable and remittances in transit)	**2,149**	1,417	2,551	**233**	(1)	930
Total Cash and Short Term Liquid Assets	**6,868**	3,649	4,152	**772**	928	1,519

Cash and short term liquid assets are items readily convertible into cash and generally repayable on demand.

The cash within the statutory funds of $1,024 million is subject to restrictions imposed under the Life Insurance Act 1995, and other restrictions and therefore is not available for investing or operational activities by other parts of the Consolidated Entity.

10 Due from Other Financial Institutions

Australia						
Due from other banks	**291**	181	1,219	**212**	117	1,161
Due from non-bank financial institutions	**667**	523	418	**667**	523	418
Total Australia	**958**	704	1,637	**879**	640	1,579
Overseas						
Due from other banks	**11,751**	10,304	7,652	**8,853**	6,765	3,872
Due from non-bank financial institutions	**71**	112	14	**71**	111	14
Total overseas	**11,822**	10,416	7,666	**8,924**	6,876	3,886
Total Due From Other Financial Institutions	**12,780**	11,120	9,303	**9,803**	7,516	5,465

Amounts due from financial institutions are amounts incurred through use of the payments system and are generally settled within 30 days.

Maturity Analysis of Due From Other Financial Institutions

Overdraft	**610**	414	438
At Call	**2,143**	2,290	2,737
Due in less than 3 months	**9,501**	7,331	5,592
Due after 3 months through to 1 year	**-**	884	64
Due after 1 year through to 5 years	**269**	14	52
Due after 5 years	**257**	187	420
No Maturity Specified	**-**	-	-
Total due from other financial institutions	**12,780**	11,120	9,303

11 Due from Customers on Acceptances

Australia						
Government and public authorities	**6**	4	18	**6**	4	18
Agriculture, forestry and fishing	**1,558**	1,563	1,466	**1,558**	1,563	1,466
Financial, investment and insurance	**5,182**	5,069	5,083	**5,182**	5,069	5,083
Real estate - construction	**1,373**	1,476	1,032	**1,373**	1,476	1,032
Manufacturing	**3,521**	4,134	4,033	**3,521**	4,134	4,033
Instalment loans to individuals and other personal lending (including credit cards)	**378**	363	385	**378**	363	385
Lease financing	**-**	-	-	**-**	-	-
Other commercial and industrial	**9,415**	9,035	9,159	**9,415**	9,035	9,159
Total Australia	**21,433**	21,644	21,176	**21,433**	21,644	21,176

	Consolidated			The Company		
As at September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						
Overseas						
Agriculture, forestry and fishing	**46**	-	-	**46**	-	-
Financial, investment and insurance	**751**	845	817	**-**	92	76
Real estate - construction	**-**	1	19	**-**	-	-
Manufacturing	**446**	206	236	**290**	97	83
Other commercial and industrial	**269**	155	105	**184**	70	36
Total overseas	**1,512**	1,207	1,177	**520**	259	195
Total Due from Customers on Acceptances	**22,945**	22,851	22,353	**21,953**	21,903	21,371

Maturity Analysis of Due From Customers on Acceptances			
At Call	**107**	-	-
Due in less than 3 months	**21,731**	21,115	15,588
Due after 3 months through to 1 year	**1,059**	1,629	6,716
Due after 1 year through to 5 years	**48**	94	29
Due after 5 years	**-**	13	20
Total Due from Customers on Acceptances	**22,945**	22,851	22,353

12 Trading Securities

Australian government treasury notes	**349**	912	2,945	**349**	912	2,945
Australian government bonds and securities	**1,101**	3,008	2,641	**1,101**	3,008	2,641
Securities of Australian local and semi-government authorities	**878**	581	790	**878**	581	790
Securities of or guaranteed by UK/Irish governments	**222**	42	48	**222**	42	48
Securities of or guaranteed by New Zealand government	**157**	275	923	**-**	-	-
US Treasury and Other US Government Agencies	**18**	31	-	**18**	31	-
US and Political Sub-divisions	**20**	73	114	**-**	70	93
Private corporations - Eurobonds	**83**	44	8	**83**	44	8
Private corporations/Other financial institutions' CDs/bills	**1,543**	639	856	**764**	24	-
Other securities	**10,741**	7,248	3,121	**10,404**	7,049	2,869
Total Trading Securities at Market Value	**15,112**	12,853	11,446	**13,819**	11,761	9,394

13 Available for Sale Securities

Carrying Value						
Securities of or guaranteed by UK/Irish governments	**4**	4	4	**-**	-	-
Private corporations/Other financial institutions' CDs/bills	**2,350**	1,124	700	**2,350**	1,124	700
Other securities	**693**	271	233	**473**	87	49
Total Available for Sale Securities at Carrying Value	**3,047**	1,399	937	**2,823**	1,211	749

Available for sales securities (continued)

As at September 30 Dollars in Millions	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Market Value						
Securities of or guaranteed by UK/Irish governments	**4**	4	4	**-**	-	-
Private corporations/Other financial institutions' CDs/bills	**2,350**	1,124	700	**2,350**	1,124	700
Other securities	**693**	271	233	**473**	87	49
Total Available for Sale Securities at Market Value	**3,047**	1,399	937	**2,823**	1,211	749

The following table reconciles gross unrealised gains and losses of the Consolidated Entity's holdings of available for sale securities at September 30, 2000.

Dollars in Millions	Amortised Cost	Gross Unrealised Losses	Gross Unrealised Gains	Market Value
Securities of or guaranteed by UK/Irish governments	4	-	-	4
Private corporations/Other financial institutions' CDs/bills	2,350	-	-	2,350
Other	693	-	-	693
Total	3,047	-	-	3,047

Maturities of Available for Sale Securities

The following tables analyse the maturities of the Consolidated Entity s holdings of available for sale securities at September 30, 2000.

Dollars in Millions	Maturing 1 Year or Less Amount	Yield	Maturing 1 year through 5 years Amount	Yield	Maturing 5 years through 10 years Amount	Yield	Maturing after 10 years Amount	Yield
Securities of or guaranteed by UK/Irish governments	-	-	4	6.7%	-	-	-	-
Private corporations/Other financial institutions' CDs/bills	2,350	5.5%	-	-	-	-	-	-
Other Securities	276	2.1%	102	5.6%	117	4.9%	198	6.4%
Total	2,626		106		117		198	
Maturities at market value	2,626		106		117		198	

Proceeds from maturities of available for sale securities during 2000 were $9,037 million (1999: $2,117 million, 1998: $1,323 million). Proceeds from sales of available for sale securities during 2000 were $5 million (1999: $5 million, 1998: $6 million). Gross gains were $1 million (1999: $Nil, 1998: $1 million) and no gross losses (1999: $1 million, 1998: $Nil) were realised on sales.

As at September 30 . Dollars in Millions	Consolidated 2000	1999	1998
Maturity Analysis of Available for Sale Securities			
At Call	**6**	14	25
Due in less than 3 months	**1,888**	1,010	674
Due after 3 months through to 1 year	**732**	144	11
Due after 1 year through to 5 years	**106**	32	58
Due after 5 years	**315**	199	169
Total Available for Sale Securities	**3,047**	1,399	937

14 Investment Securities

As at September 30 Dollars in Millions	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Carrying Value						
Australian government bonds and securities	**-**	-	24	**-**	-	24
Securities of Australian local and semi-government authorities	**79**	146	197	**26**	101	197
Securities of or guaranteed by UK/Irish governments	**357**	384	646	**-**	-	-
Securities of or guaranteed by New Zealand government	**479**	724	-	**-**	26	-
US Treasury and other US government agencies	**3,317**	1,893	1,910	**77**	56	63
US and Political Sub-divisions	**13**	13	19	**-**	-	-
Private corporations - Eurobonds	**25**	25	58	**25**	25	58
Private corporations/Other financial institutions' CDs/bills	**446**	2,015	3,643	**446**	1,964	3,585
Other securities	**2,736**	3,751	1,731	**2,412**	3,426	1,414
Total Investment Securities	**7,452**	8,951	8,228	**2,986**	5,598	5,341
Market Value						
Australian government bonds and securities	**-**	-	24	**-**	-	24
Securities of Australian local and semi-government authorities	**79**	148	222	**26**	103	222
Securities of or guaranteed by UK/Irish governments	**356**	386	648	**-**	-	-
Securities of or guaranteed by New Zealand government	**479**	723	-	**-**	26	-
US Treasury and other US government agencies	**3,282**	1,867	1,932	**77**	56	63
US and Political Sub-divisions	**13**	13	20	**-**	-	-
Private corporations - Eurobonds	**25**	25	58	**25**	25	58
Private corporations/Other financial institutions' CDs/bills	**446**	2,015	3,633	**446**	1,964	3,576
Other securities	**2,755**	3,795	1,755	**2,429**	3,468	1,431
Total Investment Securities at Market Value	**7,435**	8,972	8,292	**3,003**	5,642	5,374

The following table reconciles gross unrealised gains and losses of the Consolidated Entity's holdings of investment securities at September 30, 2000.

Dollars in Millions	Amortised Cost	Gross Unrealised Gains	Gross Unrealised Losses	Market Value
Securities of Australian local and semi-government authorities	79	-	-	79
Securities of or guaranteed by UK/Irish governments	357	2	3	356
Securities of or guaranteed by New Zealand government	479	-	-	479
US Treasury and other US government agencies	3,317	11	46	3,282
US and Political Sub-divisions	13	-	-	13
Private corporations - Eurobonds	25	-	-	25
Private corporations/Other financial institutions' CDs/bills	446	-	-	446
Other securities	2,736	19	-	2,755
Total	7,452	32	49	7,435

Investment securities (continued)

Maturities of Investment Securities

The following tables analyse the maturities of the Consolidated Entity s holdings of investment securities at September 30, 2000.

	Maturing 1 Year or Less		*Maturing 1 year through 5 years*		*Maturing 5 years through 10 years*		*Maturing after 10 years*	
Dollars in Millions	*Amount*	*Yield*	*Amount*	*Yield*	*Amount*	*Yield*	*Amount*	*Yield*
Securities of Australian local and semi-government authorities	-	-	26	7.4%	53	6.1%	-	-
Securities of or guaranteed by UK/Irish governments	168	5.1%	168	6.1%	21	7.7%	-	-
Securities of or guaranteed by New Zealand government	479	7.1%	-	-	-	-	-	-
US Treasury and other US government agencies and entities	161	4.8%	2,886	6.2%	202	5.7%	68	5.6%
US and Political Sub-divisions	2	4.5%	6	5.1%	4	5.8%	1	4.9%
Private corporations-Eurobonds	25	2.9%	-	-	-	-	-	-
Private corporations/Other financial institutions' CDs/bills	341	5.4%	105	6.0%	-	-	-	-
Other securities	1,923	4.7%	810	5.3%	3	5.2%	-	-
Total book value	3,099		4,001		283		69	
Maturities at market value	3,100		3,992		279		64	

Proceeds from maturities of investment securities during 2000 were $5,551 million (1999: $12,552 million, 1998: $19,182 million). The majority of these relate to the maturity of short-dated investment securities. There were no proceeds from sales of investment securities during 2000 (1999: $Nil, 1998: $Nil). Gross gains of $3 million (1999: $1 million, 1998: $Nil) and no gross losses were realised during 2000 or the preceding two years.

	Consolidated		
As at September 30	***2000***	*1999*	*1998*
Dollars in Millions			
Maturity Analysis of Investment Securities			
At Call	**58**	10	14
Due in less than 3 months	**804**	1,906	1,016
Due after 3 months through to 1 year	**2,237**	3,792	1,855
Due after 1 year through to 5 years	**4,001**	2,772	3,562
Due after 5 years	**352**	471	1,781
Total Investment Securities	**7,452**	8,951	8,228

15 Investments Relating to Life Insurance Business

	Consolidated			The Company		
As at September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						
Equity Security Investments						
Equities - held directly	**11,566**	-	-	**-**	-	-
Equities - held indirectly	**7,511**	-	-	**-**	-	-
Debt Security Investments						
Interest bearing securities:						
National government	**3,250**	-	-	**-**	-	-
Other public sector	**1,292**	-	-	**-**	-	-
Private sector	**4,647**	-	-	**-**	-	-
Properties						
Property - held directly	**476**	-	-	**-**	-	-
Property - held indirectly	**2,009**	-	-	**-**	-	-
Other	**352**	-	-	**-**	-	-
Total Investments Relating to Life Insurance Business	**31,103**	-	-	-	-	-

Investments held directly refer to investments in equity or property that are held directly with the issuer of an equity or ownership of a property.

Investments held indirectly are investments in equity or property held through unit trusts or other similar investment vehicles.

Investments held in the statutory funds of the Consolidated Entity's Australian life insurance businesses can only be used within the restrictions imposed under the Life Insurance Act 1995. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of the fund, to acquire investments to further the business of the fund or as distributions when solvency and capital adequacy requirements are met. Participating policyholders can receive a distribution when solvency requirements are met, whilst shareholders can only receive a distribution when the higher level of capital adequacy requirements are met.

Investment assets held in statutory funds are not available for use by other parts of the Consolidated Entity's business. Refer to Notes 1 and 2.

16 Loans and Advances

	Consolidated			The Company		
Total Liabilities	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						
Australia						
Overdrafts	**5,762**	5,599	5,027	**5,762**	5,599	5,027
Credit card outstandings	**2,952**	2,447	2,073	**2,952**	2,447	2,073
Market rate advances	**301**	303	476	**301**	303	476
Lease finance	**6,370**	5,889	5,300	**6,295**	5,819	5,227
Housing loans	**48,719**	41,968	37,763	**48,720**	41,968	37,763
Other term lending	**26,300**	24,259	24,477	**26,084**	23,942	24,166
Equity participation in leveraged leases	**559**	633	681	**559**	633	681
Redeemable preference share finance	**-**	-	230	**-**	-	230
Other lending	**6,301**	5,112	4,428	**6,027**	4,897	4,207
	97,264	86,210	80,455	**96,700**	85,608	79,850
Overseas						
Overdrafts	**13,322**	10,150	9,883	**3,884**	1,619	
Credit card outstandings	**2,329**	1,938	1,793	**-**	-	2
Market rate advances	**824**	413	734	**-**	-	-
Bills discounted	**102**	33	70	**19**	6	8
Lease finance	**7,448**	5,478	4,750	**53**	34	43
Housing loans	**22,611**	19,978	20,173	**186**	74	51
Other term lending	**44,081**	35,781	38,331	**5,038**	3,566	5,116
Redeemable preference share finance	**1,985**	1,702	3,538	**-**	-	-
Other lending	**10,030**	8,037	4,335	**3,950**	2,443	15
	102,732	83,510	83,607	**13,130**	7,742	5,235
Total Loans and Advances (Gross)	**199,996**	169,720	164,062	**109,830**	93,350	85,085

As at September 30 *Dollars in Millions*	*Consolidated* **2000**	*1999*	*1998*	*The Company* **2000**	*1999*	*1998*
Deduct: Unearned income	**(1,812)**	(1,587)	(1,516)	**(1,003)**	(930)	(866)
Provision for doubtful debts - Note 17	**(2,692)**	(2,513)	(2,545)	**(1,339)**	(1,317)	(1,298)
Total Loans and Advances (Net)	**195,492**	165,620	160,001	**107,488**	91,103	82,921
Leasing receivables included in lease finance net of unearned income:						
Current	**2,892**	2,675	2,254	**1,757**	1,763	819
Non Current	**10,397**	8,370	7,560	**4,353**	4,002	4,471
Total Leasing Receivables included in lease finance	**13,289**	11,045	9,814	**6,110**	5,765	5,290
Maturity Analysis of Loans and Advances [1]						
Overdraft	**19,084**	15,749	14,910			
At Call	**3,401**	3,990	6,465			
Due in less than 3 months	**24,933**	19,196	13,357			
Due after 3 months through to 1 year	**30,382**	25,681	23,221			
Due after 1 year through to 5 years	**46,890**	38,483	39,866			
Due after 5 years	**71,671**	63,316	62,887			
No Maturity Specified	**(869)**	(795)	(705)			
Total Loans and Advances	**195,492**	165,620	160,001			

[1] *Includes provisions for doubtful debts as disclosed in Note 17.*

The diversification and size of the Consolidated Entity is such that its lending is widely spread both geographically and in terms of the types of industries served. In accordance with SEC guidelines, the following table shows comparative year-end detail of the loan portfolio for each of the five years ended September 30. The table also demonstrates the concentration of credit risk by industry with the maximum credit risk represented by the carrying values less provision for doubtful debts.

As at September 30 *Dollars in Millions*	*Consolidated* **2000**	*1999*	*1998*	*1997*	*1996*
Australia					
Government and public authorities	**478**	1,270	929	1,403	1,083
Agriculture, forestry and fishing	**5,329**	5,039	5,794	4,615	4,365
Financial, investment and insurance	**4,656**	5,006	4,940	4,902	3,854
Real estate - construction	**1,661**	1,637	1,367	1,268	1,191
Manufacturing	**2,268**	2,714	2,524	2,749	2,515
Real estate - mortgage	**48,720**	41,968	37,763	33,420	24,449
Instalment loans to individuals and other personal lending (including credit cards)	**8,223**	8,098	7,272	7,223	8,372
Lease financing	**6,929**	6,522	5,981	5,226	4,420
Other commercial and industrial [1]	**19,000**	13,956	13,885	10,183	12,446
Total Australia	**97,264**	86,210	80,455	70,989	62,695
Overseas					
Government and public authorities	**1,590**	821	1,010	543	617
Agriculture, forestry and fishing	**5,099**	4,608	4,835	3,881	3,526
Financial, investment and insurance	**12,065**	8,906	7,527	3,135	2,205
Real estate - construction	**3,061**	1,862	1,775	1,373	1,342
Manufacturing	**7,446**	6,536	6,618	4,912	4,139
Real estate - mortgage	**22,611**	19,978	20,215	16,103	13,942
Instalment loans to individuals and other personal lending (including credit cards)	**12,012**	10,443	11,096	9,214	8,319
Lease financing	**7,448**	5,478	4,750	2,880	2,064
Other commercial and industrial [1]	**31,400**	24,878	25,781	20,604	15,518
Total Overseas	**102,732**	83,510	83,607	62,645	51,672
Total Loans and Advances (Gross)	**199,996**	169,720	164,062	133,634	114,367
Deduct: Unearned income	**(1,812)**	(1,587)	(1,516)	(1,244)	(1,118)
Provisions for doubtful debts - Note 17	**(2,692)**	(2,513)	(2,545)	(1,354)	(1,286)
Total Loans and Advances (Net)	**195,492**	165,620	160,001	131,036	111,963

[1] *At September 30, 2000 there were no concentrations of other commercial and industrial loans exceeding 10% of total loans and advances.*

Loans and advances (continued)

Concentrations of credit risk by geographical location is based on the geographical location of the office in which the loans or advances are booked. The amounts shown are net of unearned income and provisions.

	Consolidated		
As at September 30	***2000***	*1999*	*1998*
Dollars in Millions			
Australia	**94,986**	84,046	78,356
Europe	**57,388**	44,319	45,875
New Zealand	**20,466**	20,097	18,113
United States	**19,323**	14,111	14,367
Asia	**3,329**	3,047	3,290
Total Loans and Advances	**195,492**	165,620	160,001

The following tables show the maturity distribution of loans and advances to customers and interest rate sensitivity of such loans.

	Due in 1 Year or less [1]	*Due after 1 Year through 5 Years*	*Due after 5 Years*	*Total*
As at September 30, 2000				
Dollars in Millions				
Australia				
Government and public authorities	307	102	69	478
Agriculture, forestry and fishing	3,345	1,554	430	5,329
Financial, investment and insurance	3,284	1,028	344	4,656
Real estate - construction	1,266	183	212	1,661
Manufacturing	1,544	467	257	2,268
Real estate - mortgage	12,091	2,762	33,867	48,720
Instalment loans to individuals and other personal lending (including credit cards)	2,383	5,414	426	8,223
Lease financing	2,159	4,574	196	6,929
Other commercial and industrial	11,351	4,329	3,320	19,000
Total Australia Loans and Advances by Industry	37,730	20,413	39,121	97,264
Overseas				
Government and public authorities	1,271	191	128	1,590
Agriculture, forestry and fishing	2,414	1,097	1,588	5,099
Financial, investment and insurance	8,844	2,672	549	12,065
Real estate - construction	1,603	1,054	404	3,061
Manufacturing	4,122	2,411	913	7,446
Real estate - mortgage	1,967	2,842	17,802	22,611
Instalment loans to individuals and other personal lending (including credit cards)	6,130	3,594	2,288	12,012
Lease financing	1,137	3,273	3,038	7,448
Other commercial and industrial	14,997	10,459	5,944	31,400
	42,485	27,593	32,654	102,732
Gross Loans and Advances	80,215	48,006	71,775	199,996
Interest Rate Sensitivity of Lending				
Variable interest rates [2]				
Australia	19,410	4,918	26,986	51,314
Overseas	30,315	15,960	21,040	67,315
Fixed interest rates				
Australia	18,320	15,495	12,134	45,949
Overseas	12,170	11,633	11,615	35,418
Total	80,215	48,006	71,775	199,996

(1) *Overdrafts are not subject to a repayment schedule. Due to their characteristics, overdrafts are categorised as due within one year.*

(2) *Under the Consumer Credit Acts of the States of Victoria, New South Wales, South Australia and Western Australia, and the Australian Capital Territory, the Company must give notice to credit card holders when an increase in interest rates is sought. The legislation stipulates the notice period as two billing cycles plus 21 days which, in effect, means approximately 90 days notice must be given. Such credit card outstandings have been included in the variable category.*

	Consolidated			The Company		
As at September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						

17 Provisions for Doubtful Debts

Specific Provision						
Opening balance	**474**	420	594	**276**	215	218
Transfer (to)/from general provision [(1)]	**423**	505	(268)	**156**	260	-
Provisions acquired	**-**	-	36	**-**	-	-
Bad debts recovered	**224**	205	238	**87**	65	54
Bad debts written off	**(657)**	(627)	(695)	**(279)**	(262)	(247)
Charge to profit and loss	**-**	-	422	**-**	-	189
Foreign currency translation and consolidation adjustments	**7**	(29)	93	**(8)**	(2)	1
Closing balance	**471**	474	420	**232**	276	215
General Provision						
Opening balance	**2,055**	2,143	771	**1,052**	1,095	473
Restatement to reflect future income tax benefit	**-**	-	469	**-**	-	329
Abnormal charge upon adoption of a statistically based provisioning methodology	**-**	-	369	**-**	-	181
Transfer to/(from) specific provision [(1)]	**(423)**	(505)	268	**(156)**	(260)	-
Provisions acquired	**-**	-	28	**-**	-	-
Charge to profit and loss [(2)]	**588**	581	165	**216**	225	105
Foreign currency translation and consolidation adjustments	**18**	(164)	73	**10**	(8)	7
Closing balance	**2,238**	2,055	2,143	**1,122**	1,052	1,095
Total Provisions	**2,709**	2,529	2,563	**1,354**	1,328	1,310

(1) *The 1998 figure represents the transfer of the MNC unallocated specific provision previously reported in the specific provision.*

(2) *The 1998 figure represents the general provision charge during the year using the pre-statistically based provisioning method of determining the provision.*

Total Specific Provision for Doubtful Debts

The total specific provision for doubtful debts of the Consolidated Entity is comprised as follows. For further information refer to Note 18 of the financial report, "Asset Quality Disclosures".

On balance sheet exposures	**454**	458	402	**217**	265	203
Off balance sheet credit related commitments [(3)]	**17**	16	18	**15**	11	12
Total Specific Provision for Doubtful Debts (as per above)	**471**	474	420	**232**	276	215
Total provision for doubtful debts	**2,709**	2,529	2,563	**1,354**	1,328	1,310
Deduct: Specific provision against off balance sheet credit related commitments [(3)]	**17**	16	18	**15**	11	12
Total Provision for Doubtful Debts Deducted from Loans (per Note 16)	**2,692**	2,513	2,545	**1,339**	1,317	1,298

(3) *The specific provision for off balance sheet credit related commitments is shown as a liability in the financial report (refer to Note 29).*

Specific Provision as a percentage of Risk Weighted Assets

On balance sheet exposures - specific provision	**0.19%**	0.23%	0.20%
Off balance sheet credit related commitments - specific provision	**0.01%**	0.01%	0.01%
Total Specific Provision for Doubtful Debts	**0.20%**	0.24%	0.21%

Provisions for doubtful debts (continued)

Specific Provision for Doubtful Debts by Industry Category

The following table provides an analysis of the Consolidated Entity's total specific provision for doubtful debts including off balance sheet exposures by industry category.

	Consolidated				
As at September 30	***2000***	*1999*	*1998*	*1997*	*1996*
Dollars in Millions					
Australia					
Agriculture, forestry and fishing	**24**	46	26	16	13
Financial, investment and insurance	**2**	50	45	43	46
Real estate - construction	**8**	14	14	11	12
Manufacturing	**34**	76	63	50	58
Real estate - mortgage	**-**	2	2	2	-
Instalment loans to individuals and other personal lending (including credit cards)	**46**	21	25	30	18
Lease financing	**9**	8	4	1	2
Other commercial and industrial	**89**	17	18	40	93
Total Australia Specific Provision for Doubtful Debts	**212**	234	197	193	242
Overseas					
Agriculture, forestry and fishing	**15**	12	12	12	13
Financial, investment and insurance	**2**	4	2	6	12
Real estate - construction	**8**	11	15	27	28
Manufacturing	**48**	44	32	43	55
Real estate - mortgage	**7**	7	13	18	15
Instalment loans to individuals and other personal lending (including credit cards)	**60**	50	48	84	71
Lease financing	**8**	9	5	3	2
Other commercial and industrial	**111**	103	96	208	210
Total Overseas Specific Provision for Doubtful Debts	**259**	240	223	401	406

Analysis of Movements in Total Provision for Doubtful Debts

The following table provides an analysis of the Consolidated Entity's total specific provision for doubtful debts including off balance sheet exposures for each of the five years ended September 30. For further information, refer to Note 18 of the financial statements "Asset Quality Disclosures".

	Consolidated				
For years ended September 30	***2000***	*1999*	*1998*	*1997*	*1996*
Dollars in Millions					
Balance at beginning of year	**2,529**	2,563	1,365	1,312	1,086
Provisions at acquisition date of entities acquired	**-**	-	64	-	203
Less Write-offs:					
Australia					
Agriculture, forestry and fishing	**27**	7	9	15	10
Financial, investment and insurance	**26**	5	6	10	7
Real estate - construction	**14**	8	8	7	5
Manufacturing	**56**	30	19	9	32
Real estate - mortgage	**7**	10	11	8	4
Instalment loans to individuals and other personal lending (including credit cards)	**72**	112	97	78	59
Lease financing	**16**	8	7	6	3
Other commercial and industrial	**34**	60	60	50	74
	252	240	217	183	194

For years ended September 30 Dollars in Millions	Consolidated **2000**	1999	1998	1997	1996
Overseas					
Agriculture, forestry and fishing	**4**	8	9	9	7
Financial, investment and insurance	**6**	6	16	1	3
Real estate - construction	**16**	11	18	8	21
Manufacturing	**30**	44	32	27	29
Real estate - mortgage	**3**	7	24	5	7
Instalment loans to individuals and other personal lending (including credit cards)	**206**	200	243	175	121
Lease financing	**11**	6	2	4	1
Other commercial and industrial	**129**	105	134	127	109
	405	387	478	356	298
Total write-offs	**657**	627	695	539	492
Plus Recoveries:					
Australia					
Agriculture, forestry and fishing	**1**	3	4	2	1
Financial, investment and insurance	**4**	7	2	7	17
Real estate - construction	**1**	1	1	1	1
Manufacturing	**2**	3	2	3	2
Real estate - mortgage	**1**	1	1	1	-
Instalment loans to individuals and other personal lending (including credit cards)	**41**	33	27	20	19
Lease financing	**1**	1	1	1	-
Other commercial and industrial	**30**	14	16	25	15
	81	63	54	60	55
Overseas					
Agriculture, forestry and fishing	**-**	1	1	3	1
Financial, investment and insurance	**11**	5	15	4	4
Real estate - construction	**1**	1	17	4	23
Manufacturing	**16**	15	15	22	10
Real estate - mortgage	**-**	1	1	1	2
Instalment loans to individuals and other personal lending (including credit cards)	**62**	56	40	38	32
Lease financing	**-**	2	-	2	1
Other commercial and industrial	**53**	61	95	57	87
	143	142	184	131	160
Total recoveries	**224**	205	238	191	215
Net write-offs	**(433)**	(422)	(457)	(348)	(277)
Charge to profit and loss	**588**	581	587	332	333
Restatement of general provision to reflect future income tax benefit	**-**	-	469	-	-
Abnormal charge upon adoption of statistically based provisioning	**-**	-	369	-	-
Foreign currency translation adjustments	**25**	(193)	166	69	(33)
Balance at end of year	**2,709**	2,529	2,563	1,365	1,312
Ratio of net write-offs during the year to average loans and advances outstanding during the year (Refer average balance sheet - Note 37)	**0.24%**	0.26%	0.31%	0.28%	0.26%
Ratio of balance at end of year to risk weighted assets	**1.14%**	1.28%	1.28%	0.88%	0.98%

18 Asset Quality Disclosures

The Consolidated Entity provides for doubtful debts as discussed in Note 1. Accordingly, when management determines that a loan recovery is doubtful, the principal amount and accrued interest on the obligation are written down to estimated net realisable value. Interest and charges are no longer taken to profit when their payment is considered to be unlikely with the exception of cash received in respect of non-accrual loans as discussed in Note 1.

Gross amounts have been prepared without regard to security available for such loans. The inclusion of past due loans and restructured loans in both tables does not necessarily indicate that such loans are doubtful.

			Consolidated		
As at September 30	***2000***	*1999*	*1998*	*1997*	*1996*
Dollars in Millions					
Non-Accrual Loans [1][2]					
Gross					
Australia	**568**	644	602	553	579
Overseas [3]	**899**	926	868	728	865
	1,467	1,570	1,470	1,281	1,444
Specific Provisions					
Australia	**196**	226	189	189	228
Overseas [3]	**246**	231	214	386	413
	442	457	403	575	641
Net					
Australia	**372**	418	413	364	351
Overseas [3]	**653**	695	654	342	452
	1,025	1,113	1,067	706	803
Restructured Loans					
Australia	**4**	-	-	-	57
Overseas	**-**	3	6	5	6
	4	3	6	5	63
Assets Acquired through Security Enforcement					
Real Estate					
Australia	**-**	-	-	-	-
Overseas	**8**	8	5	6	6
	8	8	5	6	6
Other Assets					
Australia	**-**	-	-	-	-
Overseas	**4**	5	7	6	4
	4	5	7	6	4
Total Impaired Assets					
Gross					
Australia	**573**	644	602	553	636
Overseas [3]	**911**	942	886	745	881
	1,484	1,586	1,488	1,298	1,517
Specific Provisions					
Australia	**196**	226	189	189	228
Overseas [3]	**246**	231	214	386	413
	442	457	403	575	641
Net					
Australia	**377**	418	413	364	408
Overseas [3]	**665**	711	672	359	468
	1,042	1,129	1,085	723	876

(1) Includes loans amounting to $252 million gross, $182 million net (1999: $124 million gross, $86 million net; 1998: $184 million gross, $116 million net; 1997: $153 million gross,$90 million net; 1996: $220 million gross, $134 million net) where some concerns exist as to the ongoing ability of the borrowers to comply with existing loan terms, but on which no principal or interest payments are contractually past due.

(2) Includes off-balance sheet credit exposures amounting to $33 million gross, $16 million net (1999: $40 million gross, $24 million net, 1998: $51 million gross, $33 million net).

(3) Prior to the adoption of a statistically based provisioning methodology by the Consolidated Entity, Michigan National Corporation adopted a provisioning methodology under which a portion of the specific provision was determined against segments of the loan portfolio based on historical loan loss experience and current trends evident in those segments of the loan portfolios. This amount is included in the prior period specific provision figure quoted in the above table (1997: $168 million, 1996: $135 million). Due to the nature of the MNC provisioning methodology, the above table did not include gross loan amounts to which this portion of the specific provision relates. Following the adoption of a statistically based provisioning methodology by the Consolidated Entity, the corresponding provision has been included in the general provision from September 30, 1998 onwards.

			Consolidated		
As at September 30	***2000***	*1999*	*1998*	*1997*	*1996*
Dollars in Millions					
Memorandum Disclosures:					
Accruing loans past due 90 days or more with adequate security					
Australia	**39**	22	15	11	8
Overseas	**68**	74	91	92	91
	107	96	106	103	99
Accruing portfolio facilities past due 90 to 180 days					
Gross					
Australia	**23**	27	33	31	22
Overseas	**36**	29	68	76	36
	59	56	101	107	58
Specific Provisions					
Australia	**15**	9	7	6	4
Overseas	**14**	8	10	13	3
	29	17	17	19	7
Net					
Australia	**8**	18	26	25	18
Overseas	**22**	21	58	63	33
	30	39	84	88	51

Further analysis of non-accrual loans and interest received and forgone under the Australian Prudential Regulation Authority asset quality disclosure guidelines is as follows.

					Consolidated				
As at September 30		***2000***			*1999*			*1998*	
Dollars in Millions	***Gross***	***Specific Provisions***	***Net***	*Gross*	*Specific Provisions*	*Net*	*Gross*	*Specific Provisions*	*Net*
Non-Accrual Loans With Provisions and:									
No performance									
Australia	**251**	**186**	**65**	355	213	142	258	167	91
Overseas	**370**	**169**	**201**	463	183	280	379	163	216
	621	**355**	**266**	818	396	422	637	330	307
Partial performance									
Australia	**-**	**-**	**-**	-	-	-	-	-	-
Overseas	**48**	**8**	**40**	30	20	10	8	2	6
	48	**8**	**40**	30	20	10	8	2	6
Full performance									
Australia	**30**	**10**	**20**	77	13	64	85	22	63
Overseas	**248**	**69**	**179**	54	28	26	107	49	58
	278	**79**	**199**	131	41	90	192	71	121

As at September 30 Dollars in Millions	2000 Gross	2000 Specific Provisions	2000 Net	1999 Gross	1999 Specific Provisions	1999 Net	1998 Gross	1998 Specific Provisions	1998 Net
Non-Accrual Loans Without Provisions and									
No performance									
Australia	**260**	**-**	**260**	195	-	195	248	-	248
Overseas	**224**	**-**	**224**	325	-	325	316	-	316
	484	**-**	**484**	520	-	520	564	-	564
Full performance									
Australia	**27**	**-**	**27**	17	-	17	11	-	11
Overseas	**9**	**-**	**9**	54	-	54	58	-	58
	36	**-**	**36**	71	-	71	69	-	69
Total	**1,467**	**442**	**1,025**	1,570	457	1,113	1,470	403	1,067

(Consolidated)

Interest Income Received and Forgone

As at September 30 Dollars in Millions	2000	1999	1998
Interest and other income received and taken to Profit and Loss on non- accrual loans and restructured loans			
Australia	**10**	13	8
Overseas	**13**	7	12
	23	20	20
Net interest and other income forgone on non-accrual loans and restructured loans			
Australia	**49**	29	37
Overseas	**48**	52	56
	97	81	93
Additional Information in respect of Impaired Assets			
Fair Value of Security [1]			
Non-Accrual Loans			
Australia	**322**	376	382
Overseas	**629**	566	583
	951	942	965
Restructured Loans			
Australia	**-**	-	-
Overseas	**-**	3	6
	-	3	6
Loans newly classified into impaired asset categories during the period:			
Australia	**510**	617	826
Overseas	**514**	646	658
	1,024	1,263	1,484

(Consolidated)

[1] Fair Value of Security is the amount for which that security could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. Amounts of security held in excess of the outstanding balance of individual non-accrual or restructured loans are not included in this table.

19 Mortgage Servicing Rights

As at September 30 Dollars in Millions	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Opening balance	**5,345**	2,998	-	**-**	-	-
Additions	**2,065**	1,873	4,002	**-**	-	-
Sale of servicing rights	**-**	-	(17)	**-**	-	-
Deferred hedge loss (gain)	**480**	1,376	(664)	**-**	-	-
Amortisation	**(748)**	(629)	(323)	**-**	-	-
Foreign Currency Translation Adjustments	**1,084**	(273)	-	**-**	-	-
Total Mortgage Servicing Rights	**8,226**	5,345	2,998	**-**	-	-

Net deferred hedge losses of $1,271 million consists of prior period net deferred losses of $758 million, current period losses of $480 million and $33 million of amortisation recognised as a component of amortisation of mortgage servicing rights. In 1999, net deferred hedge losses of $758 million consisted of gains of $657 million, losses of $1,376 million and $39 million of amortisation recognised as a component of amortisation of mortgage servicing rights.

Maturity Analysis of Mortgage Servicing Rights	2000	1999	1998
Due after 3 months through to 1 year	**4**	2	1
Due after 1 year through to 5 years	**70**	60	17
Due after 5 years	**8,152**	5,283	2,980
	8,226	5,345	2,998

20 Shares in Entities and other Securities

Carrying value

	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Shares in other entities (at cost)	**617**	398	326	**501**	252	239
Deduct: Provision for diminution in value	**(23)**	(20)	(18)	**(18)**	(2)	(2)
	594	378	308	**483**	250	237
Shares in controlled entities						
At cost	**-**	**-**	**-**	**8,790**	5,059	4,961
At Directors' valuation 2000	**-**	-	-	**155**	-	-
At Directors' valuation 1987	**-**	-	-	**-**	185	185
Deduct: Provision for diminution in value	**-**	-	-	**(26)**	(31)	-
	-	-	-	**8,919**	5,213	5,146
Redeemable Preference Shares in Related Corps	**-**	-	-	**1,823**	-	-
Units in unlisted trust (at cost)	**782**	690	705	**-**	-	-
Total carrying value of Shares in Entities and Other Securities	**1,376**	1,068	1,013	**11,225**	5,463	5,383

Market value

	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Shares in other entities	**643**	444	406	**534**	318	333
Units in unlisted trust	**782**	690	705	**-**	-	-
Total market value of Shares in Entities and Other Securities	**1,425**	1,134	1,111	**534**	318	333

21 Regulatory Deposits

	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Reserve Bank of Australia	**-**	3	953	**-**	3	953
Central Banks Overseas	**135**	150	202	**12**	3	8
Total Regulatory Deposits	**135**	153	1,155	**12**	6	961

Regulatory deposits represent deposits held by the regulatory bodies of the industry in which operations are conducted as a pre-condition for conducting business. During the 2000 financial year the Group was no longer required to hold Prime Asset Ratio assets with the Reserve Bank of Australia.

22 Fixed Assets

	Consolidated			The Company		
As at September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						
Land and buildings						
Freehold						
At cost (acquired subsequent to previous valuation date)	**34**	31	72	**-**	-	29
At Directors' valuation 2000	**819**	-	-	**61**	-	-
At Directors' valuation 1999	**-**	833	-	**-**	57	-
At Directors' valuation 1998	**-**	-	1,059	**-**	-	108
Leasehold						
At cost (acquired subsequent to previous valuation date)	**1**	2	4	**-**	-	-
At Directors' valuation 2000	**89**	-	-	**-**	-	-
At Directors' valuation 1999	-	85	-	**-**	-	-
At Directors' valuation 1998	**-**	-	101	**-**	-	-
Less: Accumulated depreciation and amortisation on buildings	**(7)**	(8)	(6)	**-**	-	(1)
	936	943	1,230	**61**	57	136
Leasehold improvements						
At cost	**688**	568	490	**488**	431	352
Less: Accumulated amortisation	**(311)**	(255)	(224)	**(221)**	(193)	(168)
	377	313	266	**267**	238	184
Furniture, fixtures and fittings and other equipment						
At cost	**754**	700	705	**123**	122	124
Under finance lease	**28**	25	21	**-**	-	-
Less: Accumulated depreciation and amortisation	**(453)**	(394)	(358)	**(84)**	(79)	(72)
	329	331	368	**39**	43	52
Data processing equipment and application software [(1)]						
At cost	**1,961**	1,420	1,296	**1,001**	693	570
Under finance lease	**21**	16	18	**10**	6	7
Less: Accumulated depreciation and amortisation	**(1,187)**	(991)	(959)	**(546)**	(462)	(405)
	795	445	355	**465**	237	172
Total Fixed Assets	**2,437**	2,032	2,219	**832**	575	544

[(1)] *The Consolidated Entity changed its accounting policy for software costs effective from October 1, 1998. Refer to Note 1 for a full description.*

General Information

The Consolidated Entity is a substantial property owner in its own right due to the scale and nature of its operations. The majority of properties are in Australia with the largest proportion of the remainder being in the United Kingdom.

The Consolidated Entity's Australian operations are conducted through a network of 1,306 branches and other outlets. Operations outside Australia are conducted through 1,257 branches and other offices, principally in the United Kingdom, United States, Ireland and New Zealand. Included in the Australian properties is the computer centre in Knoxfield, Melbourne which provides the Consolidated Entity with facilities for data processing operations.

A wholly owned entity, NBA Properties Limited together with its controlled entities, owns, operates and maintains the majority of the Consolidated Entity's properties in Australia. These entities do not invest in properties other than in conjunction with the Consolidated Entity's normal business operations. The leases, entered into between the property entities and other Consolidated Entity members, are on terms, including rentals, comparable to those that could be obtained from unrelated third parties.

23 Goodwill

As at September 30 Dollars in Millions	Consolidated 2000	1999	1998	The Company 2000	1999	1998
At cost [1]	**3,942**	4,033	4,017	**-**	-	-
Less: Accumulated amortisation	**(1,325)**	(1,128)	(922)	**-**	-	-
Total Goodwill	**2,617**	2,905	3,095	**-**	-	-

[1] Upon the adoption of Australian Accounting Standard AASB 1038 "Life Insurance Business", $84 million of goodwill, previously recognised upon the acquisition of County was deconsolidated as it forms part of the excess of the interest of life insurance entities in their controlled entities over their recognised net assets. Refer to Note 1 for a full description.

24 Other Assets

	2000	1999	1998	2000	1999	1998
Development land acquired and held for resale:						
Cost of acquisition	**16**	15	13	**-**	-	-
Future income tax benefits	**1,207**	1,137	1,138	**639**	669	605
Accrued interest receivable	**1,851**	1,440	3,081	**1,003**	758	2,240
Prepayments	**236**	235	304	**87**	146	78
Receivables under contracts of sale	**6**	10	22	**-**	-	-
Fair value of trading derivative financial instruments	**13,877**	6,393	8,219	**12,973**	5,881	7,575
Receivables from liquidator [1]	**17**	17	17	**17**	17	17
Excess of the interest of life insurance entities in their controlled entities over their recognised net assets [2]	**4,582**	-	-	**-**	-	-
Other life insurance assets [3]						
Accrued income receivable	**153**	-	-	**-**	-	-
Outstanding premiums receivable	**89**	-	-	**-**	-	-
Unsettled investment transactions	**160**	-	-	**-**	-	-
Other	**93**	-	-	**-**	-	-
Other assets [4]	**9,144**	4,908	8,547	**4,414**	1,068	3,173
Total Other Assets	**31,431**	14,155	21,341	**19,133**	8,539	13,688
Future income tax benefits comprise:						
Specific provision for doubtful debts	**87**	89	74	**76**	88	69
General provision for doubtful debts	**676**	666	680	**349**	374	393
Other provisions	**362**	172	152	**203**	107	87
Statutory funds/Other	**57**	203	226	**-**	98	56
Tax losses	**25**	7	6	**11**	2	-
Total future income tax benefits	**1,207**	1,137	1,138	**639**	669	605

[1] Represents the liquidator's estimate of the net return to the Company from entities placed in voluntary liquidation. Movements in the estimated net return other than liquidator's distributions are recognised in the profit and loss account.

[2] The excess of the interest of life insurance entities in their controlled entities over their recognised net assets recognised by the Consolidated Entity as at September 30, 2000 is comprised of:

National Australia Financial Management Limited:	*$M*
Net market value of controlled entities	*5,362*
Net assets of controlled entities	*780*
Excess of net market value over net assets	*4,582*

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

[3] Refer to Note 1 for restrictions on assets of life insurance businesses.

[4] Includes prepaid pension costs, securities sold but not yet settled and accrued fees receivable.

25 Due to Other Financial Institutions

As at September 30 Dollars in Millions	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Australia						
Due to other banks	**1,340**	941	113	**1,340**	941	113
Due to non-bank financial institutions	**954**	494	1,106	**954**	494	1,106
	2,294	1,435	1,219	**2,294**	1,435	1,219
Overseas						
Due to other banks	**26,223**	14,187	14,670	**22,236**	11,293	9,805
Due to non-bank financial institutions	**1,168**	581	652	**1,158**	576	651
	27,391	14,768	15,322	**23,394**	11,869	10,456
Total Due to Other Financial Institutions	**29,685**	16,203	16,541	**25,688**	13,304	11,675

Amounts due to financial institutions are amounts payable through use of the payments system and are generally settled within 30 days.

Maturity Analysis of Due To Other Financial Institutions

	2000	1999	1998
Overdraft	**4**	233	270
At Call	**9,112**	7,548	8,223
Due in less than 3 months	**18,204**	6,624	6,563
Due after 3 months through to 1 year	**936**	1,445	638
Due after 1 year through to 5 years	**1,429**	353	608
Due after 5 years	**-**	-	239
	29,685	16,203	16,541

26 Life Insurance Policy Liabilities

	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Business valued by projection method:						
Value of future policy benefits	**4,890**	-	-	-	-	-
Future bonuses	**958**	-	-	-	-	-
Value of future expenses	**696**	-	-	-	-	-
Future profit margins	**784**	-	-	-	-	-
Value of future premiums	**(2,837)**	-	-	-	-	-
Total business valued by projection method	**4,491**	-	-	-	-	-
Business valued by accumulation method						
Value of future policy benefits	**25,613**	-	-	-	-	-
Future charges for acquisition expenses	**(439)**	-	-	-	-	-
Total business valued by accumulation method	**25,174**	-	-	-	-	-
Unvested policyholder benefits	**214**	-	-	-	-	-
Total policy liabilities	**29,879**	-	-	-	-	-
Policy liabilities subject to capital guarantees	**4,419**	-	-	-	-	-

For life insurance business valued by the projection method, policy liabilities are calculated as the net present value of estimated future policy cashflows (premiums, expenses, benefit payments, expected profits). The liabilities valued by the projection method relate to non-investment linked business.

For life insurance business valued by the accumulation method, the calculation of the policy liabilities is based on accumulation of amounts invested by policyholders plus investment earnings less fees specified in the policy. The accumulation method mainly relates to the investment-linked business.

Unvested policyholder benefits represents amounts that have been allocated to certain non-investment linked policyholders that have not yet vested with specific policyholders at September 30, 2000.

Included in the above policy liabilities are capital guarantees provided on annuity products, money invested in the cash options of investment-linked business, whole of life and endowment policies and investment account policies.

The calculation of policy liabilities is subject to various actuarial assumptions which are summarised in Note 53.

All policy liabilities relate to the business conducted in the statutory funds and will be settled from the assets of each statutory fund. Refer to Note 1.

27 Deposits and Other Borrowings

	Consolidated			*The Company*		
As at September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						
Australia						
Deposits						
Deposits not bearing interest	**4,409**	4,154	3,935	**4,409**	4,154	3,935
On demand and short-term deposits[(1)]	**35,245**	33,712	31,472	**35,245**	33,712	31,472
Certificates of deposit	**7,210**	9,365	6,080	**7,138**	9,299	6,020
Term deposits	**22,864**	19,144	18,511	**22,757**	19,037	18,404
Borrowings	**8,332**	7,963	9,052	**8,331**	7,963	9,047
Total Australia	**78,060**	74,338	69,050	**77,880**	74,165	68,878
Overseas						
Deposits						
Deposits not bearing interest	**10,001**	8,547	9,115	**572**	133	19
On demand and short-term deposits[(1)]	**38,684**	32,093	35,645	**2,010**	866	1,031
Certificates of deposit	**15,201**	11,604	6,750	**10,541**	7,268	3,965
Term deposits	**32,195**	28,001	30,593	**15,666**	11,488	10,687
Borrowings	**10,956**	7,885	6,931	**451**	208	159
Total Overseas	**107,037**	88,130	89,034	**29,240**	19,963	15,861
Total Deposits and Other Borrowings	**185,097**	162,468	158,084	**107,120**	94,128	84,739

[(1)] *Deposits available on demand or lodged for periods of less than 30 days.*

Funds are derived from well diversified resources spread over the following geographic locations. Concentrations of deposits and other borrowings by geographical location are based on the geographical location of the office in which the deposits and other borrowings are recognised.

	Consolidated		
As at September 30	***2000***	*1999*	*1998*
Dollars in Millions			
Australia	**78,060**	74,338	69,050
Europe	**51,570**	43,119	44,835
New Zealand	**14,505**	16,271	14,894
United States	**30,657**	21,562	21,818
Asia	**10,305**	7,178	7,487
Total Deposits and Other Borrowings	**185,097**	162,468	158,084

Maturities of Deposits

The following tables show the maturity profile of the Consolidated Entity's certificates of deposit and time deposits:

	3 months or less	*Over 3 months through 6 months*	*Over 6 months through 12 months*	*Over 12 months*	*Total*
As at September 30, 2000					
Dollars in Millions					
Australia					
Certificates of deposit	4,901	1,071	714	525	7,211
Time deposits	17,700	1,400	933	2,830	22,863
Total	22,601	2,471	1,647	3,355	30,074
Overseas					
Certificates of deposit	8,901	2,425	3,759	116	15,201
Time deposits	22,788	3,845	2,794	2,768	32,195
Total	31,689	6,270	6,553	2,884	47,396
Total Certificates of Deposit and Time Deposits	54,290	8,741	8,200	6,239	77,470

		Consolidated	
As at September 30	***2000***	*1999*	*1998*
Dollars in Millions			
Maturity Analysis of Deposits and Other Borrowings			
At Call	**86,061**	73,609	74,374
Due in less than 3 months	**74,846**	60,730	58,878
Due after 3 months through to 1 year	**17,289**	22,531	14,333
Due after 1 year through to 5 years	**5,579**	3,459	9,168
Due after 5 years	**1,322**	2,139	819
No Maturity Specified	**-**	-	512
Total Deposits and Other Borrowings	**185,097**	162,468	158,084

Short-Term Borrowings

The following table sets forth information concerning the Consolidated Entity’s short-term borrowings for each of the last three years ended September 30.

		Consolidated	
As at September 30	***2000***	*1999*	*1998*
Dollars in Millions			
Balance at year end:			
Commercial paper USA	**9,625**	5,330	4,313
Other secured borrowings	**-**	-	1,597
Weighted average interest rate at year end:			
Commercial paper USA	**4.4%**	4.8%	4.6%
Other secured borrowings	**–**	-	5.5%
Maximum amount outstanding at year end:			
Commercial paper USA	**9,671**	5,532	6,374
Other secured borrowings	**-**	-	3,997
Average amount outstanding during the year:			
Commercial paper USA	**6,698**	4,893	4,805
Other secured borrowings	**-**	-	2,548
Weighted average interest rate during the year:			
Commercial paper USA	**6.5%**	6.0%	5.6%
Other secured borrowings	**-**	-	5.8%

Short-term borrowings of the Consolidated Entity consist of commercial paper programs of National Australia Funding (Delaware) Inc. and HomeSide.

28 Income Tax Liability

As at September 30 Dollars in Millions	Consolidated **2000**	 1999	 1998	The Company **2000**	 1999	 1998
Australia						
Provision for income tax	**410**	472	320	**243**	418	261
Provision for deferred income tax	**1,238**	432	479	**538**	426	477
	1,648	904	799	**781**	844	738
Overseas						
Provision for income tax	**699**	499	627	**22**	12	18
Provision for deferred income tax	**573**	576	527	**-**	-	-
	1,272	1,075	1,154	**22**	12	18
Total Income Tax Liability	**2,920**	1,979	1,953	**803**	856	756
Provision for deferred income tax comprises:						
Lease finance	**156**	196	189	**119**	141	130
Leveraged leasing	**231**	271	284	**230**	269	282
Depreciation	**183**	179	165	**20**	5	3
Other	**1,241**	362	368	**169**	11	62
Total Provision for Deferred Income Tax	**1,811**	1,008	1,006	**538**	426	477

29 Provisions

Final dividend	**976**	861	767	**976**	861	767
Employee entitlements	**439**	380	321	**364**	328	271
Non-lending losses/contingencies	**83**	104	87	**43**	60	37
Restructuring costs [(1)]	**166**	131	252	**122**	44	68
Specific provision for off balance sheet credit related commitments	**17**	16	18	**15**	11	12
Other provisions	**473**	251	235	**76**	57	27
Total Provisions	**2,154**	1,743	1,680	**1,596**	1,361	1,182

The provision for restructuring consists of:			
Redundancy and Outplacement	**36**	48	146
Occupancy	**112**	74	92
Other	**18**	9	14
Total	**166**	131	252

(1) *Refer to Notes 4 and 5 for further details regarding restructuring costs.*

30 Bonds, Notes and Subordinated Debt

		Consolidated			The Company		
As at September 30		***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions							
Bonds, notes and subordinated debt consist of the following currencies and maturity dates:							
1998	AUD 6.5% notes due 9/11/98	-	-	100	-	-	100
	JPY 10b Euro medium term notes due 23/10/98	-	-	124	-	-	124
	JPY 3b 5.7% fixed rate debt due 29/12/98	-	-	37	-	-	37
	JPY 5b Euro medium term notes due 13/11/98	-	-	62	-	-	62
	USD 250m medium term notes due 13/10/98	-	-	421	-	-	421
	USD 250m medium term notes due 5/10/98	-	-	421	-	-	421
	USD 300m floating rate notes due 16/10/98	-	-	506	-	-	506
	USD 350m 9.7% subordinated notes due 15/10/98	-	-	590	-	-	590
	USD 500m Euro medium term notes due 23/12/98	-	-	843	-	-	843
	USD 500m floating rate notes due 13/11/98	-	-	843	-	-	843
1999	AUD 12% subordinated notes due 15/7/99	-	-	300	-	-	300
	AUD 6.25% notes due 29/3/99	-	-	250	-	-	250
	AUD 7.75% notes due 4/1/99	-	-	125	-	-	125
	AUD 8% notes due 22/6/99	-	-	75	-	-	75
	AUD 8.5% notes due 20/8/99	-	-	100	-	-	100
	AUD 8.5% notes due 24/5/99	-	-	125	-	-	125
	AUD 9.25% notes due 23/9/99	-	-	100	-	-	100
	AUD 9.5% notes due 26/10/99	-	100	100	-	100	100
	CHF 100m 3.25% notes due 19/4/99	-	-	122	-	-	122
	JPY 3.08b subordinated debt due 23/2/99	-	-	38	-	-	38
	USD 10m Euro medium term notes due 16/9/99	-	-	17	-	-	17
	USD 10m Euro medium term notes due 26/8/99	-	-	17	-	-	17
	USD 250m 5.375% notes due 9/2/99	-	-	421	-	-	421
	USD 250m 6% notes due 26/3/99	-	-	421	-	-	421
	USD 50m Euro medium term notes due 13/8/99	-	-	84	-	-	84
2000	AUD 6.5% notes due 17/3/2000	-	150	150	-	150	150
	AUD 8.75% notes due 10/7/2000	-	175	175	-	175	175
	AUD 8.5% notes due 11/8/2000	-	100	100	-	100	100
	ÁUD 7.50% notes due 8/12/2000	**150**	150	150	**150**	150	150
	CHF 300m floating rate notes due 22/9/2000	-	305	365	**-**	305	365
	GBP 10m Euro medium term notes due 10/8/2000(2)	-	25	-	**-**	25	-
	GBP 30m Euro medium term notes due 30/11/2000(2)	**81**	76	-	**81**	76	-
	HKD 155m Euro medium term notes due 12/6/2000(2)	-	31	34	**-**	31	34
	HKD 189m Euro medium term notes due 20/7/2000(2)	-	37	-	**-**	37	-
	HKD 170m Euro medium term notes due 21/8/2000(2)	**-**	34	-	**-**	34	-
	HKD 57m Euro medium term notes due 15/12/2000(2)	**13**	11	-	**13**	11	-
	JPY 6.5b Euro medium term notes due 3/7/2000(2)	**-**	94	81	**-**	94	81
	JPY 10b Euro medium term notes due 18/9/2000(2)	**-**	144	124	**-**	144	124
	NZD 100m Euro medium term notes due 21/1/2000(2)	**-**	79	84	**-**	79	84
	NZD 100m Euro medium term notes due 3/3/2000(2)	**-**	79	84	**-**	79	84
	NZD 100m Euro medium term notes due 15/6/2000(2)	**-**	79	84	**-**	79	84
	NZD 250m Euro medium term notes due 18/12/2000(2)	**187**	199	-	**187**	199	-
	USD 60m medium term notes due 20/3/2000(3)	**-**	92	101	**-**	-	-
	USD 250m medium term notes due 15/5/2000(3)	**-**	383	422	**-**	-	-
	USD 50m Euro medium term notes due 9/8/2000(2)	**-**	77	-	**-**	77	-
	USD 60m Euro medium term notes due 9/8/2000(2)	**-**	92	-	**-**	92	-
	USD350m Euro medium term notes due 27/11/2000(2)	**645**	536	-	**645**	536	-

		Consolidated			The Company		
As at September 30		***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions							
2001	AUD 8% notes due 10/4/2001	**200**	200	200	**200**	200	200
	AUD 100m Euro medium term notes due 29/10/2001 (2)	**100**	100	-	**100**	100	-
	AUD 7.5% notes due 26/11/2001	**100**	100	100	**100**	100	100
	EUR 200m floating rate notes due 19/3/2001	**324**	325	-	**324**	325	-
	EUR 400m floating rate notes due 18/6/2001 (10)	**648**	651	792	**648**	651	792
	EUR 200m Euro medium term notes due 2/7/2001 (2)	**324**	325	-	**324**	325	-
	EUR 200m Euro medium term notes due 14/8/2001 (2)	**324**	325	-	**324**	325	-
	GBP 15m Euro medium term notes due 6/3/2001 (2)	**40**	38	43	**40**	38	43
	GBP 57.792m variable rate notes due 20/6/2001	**156**	146	166	**-**	-	-
	HKD 1.3b Euro medium term notes due 4/10/2001 (2)	**307**	-	-	**307**	-	-
	HKD 200m Euro medium term notes due 25/8/2001 (2)	**47**	39	-	**47**	39	-
	HKD 75m Euro medium term notes due 15/10/2001 (2)	**18**	15	-	**18**	15	-
	JPY 5.5b Euro medium term notes due 30/7/2001 (2)	**94**	79	-	**94**	79	-
	USD300m Euro medium term notes due 16/2/2001 (2)	**553**	460	-	**553**	460	-
	USD 125m medium term notes due 24/4/2001 (3)	**230**	192	211	**-**	-	-
	USD 15m medium term notes due 2/7/2001 (3)	**28**	23	26	**-**	-	-
	USD 40m medium term notes due 2/7/2001 (3)	**73**	61	68	**-**	-	-
	USD 45m medium term notes due 17/9/2001 (3)	**83**	69	76	**-**	-	-
2002	AUD 7.25% notes due 5/2/2002	**100**	100	100	**100**	100	100
	AUD 200m Euro medium term notes due 8/2/2002 (2)	**200**	200	-	**200**	200	-
	AUD 100m Euro medium term notes due 9/8/2002 (2)	**100**	100	-	**100**	100	-
	AUD 100m Euro medium term notes due 31/12/2002 (2)	**100**	100	100	**100**	100	100
	AUD 28.5m Euro medium term notes due 18/4/2002 (2)	**29**	-	-	**29**	-	-
	CHF 100m 2.75% notes due 12/6/2002	**106**	102	122	**106**	102	122
	GBP 23.8m Euro medium term notes due 30/4/2002 (2)	**64**	-	-	**64**	-	-
	HKD 150m Euro medium term notes due 18/3/2002 (2)	**35**	30	-	**35**	30	-
	HKD 150m Euro medium term notes due 21/3/2002 (2)	**35**	-	-	**35**	-	-
	HKD 180m Euro medium term notes due 30/7/2002 (2)	**42**	35	-	**42**	35	-
	HKD 300m Euro medium term notes due 11/8/2002 (2)	**70**	59	-	**70**	59	-
	HKD 160m Euro medium term notes due 13/8/2002 (2)	**38**	32	-	**38**	32	-
	HKD 160m Euro medium term notes due 10/9/2002 (2)	**38**	32	-	**38**	32	-
	HKD 198m Euro medium term notes due 27/3/2002 (2)	**47**	-	-	**47**	-	-
	HKD 200m Euro medium term notes due 18/1/2002 (2)	**47**	-	-	**47**	-	-
	HKD 200m Euro medium term notes due 27/1/2002 (2)	**47**	-	-	**47**	-	-
	HKD 200m Euro medium term notes due 11/2/2002 (2)	**47**	-	-	**47**	-	-
	HKD 200m Euro medium term notes due 10/12/2002 (2)	**47**	-	-	**47**	-	-
	HKD 235m Euro medium term notes due 21/1/2002 (2)	**55**	-	-	**55**	-	-
	HKD 400m Euro medium term notes due 28/2/2002 (2)	**95**	-	-	**95**	-	-
	HKD 623m Euro medium term notes due 3/3/2002 (2)	**147**	-	-	**147**	-	-
	HKD 150m Euro medium term notes due 3/4/2002 (2)	**35**	-	-	**35**	-	-
	HKD 150m Euro medium term notes due 26/4/2002 (2)	**35**	-	-	**35**	-	-
	HKD 150m Euro medium term notes due 30/8/2002 (2)	**35**	-	-	**35**	-	-
	HKD 160m Euro medium term notes due 5/9/2002 (2)	**38**	-	-	**38**	-	-
	JPY 3b Euro medium term notes due 12/11/2002	**-**	43	37	**-**	43	37
	JPY 2.54b Euro medium term notes due 21/11/2002 (2)	**43**	-	-	**43**	-	-
	LUF 2b 6.875% notes due 30/12/2002	**80**	81	98	**80**	81	98
	NZD 100m Euro medium term notes due 29/10/2002 (2)	**75**	-	-	**75**	-	-

		Consolidated			The Company		
As at September 30		***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions							
	USD 500m Euro medium term notes due 12/2/2002(2)	**921**	766	-	**921**	766	-
	USD 50m Euro medium term notes due 16/2/2002(2)	**92**	-	-	**92**	-	-
	USD 200m medium term notes due 9/4/2002(3)	**369**	-	-	**-**	-	-
	USD 300m medium term notes due 10/6/2002(3)	**553**	-	-	**-**	-	-
	USD 50m medium term notes due 16/6/2002(3)	**92**	-	-	**-**	-	-
	USD 300m Euro medium term notes due 18/6/2002(2)	**553**	460	-	**553**	460	-
	USD 200m medium term notes due 30/6/2002(3)	**369**	307	337	**-**	-	-
	USD 75m medium term notes due 1/8/2002(3)	**138**	-	-	**-**	-	-
	USD 100m subordinated Euro medium term notes				**-**		
	due 18/8/2002(2)	**184**	-	-	**184**	-	-
	USD 110.5m subordinated floating rate notes				**-**		
	due 30/8/2002(6)	**204**	166	184	**204**	166	184
	USD 20m Euro medium term notes due 30/8/2002(2)	**37**	31	-	**37**	31	-
	USD 220m subordinated Euro medium term notes due 9/9/2002(2)	**405**	-	-	**405**	-	-
	USD 25m medium term notes due 16/9/2002(3)	**46**	-	-	**-**	-	-
	USD 75m medium term notes due 16/9/2002(3)	**138**	-	-	**-**	-	-
	USD 100m medium term notes due 16/9/2002(3)	**184**	-	-	**-**	-	-
	USD 200m subordinated Euro medium term notes due 25/9/2002(2)	**369**	-	-	**369**	-	-
	USD 400m Euro medium term notes due 25/8/2002(2)	**737**	-	-	**737**	-	-
	USD 30m Euro medium term notes due 17/4/2002(2)	**55**	-	-	**55**	-	-
	USD 11m Euro medium term notes due 1/5/2002(2)	**20**	-	-	**20**	-	-
2003	AUD 100m Euro medium term notes due 3/2/2003 (2)	**100**	-	-	**100**	-	-
	GBP 50m Euro medium term notes due 10/12/2003(2)	**135**	126	-	**135**	126	-
	GBP 50m Euro medium term notes due 10/12/2003(2)	**135**	126	-	**135**	126	-
	HKD 116.25m Euro medium term notes due 2/9/2003(2)	**27**	23	25	**27**	23	25
	HKD 150m Euro medium term notes due 13/1/2003 (2)	**35**	-	-	**35**	-	-
	NZD 100m Euro medium term notes due 13/3/2003 (2)	**75**	-	-	**75**	-	-
	NZD 100m Euro medium term notes due 25/7/2003 (2)	**75**	-	-	**75**	-	-
	USD 225m medium term notes due 15/5/2003(3)	**414**	345	379	**-**	-	-
	USD 60m medium term notes due 16/9/2003(3)	**111**	-	-	**-**	-	-
2003	USD 129.965m 11.25% senior secured second priority notes due 15/5/2003	**261**	225	257	**-**	-	-
2004	AUD 100m Euro medium term notes due 18/3/2004(2)	**100**	100	-	**100**	100	-
	AUD subordinated floating rate notes due 8/6/2004(5)	**22**	22	90	**22**	22	90
	AUD 200m Euro medium term notes due 23/7/2004(2)	**200**	200	200	**200**	200	200
	HKD 155.5m Euro medium term notes due 29/10/2004 (2)	**37**	-	-	**37**	-	-
	NZD 100m Euro medium term notes due 12/3/2004(2)	**75**	79	-	**75**	79	-
	NZD 100m Euro medium term notes due 10/9/2004(2)	**75**	79	-	**75**	79	-
	NZD 100m Euro medium term notes due 29/12/2004(2)	**75**	79	-	**75**	79	-
	USD 200m medium term notes due 1/8/2004(3)	**369**	307	337	**-**	-	-
2005	AUD 100m Euro medium term notes due 9/2/2005(2)	**100**	100	100	**100**	100	100
	JPY 3b Euro medium term notes due 8/2/2005 (2)	**51**	-	-	**51**	-	-

Bonds, notes and subordinated debt (continued)

		Consolidated			The Company		
As at September 30		***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions							
2006	AUD subordinated floating rate notes due 8/6/2006[5]	**68**	68	-	**68**	68	-
	JPY 2b Euro medium term notes due 6/3/2006[2]	**34**	29	-	**34**	29	-
2007	AUD 6.25% subordinated notes due 25/11/2007	**150**	150	150	**150**	150	150
	AUD subordinated floating rate notes due 25/11/2007	**250**	250	250	**250**	250	250
	USD 30m subordinated Euro medium term notes due 20/11/2007[2]	**55**	46	51	**55**	46	51
	USD 400m medium term notes due 10/12/2007[13]	**737**	613	674	**737**	613	674
	USD 400m medium term notes due 10/12/2007[13]	**737**	613	674	**737**	613	674
2008	USD 200m subordinated Euro medium term notes due 23/1/2008[2]	**369**	306	337	**369**	306	337
	USD 150m subordinated Euro medium term notes due 15/9/2008[2]	**276**	230	253	**276**	230	253
2009	JPY 10b Euro medium term notes due 24/4/2009[2]	**171**	144	124	**171**	144	124
	USD 100m subordinated Euro medium term notes due 15/6/2009[2]	**184**	153	169	**184**	153	169
2010	USD 700m subordinated medium term notes due 19/5/2010 [13]	**1,289**	-	-	**1,289**	-	-
	USD 900m subordinated medium term notes due 19/5/2010 [13]	**1,658**	-	-	**1,658**	-	-
2011	USD 200m subordinated Euro medium term notes due 8/5/2011	**369**	-	-	**369**	-	-
2012	JPY 1b Euro medium term notes due 25/6/2012[2]	**17**	15	12	**17**	15	12
	JPY 2b Euro medium term notes due 21/8/2012[2]	**35**	29	25	**35**	29	25
	USD 55.95m Euro medium term notes due 20/8/2012[2]	**103**	86	94	**103**	86	94
2027	AUD 7.50% subordinated notes due 15/12/2027	**20**	20	20	**20**	20	20
2028	AUD 7.50% subordinated notes due 15/6/2028	**20**	20	20	**20**	20	20
Total Bonds, Notes and Subordinated Debt		**21,035**	13,423	15,097	**17,421**	11,273	12,717
	Add: Net premiums and deferred gains/(losses)	**16**	14	18	**16**	14	18
Net Bonds, Notes and Subordinated Debt		**21,051**	13,437	15,115	**17,437**	11,287	12,735

Where proceeds have been employed in currencies other than that of the ultimate repayment liability, swap or other hedge arrangements have been entered into.

(1) Under the Medium Term Deposit Note programme through New York branch, notes may be issued up to an aggregate amount of US$1 billion for terms of 9 months or more. As at September 30, 2000 the Company had no outstanding issues under the programme.

(2) Under the Euro Medium Term Note programme, notes may be issued up to an aggregate amount of US$7.5 billion for terms of 3 months or more. As at September 30, 2000 the Company had US$5.025 billion outstanding under the programme

(3) Under HomeSide Lending, Inc. Medium Term Note programme, notes may be issued up to an aggregate amount of US$2.568 billion for terms of 9 months or more. As at September 30, 2000, HomeSide Lending, Inc. had US$1.74 billion outstanding under the programme.

(4) Originally JPY10 billion, on July 22, 1996 JPY6.92 billion was bought back to leave JPY3.08 billion outstanding.

(5) These extendable Notes were initially issued with a maturity of June 8, 2000. A$110 million were redeemed on June 10, 1997. As from June 8, 1999, A$22 million have a maturity of June 8, 2004 and the remaining A$68 million have a maturity of June 8, 2006.

(6) US$531,643.61 of the US$110,500,000 Subordinated Floating Rate Notes due 2002 were redeemed on August 26, 1991. A further US$901,157.71 were redeemed on February 26, 1998 and a further US$534,561.11 were redeemed on February 26, 1999.

(7) On July 30, 1997, JPY10 billion subordinated debt due July 31, 1999 were redeemed in full.

(8) The call option to redeem the US$33 million Euro Medium Term Notes due September 29, 2004 on the interest payment date September 29, 1997 was exercised. The Notes were redeemed in full.

(9) The call option to redeem the GBP150 million Variable Rate Notes due September 6, 2000 on any interest payment date falling in or after September 1997 was exercised on the interest payment date September 10, 1998. The Notes were redeemed in full.

(10) These Notes have been automatically redenominated from ECU to EURO on a one-to-one basis.

(11) The call option to redeem the US$10 million Euro Medium Term Notes due September 16, 2007 on the interest payment date September 16, 1999 was exercised. The Notes were redeemed in full.

(12) The call option to redeem the JPY3 billion Euro Medium Term Notes due November 12, 2002 was exercised on November 12, 1999. The Notes were redeemed in full.

(13) The Bank increased its Medium Term Note Programme from US$3.0 billion to US$5.0 billion and issued US$1.6 billion. As at September 30, 2000 the company had US$2.4 billion outstanding under the programme.

	Consolidated			The Company		
As at September 30 *Dollars in Millions*	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*

31 Other Debt Issues

Perpetual Floating Rate Notes						
Issued by the Company	**461**	383	421	**461**	383	421
Exchangeable Capital Units						
Issued by National Australia Capital Securities (UK) Limited	**1,262**	1,262	1,262	**-**	-	-
Fixed Rate Securities						
Issued by MLC Limited	**184**					
Total Other Debt Issues	**1,907**	1,645	1,683	**461**	383	421

Perpetual Floating Rate Notes

US$250 million (A$461 million) Undated Subordinated Floating Rate Notes (the Notes) were issued by the Company on October 9, 1986. Interest is payable semi-annually in arrears in April and October at a rate of 0.15 per cent per annum above the arithmetic average of the rates offered by the reference banks for six-month US dollar deposits in London.

The Notes are unsecured obligations of the Company subordinated in that:

(i) payments of principal and interest on the Notes will only be payable to the extent that, after such payment, the Company remains solvent;
(ii) the payment of interest will also be optional if a dividend has not been declared, paid or made in the preceding twelve months; and
(iii) in the event of the winding up of the Company the rights of the Noteholders will rank in preference only to the rights of preferred and ordinary shareholders and creditors whose claims rank, or are expressed to rank, after the Noteholders and Coupon holders.

The Notes are undated and have no final maturity. All or some of the Notes may be redeemed at the option of the Company on any interest payment date falling in or after October 1991.

Exchangeable Capital Units

On March 19, 1997 National Australia Capital Securities (UK) PLC, a controlled entity, received funds following the issue of 40 million Exchangeable Capital Units at US$25 each with a cumulative return of 7 7/8% per annum. Under the terms of the Exchangeable Capital Units, National Australia Bank Limited has the option to require the exchange of all, but not part, of the Exchangeable Capital Units at any time for 7 7/8% Convertible Non-cumulative Preference Shares. Holders of the Exchangeable Capital Units or the Convertible Non-cumulative Preference Shares, have the option at any time to exchange their holdings for ordinary shares of National Australia Bank Limited initially at the rate of 1.6365 ordinary shares per Exchangeable Capital Unit or Convertible Non-cumulative Preference Share, subject to anti-dilution provisions.

National Australia Bank Limited has the right to redeem all or part of the Exchangeable Capital Units or purchase any or all of the Convertible Non-cumulative Preference Shares under a special offer at any time after March 19, 2007.

Fixed Rate Securities

MLC Limited has $US100 million (A$184 million) of funds raised through the issue of subordinated securities in a global offering outside Australia. The securities have a fixed coupon of 7.53% until July 2004, have no stated maturity and are redeemable at the option of MLC Limited. In November 1999, $US57 million of this debt was transferred to the shareholders' fund of MLC Limited to fund the acquisition of CEF Lend Lease Holdings Limited. The balance of the debt ($US43 million) is held in the statutory funds of MLC Limited. The subordinated debt is measured at net present value of the payments to the next restatement date (July14, 2004).

32 Other Liabilities

As at September 30 Dollars in Millions	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Accrued interest payable	**2,087**	1,839	3,621	**1,210**	1,240	2,791
Fair value of trading derivative financial instruments	**13,061**	6,807	8,228	**12,127**	6,283	7,501
Notes in circulation	**1,800**	1,562	1,775	**-**	-	-
Other life insurance liabilities [1]						
Unsettled investment liabilities	**548**	-	-	**-**	-	-
Outstanding policy claims	**60**	-	-	**-**	-	-
Reinsurance creditors	**44**	-	-	**-**	-	-
Other	**333**	-	-	**-**	-	-
Other liabilities	**8,699**	5,027	4,917	**3,926**	1,336	1,882
Total Other Liabilities	**26,632**	15,235	18,541	**17,263**	8,859	12,174

[1] Life insurance statutory fund liabilities are quarantined and will be settled from the assets of the statutory funds.

33 Finance Lease Commitments

	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Data processing and other equipment						
Due within 1 year	**11**	6	9	**2**	2	3
Due within 1-2 years	**6**	6	6	**1**	-	-
Due within 2-5 years	**3**	3	12	**-**	-	-
Due after 5 years	**2**	1	2	**-**	-	-
Total commitments under finance leases	**22**	16	29	**3**	2	3
Deduct: Future finance charges (not provided for in the financial report)	**(2)**	(1)	(3)	**-**	-	(3)
Finance Lease Liabilities (included under other liabilities)	**20**	15	26	**3**	2	-

34 Changes in Shareholders' Equity

	Consolidated 2000	1999	1998	The Company 2000	1999	1998
Issued and Paid-up Capital (a)						
Ordinary Share Capital						
Opening balance	**6,611**	5,942	1,413	**6,611**	5,942	1,413
Dividend reinvestment plan (b)	**370**	383	225	**370**	382	225
Bonus share plan (b)	**-**	-	2	**-**	-	2
Staff share scheme (b)	**3**	6	-	**3**	5	-
Executive option plan (b)	**128**	132	24	**128**	133	24
Staff share ownership plan (b)	**2**	3	1	**2**	3	1
Share purchase/top up plan (b)	**66**	145	35	**66**	146	35
Share buy back (c)	**-**	-	(1)	**-**	-	(1)
Transfer from share premium reserve [1]	**-**	-	4,243	**-**	-	4,243
Closing balance (d)	**7,180**	6,611	5,942	**7,180**	6,611	5,942
Preference Share Capital						
Preference Shares Issued (b)	**730**	730	733	**730**	730	733
Closing balance (d)	**730**	730	733	**730**	730	733

	Consolidated			The Company		
As at September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						
National Income Securities						
National Income Securities Issued (b)	**1,945**	1,945	-	**1,945**	1,945	-
Closing balance (d)	**1,945**	1,945	-	**1,945**	1,945	-
Total closing balance (d)	**9,855**	9,286	6,675	**9,855**	9,286	6,675
General Reserve						
Opening balance	**163**	142	92	**7**	5	5
Transfer from retained profits	**259**	56	50	**1**	2	-
Transfer to retained profits	**-**	(35)	-	**-**	-	-
Closing balance	**422**	163	142	**8**	7	5
Asset Revaluation Reserve						
Opening balance	**-**	3	200	**165**	165	214
Revaluation of properties	**29**	4	19	**1**	-	5
Revaluation of certain properties to recoverable amounts	**-**	(6)	(32)	**-**	-	(9)
Reduction of investment in controlled entity	**-**	-	-	**(30)**	-	-
Transfer to retained profits	**(15)**	(1)	(184)	**(2)**	-	(45)
Closing balance	**14**	-	3	**134**	165	165
Share Premium Reserve						
Opening balance	-	-	3,982	**-**	-	3,982
Premium on issue of shares	-	-	306	**-**	-	306
Bonus issue	-	-	(34)	**-**	-	(34)
Share buyback (c)	-	-	(11)	**-**	-	(11)
Transfer to issued and paid-up capital[1]	-	-	(4,243)	**-**	-	(4,243)
Closing balance	-	-	-	**-**	-	-
Foreign Currency Translation Reserve						
Opening balance	**639**	1,637	324	**35**	36	36
Currency translation adjustments	**931**	(1,012)	1,310	**53**	(1)	-
Transfer from retained profits	**-**	14	3	**-**	-	-
Closing balance	**1,570**	639	1,637	**88**	35	36
Total Reserves	**2,006**	802	1,782	**230**	207	206

[1] *On July 1, 1998 the Company Law Review Act (the Act) abolished the concept of par value and the share premium account for new and existing shares. The Act also required the balance of the Company s share premium account to become part of the issued and paid up capital account. To effect the required amalgamation, the Company absorbed its share premium account into its issued and paid up capital account.*

Details of movements in retained profits are contained in the Statement of Profit and Loss on page 55.

Comprehensive Income

Effective from October 1, 1998, the Company has commenced reporting total comprehensive income in accordance with SFAS 130 "Reporting Comprehensive Income". Comprehensive income is defined as the change in shareholders' equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes operating profit after income tax plus all other changes in shareholders' equity during a period except those resulting from investments by owners and distributions to owners.

	Consolidated			*The Company*		
As at September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						
Operating Profit after income tax attributable to the members of the Company	**3,239**	2,821	2,014	**4,921**	1,435	1,001
Other Comprehensive Income						
Movement in:						
Asset Revaluation Reserve	**14**	(3)	(197)	**(31)**	(6)	(49)
Foreign Currency Translation Reserve	**931**	(998)	1,313	**53**	(1)	-
Total Other Comprehensive Income	**945**	(1,001)	1,116	**22**	(7)	(49)
Total Comprehensive Income	**4,184**	1,820	3,130	**4,943**	1,428	952

(a) The issues of ordinary shares were for general purposes of the Consolidated Entity.

(b) Details of Issued and Paid-up Capital

	The Company					
	September 2000		*September 1999*		*September 1998*	
	No. of Shares	***Issue Price***	*No. of Shares*	*Issue Price*	*No. of Shares*	*Issue Price*
Dividend Reinvestment	**6,459,854**	**$23.35**	8,103,189	$23.90	8,688,383	$19.33
Plan Issues	**8,558,138**	**$25.65**	7,488,339	$25.20	10,147,467	$21.41
Bonus Share Plan Issues	**1,819,308**	**$23.35**	1,559,086	$23.90	1,748,744	$19.33
	1,547,583	**$25.65**	1,513,037	$25.20	1,700,020	$21.41
National Australia Bank Staff Share Scheme						
Executive Staff Share Scheme Issues						
	19,060	**$4.72**	20,590	$4.72	40,900	$4.72
	25,745	**$4.25**	26,615	$4.25	50,190	$4.25
	31,705	**$5.54**	34,150	$5.54	62,045	$5.54
	41,025	**$5.56**	54,305	$5.56	80,390	$5.56
	59,083	**$6.15**	68,102	$6.15	111,315	$6.15
	64,053	**$9.07**	86,238	$9.07	141,388	$9.07
	67,920	**$10.97**	96,588	$10.97	173,346	$10.97
	85,693	**$10.83**	97,855	$10.83	192,240	$10.83
	71,300	**$11.03**	78,048	$11.03	155,543	$11.03
National Australia Executive Option						
Plan Issues	**-**	**$11.76**	70,000	$11.76	176,500	$11.76
	5,027,700	**$16.62**	15,000	$16.62	200,000	$16.62
	299,000	**$10.55**	1,051,600	$10.55	8,809,400	$10.55
	3,310,800	**$12.16**	9,216,800	$12.16		
	-	**$12.54**	500,000	$12.54		
	45,000	**$11.52**	180,000	$11.52		
	15,000	**$19.90**				
National Australia Bank Staff Share						
Allocation Plan Issues	**1,550**	**$24.01**	2,400	$23.05	800	$20.71
National Australia Bank Staff Share						
Ownership Plan Issues	**63,794**	**$24.00**	128,715	$23.04	66,072	$20.70
	4,476	**$24.01**			4,113	$20.71
Share Top Up Plan Issues	**-**	**-**	-	-	1,669,819	$19.33
	-	**-**	-	-	1,568,501	$21.41

	The Company					
	September 2000		*September 1999*		*September 1998*	
	No. of Shares	***Issue Price***	*No. of Shares*	*Issue Price*	*No. of Shares*	*Issue Price*
Share Purchase Plan Issues	**1,214,580**	**$23.35**	5,110,360	$23.90		
	1,448,420	**$25.65**	929,100	$25.20		
Exchangeable Capital Units Converted Issues	**326**	**$19.28**	326	$19.28		
Preference Share Issues	**32,008,000**	**$20.92**	32,008,000	$20.92	32,008,000	$20.92
	4,000,000	**$20.23**	4,000,000	$20.23	4,000,000	$20.23
National Income Securities Issues	**20,000,000**	**$100.00**	20,000,000	$100.00	-	-

All shares issued were fully paid ordinary unless otherwise noted (i). Shares noted (i) are partly paid.

	Consolidated			*The Company*		
As at September 30 *Dollars in Millions*	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Equity Instrument Distributions						
Trust Units	**61**	58	7	**-**	-	-
National Income Securities	**137**	16	-	**137**	16	-
Total Distributions	**198**	74	7	**137**	16	-

Preference Shares

On September 30, 1998, the Company issued 32,008,000 fully paid Preference Shares at US$12.50 each and the underwriters exercised an option resulting in a further issue of 4,000,000 Preference Shares.

The Preference Shares initially have no entitlements to dividends, however, the ultimate investors have entitlements to non-cumulative distributions at an annual rate of 8% payable quarterly in arrears, via a holding of Trust Units Exchangeable for Preference Shares (the "Trust Units"). The Trust Units were issued by a Delaware business trust that is unrelated to the Company. Distributions to holders of the Trust Units are funded by income distributions made by the Consolidated Entity.

On December 31, 2047, or upon the earlier occurrence of certain defined events, the Preference Shares will become dividend paying Preference Shares and the Trust Units will be exchanged for the dividend paying Preference Shares. Holders of the dividend paying Preference Shares will have entitlements to non-cumulative dividends at an annual rate of 8% payable quarterly in arrears.

With the prior consent of the Australian Prudential Regulation Authority, the Preference Shares are subject to redemption, buy-back or reduction of a portion of the share capital followed by redemption of the remaining capital for their liquidation value of US$12.50 per Preference Share, plus accrued dividends (if any), prior to the fifth anniversary of the issue date upon the occurrence of certain specified events and at any time after the fifth anniversary of the issue date at the Company's discretion.

National Income Securities

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

Holders of National Income Securities are entitled to non-cumulative distributions based on a rate equal to the 90 day bank bill rate plus 1.25% per annum, payable quarterly in arrears commencing August 15, 1999 (a minimum interest rate of at least 6% per annum was payable until May 15, 2000). Should the Preference Shares become fully paid, holders will receive, if declared, a dividend calculated at the same rate and payable on the same basis. The current year distribution represents payments made on November 15, 1999, February 15, 2000, May 15, 2000, and August 15, 2000.
The previous year's distribution represents a payment made on August 15, 1999.

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

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

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

The current year distribution represents the amount declared and paid on 15 August, 1999. No further amounts have been declared since this date and the date of signing the financial statements.

(c) Share Buy-back Details

On October 7, 1997, the on market share buy-back was completed with 98,146,432 ordinary shares bought back and cancelled at an average price of $18.58. The highest price paid was $22.42 and the lowest price paid was $15.60. There is currently no share buy-back being undertaken.

(d) Details of Closing Balance of Issued and Paid-up Capital

	Consolidated		
	2000	*1999*	*1998*
	Number	*Number*	*Number*
Ordinary Shares Issued			
Fully paid ordinary shares	**1,514,360,722**	1,484,079,935	1,447,649,492
Partly paid ordinary shares to 25 cents	**1,749,673**	2,215,257	2,777,748
Total Number of Ordinary Shares Issued	**1,516,110,395**	1,486,295,192	1,450,427,240
Preference Shares Issued			
Fully paid preference shares	**36,008,000**	36,008,000	36,008,000
Total Number of Preference Shares Issued	**36,008,000**	36,008,000	36,008,000
National Income Securities Issued			
Fully paid National Income Securities	**20,000,000**	20,000,000	-
Total Number of National Income Securities Issued	**20,000,000**	20,000,000	-

For details of share options issued under the "National Australia Executive Option Plan" refer to Note 36.

	Consolidated			*The Company*		
As at September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						

35 Outside Equity Interests

Issued and paid up capital	**56**	6	-	**-**	-	-
Reserves	**-**	-	5	**-**	-	-
Retained profits	**(10)**	(6)	(2)	**-**	-	-
Total Outside Equity Interests	**46**	-	3	**-**	-	-

36 Employee Share, Bonus and Option Schemes

(a) National Australia Bank Staff Share Ownership Plan (Staff Share Ownership Plan)

The Staff Share Ownership Plan was approved by shareholders by special resolution in January 1997 and is shown in Table 1.

Under the Staff Share Ownership Plan the Board may invite any employee to apply for a loan to acquire shares or offer to have the Company provide funds to acquire shares. The Board determines the number of shares to be offered, the offer price per share and the offer period. The Company provides funds for a Trustee to subscribe for or purchase, fully paid ordinary shares in the Company on behalf of the employee. The Trustee must subscribe for or purchase the shares within a predetermined time frame.

If shares are acquired using a loan under the plan, the shares are held in Trust until the loan is repaid. The loan is provided at no interest and the loan will be repaid by the dividends from the shares. If the employee ceases employment with the Consolidated Entity the loan must be repaid. In the event that when an employee ceases employment and sells the shares, and the proceeds of the sale are insufficient to fully repay the outstanding loan balance, the Company will forgive the difference. It is intended that the loan provisions of the Staff Share Ownership Plan will be made available to all permanent staff not covered by the Employee Share Savings Plans in the United Kingdom (UK) and Republic of Ireland (RoI).

Shares obtained with funds provided by the Company will also be held in Trust and may not be dealt with by the employee until 10 years after they were acquired, unless otherwise determined by the Board. The shares may also be forfeited in the event the employee is dismissed for serious misconduct involving dishonesty.

Shares may not be issued under this plan if the total number of options and shares issued in the past five years under employee share or option plans, including the proposed offer, exceeds 5% of the number of shares in the issued capital of the Company at the date of the proposed offer.

(b) National Australia Bank Staff Share Allocation Plan (Staff Share Allocation Plan)

The Staff Share Allocation Plan was approved by shareholders by special resolution in January 1997 and is shown in Table 1.

The Staff Share Allocation Plan provides for the Board to invite any employee to participate in an offer under the plan. Offers approved by the Board up to September 30, 2000 have been for 25 shares per participant. The Company provides funds for a Trustee to subscribe for or purchase, fully paid, ordinary shares in the Company on behalf of the participating employee at no cost to the employee. The shares are held by the Trustee for three years, or until the employee ceases employment with the Consolidated Entity, and may then be dealt with by the employee. It is intended that the Staff Share Allocation Plan will apply to all permanent staff not covered by the Employee Share Savings Plan in the UK and the (RoI).

Shares may not be issued under this plan if the total number of options and shares issued in the past five years under employee share or option plans, including the proposed offer, exceeds 5% of the number of shares in the issued capital of the Company at the date of the proposed offer.

(c) Employee Share Savings Plan - United Kingdom and Republic of Ireland (Employee Share Savings Plan)

The Employee Share Savings Plan was approved by shareholders in 1995. Shares acquired under the plan in are shown in Table 1.

Full-time and part-time employees of controlled entities in the UK and RoI, who are resident in those countries and have had at least one full year's continuous service at the beginning of the savings period are eligible to participate in the plan. The plan allows for savings out of salary (up to a maximum of two percent) by participating employees and the investment of those savings by the acquisition of fully paid ordinary shares of the Company.

At the end of the savings period, each relevant controlled entity makes a cash contribution sufficient to purchase an equivalent number of shares as that purchased from the accumulated savings of participating employees. Contributions by controlled entities are accrued over the term of the Savings Period and are included in Provisions until paid.

Savings by participating employees and contributions by controlled entities are paid to trusts which purchase shares on market as soon as practicable after the close of each savings period. The price of the shares is the market price at the date the trusts acquire the shares. Shares acquired under the plan are required to be held in the trusts for a minimum of two years. The underlying regulations provide certain taxation concessions to employees where the employer funded shares are retained in the trusts for a period of three years.

The aggregate market value of shares issued to participating employees in the plan must be within the statutory requirements permitted by the taxation authorities from time to time.

The plan continues to operate with six-monthly savings periods beginning on February 1 and August 1 each year. The Board has established the savings limit for participating employees as one percent of salary until otherwise determined.

(d) National Australia Executive Option Plan (Executive Option Plan)

The Executive Option Plan was approved by shareholders in 1994. Options issued under the plan are shown in Table 2. Following approval by shareholders of the Executive Share Option Plan No. 2 in January 1997 there is no intention of issuing further options under this plan.

Under the plan, the Board could offer options to executives of the Consolidated Entity to subscribe for ordinary shares in the Company. The Board determined eligibility and entitlements having regard to each executive's contribution and potential contribution to the Consolidated Entity and to any other matters which the Board considered relevant.

The options were issued free of charge to participants in the plan. Each option is to subscribe for one fully paid ordinary share in the Company. The exercise price per share for an option was determined by the Board at the date the option was issued. The exercise price per option must be at least equal to 95% of the market value of the Company's ordinary shares as at the date the option was issued. The market value was the weighted average market price of the Company's ordinary shares in the week preceding the issue of the option.

An option may not be exercised before the third anniversary of its issue, and must be exercised by the fifth anniversary of its issue. As a precondition of the exercise of any option, the market price of the Company's shares after three years must have increased by at least 20% over the exercise price as determined at the date the option is issued, after allowing for share issues in the meantime.

Options will lapse if unexercised on or before their expiry date, or if the Board makes a determination that the holder has acted fraudulently, dishonestly or in breach of the holder's obligations to any company in the Consolidated Entity and the option is to be forfeited. The plan's rules do not provide for options to lapse by reason only of the holder's ceasing to be employed by the Consolidated Entity.

Options may only be exercised within the limitations imposed by the Corporations Law and the Australian Stock Exchange Listing Rules. Under the Australian Stock Exchange Listing Rules, options may not be issued to Company Directors under an employee incentive scheme without specific shareholder approval. Shareholders approved the issue of options (and shares resulting from exercise of those options) to the Managing Director at the annual general meetings.

A loan may be available to executives if and when they wish to exercise their options. The plan's rules provide that the rate of interest applicable to such a loan is generally the standard rate charged by the Company on loans to employees. Dividends payable in respect of a loan share are applied firstly towards payment of any interest which is due, and secondly towards repayment of the principal amount outstanding under the loan.

(e) National Australia Bank Executive Share Option Plan No. 2 (Executive Share Option Plan No. 2)

The Executive Share Option Plan No. 2 was approved by shareholders by special resolution in January 1997 and is shown in Table 2.

Under the plan, the Board may offer options to executives of the Consolidated Entity to subscribe for ordinary shares in the Company. Options may not be issued if the total number of options and shares issued in the past five years under employee share or option plans, including the proposed offer, exceeds 5% of the number of shares on issue in the Company at the date of the proposed offer.

During the year ended September 30, 2000 share options were issued to 604 executives (1999: 531) covering a total of 11,435,500 share options (1999: 12,565,000).

The options were issued free of charge to participants in the plan. Each option is to subscribe for one fully paid ordinary share in the Company.

The exercise price per share for an option is the market value of the Company's ordinary shares as at the date the option was issued. The market value is the weighted average market price of the Company's ordinary shares, on the Australian Stock Exchange, in the five trading days preceding the issue of the option.

Generally these options may not be exercised before the third anniversary of its issue, and must be exercised by the fifth anniversary of its issue. The Board may determine such other terms for the issue of options consistent with the Listing Rules and the terms of the plan. The Board has determined for the offers made under the scheme during this period, that they may only be exercised if on any day during the period between the third and fifth anniversaries of the issue of the options the total return to shareholders exceeds 65% of the Exercise Price. The total return includes the value of dividends and the share price growth over the relevant period.

Options may be exercised before the third anniversary of issue and notwithstanding the Total Return criteria in the event that the Executive ceases employment with the Consolidated Entity as the result of death or total and permanent disability. The Board may also allow the option holders to exercise the options irrespective of the normal criteria in the event of certain events involving the capital restructure of the Consolidated Entity.

Options will lapse if unexercised on or before their expiry date, or if the Board makes a determination that the holder has acted fraudulently, dishonestly or in breach of the holder's obligations to any company in the Consolidated Entity and the option is to be forfeited. The plan's rules do not provide for these options to lapse by reason only of the holder's ceasing to be employed by the Consolidated Entity.

Options may only be exercised within the limitations imposed by the Corporations Law and the Australian Stock Exchange Listing Rules. Under the Australian Stock Exchange Listing Rules, options may not be issued to Company Directors under an employee incentive scheme without specific shareholder approval. Shareholders approved the issue of options (and shares resulting from exercise of those options) to the Managing and Executive Director at the annual general meetings.

A loan may be available to executives if and when they wish to exercise their options. The Plan's rules provide that the rate of interest applicable to such a loan be the Company's Base Lending Rate plus any margin determined by the Board. Dividends payable in respect of a loan share are applied firstly towards payment of any interest which is due, and secondly towards repayment of the principal amount outstanding under the loan.

Employee share, bonus and option schemes (continued)

Amounts loaned to participants, where applicable, are included in Loans and Advances and the costs in administering the above schemes and plans are expensed as incurred. Shares issued under the above schemes and plans rank pari passu with existing shares of the Company.

Changes to National Australia Bank Executive Share Option Plan No 2 for Options Issued from March 2000

In accordance with the delegated authority granted by the shareholders to the Directors, three changes have been made to the operation of the National Australia Bank Executive Share Option Plan No 2. These changes apply to options issued in March and September, 2000.

The first change relates to the performance hurdle required to be met before the options can be exercised. The new hurdle will be measured by comparing the performance of the Company with the performance of other companies in which shareholders may potentially invest. It is intended that options granted pursuant to this change 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.

Generally, options may only be exercised after three years from the grant of the options and unexercised options will lapse eight years after grant of the options. The life of the options is the second change to the operation of the Plan, having been increased from five years.

The third change relates to executives who are granted options to encourage their long term focus on total shareholder return and then leave the Company. Generally, such executives should not continue to receive this incentive benefit. Accordingly, if an executive holding options ceases to be employed, their unexercised options from options issued in March or September, 2000 may lapse.

Table 1

Current Employee Share Plans	*Number of Eligible Participants*	*Average Price*	*Fully Paid Ordinary Shares*
Employee Share Savings Plan — United Kingdom and Republic of Ireland			
Savings Period			
Aug 1, 1996 - Jan 31, 1997	15,466	\$15.91	212,028
Feb 1, 1997 - Jul 31, 1997	14,468	\$19.01	188,562
Aug 1, 1997 - Jan 31, 1998	14,359	\$19.21	188,512
Feb 1, 1998 - Jul 31, 1998	14,266	\$19.45	209,992
Aug 1, 1998 - Jan 31, 1999	13,241	\$27.27	158,880
Feb 1, 1999 - Jul 31, 1999	13,009	\$22.57	185,108
Aug 1, 1999 - Jan 31, 2000	12,694	\$21.67	180,718
Feb 1, 2000 - Jul 31, 2000	12,911	\$25.84	165,430
Aug 1, 2000 - Jan 31, 2001 (1)	12,599		
Staff Share Allocation Plan			
2000	35,028	\$24.01	764,475
1999	33,841	\$23.05	762,325
Staff Share Ownership Plan (2)			
2000	35,028	\$24.01	5,333,720
1999	33,841	\$23.05	7,770,022

(1) No shares have been acquired at September 30, 2000 but \$0.78 million has been contributed to the Trust in respect of this Savings Period. Shares will be purchased at the end of the Savings Period.

(2) US employees contributed amounts totalling \$0.7 million (1999: \$1.2 million) toward the acquisition of the shares.

Table 2

Option Plans

Issue Date of Options	*Exercise Period of Options*	*Latest Date for Exercise of Options*	*Exercise Price of Options*	*No. of Options Held at Sep 30, 2000*	*No. of Options Exercised During 2000* (1)	*No. of Options Held at Sep 30, 1999*	*No. of Options Exercised During 1999* (1)	*Fair Value of Options as at Grant Date* (2)
National Australia Executive Option Plan								
Jan 31, 1994	Jan 31, 1997 - Jan 31, 1999	Jan 31, 1999	$11.76	-	-	-	70,000	-
Feb 13, 1995	Feb 13, 1998 - Feb 13, 2000	Feb 13, 2000	$10.55	-	299,000	299,000	1,051,600	-
Jan 2, 1996	Jan 2, 1999 - Jan 2, 2001	Jan 2, 2001	$12.16	822,400 (3)	3,310,800	4,163,200	9,216,800	17,126,400
Jan 25, 1996	Jan 25, 1999 - Jan 25, 2001	Jan 25, 2001	$12.54	-	-	-	500,000	645,000
Jun 27, 1996	Jun 27, 1999 - Jun 27, 2001	Jun 27, 2001	$11.52	15,000	45,000	60,000	180,000	290,400
National Australia Bank Executive Share Option Plan No. 2								
Feb 27, 1997	Feb 27, 2000 - Feb 27, 2002	Feb 27, 2002	$16.62	4,552,300 (4)	5,027,700	9,655,000	15,000	14,903,700
Feb 26, 1998	Feb 26, 2001 - Feb 26, 2003	Feb 26, 2003	$19.90	10,911,000 (5)	15,000	10,976,000	-	39,294,080
Mar 19, 1999	Mar 19, 2002 - Mar 19, 2004	Mar 19, 2004	$28.23	12,355,000 (6)	-	12,415,000	-	56,624,750
Aug 6, 1999	Aug 6, 2002 - Aug 6, 2004	Aug 6, 2004	$23.34	120,000	-	120,000	-	589,200
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

(1) Subsequent to balance date, no options have been exercised.

(2) Comparative information for 1994 and 1995 option issues is not available.

(3) 30,000 Options were cancelled during the year.

(4) 75,000 Options were cancelled during the year.

(5) 50,000 Options were cancelled during the year.

(6) 60,000 Options were cancelled during the year.

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, Note 50, "Remuneration of Executives" ascribes a nil value to the options issued under the Plans.

US Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" (SFAS 123) allows an alternative valuation method, known as the fair value method. SFAS 123 requires disclosure of the fair value of options where the company adopts the intrinsic value method. Under the fair value method, options issued on March 23, 2000 were valued at $4.47 each, and those issued on September 28, 2000 were valued at $5.89 each (March 19, 1999: $4.55 each, August 6, 1999: $4.91 each, 1998: $3.58 each).

For options granted in the current year the valuation is based on a numerical pricing method which takes into account both the probability of achieving the performance hurdle required for these options to vest, and the American feature which permits early exercise of vested options. The following significant assumptions were adopted to determine the fair value of options:

	Sep 28, 2000	*Mar 23, 2000*	*1999*	*1998*
Risk free interest rate	**6.60%**	**6.10%**	5.55%	5.91%
Life of options	**8 years**	**8 years**	5 years	5 Years
Volatility of share price	**20.8%**	**20.8%**	20.0%	20.0%
Dividend rate	**3.9%**	**4.5%**	4.63%	4.86%

If the fair value basis of accounting had been applied to account for compensation costs as stipulated in SFAS123, the following operating profit after income tax expense and earnings per share would have appeared:

	2000		*1999*		*1998*	
	As Reported	***Pro Forma***	*As Reported*	*Pro Forma*	*As Reported*	*Pro Forma*
Net profit after income tax expense	**3,239**	**3,205**	2,821	2,710	2,014	1,989
Basic earnings per share	**202.3**	**200.1**	186.6	184.1	140.0	138.3
Diluted earnings per share	**195.6**	**193.5**	181.6	180.9	137.9	136.3

Refer to (d) and (e) above for details of the Plans and the hurdles that must be achieved before the options can be exercised.

37 Average Balance Sheets and Related Interest

The following tables set forth the major categories of interest earning assets and interest bearing liabilities, together with their respective interest rates earned or paid by the Consolidated Entity. Averages are predominantly daily averages. Interest income figures include interest income on non-accruing loans to the extent cash payments have been received. Amounts classified as "overseas" represent interest earning assets or interest bearing liabilities of the controlled entities and overseas branches.

Non-accrual loans are included with Interest Earning Assets under "Loans and Advances".

Average Assets and Interest Income

	2000			*1999*			*1998*		
	Average Balance	***Interest***	***Average Rate***	*Average Balance*	*Interest*	*Average Rate*	*Average Balance*	*Interest*	*Average Rate*
Years ended September 30	***$M***	***$M***	***%***	*$M*	*$M*	*%*	*$M*	*$M*	*%*
Interest earning assets									
Due from other financial institutions									
Australia	**1,490**	**79**	**5.30**	1,063	42	3.95	1,347	48	3.46
Overseas	**10,482**	**612**	**5.84**	8,612	439	5.10	10,273	595	5.79
Regulatory deposits									
Australia	**-**	**-**	**-**	733	-	-	904	1	0.11
Overseas	**109**	**2**	**1.83**	114	2	1.75	151	3	1.79
Marketable debt securities									
Australia	**12,182**	**638**	**5.24**	9,848	456	4.63	7,086	359	5.07
Overseas	**14,104**	**827**	**5.86**	13,580	730	5.38	13,122	934	7.12
Loans and advances									
Australia	**91,120**	**6,797**	**7.46**	83,253	5,813	6.98	76,213	5,794	7.60
Overseas	**88,043**	**7,057**	**8.02**	79,563	6,385	8.03	71,272	6,690	9.39
Other interest earning assets(1)	**3,457**	**1,505**	**N/A**	5,286	1,199	N/A	4,507	1,003	N/A
Intragroup loans (2)									
Overseas	**4,399**	**273**	**6.21**	1,539	96	6.26	-	-	-
Interest earning assets including intragroup loans	**225,386**	**17,790**	**7.89**	203,591	15,162	7.46	184,875	15,427	8.34
Intragroup loans eliminations	**(4,399)**	**(273)**	**6.21**	(1,539)	(96)	6.26	-	-	-
Total interest earning assets	**220,987**	**17,517**	**7.93**	202,052	15,066	7.46	184,875	15,427	8.34

Years ended September 30	Balance $M	Interest $M	Rate %	Balance $M	Interest $M	Rate %	Balance $M	Interest $M	Rate %
Interest earning assets									
Due from other financial institutions									
Non-interest earning assets									
Investments relating to life insurance business (3)									
Australia	**7,329**			-			-		
Overseas	**609**			-			-		
Acceptances									
Australia	**22,349**			21,959			20,898		
Overseas	**1,165**			1,309			1,245		
Fixed assets									
Australia	**845**			756			557		
Overseas	**1,211**			1,310			1,329		
Other assets									
Australia	**15,811**			10,214			13,267		
Overseas	**17,551**			19,655			17,313		
Total non-interest earning assets	**66,870**			55,203			54,609		
Provision for doubtful debts									
Australia	**(1,246)**			(1,228)			(668)		
Overseas	**(1,304)**			(1,109)			(883)		
Total assets	**285,307**			254,918			237,933		
Percentage of total average assets applicable to overseas operations	**47.0%**			50.0%			49.6%		

Average Liabilities and Interest Expenditure

	2000			*1999*			*1998*		
Years ended September 30	**Average Balance $M**	**Interest $M**	**Average Rate %**	*Average Balance $M*	*Interest $M*	*Average Rate %*	*Average Balance $M*	*Interest $M*	*Average Rate %*
Interest bearing liabilities and loan capital									
Time deposits									
Australia	**33,321**	**1,761**	**5.28**	34,119	1,713	5.02	29,719	1,573	5.29
Overseas	**45,956**	**2,554**	**5.56**	47,805	2,416	5.05	40,393	2,888	7.15
Savings deposits									
Australia	**5,919**	**190**	**3.21**	4,470	184	4.12	4,534	189	4.17
Overseas	**17,886**	**695**	**3.89**	17,386	614	3.53	16,359	778	4.76
Other demand deposits									
Australia	**27,703**	**949**	**3.43**	27,784	812	2.92	26,046	812	3.12
Overseas	**13,095**	**401**	**3.06**	10,676	282	2.64	9,774	336	3.44
Government and Official Institutions									
Australia	**788**	**37**	**4.70**	-	-	-	-	-	-
Overseas	**1,546**	**90**	**5.82**	744	38	5.11	590	29	4.92
Due to other financial institutions									
Australia	**3,350**	**170**	**5.07**	3,070	113	3.68	3,047	110	3.61
Overseas	**22,031**	**1,252**	**5.68**	14,913	976	6.54	14,445	1,158	8.02

Average balance sheets and related interest (continued)

	2000			1999			1998		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Years ended September 30	$M	$M	%	$M	$M	%	$M	$M	%
Short-term borrowings									
Australia	**-**	**-**	**-**	-	-	-	-	-	-
Overseas	**7,154**	**500**	**6.99**	5,140	349	6.79	7,294	328	4.50
Long-term borrowings									
Australia	**13,404**	**844**	**6.30**	10,013	567	5.66	9,605	654	6.81
Overseas	**2,655**	**209**	**7.87**	2,386	141	5.91	3,459	191	5.52
Other interest bearing liabilities[3]	**4,611**	**1,328**	**N/A**	191	647	N/A	175	375	N/A
Other debt issues									
Australia	**456**	**36**	**7.89**	385	25	6.49	382	28	7.23
Overseas	**1,283**	**130**	**10.13**	1,565	123	7.86	1,581	120	7.59
Intragroup loans[2]									
Australia	**4,399**	**273**	**6.21**	1,539	96	6.24	-	-	-
Interest bearing liabilities & loan capital including intragroup loans	**205,557**	**11,419**	**5.56**	182,186	9,096	4.99	167,403	9,569	5.72
Intragroup loans eliminations	**(4,399)**	**(273)**	**6.21**	(1,539)	(96)	6.24	-	-	-
Total interest bearing liabilities & loan capital	**201,158**	**11,146**	**5.54**	180,647	9,000	4.98	167,403	9,569	5.72
Non-interest bearing liabilities									
Deposits not bearing interest									
Australia	**4,264**			4,061			3,857		
Overseas	**8,157**			7,701			7,374		
Liability on acceptances									
Australia	**22,349**			21,959			20,898		
Overseas	**1,165**			1,309			1,245		
Life insurance policy liabilities[3]									
Australia	**11,413**			-			-		
Overseas	**544**			-			-		
Other liabilities									
Australia	**8,267**			10,532			12,906		
Overseas	**7,729**			11,562			10,196		
Total non-interest bearing liabilities	**63,888**			57,124			56,476		
Shareholders equity	**20,261**			17,147			14,054		
Total liabilities & shareholders equity	**285,307**			254,918			237,933		
Percentage of total average liabilities applicable to overseas operations	**49.0%**			51.0%			50.4%		

(1) Includes interest on derivatives and escrow deposits.

(2) The calculations for Australia and Overseas include intragroup cross border loans/borrowings and associated interest. Comparatives for 1998 are not available.

(3) Included within investments relating to life insurance business are interest-earning debt securities (see Note 15). The interest earned from these securities is reported in other operating income, as shown in Note 4, and has therefore been treated as non-interest earning for the purposes of this Note. The assets and liabilities held in the statutory funds of the Consolidated Entity's Australian life insurance businesses are subject to restrictions of the Life Insurance Act 1995. Refer Note 1 for further details. The assets and liabilities of MLC have been included since the date of acquisition on June 30, 2000.

38 Interest Rate Risk

The following tables represent a break down, by currency and repricing date or contractual maturity, whichever is the earlier, of the Consolidated Entity's balance sheet as at September 30. As interest rates and yield curves change over time the bank may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with Group Balance Sheet Management policy and guidelines. In managing the structural interest rate risk, the primary objectives are to limit the extent to which net interest income could be impacted from an adverse movement in interest rates and to maximise shareholder wealth.

With the introduction of Australian Accounting Standard AASB 1038: "Life Insurance Business", the life insurance investment assets have been included in the Interest Rate Risk table for the first time for the financial year ended September 30, 2000. The interest income on these assets supports the life insurance policies issued by the Consolidated Entity's life insurance business and does not contribute to market risk within the banking book.

The assets and liabilities held in the statutory funds are subject to restrictions of the Life Insurance Act 1995. Refer to Note 1 for further details.

Australian Dollars

	0 to 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Not Bearing Interest*	*Total*	*Weighted Average Effective Interest Rate*
As at September 30, 1999							
Australian Dollars in Millions							
Financial Assets							
Cash and short term liquid assets	306	199	-	-	1,136	1,641	1.3%
Due from other financial institutions	1,971	-	-	-	-	1,971	6.3%
Due from customers on acceptances	-	-	-	-	21,434	21,434	-
Trading securities	13,126	-	-	-	-	13,126	6.4%
Investment/AFS securities	72	274	26	10	7	389	6.5%
Investments relating to life insurance business	1,220	182	1,841	2,764	17,534	23,541	5.8%
Loans and advances	72,590	10,128	16,019	765	-	99,502	8.1%
Mortgage loans held for sale	-	-	-	-	-	-	-
Mortgage servicing rights	-	-	-	-	-	-	-
Regulatory deposits	-	-	-	-	-	-	-
Other assets	2,194	415	307	170	20,395	23,481	-
Total assets	91,479	11,198	18,193	3,709	60,506	185,085	
Financial Liabilities							
Due to other financial institutions	5,534	22	-	-	-	5,556	7.1%
Liability on acceptances	-	-	-	-	21,434	21,434	-
Deposits and other borrowings	63,973	14,663	2,688	1	4,409	85,734	5.3%
Life insurance policy liabilities	-	-	-	-	29,148	29,148	-
Bonds, notes and subordinated debt	13,541	176	3,179	340	-	17,236	6.8%
Other debt issues	1,723	-	-	-	-	1,723	6.7%
Other liabilities	1,994	378	379	34	17,669	20,454	-
Shareholders' equity	-	-	-	-	8,487	8,487	-
Total liabilities and shareholders equity	86,765	15,239	6,246	375	81,147	189,772	
On balance sheet interest rate sensitivity	4,714	(4,041)	11,947	3,334	(20,641)	(4,687)	
Off balance sheet interest rate sensitivity	(2,482)	(130)	2,984	(372)	-	-	
Total interest rate repricing gap	2,232	(4,171)	14,931	2,962	(20,641)	(4,687)	
Cumulative interest rate repricing gap	2,232	(1,939)	12,992	15,954	(4,687)		

Interest rate risk (continued)

Australian Dollars

	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not Bearing Interest	Total	Weighted Average Effective Interest Rate
As at September 30, 1999							
Australian Dollars in Millions							
Financial Assets							
Cash and short term liquid assets	4	-	-	-	642	646	2.2%
Due from other financial institutions	1,689	1	-	-	-	1,690	4.8%
Due from customers on acceptances	-	-	-	-	21,649	21,649	-
Trading securities	10,959	-	-	-	-	10,959	5.2%
Investment/AFS securities	89	298	25	10	215	637	5.6%
Loans and advances	57,091	10,708	15,828	464	1,952	86,043	7.2%
Mortgage loans held for sale	-	-	-	-	-	-	-
Mortgage servicing rights	-	-	-	-	-	-	-
Regulatory deposits	-	-	-	-	-	-	-
Other assets	46	-	-	-	9,697	9,743	-
Total assets	69,878	11,007	15,853	474	34,155	131,367	
Financial Liabilities							
Due to other financial institutions	3,751	35	-	-	-	3,786	2.6%
Liability on acceptances	-	-	-	-	21,648	21,648	-
Deposits and other borrowings	55,498	13,959	1,868	3,280	4,154	78,759	4.2%
Bonds, notes and subordinated debt	6,155	883	3,792	290	-	11,120	6.5%
Other debt issues	383	-	-	-	1,262	1,645	5.2%
Other liabilities	815	1	-	-	7,380	8,196	-
Shareholders' equity	-	-	-	-	7,694	7,694	-
Total liabilities and shareholders equity	66,602	14,878	5,660	3,570	42,138	132,848	
On balance sheet interest rate sensitivity	3,276	(3,871)	10,193	(3,096)	(7,983)	(1,481)	
Off balance sheet interest rate sensitivity	2,644	(937)	(1,389)	(323)	-	(5)	
Total interest rate repricing gap	5,920	(4,808)	8,804	(3,419)	(7,983)	(1,486)	
Cumulative interest rate repricing gap	5,920	1,112	9,916	6,497	(1,486)		

	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not Bearing Interest	Total	Weighted Average Effective Interest Rate
As at September 30, 1998							
Australian Dollars in Millions							
Financial Assets							
Cash and short term liquid assets	-	-	-	-	1,877	1,877	-
Due from other financial institutions	1,873	45	-	-	-	1,918	4.8%
Due from customers on acceptances	-	-	-	-	21,179	21,179	-
Trading securities	9,036	-	-	-	1	9,037	5.4%
Investment/AFS securities	89	209	25	35	140	498	9.8%
Loans and advances	52,630	7,467	17,895	405	3,025	81,422	7.1%
Mortgage loans held for sale	-	-	-	-	204	204	-
Mortgage servicing rights	-	-	-	-	-	-	-
Regulatory deposits	947	-	-	-	-	947	-
Other assets	-	30	36	-	12,290	12,356	-
Total assets	64,575	7,751	17,956	440	38,716	129,438	

Australian Dollars

	0 to 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Not Bearing Interest*	*Total*	*Weighted Average Effective Interest Rate*
As at September 30, 1998							
Australian Dollars in Millions							
Financial Liabilities							
Due to other financial institutions	3,318	499	6	-	1,742	5,565	4.4%
Liability on acceptances	-	-	-	-	21,179	21,179	-
Deposits and other borrowings	51,630	17,263	1,355	106	3,935	74,289	4.2%
Bonds, notes and subordinated debt	8,531	975	1,175	400	2	11,083	6.7%
Other debt issues	421	-	-	1,262	-	1,683	6.6%
Other liabilities	1,219	-	-	-	9,491	10,710	-
Shareholders' equity	-	-	-	-	6,529	6,529	-
Total liabilities and shareholders equity	65,119	18,737	2,536	1,768	42,878	131,038	
On balance sheet interest rate sensitivity	(544)	(10,986)	15,420	(1,328)	(4,162)	(1,600)	
Off balance sheet interest rate sensitivity	4,899	652	(5,342)	(209)	-	-	
Total interest rate repricing gap	4,355	(10,334)	10,078	(1,537)	(4,162)	(1,600)	
Cumulative interest rate repricing gap	4,355	(5,979)	4,099	2,562	(1,600)		

The above tables provide details of the repricing dates of all interest earning assets and interest bearing liabilities of the Consolidated Entity. To obtain an understanding of the effective interest earned/paid on each of the above lines refer to Note 37, "Average Balance Sheet".

British Pounds and Irish Punts

	0 to 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Not Bearing Interest*	*Total*	*Weighted Average Effective Interest Rate*
As at September 30, 2000							
Australian Dollars in Millions							
Financial Assets							
Cash and short term liquid assets	5	-	-	-	3,980	3,985	-
Due from other financial institutions	1,921	124	8	-	(262)	1,791	5.1%
Due from customers on acceptances	850	206	41	-	2	1,099	-
Trading securities	243	-	-	-	-	243	6.0%
Investment/AFS securities	386	21	284	38	30	759	4.6%
Investments relating to life insurance business	-	3	68	55	494	620	5.7%
Loans and advances	37,876	4,374	7,729	1,270	(282)	50,967	8.5%
Mortgage loans held for sale	-	-	-	-	-	-	-
Mortgage servicing rights	-	-	-	-	18	18	-
Regulatory deposits	58	-	-	-	25	83	1.5%
Other assets	2,896	(6)	(75)	(10)	1,958	4,763	-
Total assets	44,235	4,722	8,055	1,353	5,963	64,328	
Financial Liabilities							
Due to other financial institutions	5,558	335	-	-	59	5,952	5.9%
Liability on acceptances	850	206	41	-	2	1,099	5.9%
Deposits and other borrowings	35,244	5,490	383	31	5,957	47,105	4.1%
Life insurance policy liabilities	-	-	-	-	556	556	-
Bonds, notes and subordinated debt	156	-	-	-	-	156	6.4%
Other debt issues	-	-	-	-	-	-	-
Other liabilities	2,223	-	2	(2)	5,044	7,267	-
Shareholders' equity	5	-	-	-	3,733	3,738	-
Total liabilities and shareholders equity	44,036	6,031	426	29	15,351	65,873	
On balance sheet interest rate sensitivity	199	(1,309)	7,629	1,324	(9,388)	(1,545)	
Off balance sheet interest rate sensitivity	(9,856)	6,415	3,656	(1,309)	-	(1,094)	
Total interest rate repricing gap	(9,657)	5,106	11,285	15	(9,388)	(2,639)	
Cumulative interest rate repricing gap	(9,657)	(4,551)	6,734	6,749	(2,639)		

Interest rate risk (continued)

British Pounds and Irish Punts

	0 to 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Not Bearing Interest*	*Total*	*Weighted Average Effective Interest Rate*
As at September 30, 1999							
Australian Dollars in Millions							
Financial Assets							
Cash and short term liquid assets	-	-	-	-	1,738	1,738	2.2%
Due from other financial institutions	2,018	161	-	-	44	2,223	4.4%
Due from customers on acceptances	646	284	94	13	-	1,037	-
Trading securities	31	76	-	-	-	107	6.6%
Investment/AFS securities	484	591	277	27	20	1,399	4.5%
Loans and advances	30,557	3,199	7,091	1,139	-	41,986	8.2%
Mortgage loans held for sale	-	-	-	-	-	-	-
Mortgage servicing rights	-	-	-	-	-	-	-
Regulatory deposits	72	-	-	-	39	111	1.8%
Other assets	1,334	-	-	-	1,928	3,262	-
Total assets	35,142	4,311	7,462	1,179	3,769	51,863	
Financial Liabilities							
Due to other financial institutions	2,034	1,088	-	-	48	3,170	4.5%
Liability on acceptances	347	66	94	13	518	1,038	-
Deposits and other borrowings	30,945	4,159	247	-	5,251	40,602	3.1%
Bonds, notes and subordinated debt	146	-	-	-	-	146	4.5%
Other debt issues	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	3,632	3,632	-
Shareholders' equity	8	-	-	-	3,155	3,163	-
Total liabilities and shareholders equity	33,480	5,313	341	13	12,604	51,751	
On balance sheet interest rate sensitivity	1,662	(1,002)	7,121	1,166	(8,835)	112	
Off balance sheet interest rate sensitivity	2,314	(685)	(8,142)	5,845	(268)	(936)	
Total interest rate repricing gap	3,976	(1,687)	(1,021)	7,011	(9,103)	(824)	
Cumulative interest rate repricing gap	3,976	2,289	1,268	8,279	(824)		

	0 to 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Not Bearing Interest*	*Total*	*Weighted Average Effective Interest Rate*
As at September 30, 1998							
Australian Dollars in Millions							
Financial Assets							
Cash and short term liquid assets	302	-	-	-	1,899	2,201	0.5%
Due from other financial institutions	2,994	113	-	-	83	3,190	7.1%
Due from customers on acceptances	326	-	-	-	716	1,042	-
Trading securities	46	-	-	-	-	46	7.6%
Investment/AFS securities	25	555	484	39	16	1,119	7.2%
Loans and advances	31,763	3,362	6,477	743	-	42,345	9.7%
Mortgage loans held for sale	-	-	-	-	-	-	-
Mortgage servicing rights	-	-	-	-	-	-	-
Regulatory deposits	80	-	-	-	44	124	2.0%
Other assets	2,822	120	198	-	2,058	5,198	-
Total assets	38,358	4,150	7,159	782	4,816	55,265	

Interest rate risk (continued)

British Pounds and Irish Punts

As at September 30, 1998 *Australian Dollars in Millions*	*0 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Not Bearing Interest*	*Total*	*Weighted Average Effective Interest Rate*
Financial Liabilities							
Due to other financial institutions	3,151	63	-	-	22	3,236	7.1%
Liability on acceptances	326	-	-	-	716	1,042	-
Deposits and other borrowings	37,440	1,398	306	8	5,849	45,001	5.1%
Bonds, notes and subordinated debt	166	-	-	-	-	166	7.0%
Other debt issues	-	-	-	-	-	-	-
Other liabilities	365	-	-	-	4,602	4,967	-
Shareholders' equity	34	-	-	-	3,219	3,253	-
Total liabilities and shareholders equity	41,482	1,461	306	8	14,408	57,665	
On balance sheet interest rate sensitivity	(3,124)	2,689	6,853	774	(9,592)	(2,400)	
Off balance sheet interest rate sensitivity	(968)	(678)	1,596	50	-	-	
Total interest rate repricing gap	(4,092)	2,011	8,449	824	(9,592)	(2,400)	
Cumulative interest rate repricing gap	(4,092)	(2,081)	6,368	7,192	(2,400)		

The above tables provide details of the repricing dates of all interest earning assets and interest bearing liabilities of the Consolidated Entity. To obtain an understanding of the effective interest earned/paid on each of the above lines refer to Note 37, "Average Balance Sheet".

New Zealand Dollars

As at September 30, 2000 *Australian Dollars in Millions*	*0 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Not Bearing Interest*	*Total*	*Weighted Average Effective Interest Rate*
Financial Assets							
Cash and short term liquid assets	4	-	-	-	436	440	-
Due from other financial institutions	757	-	-	-	-	757	2.3%
Due from customers on acceptances	-	-	-	-	-	-	-
Trading securities	804	391	168	53	-	1,416	6.8%
Investment/AFS securities	423	55	28	-	-	506	5.6%
Investments relating to life insurance business	20	5	-	12	-	37	2.4%
Loans and advances	12,413	2,671	5,474	149	75	20,782	8.2%
Mortgage loans held for sale	-	-	-	-	-	-	-
Mortgage servicing rights	-	-	-	-	-	-	-
Regulatory deposits	-	-	-	-	-	-	-
Other assets	-	-	(1)	-	2,485	2,484	-
Total assets	14,421	3,122	5,669	214	2,996	26,422	
Financial Liabilities							
Due to other financial institutions	1,305	12	-	-	-	1,317	3.7%
Liability on acceptances	-	-	-	-	-	-	-
Deposits and other borrowings	12,103	1,594	345	80	579	14,701	5.3%
Life insurance policy liabilities	-	-	-	-	6	6	-
Bonds, notes and subordinated debt	-	-	-	-	-	-	-
Other debt issues	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	1,541	1,541	-
Shareholders' equity	-	-	-	-	1,132	1,132	-
Total liabilities and shareholders equity	13,408	1,606	345	80	3,258	18,697	
On balance sheet interest rate sensitivity	1,013	1,516	5,324	134	(262)	7,725	
Off balance sheet interest rate sensitivity	3,379	(410)	(2,962)	(7)	-	-	
Total interest rate repricing gap	4,392	1,106	2,362	127	(262)	7,725	
Cumulative interest rate repricing gap	4,392	5,498	7,860	7,987	7,725		

Interest rate risk (continued)

New Zealand Dollars

As at September 30, 1999 *Australian Dollars in Millions*	*0 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Not Bearing Interest*	*Total*	*Weighted Average Effective Interest Rate*
Financial Assets							
Cash and short term liquid assets	289	-	-	-	63	352	2.2%
Due from other financial institutions	690	-	-	-	-	690	3.0%
Due from customers on acceptances	-	-	-	-	-	-	-
Trading securities	1,087	-	-	-	-	1,087	4.8%
Investment/AFS securities	627	71	29	-	-	727	4.7%
Loans and advances	11,564	2,251	6,047	166	36	20,064	7.3%
Mortgage loans held for sale	-	-	-	-	-	-	-
Mortgage servicing rights	-	-	-	-	-	-	-
Regulatory deposits	-	-	-	-	-	-	-
Other assets	5	-	-	1	1,561	1,567	-
Total assets	14,262	2,322	6,076	167	1,660	24,487	
Financial Liabilities							
Due to other financial institutions	1,326	52	-	-	-	1,378	1.4%
Liability on acceptances	-	-	-	-	-	-	-
Deposits and other borrowings	13,086	2,639	223	9	690	16,647	3.9%
Bonds, notes and subordinated debt	-	-	-	-	-	-	-
Other debt issues	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	806	806	-
Shareholders' equity	-	-	-	-	1,080	1,080	-
Total liabilities and shareholders equity	14,412	2,691	223	9	2,576	19,911	
On balance sheet interest rate sensitivity	(150)	(369)	5,853	158	(916)	4,576	
Off balance sheet interest rate sensitivity	3,930	41	(3,823)	(148)	-		
Total interest rate repricing gap	3,780	(328)	2,030	10	(916)	4,576	
Cumulative interest rate repricing gap	3,780	3,452	5,482	5,492	4,576		

As at September 30, 1998 *Australian Dollars in Millions*	*0 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Not Bearing Interest*	*Total*	*Weighted Average Effective Interest Rate*
Financial Assets							
Cash and short term liquid assets	-	-	-	-	56	56	-
Due from other financial institutions	1,119	90	-	-	-	1,209	3.3%
Due from customers on acceptances	-	-	-	-	-	-	-
Trading securities	1,909	-	-	-	-	1,909	8.0%
Investment/AFS securities	1	-	31	-	-	32	6.9%
Loans and advances	8,724	2,428	6,086	76	53	17,367	8.4%
Mortgage loans held for sale	-	-	-	-	-	-	-
Mortgage servicing rights	-	-	-	-	-	-	-
Regulatory deposits	-	-	-	-	-	-	-
Other assets	-	388	18	3	2,054	2,463	-
Total assets	11,753	2,906	6,135	79	2,163	23,036	

	0 to 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Not Bearing Interest*	*Total*	*Weighted Average Effective Interest Rate*
As at September 30, 1998							
Australian Dollars in Millions							
Financial Liabilities							
Due to other financial institutions	1,153	100	-	-	-	1,253	2.1%
Liability on acceptances	-	-	-	-	-	-	-
Deposits and other borrowings	11,301	2,043	124	49	551	14,068	5.6%
Bonds, notes and subordinated debt	-	-	-	-	-	-	-
Other debt issues	-	-	-	-	-	-	-
Other liabilities	750	-	-	-	1,119	1,869	-
Shareholders' equity	-	-	-	-	1,038	1,038	-
Total liabilities and shareholders equity	13,204	2,143	124	49	2,708	18,228	
On balance sheet interest rate sensitivity	(1,451)	763	6,011	30	(545)	4,808	
Off balance sheet interest rate sensitivity	3,169	1,971	(4,840)	(300)	-	-	
Total interest rate repricing gap	1,718	2,734	1,171	(270)	(545)	4,808	
Cumulative interest rate repricing gap	1,718	4,452	5,623	5,353	4,808		

The above tables provide details of the repricing dates of all interest earning assets and interest bearing liabilities of the Consolidated Entity. To obtain an understanding of the effective interest earned/paid on each of the above lines refer to Note 37, "Average Balance Sheet".

United States Dollars and Other Currencies

	0 to 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Not Bearing Interest*	*Total*	*Weighted Average Effective Interest Rate*
As at September 30, 2000							
Australian Dollars in Millions							
Financial Assets							
Cash and short term liquid assets	625	-	-	-	177	802	2.3%
Due from other financial institutions	7,683	-	-	-	578	8,261	5.8%
Due from customers on acceptances	411	-	-	-	1	412	-
Trading securities	327	-	-	-	-	327	6.4%
Investment/AFS securities	4,877	1,089	1,351	1,528	-	8,845	6.5%
Investments relating to life insurance business	304	459	924	1,022	4,196	6,905	5.7%
Loans and advances	14,665	3,120	4,310	2,407	(261)	24,241	7.8%
Mortgage loans held for sale	2,656	-	-	-	-	2,656	8.0%
Mortgage servicing rights	-	-	-	-	8,208	8,208	-
Regulatory deposits	6	-	-	-	46	52	0.6%
Other assets	2,526	(1)	1	-	4,607	7,133	-
Total assets	34,080	4,667	6,586	4,957	17,552	67,842	
Financial Liabilities							
Due to other financial institutions	15,475	1,357	28	-	-	16,860	6.0%
Liability on acceptances	411	-	-	-	1	412	-
Deposits and other borrowings	25,290	7,330	1,377	95	3,465	37,557	5.6%
Life insurance policy liabilities	-	-	-	-	169	169	-
Bonds, notes and subordinated debt	-	-	3,659	-	-	3,659	6.9%
Other debt issues	-	-	-	184	-	184	8.4%
Other liabilities	1,672	-	1	-	771	2,444	-
Shareholders' equity	151	-	2,425	-	5,474	8,050	-
Total liabilities and shareholders equity	42,999	8,687	7,490	279	9,880	69,335	
On balance sheet interest rate sensitivity	(8,919)	(4,020)	(904)	4,678	7,672	(1,493)	
Off balance sheet interest rate sensitivity	(5,377)	3,125	22,994	14,531	-	35,273	
Total interest rate repricing gap	(14,296)	(895)	22,090	19,209	7,672	33,780	
Cumulative interest rate repricing gap	(14,296)	(15,191)	6,899	26,108	33,780		

Interest rate risk (continued)

United States Dollars and Other Currencies

	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not Bearing Interest	Total	Weighted Average Effective Interest Rate
As at September 30, 1999							
Australian Dollars in Millions							
Financial Assets							
Cash and short term liquid assets	238	-	-	-	675	913	4.1%
Due from other financial institutions	5,829	276	-	-	412	6,517	4.1%
Due from customers on acceptances	165	-	-	-	-	165	-
Trading securities	700	-	-	-	-	700	3.7%
Investment/AFS securities	3,734	2,109	1,048	696	-	7,587	5.4%
Loans and advances	9,703	2,265	3,398	2,161	-	17,527	7.2%
Mortgage loans held for sale	1,980	-	-	-	-	1,980	7.0%
Mortgage servicing rights	-	-	-	-	5,345	5,345	-
Regulatory deposits	5	-	-	-	37	42	0.5%
Other assets	1,800	-	-	1	3,787	5,588	-
Total assets	24,154	4,650	4,446	2,858	10,256	46,364	
Financial Liabilities							
Due to other financial institutions	6,724	1,068	77	-	-	7,869	5.3%
Liability on acceptances	165	-	-	-	-	165	-
Deposits and other borrowings	18,941	4,201	575	137	2,606	26,460	4.3%
Bonds, notes and subordinated debt	-	-	2,171	-	-	2,171	6.0%
Other debt issues	-	-	-	-	-	-	-
Other liabilities	4,135	-	1	-	2,187	6,323	-
Shareholders' equity	2,079	-	-	-	4,504	6,583	-
Total liabilities and shareholders equity	32,044	5,269	2,824	137	9,297	49,571	
On balance sheet interest rate sensitivity	(7,890)	(619)	1,622	2,721	959	(3,207)	
Off balance sheet interest rate sensitivity	(998)	6	2,604	29	54,032	55,673	
Total interest rate repricing gap	(8,888)	(613)	4,226	2,750	54,991	52,466	
Cumulative interest rate repricing gap	(8,888)	(9,501)	(5,275)	(2,525)	52,466		

	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not Bearing Interest	Total	Weighted Average Effective Interest Rate
As at September 30, 1998							
Australian Dollars in Millions							
Financial Assets							
Cash and short term liquid assets	18	-	-	-	-	18	-
Due from other financial institutions	2,244	251	-	-	491	2,986	4.6%
Due from customers on acceptances	131	-	-	-	1	132	-
Trading securities	454	-	-	-	-	454	4.9%
Investment/AFS securities	4,785	825	1,081	824	1	7,516	6.8%
Loans and advances	11,302	2,032	4,372	1,161	-	18,867	7.8%
Mortgage loans held for sale	3,269	-	-	-	-	3,269	7.0%
Mortgage servicing rights	-	-	-	-	2,998	2,998	-
Regulatory deposits	7	-	-	-	77	84	-
Other assets	3,080	1	-	-	4,570	7,651	-
Total assets	25,290	3,109	5,453	1,985	8,138	43,975	
Financial Liabilities							
Due to other financial institutions	5,552	603	253	79	-	6,487	5.8%
Liability on acceptances	131	-	-	-	1	132	-
Deposits and other borrowings	17,850	2,863	1,193	105	2,715	24,726	5.1%
Bonds, notes and subordinated debt	1,432	221	2,213	-	-	3,866	6.6%
Other debt issues	-	-	-	-	-	-	-
Other liabilities	3,113	-	2	-	1,513	4,628	-
Shareholders' equity	46	-	-	-	4,898	4,944	-
Total liabilities and shareholders equity	28,124	3,687	3,661	184	9,127	44,783	
On balance sheet interest rate sensitivity	(2,834)	(578)	1,792	1,801	(989)	(808)	
Off balance sheet interest rate sensitivity	(1,135)	898	2,042	(204)	9,250	10,851	
Total interest rate repricing gap	(3,969)	320	3,834	1,597	8,261	10,043	
Cumulative interest rate repricing gap	(3,969)	(3,649)	185	1,782	10,043		

The above tables provide details of the repricing dates of all interest earning assets and interest bearing liabilities of the Consolidated Entity.
To obtain an understanding of the effective interest earned/paid on each of the above lines refer to Note 37, "Average Balance Sheet".

39 Notes to the Statement of Cash Flows

For the year ended September 30 Dollars in Millions	Consolidated **2000**	 1999	 1998	The Company **2000**	 1999	 1998

(i) Reconciliation of Operating Profit after Income Tax to Net Cash Provided by Operating Activities

Operating profit after income tax	**3,239**	2,821	2,014	**4,921**	1,435	1,001
Adjustments to reconcile net profit to net cash provided by/used in operating activities:						
(Increase)/decrease in interest receivable	**(316)**	1,410	294	**(245)**	1,482	(118)
Increase/(decrease) in interest payable	**168**	(1,562)	40	**(30)**	(1,551)	163
Depreciation and amortisation	**332**	282	272	**145**	110	98
Provision for doubtful debts	**588**	540	572	**216**	225	294
Provision for adoption of a statistically based provisioning methodology	**-**	-	369	**-**	-	181
Provision for restructuring	**24**	30	380	**22**	29	167
Movement in excess of the interest of the life insurance entities in their controlled entities over their recognised net assets	**(202)**	-	-	**-**	-	-
Amortisation of goodwill	**197**	206	181	**-**	-	-
Increase in life insurance policy liabilities	**2,530**	-	-	**-**	-	-
Increase in life insurance investment assets	**(2,529)**	-	-	**-**	-	-
Increase/(decrease) in provision for income tax	**139**	25	(44)	**(164)**	151	(34)
Net increase/(decrease) in provision for deferred tax and future income tax benefit	**732**	(64)	(478)	**143**	(115)	(443)
Net (increase)/decrease in trading instruments	**(2,268)**	(1,581)	(1,442)	**(2,059)**	(2,368)	(1,210)
Net movement in mortgage loans held for sale	**(274)**	1,177	(1,672)	**-**	-	-
Other provisions and non cash items	**(82)**	258	33	**279**	152	91
Total adjustments	**(961)**	721	(1,495)	**(1,693)**	(1,885)	(811)
Net cash provided by / used in operating activities	**2,278**	3,542	519	**3,228**	(450)	190

(ii) Reconciliation of Cash

For the purposes of reporting cash flows, cash and cash equivalents include 'cash and short-term liquid assets', 'due from other financial institutions' and 'due to other financial institutions'.

Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

items in the balance sheet as follows:

Cash	**3,800**	927	1,015	**7**	311	338
Other short-term liquid assets[1]	**3,068**	2,722	3,137	**765**	617	1,181
Due from other financial institutions	**12,780**	11,120	9,303	**9,803**	7,516	5,465
Due to other financial institutions	**(29,685)**	(16,203)	(16,541)	**(25,688)**	(13,304)	(11,675)
Total	**(10,037)**	(1,434)	(3,086)	**(15,113)**	(4,860)	(4,691)

[1] Other short-term liquid assets include remittances in transit which represent funds flows which are in the process of imminent conversion into cash.

(iii) Non-Cash Financing and Investing Activities

New Share Issues:						
Dividend reinvestment plan	**372**	382	385	**372**	382	385
Bonus share plan	**82**	75	70	**82**	75	70
Movement in assets under finance lease	**8**	2	10	**8**	-	(1)

As part of an internal restructure on creation of Wealth Management, on September 29, 2000, the Company transferred 100% of the share capital of National Australia Financial Management Limited to National Wealth Management Holdings Limited. The consideration given for this transfer additional equity in National Wealth Management Holdings Limited.

These amounts are not reflected in the Statement of Cash Flows.

(iv) Financing Arrangements

Refer to Note 47.

(v) Acquisitions

The following acquisitions were made during the last three years:

- On June 29, 2000, the Company aquired 100% of the share capital of National Australia Financial Management Limited (NAFM) as part of an internal restructure. On September 29, 2000, this investment was transferred to National Wealth Management Holdings Limited, a controlled entity
- of the Company. On June 30, 2000, National Australia Financial Management Limited acquired 100% of the share capital of MLC Holdings Limited, GWM Adviser Services Limited, National Corporate Investment Services Limited and MLC Corporate Services Asia Pte Limited for cash consideration.
- On March 8, 2000, National Australia Group Services Limited acquired 50% of the share capital of Fleet Systems Pty Ltd, thereby creating a shareholding of 100% of Fleet Systems Pty Ltd, for cash consideration.
- On January 21, 1999, Yorkshire Bank PLC acquired the remaining 25% of the share capital of Eden Vehicle Rentals Limited for cash consideration.
- On June 5, 1998, the Company acquired the mortgage servicing assets of BankOne Mortgage Corporation for cash consideration.
- On February 10, 1998, the Company acquired 100% of the share capital of HomeSide for cash consideration.

The operating results of the acquired entities have been included in the consolidated profit and loss account from their acquisition dates. Details of the acquisitions were as follows:

	Consolidated			*The Company*		
For the year ended September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						
Fair Value of Net Assets Acquired						
Cash and short term liquid assets	**-**	-	59	**49**	-	-
Investments relating to life insurance business	**25,385**	-	-	**5,400**	-	-
Mortgage loans held for sale	**-**	-	1,801	**-**	-	-
Mortgage servicing rights	**-**	-	2,868	**-**	-	-
Fixed assets	**37**	1	44	**15**	-	-
Other assets	**752**	12	1,135	**1,116**	-	-
Deposits and other borrowings	**-**	-	(4,369)	**-**	-	-
Life insurance policy liabilities	**(23,492)**	-	-	**(5,176)**	-	-
Bonds, notes and subordinated debt	**(164)**	-	-	**-**	-	-
Income tax liability	**(97)**	-	(206)	**(84)**	-	-
Provisions	**(2)**	-	(18)	**(7)**	-	-
Other liabilities	**(1,583)**	(10)	(295)	**(113)**	-	-
Total net assets acquired	**836**	3	1,019	**1,200**	-	-
Excess of market value over net assets at acquisition [(1)]	**3,814**	-	-	**-**	-	-
Goodwill on acquisition	**10**	5	1,154	**-**	-	-
Total acquisition cost	**4,660**	8	2,173	**1,200**	-	-
Cash Consideration Paid	**4,660**	8	2,173	**1,200**	-	-

[(1)] *Included in the excess of market value over net assets at acquisition is the excess of net market value over net assets of entities previously acquired by MLC Holdings Limited.*

40 Particulars in Relation to Controlled Entities

The following table highlights those controlled entities with contributions to consolidated operating profit of $5 million or more, or those that are deemed to be of particular interest.

Entity Name	*Incorporated in*		*Nature of Business*
National Australia Bank Limited	Australia		Banking
Controlled Entities of National Australia Bank Limited			
National Equities Limited	Australia	*a*	Parent entity
National Americas Investment, Inc.	United States of America		Parent entity
HomeSide Investment, Inc.	United States of America		Parent entity
HomeSide International, Inc.	United States of America		Parent entity
HomeSide Lending, Inc.	United States of America		Mortgage lender and servicer
National Wealth Management Holdings Limited	Australia		Parent entity
National Australia Financial Management Limited	Australia		Parent entity
National Australia Fund Management Limited	Australia		Life insurance
National Asset Management Limited	Australia		Funds management
County Investment Management Limited	Australia		Funds management
MLC Holdings Limited	Australia		Parent entity
MLC Lifetime Company Limited	Australia		Life insurance
MLC Limited and its controlled entities	Australia		Life insurance
Other MLC Holdings Limited controlled entities	Australia		Life insurance and fund management
GWM Adviser Services Limited	Australia		Financial planning
National Corporate Investment Services Limited	Australia		Financial planning
MLC Corporate Services Asia Pte Limited	Hong Kong		Financial planning
IMD Management Limited	Australia		Service entity
National Wealth Management Services Limited	Australia		Parent entity
National Australia Management Services Limited	Australia		Service entity
MLC Management Limited	Australia		Service entity
National Australia Group (NZ) Limited	New Zealand		Parent entity
Bank of New Zealand	New Zealand		Banking
BNZ Finance Limited	New Zealand		Registered bank
BNZ Investments Limited	New Zealand		Investment company
BNZ Property Investments Limited and its controlled entities	New Zealand		Property company
BNZ Life Insurance Limited	New Zealand		Life insurance
Other BNZ Investments Limited controlled entities	New Zealand		Property company, investment company
National Australia Group Europe Limited	England		Parent entity
Clydesdale Bank PLC (Group)	Scotland		Banking
Clydesdale Bank Equity Limited	Scotland		Venture/development
Clydesdale Bank Insurance Brokers Limited	Scotland		Insurance brokers and nominee entity
National Americas Holdings Limited	England		Parent entity
Michigan National Corporation	United States of America		Parent entity
Michigan National Bank and its controlled entities	United States of America		Banking
Custom Fleet Limited (Formerly Eden Vehicle Rentals Limited)	England		Vehicle contract hire
National Australia Life Company Limited	England		Life insurance
National Australia Group Europe Services Limited	Scotland		Computer services
National Australia Group Europe Investments Limited	Scotland		Investment company
National Irish Holdings Limited	England		Parent entity
National Irish Bank Limited and its controlled entities	Republic of Ireland		Banking
Northern Bank Limited	Northern Ireland		Banking
Northern Bank Financial Services Limited	Northern Ireland		Parent entity
Northern Bank Development Corporation Limited and its controlled entities	Northern Ireland		Merchant bank
Yorkshire Bank PLC	England		Banking
Yorkshire Bank Retail Services Limited and its controlled entity	England		Finance entity
Yorkshire Bank Home Loans Limited	England		Mortgage finance
National Australia Group Services Limited	Australia		Parent entity - finance provider
Custom Service Leasing Limited	Australia	*b*	Serviced lease finance

Particulars in relation to controlled entities (continued)

Entity Name	*Incorporated in*		*Nature of Business*
NBA Properties Limited and its controlled entities	Australia	*a*	Property owner
CSPL Securities Pty Limited	Australia		Finance provider
National Australia Merchant Bank (Singapore) Limited	Singapore		Merchant bank
National Australia Corporate Services Limited	Australia	*a*	Parent entity
Nautilus Insurance Pte Limited	Singapore		General insurer under restricted licence
National Markets Group Limited	Australia		Parent entity
Australian Market Automated Quotation (Ausmaq) System Limited	Australia		On-line client investment administration service
National Australia Finance (Asia) Limited	Hong Kong		Money lender
National Australia Trustees Limited and its controlled entity	Australia		Trustee entity

Beneficial interest in the shares of all entities listed above is 100%.

a) *These controlled entities and those listed hereunder have entered into a deed of cross guarantee (refer Note 41(d) for details) with the Company (National Australia Bank Limited) pursuant to Australian Securities and Investment Commission Class Order 98/1418 dated August 13, 1998. The controlled entities and the Company form a Closed Group (a Closed Group is defined as a group of entities comprising a holding entity and its related wholly-owned entities). Relief, therefore, was granted to these controlled entities from the Corporations Law requirements for preparation, audit and publication of an annual financial report.*

ARDB Limited	*C.B.C. Investments Services Limited*	*National Australia Investment Brokers Limited*
Australian Banks Export Re-Finance Corporation Limited	*Commercial Nominees Pty Limited*	*National Australia Leasing (Qld) Pty Limited*
	Groundsel Limited	*NBA Leasing Pty Limited*
C.B.C. Investments Limited	*National Nominees (London) Limited*	*VPL Securities Pty Limited*

b) *Custom Service Leasing Limited has entered into a deed of cross guarantee with National Australia Group Services Limited pursuant to Australian Securities and Investment Commission Class Order 98/1418, dated August 13, 1998. The Class Order provides relief to Custom Service Leasing Limited from the Corporations Law requirements for preparation, audit and publication of accounts.*

41 Contingent Liabilities and Credit Commitments

	Consolidation				*The Company*			
	Notional Amount (1)		*Credit Equivalent* (2)		*Notional Amount* (1)		*Credit Equivalent* (2)	
As at September 30	***2000***	*1999*	***2000***	*1999*	***2000***	*1999*	***2000***	*1999*
Dollars in Millions								
Contingent Liabilities (a)								
Guarantees	**2,676**	2,389	**2,676**	2,389	**6,481**	4,559	**6,481**	4,559
Standby letters of credit	**5,649**	3,337	**5,649**	3,337	**4,391**	2,381	**4,391**	2,381
Bill endorsements	**2**	-	**2**	-	**2**	-	**2**	-
Documentary letters of credit	**711**	409	**124**	56	**494**	377	**103**	105
Performance related contingencies	**2,494**	2,260	**1,247**	1,130	**1,728**	1,335	**864**	668
Other	**273**	230	**273**	230	**167**	136	**167**	136
Total Contingent Liabilities	**11,805**	8,625	**9,971**	7,142	**13,263**	8,788	**12,008**	7,849

The Consolidated Entity has shared its exposure on letters of credit with other financial institutions to the extent of $15 million credit equivalent (1999: $13 million). This amount is not included in the above figures. The Consolidated Entity has recourse arrangements with customers and others in respect of the major portion of the remaining contingent liabilities.

Credit Related Commitments (b)								
Outright forward purchases and forward deposits	**3,349**	2,661	**3,349**	2,661	**155**	20	**155**	20
Underwriting facilities	**132**	202	**66**	101	**132**	202	**66**	101
Other binding credit commitments	**77,664**	63,572	**16,594**	13,932	**53,169**	42,971	**12,984**	10,744
Total Credit Related Commitments	**81,145**	66,435	**20,009**	16,694	**53,456**	43,193	**13,205**	10,865

Contingent liabilities and credit commitments (continued)

In the normal course of business, various types of contracts are entered into that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers, and include commitments to extend credit, letters of credit and financial guarantees. The contracts expose the Consolidated Entity to various degrees of credit risk.

	Consolidated				*The Company*			
	Notional Amount [(1)]		*Credit Equivalent* [(2)]		*Notional Amount* [(1)]		*Credit Equivalent* [(2)]	
As at September 30	***2000***	*1999*	***2000***	*1999*	***2000***	*1999*	***2000***	*1999*
Dollars in Millions								
Investment Commitments (c)								
Statutory funds	**661**	-	**661**	-	**-**	-	**-**	-
Total Investment Commitments	**661**	-	**661**	-	**-**	-	**-**	-

[(1)] *The notional amount represents the maximum credit risk.*

[(2)] *The credit equivalent amount records the estimated maximum or total potential loss if the counterparty were to default, and is determined in accordance with the Australian Prudential Regulation Authority's risk-weighted capital adequacy guidelines. These credit equivalents are then weighted in the same manner as balance sheet assets according to counterparty for capital adequacy purposes. (For additional information refer also to, 'Capital Adequacy' on pages 29 to 31).*

(a) Contingent Liabilities

The Consolidated Entity's exposure to potential loss in the event of non-performance by a counterparty to a financial instrument for commitments to extend credit, letters of credit and financial guarantees written, is represented by the contractual notional principal amount of those instruments. The Consolidated Entity uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets.

Letters of credit and financial guarantees written are conditional commitments issued by the Consolidated Entity to guarantee the performance of a customer to a third party. Those letters of credit and guarantees are primarily issued to support direct financial obligations such as commercial bills or other debt instruments issued by a counterparty. It is the rating of the Consolidated Entity as a letter of credit or guarantee provider that enhances the marketability of the paper issued by the counterparty in these circumstances. Guarantees are also provided on behalf of counterparties as performance bonds, ongoing obligations to Government entities, etc.

The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Consolidated Entity holds collateral supporting these commitments where it is deemed necessary.

In accordance with the rules governing clearing arrangements contained in the Regulations of the Australian Paper Clearing System and in the Regulations of the Bulk Electronic Clearing System under the Australian Payments Clearing Associated Limited, the Company is subject to a commitment to provide liquidity support to the clearing system in the event of a failure of another clearing financial institution.

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 actions 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 to 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.

(b) Credit Related Commitments

Binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn down, the total commitment amounts do not necessarily represent future cash requirements. The Consolidated Entity evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Consolidated Entity upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include:

- a floating charge over all assets and undertakings of an entity, including uncalled capital and called but unpaid capital;
- specific or interlocking guarantees;
- specific charges over defined assets of the counterparty; and
- loan agreements which include affirmative and negative covenants and in some instances guarantees of counterparty obligations.

(c) Investment Commitments

Future capital commitments due in the ordinary course of business of the statutory funds.

(d) Parent Entity Guarantees and Undertakings

Excluded from the consolidated amounts disclosed above are the following guarantees and undertakings to entities in the Consolidated Entity:

- Commercial paper issued by National Australia Funding (Delaware) Inc. totalling $6,862 million (1999: $3,547 million) is guaranteed by the Company.
- The Company has agreed to guarantee existing debenture holders secured under Broadbank Corporation Limited's (now National Australia Bank (NZ) Limited) Trust Deed as at December 31, 1987 until maturity. The outstanding liability as at September 30, 2000 was immaterial.
- Under arrangements with the Bank of England a letter has been issued by the Company to Clydesdale Bank PLC and Northern Bank Limited undertaking to maintain their capital base at regulatory levels in the event that losses are incurred on exposures to individual customers whose facilities exceed 25% of Clydesdale's or Northern's regulatory capital base.
- The Company will indemnify each customer of National Nominees Limited against any loss suffered by reason of National Nominees Limited failing to perform any obligation undertaken by it to a customer.
- Pursuant to Australian Securities and Investment Commission Class Order 98/1418 dated August 13, 1998, relief was granted to certain controlled entities (refer note 40, footnote a) from the Corporations Law requirements for preparation, audit and publication of financial reports. It is a condition of the Class Order that the Company and each of the controlled entities enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Law. If a winding up occurs under other provisions of the Law, the Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up. The following consolidated statements of profit and loss and balance sheets are presented for the Company and controlled entities, after eliminating all transactions between parties to the deed of cross guarantee, which are party to the Deed.

It is not envisaged that any material unrecorded loss is likely to arise from transactions described in this note.

Statement of Profit and Loss for the Company and Controlled Entities which are a Party to the Deed

For year ended September 30 *Dollars in Millions*	***2000***	*1999*
Operating profit before tax	**3,390**	2,841
Income tax expense attributable to operating profit	**791**	669
Operating profit after income tax	**2,599**	2,172
Outside equity interests in operating profit after tax	**-**	(2)
Operating profit after income tax attributable to members of the Company	**2,599**	2,174
Retained profits at the beginning of the financial year	**4,880**	4,359
Dividend provisions not required	**91**	85
Aggregate of amounts transferred from reserves	**3**	(12)
Total available for appropriation	**7,573**	6,606
Dividends provided for or paid	**2,036**	1,724
Divisional transfers	**-**	(1)
Aggregate of amounts transferred to reserves	**3**	3
Retained profits at the end of the financial year	**5,534**	4,880

Balance Sheet for the Company and Controlled Entities which are a Party to the Deed

As at September 30 *Dollars in Millions*	***2000***	*1999*
Assets		
Cash and short-term liquid assets	**773**	930
Due from other financial institutions	**9,803**	7,517
Due from customers on acceptances	**21,953**	21,903
Trading securities	**13,820**	11,761
Available for sale securities	**2,823**	1,211
Investment securities	**2,986**	5,598
Loans and advances	**107,559**	91,168
Shares in entities and other securities	**10,281**	5,806
Regulatory deposits	**12**	6
Fixed assets	**1,032**	771
Goodwill	**12**	17
Other assets	**52,134**	30,185
Total Assets	**223,188**	176,873
Liabilities		
Due to other financial institutions	**25,688**	13,304
Liability on acceptances	**21,953**	21,903
Deposits and other borrowings	**107,192**	94,194
Income tax liability	**883**	898
Provisions	**1,596**	1,361
Bonds, notes and subordinated debt	**17,437**	11,287
Other debt issues	**461**	383
Other liabilities	**32,078**	19,107
Total Liabilities	**207,288**	162,437
Net Assets	**15,900**	14,436
Shareholders' Equity		
Issued and paid-up capital	**9,855**	9,285
Reserves	**510**	270
Retained profits	**5,535**	4,881
Total Shareholders' Equity	**15,900**	14,436

42 Derivative Financial Instruments

In recent years there has been a well-publicised growth in the use of derivative financial instruments. This growth is the result of a number of factors. The most significant has been the prevalence, in the past twenty years, of considerable price volatility and uncertainty in financial markets. This has caused a widespread desire among users of these markets to find various ways of limiting their exposure to the associated risks.

However, derivatives should not be regarded entirely as a contemporary phenomenon. Although swaps were first devised in the early 1980s, other derivatives like forwards and options have been employed in commercial ventures for centuries. It is the recent emergence of powerful mathematical tools, coupled with rapid advances in technology and communications, that has brought about the creation of a global market dealing in the many variations of these basic instruments.

Whatever their form, derivatives continue to enable holders of actual or anticipated assets or liabilities whose value may vary with movements in interest rates, foreign exchange rates or the prices of equities or commodities, to modify or eliminate those risks by transferring them to other entities willing to assume them.

Accounting methodologies have limited capacity to measure or portray the risks associated with derivatives. This can only be done through quantitative disclosure and narrative explanations. The purpose of the following discussion is to inform users of the financial report of the type of instruments used by the Consolidated Entity, the reasons for using them, the accompanying risks, and how those risks are managed.

Definition of a Derivative

A derivative financial instrument is a contract or agreement whose value depends on (or derives from) the value of an underlying instrument, reference rate or index. As indicated above, derivatives are usually separated into three generic classes; forwards, options and swaps, although individual products may combine the features of more than one class. The principal features of each of these classes are summarised below.

Forward and Futures Contracts

Forward and futures contracts are contracts for delayed delivery of financial instruments in which the seller agrees to settle at a specified future date at a specified price or yield. A forward rate agreement is a confirmed agreement between two parties to exchange an interest rate differential on a notional principal amount at a given future date.

Options

Options are contracts that allow the holder of the option the right but not the obligation to purchase or sell a financial instrument at a specified price and within a specified period. Interest rate caps and floors are option contracts, and included as such in the disclosures below. They require the seller to pay the purchaser at specified future dates the amount, if any, by which a specified market interest rate exceeds the fixed cap rate or falls below the fixed floor rate, applied to the notional principal amount.

Swaps

Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying notional principal amount. A cross currency swap takes the form of an agreement to exchange one currency for another and to re-exchange the currencies at the maturity of the swap, using the same exchange rate, with the exchange of interest payments throughout the swap period.

Risk Associated with Derivatives

Derivatives are used primarily as a means of transferring risk. They expose the holder to various degrees and types of financial risk including market, credit and liquidity risk. These risks are discussed below.

Market Risk

Definition

Market risk of derivative financial instruments held or issued for trading purposes is the risk that the value of derivatives will be adversely affected by changes in the market value of the underlying instrument, reference rate or index. Market risk is relevant to the Consolidated Entity's trading activities in which it primarily acts as an intermediary to satisfy customer needs. However, not all risks associated with intermediation can be effectively hedged. The residual market exposures together with trading positions are managed within established limits approved by the Board. A unit independent of the trading activities monitors compliance within delegated limits on a daily basis.

Derivative Financial Instruments Held or Issued for Trading Purposes

General Description of Activities

The Consolidated Entity maintains trading positions in a variety of derivative financial instruments and acts primarily in the market by satisfying the needs of its customers through foreign exchange and interest rate related services. In addition, the Consolidated Entity takes conservative positions on its own account, and carries an inventory of capital market instruments. It satisfies customer needs and maintains access to market liquidity by quoting bid and offer prices on those instruments and trading with other market makers. All positions held for trading purposes are revalued on a daily basis to reflect market movements, and any revaluation gain or loss is recognised immediately in the profit and loss account.

Table 1 shows the fair value of all derivative instruments held or issued for trading and other than trading purposes as at September 30, 2000 and September 30, 1999, together with the average fair values that applied during those years. It should be noted that fair value at a particular point in time gives no indication of future gain or loss, or what the dimensions of that gain or loss are likely to be.

Table 1: Fair Value of Assets (Liabilities) Arising from Instruments Held or Issued

Consolidated	*Other Than Trading Fair Value* [1]		*Trading Fair Value* [1]		*Trading Average Fair Value*	
As at September 30	***2000***	*1999*	***2000***	*1999*	***2000***	*1999*
Dollars in Millions						
Foreign Exchange Rate Related Contracts						
Spot and forward contracts to purchase foreign exchange						
In a favourable position	**1,341**	176	**8,611**	2,965	**3,918**	2,743
In an unfavourable position	**(21)**	(147)	**(8,234)**	(2,739)	**(3,138)**	(2,577)
Cross currency swaps						
In a favourable position	**755**	29	**1,124**	1,005	**944**	693
In an unfavourable position	**(121)**	(64)	**(1,246)**	(1,378)	**(893)**	(443)
Options						
Purchased	**3**	-	**1,220**	306	**641**	297
Written	**-**	-	**(804)**	(220)	**(457)**	(212)
Total Foreign Exchange Rate Related Contracts	**1,957**	(6)	**671**	(61)	**1,015**	501
Interest Rate Related Contracts						
Forward rate agreements						
In a favourable position	**-**	-	**5**	9	**7**	12
In an unfavourable position	**-**	-	**(7)**	(10)	**(8)**	(15)
Swaps						
In a favourable position	**217**	32	**2,746**	1,962	**3,038**	2,272
In an unfavourable position	**(643)**	(796)	**(2,701)**	(2,359)	**(3,159)**	(2,654)
Futures	**1**	3	**(6)**	4	**3**	4
Options						
Purchased	**302**	145	**171**	140	**235**	108
Written	**-**	-	**(95)**	(101)	**(101)**	(69)
Total Interest Rate Related Contracts	**(123)**	(616)	**113**	(355)	**15**	(342)
Total	**1,834**	(622)	**784**	(416)	**1,030**	159

[1] *The positive fair value represents the credit risk to the Consolidated Entity if all the Consolidated Entity's counterparties were to default.*

Foreign Exchange Rate Related Contracts

The table shows that the bulk of fair value is concentrated in foreign exchange spot and forward transactions. These contracts are of a standardised form and are usually of a maturity of less than twelve months.

The fair value of foreign exchange rate related contracts amounted to a net unrealised gain at September 30, 2000 of $671 million (1999: loss of $61 million). Total net realised and unrealised gains and losses on foreign exchange rate related contracts during the year totalled $399 million (1999: $251 million). Refer to Note 4.

Interest Rate Related Contracts

The table shows that the bulk of fair value is concentrated in interest rate swaps.

The fair value of interest rate related contracts amounted to a net unrealised gain at September 30, 2000 of $113 million (1999: loss of $355 million). Total net realised and unrealised gains and losses on both interest rate related contracts and physical securities, during the year totalled $69 million (1999: $206 million) Refer to Note 4.

Values at Risk

As foreign exchange and interest rate derivatives generally consist of offsetting commitments, they involve only limited net foreign exchange and interest rate risk, which is managed in the Consolidated Entity under strict trading guidelines. The overall market risk that any business unit can assume is approved by a special committee of the Board, through a combination of intraday trading limits and overnight values at risk limits.

Values at risk represents an estimate of potential profit impact of a rate movement, and is assessed on an entire trading portfolio basis, including both physical and derivative positions. Values at risk is measured as the absolute value of observed changes in the trading portfolio value brought about by daily changes in market rates at a 95% confidence level. For example, a values at risk exposure of $1 million means that in 95 cases out of 100, given the historical behaviour of rates, an overnight profit impact on the trading portfolio should not exceed $1 million.

The values at risk methodology is one means by which the Consolidated Entity manages volatility from market risk. Table 2 shows the Consolidated Entity's values at risk for both foreign exchange and interest rate trading portfolios, including both physical and derivative positions. The figures reflect the offsetting potential gains or losses across products and regions in which the Consolidated Entity operates.

Table 2: Values at Risk for physical and derivative positions

Consolidated	*Average Value During Reporting Period*		*Minimum Value During Reporting Period*		*Maximum Value During Reporting Period*	
For periods ended	*September*	*March*	*September*	*March*	*September*	*March*
Dollars in Millions	***2000***	***2000***	***2000***	***2000***	***2000***	***2000***
Values at risk at a 95% confidence level						
Foreign exchange risk	**10**	**8**	**3**	**3**	**20**	**17**
Interest rate risk	**10**	**9**	**6**	**6**	**17**	**17**
Volatility risk	**1**	**1**	**-**	**-**	**3**	**3**
Total	**15**	**13**	**8**	**8**	**24**	**22**

As noted in the National's published results for the six months ended March 31, 2000, the Value at Risk (VaR) numbers are now being sourced from the regulator approved internal model. For the year ended September 30, 2000, VaR number comparisons are made against the March 31, 2000 published numbers only. This is to ensure consistency of the basis of modelling VaR numbers for reporting. In future, VaR comparisons will be made against the corresponding period end of the prior year using the regulator approved internal model.

VaR is measured individually according to interest rate risk, foreign exchange risk and volatility risk. The individual risk categories do not sum up to the total risk number due to portfolio effect. Risk limits are applied in these categories separately, and against the total risk position.

Derivative Financial Instruments Held or Issued for Purposes Other Than Trading

General Description

The operations of the Consolidated Entity are subject to risk of interest rate fluctuations, to the extent that there is a difference between the amount of the Consolidated Entity's interest-earning assets and the amount of interest-bearing liabilities that mature or reprice in specified periods. Derivative financial instruments are held or issued for the purposes of managing this interest rate risk.

Interest Rate Risk Analysis

The Consolidated Entity monitors its interest rate risk for derivative activities other than trading by simulating future net interest income resulting from applying a range of possible future interest rate environments to its projected balance sheets.

Anticipated Transactions

The Consolidated Entity holds or issues derivative financial instruments for the purpose of hedging foreign exchange rate or interest rate exposures arising from anticipated future transactions. The majority of such transactions arise on interest rate repricing mismatches revealed in risk analyses of the type mentioned above. In addition, the Company also uses foreign exchange rate related derivatives, in order to hedge anticipated cash flows such as those relating to dividends emanating from offshore controlled entities.

Table 3 shows the net deferred realised gains and losses arising from hedging contracts entered into to reduce the risk arising from identifiable assets, liabilities and commitments, together with the expected term of deferral.

Table 3: Net Deferred Gains and Losses

Consolidated	*Foreign Exchange Rate Related Contracts*		*Interest Rate Related Contracts*		*Total*	
As at September 30 *Dollars in Millions*	***2000***	*1999*	***2000***	*1999*	***2000***	*1999*
Within 6 Months	**-**	-	**-**	(1)	**-**	(1)
6 Months - 1 Year	**-**	-	**-**	1	**-**	1
1 - 2 Years	**-**	-	**-**	(5)	**-**	(5)
2 - 5 Years	**-**	-	**-**	(4)	**-**	(4)
After 5 Years	**-**	-	**1,271**	758	**1,271**	758
Total	**-**	-	**1,271**	749	**1,271**	749

Table 4 shows the net deferred gains and losses from hedging contracts entered into to reduce the risk arising from anticipated transactions together with the expected term of deferral.

Table 4: Net Deferred Gains and Losses Arising From Hedges of Anticipated Transactions

Consolidated	*Foreign Exchange Rate Related Contracts*		*Interest Rate Related Contracts*		*Total*	
As at September 30 *Dollars in Millions*	***2000***	*1999*	***2000***	*1999*	***2000***	*1999*
Within 6 Months	**-**	-	**1**	1	**1**	1
6 Months - 1 Year	**-**	-	**-**	-	**-**	-
1 - 2 Years	**-**	-	**-**	-	**-**	-
2 - 5 Years	**-**	-	**-**	-	**-**	-
After 5 Years	**-**	-	**-**	-	**-**	-
Total	**-**	-	**1**	1	**1**	1

Credit Risk

Credit risk arises from the possibility that the counterparty to a derivative financial instrument will not adhere to the terms of the contract with the Consolidated Entity when settlement becomes due.

Notional principal is the amount of a derivative's underlying asset, reference rate or index and is the quantum on which changes in the value of the derivative are measured. It provides an indication of the volume of business transacted by the Consolidated Entity. Changes in the value of a derivative are usually only a fraction of the notional principal amount, and it is only those changes which have a positive fair value to the Consolidated Entity which create a potential for credit risk.

The Consolidated Entity's credit exposure has been determined in accordance with the Australian Prudential Regulation Authority's capital adequacy guidelines. This "credit equivalent" is derived by taking into account the residual maturity of each instrument, and then adding the fair value of all contracts which have a positive fair value. Futures and Option contracts which are traded on a recognised exchange and which are subject to margin payments are considered to have no credit exposure. Internal credit assessment applies a conservative methodology to determine potential counterparty exposure.

Table 5 shows the fair value of all derivative instruments as at September 30, 2000 and September 30, 1999. It should be noted that fair value at a particular point in time gives no indication of future gain or loss, or what the dimensions of that gain or loss are likely to be.

Credit risk is constantly assessed, measured and managed in strict accordance with the Bank's risk management policies. Member banks of the Consolidated Entity may take collateral to secure amounts due under treasury transactions, however collaterisation is assessed specifically at the time facilities are approved on a case-by-case basis.

Table 5: Notional Principal, Estimated Credit Equivalent and Fair Value of all Derivative Financial Instruments

Consolidated	Notional Principal		Credit Equivalent		Fair Value		Average Fair Value [2]	
As at September 30	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
Dollars in Millions								
Foreign Exchange Rate Related Contracts								
Spot and forward contracts to purchase								
Foreign exchange [1]								
Trading	**252,067**	203,764	**11,458**	4,659	**377**	226	**780**	166
Other than trading	**28,694**	17,807	**450**	191	**1,475**	29	**-**	-
Total Foreign Exchange	**280,761**	221,571	**11,908**	4,850	**1,852**	255	**780**	166
Cross currency swaps [1]								
Trading	**29,992**	33,256	**3,204**	2,277	**(122)**	(373)	**51**	250
Other than trading	**5,995**	4,982	**-**	-	**634**	(35)	**-**	-
Total Cross Currency Swaps	**35,987**	38,238	**3,204**	2,277	**512**	(408)	**51**	250
Total Futures Trading	**8**	11	**-**	-	**-**	-	**-**	-
Options								
Trading	**83,628**	36,250	**1,247**	387	**416**	86	**184**	85
Other than trading	**143**	-	**5**	-	**3**	-	**-**	-
Total Options	**83,771**	36,250	**1,252**	387	**419**	86	**184**	85
Total Foreign Exchange Rate Related Contracts	**400,527**	296,070	**16,364**	7,514	**2,783**	(67)	**1,015**	501
Interest Rate Related Contracts								
Forward rate agreements								
Trading	**44,429**	39,175	**83**	18	**(2)**	(1)	**(1)**	(3)
Other than trading	**-**	880	**-**	-	**-**	-	**-**	-
Total Forward Rate Agreements	**44,429**	40,055	**83**	18	**(2)**	(1)	**(1)**	(3)
Swaps								
Trading	**280,704**	198,477	**4,128**	2,813	**44**	(397)	**(121)**	(382)
Other than trading	**51,589**	38,467	**620**	316	**(426)**	(764)	**-**	-
Total Swaps	**332,293**	236,944	**4,748**	3,129	**(382)**	(1,161)	**(121)**	(382)
Futures								
Trading	**106,845**	122,955	**-**	-	**(6)**	4	**3**	4
Other than trading	**12,359**	14,357	**-**	-	**2**	3	**-**	-
Total Futures	**119,204**	137,312	**-**	-	**(4)**	7	**3**	4
Options								
Trading	**87,166**	63,433	**234**	405	**77**	39	**134**	39
Other than trading	**54,432**	23,394	**459**	143	**302**	145	**-**	-
Total Options	**141,598**	86,827	**693**	548	**379**	184	**134**	39
Total Interest Rate Related Contracts	**637,524**	501,138	**5,524**	3,695	**(9)**	(971)	**15**	(342)
Other Index Related Contracts								
Swaps								
Trading	**-**	-	**-**	-	**-**	-	**-**	-
Other than trading	**63**	-	**4**	-	**2**	-	**-**	-
Total Index Related Contracts	**63**	-	**4**	-	**2**	-	**-**	-
Total	**1,038,114**	797,208	**21,892**	11,209	**2,776**	(1,038)	**1,030**	159
Deduct:								
Non-consolidated subsidiaries [3]	**2,779**	-	**27**	-	**158**	-	**-**	-
Total for Capital Adequacy	**1,035,335**	797,208	**21,865**	11,209	**2,618**	(1,038)	**1,030**	**159**

(1) *In accordance with industry practice, notional principal amounts disclosed for spot and forward foreign exchange contracts represent the buy leg only and for cross currency swaps represent the receivable leg only.*

(2) *Average fair values of other than trading contracts are not captured.*

(3) *Under Australian Prudential Regulation Authority guidelines, life insurance and funds management activities are excluded from the calculation of risk-weighted assets and the related subsidiaries are deconsolidated for the purposes of calculating capital adequacy.*

Credit Equivalent by Maturity

As mentioned above, the credit equivalent amount includes an adjustment which takes account of the residual maturity of contracts. This is because credit risk is partly a function of the time over which the exposure will be held.

Table 6 provides a maturity profile of total counterparty exposure by credit equivalent amounts. It shows that 64% (1999: 57%) of the exposure is confined to maturities of one year or less and 86% (1999: 85%) matures within five years.

Table 6: Maturity Profile of Total Derivative Financial Instruments Counterparty Exposure by Credit Equivalent Amounts

Consolidated	*Foreign Exchange Rate Related Contracts*		*Interest Rate Related Contracts*		*Total*	
As at September 30	***2000***	*1999*	***2000***	*1999*	***2000***	*1999*
Dollars in Millions						
Within 6 Months	**10,023**	4,111	**1,083**	883	**11,106**	4,994
6 Months - 1 Year	**2,618**	1,120	**202**	228	**2,820**	1,348
1 - 2 Years	**1,404**	1,224	**736**	442	**2,140**	1,666
2 - 5 Years	**1,302**	527	**1,408**	971	**2,710**	1,498
After 5 Years	**994**	532	**2,095**	1,171	**3,089**	1,703
Total	**16,341**	7,514	**5,524**	3,695	**21,865**	11,209

Credit Equivalent by Concentration

Depending on the risks associated with an individual counterparty or groups of counterparties, a concentration of credit risk can be perceived as indicative of more or less credit risk. In general, the Consolidated Entity's dealings in derivatives involve counterparties in the Banking and Financial Services area, together with government and semi-government authorities and major corporates.

Table 7 shows the credit equivalent of derivatives allocated to broad sector and geographic locations. It shows that 66% (1999: 71%) of credit exposure is to government authorities and banks. In excess of 93% (1999: 94%) of the Consolidated Entity's derivative financial instruments outstandings in terms of the credit equivalent are to customers with a credit rating of investment grade or above under the Consolidated Entity's loan grading system.

Table 7: Credit Equivalent of Derivative Financial Instruments Allocated to the Sectors and Geographic Locations of the Ultimate Obligors

Consolidated	*Governments*	*Banks*	*Non Bank Financial Institutions*	*Corporate and All Other Sectors*	*Total*
As at September 30, 2000					
Dollars in Millions					
Australia	545	5,934	1,550	2,794	10,823
Europe	-	4,438	38	93	4,569
New Zealand	9	351	29	608	997
United States of America	-	1,033	-	44	1,077
Asia	2	2,230	1,940	227	4,399
Total	556	13,986	3,557	3,766	21,865

Liquidity Risk

Liquidity risk arises from the possibility that market conditions prevailing at some point in the future will force the Consolidated Entity to sell derivative positions at a value which is far below their underlying worth, or may result in the inability to exit from the positions. The liquidity of a derivative, or an entire market, can be reduced substantially as a result of some market event or change in market psychology, or the actions of individual participants.

In order to counter such risk, the Consolidated Entity concentrates its derivative activity in highly liquid markets. Table 5, for example, shows that approximately 39% (1999: 45%) of notional principal outstanding was represented by standard foreign exchange and interest rate futures contracts.

Special considerations apply in the case of interest rate and cross currency swaps. These are often specially tailored instruments whose cash flows are structured to suit the particular needs of individual clients. Such instruments have the appearance of illiquidity because hedging the position with another counterparty with exactly offsetting requirements would be an unlikely occurrence.

However, the Consolidated Entity hedges the risks of customised swap structures by using a combination of other instruments. Swaps, forward rate agreements, futures contracts, physical securities or even loans and deposits can be employed for this purpose. In other words, such swaps may appear illiquid, but their component risks are not. Furthermore, other market participants will always be willing to provide liquidity to an instrument they are able to hedge.

In addition, values at risk utilisations (Table 2) ensure that open positions are maintained at a very small level relative to total volume. Such levels ensure that, at a time of market stress, the Consolidated Entity would not be forced to compete for ever diminishing liquidity in order to dispose of, or hedge, its existing positions.

43 Fair Value of Financial Instruments

Disclosed below is the estimated fair value of the Consolidated Entity's financial instruments presented in accordance with the requirements of Statement of Financial Accounting Standards No. 107 "Disclosures about Fair Value of Financial Instruments"(SFAS 107) and Australian Accounting Standard AASB 1033 "Presentation and Disclosure of Financial Instruments" (AASB 1033).

A financial instrument is defined by SFAS 107 as cash, evidence of an ownership interest in an entity, or a contract that creates a contractual obligation or right to deliver to or receive cash or another financial instrument from a second entity on potentially favourable or unfavourable terms.

The following disclosures include all financial instruments other than items exempted from the provisions of the standard such as leases, controlled and associated entity investments and pension fund obligations. The disclosures also exclude the effect of any premium or discount that may result from concentrations of ownership of a financial instrument, possible tax consequences, estimated transaction costs that may result from bulk sales or the relationships that may exist between various financial instruments.

There are various limitations inherent in this disclosure. First, it excludes a wide range of intangible, franchise and relationship benefits which are integral to a full assessment of the Consolidated Entity's financial position and the value of its net assets. Of prime significance among these exclusions, is the inability to assign a premium to non-interest bearing and call (ie. current account) deposits, notwithstanding that such deposits represent a stable source of long-term funding to the Consolidated Entity. The value of that premium is positively correlated with interest rates - it increases as interest rates rise. However, an interest rate rise will adversely affect the valuation of those longer term fixed rate financial assets which are, in part, funded by those deposits. Therefore, in the absence of any recorded increase in the premium value of such deposits, SFAS 107 disclosures will tend to indicate an interest rate sensitivity within the Consolidated Entity which in reality may not exist.

Additionally, some items are excluded from the SFAS 107 and AASB 1033 requirements even where they may be bought and sold in the market. For example, the intangible value of credit card relationships represent the value attributable to a credit card customer base, and are based on the expected duration of customer relationships. Recorded sales of credit card receivables in other entities indicate that this intangible carries significant premium market value. This market value has not been recognised in the disclosure below.

Furthermore, the valuation of other loans and deposits which, as explained below, generally involved the use of discounted cash flow techniques takes no account of the value to the Consolidated Entity of the customer relationships so formed and on which the Consolidated Entity's continued financial health depends.

Finally, although management has employed its best judgment in the estimation of fair values, there is inevitably a significant element of subjectivity involved in the calculations. This is particularly so in the case of those financial instruments which are non performing or which, like the majority of the Consolidated Entity's financial assets and liabilities, have a thin or non-existent market. Therefore, the fair value estimates presented below are not necessarily indicative of the amounts the Consolidated Entity could have realised in a sales transaction at September 30.

Methodologies

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

Liquid assets

The carrying values of certain on-balance sheet financial instruments approximate fair values. These include cash and short-term liquid assets, due to and from other financial institutions, acceptances outstanding and customers' acceptance liability, and accrued interest receivable and payable. These financial instruments are short-term in nature and the related amounts approximate fair value or are receivable or payable on demand.

Debt securities

The fair values of Trading, Investment, and Available for Sale securities, together with any related hedge contracts where applicable, are based on quoted market prices at September 30, 2000.

Investments relating to life insurance business

The fair values of debt and equity securities are based on quoted market prices at September 30, 2000. Where no quoted market values exist, various valuation methods are adopted by the directors as detailed in Note 1. In those cases, the values adopted are deemed equivalent to net market value.

Loans and advances

The fair value of loans and advances that reprice within six months of balance date is assumed to equate to the carrying value. The fair value of all other loans and advances were calculated using discounted cash flow models based on the maturity of the loans. The discount rates applied in this exercise were based on the current interest rates of similar types of loans, if the loans were performing at reporting date.

Mortgage loans held for sale

The fair value of mortgage loans held for sale is based on the sale contract prices or if not committed for sale, the current market price.

Mortgage servicing rights

The fair value of mortgage servicing rights is derived using market prices of similar assets and discounted future net cash flows based on economic factors such as market and historic prepayment rates, portfolio characteristics and interest rates.

Shares in entities and other securities

The fair value of shares in entities and other securities was based on quoted market prices where available. Where quoted market prices did not exist, the fair values were estimated after taking into account the underlying financial position of the investee or quoted market prices for similar instruments.

Regulatory deposits

The Consolidated Entity is required by law, in several of the countries in which it operates, to lodge regulatory deposits with the local central bank at a rate of interest below that generally prevailing in that market. As the obligation between the parties is not based on contract but on regulatory requirements, such deposits do not constitute a financial instrument within the definition contained in SFAS 107 and have been included in the table for Australian reporting purposes.

Deposits and other borrowings

As noted above, the fair value of non-interest bearing, call and variable rate deposits and fixed rate deposits repricing within six months was the carrying value at September 30. The fair value of other term deposits was calculated using discounted cash flow models, based on the deposit type and its related maturity.

Life insurance policy liabilties

The fair value of the policy liabilities was calculated using the Margin on Services methodology as detailed in Note 1.

Bonds, notes and subordinated debt/other debt issues

The fair value of bonds, notes and subordinated debt was calculated based on quoted market prices. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument was used.

The fair value of off-balance sheet financial instruments that qualify as accounting hedges for the Consolidated Entity's long-term debt was included in the fair value amount of the hedged debt.

Commitments to extend credit, letters of credit and guarantees, warranties and indemnities issued

These financial instruments are generally not sold nor traded and estimated fair values are not readily ascertainable. Fair value of these items was not calculated for the following reasons. First, very few of the commitments extending beyond six months would commit the Consolidated Entity to a predetermined rate of interest. Secondly, the fees attaching to these commitments are the same as those currently charged to enter into similar arrangements. Finally, the quantum of fees collected under these arrangements, upon which a fair value calculation would be based, is not material.

Other off-balance sheet financial instruments

The fair values of foreign exchange contracts, interest rate swaps, interest rate and currency option contracts, and currency swaps were obtained from quoted market prices, discounted cash flow models or option pricing models as appropriate.

The fair values of these instruments are disclosed in Note 42, "Derivative Financial Instruments".

Summary

The following table provides comparison of carrying and fair values for each item discussed above, where applicable.

	Carrying Value (1)	*Fair Value* (2)	*Carrying Value* (1)	*Fair Value* (2)
As at September 30	***2000***		*1999*	
Dollars in Millions				
Financial Assets				
Liquid assets	**6,868**	**6,868**	3,649	3,649
Due from other financial institutions	**12,780**	**12,780**	11,120	11,120
Due from customers on acceptances	**22,945**	**22,945**	22,851	22,851
Debt securities	**25,611**	**25,594**	23,203	23,224
Investments relating to life insurance business				
Equity securities	**19,077**	**19,077**	-	-
Debt securities	**9,189**	**9,189**	-	-
Loans and advances	**182,945**	**184,788**	155,216	158,240
Mortgage loans held for sale	**2,656**	**2,654**	1,980	1,986
Mortgage servicing rights	**8,226**	**8,226**	5,345	5,416
Regulatory deposits (3)	**135**	**135**	153	153
Lease finance (3)	**13,818**	**13,796**	11,367	11,994
Shares in entities and other securities	**1,376**	**1,425**	1,068	1,134
Total Financial Assets	**305,626**	**307,477**	235,952	239,767
Financial Liabilities				
Due to other financial institutions	**29,685**	**29,685**	16,203	16,203
Liability on acceptances	**22,945**	**22,945**	22,851	22,851
Deposits and other borrowings	**185,097**	**185,148**	162,468	162,470
Life insurance policy liabilities	**29,879**	**29,879**	-	-
Bonds, notes and subordinated debt	**21,051**	**21,356**	13,437	13,295
Other debt issues	**1,907**	**2,490**	1,645	1,996
Total Financial Liabilities	**290,564**	**291,503**	216,604	216,815

(1) *The credit risk on financial assets of the Consolidated Entity is their carrying value as listed above.*

(2) *The net fair value of the financial assets and financial liabilities are materially the same as the fair values disclosed above.*

(3) *For the purposes of SFAS 107 disclosures of lease finance and regulatory deposits are excluded from the definition of financial asset and have been included in this table for Australian reporting purposes.*

44 Superannuation Commitments

The Consolidated Entity sponsors a range of superannuation funds for employees which principally offer two types of benefits:
a) defined benefits which provide a pension with the option of commutation of part of the pension on retirement, or lump sum benefit; and
b) accumulation benefits which provide a lump sum benefit on retirement or withdrawal.

Defined benefits are based on years of service and compensation levels during the latter years of service. For defined benefit funds, the Consolidated Entity's policy has been to contribute to the plans annually in amounts required to maintain sufficient plan assets to provide for accrued benefits.

Accumulation benefits are based on accumulated contributions and interest earnings thereon. Entities in the Consolidated Entity are obliged to contribute sufficiently to cover specified minimum benefit levels. These obligations are legally enforceable. The relevant trust deed may allow for the cessation of these contributions. Member and employer contributions are calculated as percentages of members salaries or wages. In the case of some funds, member contributions are not required.

The Consolidated Entity contributed $129 million in respect of all superannuation funds for the year ended September 30, 2000 (1999: $129 million).

All Trustees of the respective funds are of the opinion, based on the advice of the actuaries as at the last valuation date, that on termination of the funds, or the voluntary or compulsory termination of each employee, all vested benefits are covered by the available assets of the respective funds.

Listed below are details of the major funds with total assets in excess of $10 million. The accrued benefits, plan assets at net market value, net surplus and vested benefits of these funds (converted as at September 30, 2000 exchange rates) were:

		2000				*1999*			
Name of Fund Dollars in Millions	*Last Assessment Date and Actuary Name*	***Accrued Benefits***	***Plan Assets***	***Net Surplus***	***Vested Benefits***	*Accrued Benefits*	*Plan Assets*	*Net Surplus*	*Vested Benefits*
Defined Benefit Funds									
National Australia Bank Group Superannuation Fund A[1]	June 30, 2000 Mr SJ Schubert FIA, FIAA	**1,764**	**1,800**	**36**	**1,532**	1,449	1,670	221	1,374
Clydesdale Bank Pension Scheme[2]	June 30, 2000 Watson Wyatt Partners Consulting Actuaries	**1,695**	**2,042**	**347**	**1,526**	1,533	1,626	93	1,381
Northern Bank Pension Scheme[2]	June 30, 2000 Watson Wyatt Partners Consulting Actuaries	**1,100**	**1,550**	**450**	**1,036**	977	1,256	279	921
National Irish Bank Pension Scheme[2]	June 30, 2000 Watson Wyatt Partners Consulting Actuaries	**274**	**388**	**114**	**242**	258	352	94	178
National Australia Bank UK Retirement Benefits Plan[2][3]	June 30, 2000 Watson Wyatt Partners Consulting Actuaries	**201**	**224**	**23**	**159**	136	140	4	108
Yorkshire Bank Pension Scheme[2]	June 30, 2000 Watson Wyatt Partners Consulting Actuaries	**1,420**	**2,044**	**624**	**1,237**	1,260	1,659	399	1,089
Bank of New Zealand Officers' Provident Association[4]	June 30, 2000 Watson Wyatt NZ Ltd Consulting Actuaries	**143**	**242**	**99**	**141**	149	248	99	148
NAB Group/USA Pension Plan [5]	September 30, 2000 William M Mercer Incorporated Consulting Actuaries	**218**	**309**	**91**	**209**	133	214	81	129
National Staff Superannuation Fund (MLC) [6]	July 1, 2000 Mr SJ Schubert FIA, FIAA	**71**	**80**	**9**	**80**	-	-	-	-
Total Defined Benefit Funds		**6,886**	**8,679**	**1,793**	**6,162**	5,895	7,165	1,270	5,328

(1) *National Australia Bank Group Superannuation Fund A is technically a defined benefit fund although the vast majority of members have accumulation benefits. Accrued Benefits are at the date of the last actuarial assessment, which was June 30, 2000. Plan Assets and Vested Benefits are as at September 30, 2000.*

(2) *Accrued Benefits, Plan Assets and Vested Benefits are at the date of the last actuarial assessment, which was June 30, 2000. Comparative amounts are as of the actuarial assessment date of June 30, 1999.*

(3) Employees working for National Australia Bank, National Australia Group, National Australia Group Services and National Australia Life Services in Europe are eligible for membership of the National Australia Bank UK Retirement Benefits Plan.

(4) Amounts for Division 1 and 2 of the Bank of New Zealand Officers' Provident Association have been combined.

(5) Accrued Benefits, Plan Assets and Vested Benefits for the Plan are as at the date of the last actuarial assessment which was January 1, 1999.

(6) National Staff Superannuation Fund (MLC) was established on July 1, 2000. The Fund is technically a defined benefit fund although the majority of members have accumulation benefits. Accrued Benefits are at the date of establishment of the Fund. Plan Assets and Vested Benefits are as at September 30, 2000.

45 Operating Lease Commitments

	Consolidated		The Company	
As at September 30	***2000***	*1999*	***2000***	*1999*
Dollars in Millions				
Estimated minimum lease commitments:				
Due within 1 year	**291**	366	**173**	178
Due within 1-2 years	**228**	217	**121**	132
Due within 2-3 years	**183**	171	**86**	95
Due within 3-4 years	**148**	133	**60**	65
Due within 4-5 years	**121**	110	**47**	48
Due after 5 years	**919**	886	**229**	255
Total Operating Lease Commitments(1)(2)(3)	**1,890**	1,883	**716**	773
Commitments by type:				
Commercial and residential buildings	**1,859**	1,734	**694**	727
Data processing and other equipment	**31**	149	**22**	46
	1,890	1,883	**716**	773

(1) Figures include liabilities taken up for surplus leased space and lease incentives.

(2) Includes non-cancellable operating lease commitments consisting of:

Due within 1 year	**72**	53	**-**	-
Due within 1-2 years	**62**	45	**-**	-
Due within 2-3 years	**54**	36	**-**	-
Due within 3-4 years	**47**	31	**-**	-
Due within 4-5 years	**40**	26	**-**	-
Due after 5 years	**425**	184	**-**	-
Total Non-cancellable Operating Lease Commitments	**700**	375	**-**	-

(3) Included in this note are lease commitments resulting from the sale and leaseback of various properties. These transactions are generally for a term of five years, or ten years for major properties. There is no ongoing involvement in the properties other than rental payments.

46 Capital Expenditure Commitments

Land and buildings;				
Due within 1 year	**43**	33	**34**	27
Data processing and other equipment;				
Due within 1 year	**102**	83	**80**	67
Total Capital Expenditure Commitments	**145**	116	**114**	94

47 Financing Arrangements

	Consolidated			
	Amount Accessible	*Amount Unused*	*Amount Accessible*	*Amount Unused*
	September 2000		*September 1999*	
The Company and other controlled entities have access to the following financing arrangements:				
Standby lines of credit	2,876	91	3,064	1,225
Total Financing Arrangements	2,876	91	3,064	1,225

The standby line of credit facility available at September 30, 2000 is subject to an expiry date of October 16, 2001.

48 Related Party Disclosures

During the year there have been dealings between the Company and its controlled entities and other related parties. The Company provides a range of services including the provision of banking facilities and standby financing arrangements. Other dealings include granting loans and accepting deposits, the provision of finance, forward exchange and interest rate cover. These transactions are normally subject to commercial terms and conditions.

Other transactions with controlled entities may involve leases of properties, plant and equipment, the provision of data processing services or access to intellectual or other intangible property rights. Charges for these transactions are made on the basis of equitable rates agreed between the parties. The Company also provides various administrative services to the Consolidated Entity, which may include accounting, secretarial and legal. Fees may be charged for these services.

The aggregate of material amounts receivable from or payable to controlled entities, at balance date are as disclosed in the balance sheet of the Company.

Details of Directors who held office during the year are set out in the Directors' Report. Details of remuneration paid or payable to the Directors and Directors of related entities are set out in Note 49.

Australian banks and the Australian parent entities of Australian banks have been exempted under Australian Securities and Investment Commission Class Order 98/0110 dated July 10, 1998, from providing details of certain loans or financial instrument transactions made by banks to related parties (other than Directors) in the ordinary course of banking business and on an arm's length basis or with the approval of shareholders of the relevant entity and its ultimate parent entity if any.

The Company is required under the terms of the Class Order to lodge a statutory declaration, signed by two Directors, with the Australian Securities and Investment Commission. The declaration must provide confirmation that the Company has implemented systems of internal control and procedures, which provide assurance that any loans or other financial instrument transactions of a bank which are not entered into on normal terms and conditions are drawn to the attention of the Directors so that they may be disclosed in the accounts.

The Company will lodge such a declaration with its annual return to the Australian Securities and Investment Commission for the year ended September 30, 2000.

Loans to Directors

Loans made to Non-Executive Directors of the Company and controlled entities are made in the ordinary course of business on commercial terms and conditions. Loans to Executive Directors of the Company and controlled entities are made on similar terms and conditions to other employees within the Consolidated Entity.

Under the Class Order referred to above, disclosure is limited to the aggregate amount of loans made or guaranteed by:
(i) the Company and its controlled entities to Directors of all entities within the Consolidated Entity, and
(ii) controlled non-banking entities to the related parties of Directors of all entities within the Consolidated Entity.

The aggregate amounts of such loans made, repayments received and amounts outstanding were:

	Consolidated		*The Company*	
Dollars in Thousands	***2000***	*1999*	***2000***	*1999*
Balance outstanding at September 30	**115,589**	45,708	**762**	429
Loans made during the year				
- Normal terms and conditions	**16,106**	4,710	**356**	14
- Employee terms and conditions	**6,620**	5,892	**-**	-
Repayments received during the year				
- Normal terms and conditions	**21,339**	4,947	**23**	5
- Employee terms and conditions	**7,053**	2,862	**-**	-

	Consolidated	
	2000	*1999*
JO Anderson	**1,2,3,4**	2,4
MT Anderson	**1,2,3,4**	2,3,4
DJ Anderson	**2,4**	-
EJ Antczak	**1,2,4**	1,4
DR Argus	**-**	1,3
J Badge	**1,2,4**	1,4
DA Baillie	**1,2,4**	1,2,4
BA Baker	**1,2,4**	1,2,4
I Ballard	**2**	2,4
D Barbour	**-**	1,2,4
SD Barbour	**-**	2,3,4
GLL Barnes	**1,2,4**	1,2,4
A Barnard	**2,4**	-
SE Bernard	**1,2,4**	1,4
JK Berry	**3**	1,2,3,4
ND Birrell	**2,4**	4
CJ Black	**4**	4
JF Blom	**2,4**	1,4
R Blough	**-**	1,2,4
DK Bould	**1,2,4**	-
RC Bowden	**-**	1,2,3,4
RK Boyce	**1,2,3**	1,3
PP Boyle	**2,3,4**	2,3,4
D Brainbridge	**-**	1,2,4
JF Brennan	**-**	-
R Briers	**-**	1,4
MM Brown	**-**	1,2,3,4
RC Brown	**1,2,4**	1,2,3,4
DM Browne	**1,2,4**	-
POA Byrne	**-**	1,2,3,4
WH Byrne	**1,2,4**	1,2,4
CR Campbell	**1,2,4**	2,4
G Campbell	**-**	1,2,3,4
WJE Canning	**2,3,4**	2,3,4
JS Carton	**1,2,3**	1,2,3
BT Case	**3**	2,3
AJ Casey	**-**	2,3,4
MA Cassino	**-**	4
FJ Cicutto	**2,3**	1,3
PR Clark	**4**	-
RS Clark	**2,3,4**	-
A Clarke	**1,2,4**	2,4
G Comito	**4**	4
WA Cole	**1,2,3**	-
R Cone	**1,3**	1,2,4
K Cormican	**1,2,3**	-
KF Courtney	**3**	3
DD Cowlishaw	**2**	1,2,3,4
G Cullen	**1,4**	-
RF Dailey	**1,2,4**	-
MS Darling	**3**	2,3
R Day	**2,3**	1,2,3,4
J Dean	**1,2,3,4**	-
DG Devonport	**-**	3
M Donohoe	**1,2,3,4**	1,2,3,4
WK Doonan	**-**	2,4
AJ Douglas	**-**	4
D Douglas	**1,3,4**	-

	Consolidated	
	2000	*1999*
MC Dowland	**4**	2,4
CW Duncan	**4**	2,3,4
DE Ebert	**1,2,3**	1,2,3
MR Edmonds	**2,4**	-
MM Elliott	**2,3**	2,3
RR Erdos	**-**	1,2,4
P Fegan	**1,2,4**	-
RJ Field	**1,2,3**	-
PG Flavel	**3**	2,3
J Foley	**-**	3,4
SE Forbes	**2**	3
HG Ford	**1,2,3**	2,3
NJ Frost	**-**	1,2,4
IH Gill	**-**	2,4
M Gilligan	**-**	-
P Gilligan	**-**	3,4
LL Gladchun	**-**	1,2,4
PR Goldsbrough	**-**	2,4
D Grant	**1,2,3,4**	-
DA Grubb	**-**	2,3,4
L Haggerty	**1,2,3**	-
AG Haintz	**2**	1,4
AP Hale	**1,3**	-
CK Hall	**1,2,3**	2,3
P Halpin	**-**	2,3,4
W Handley	**1,2,3**	-
GDB Harkness	**3**	-
HR Harris	**4**	1,2,4
AR Hart	**1,2,4**	1,2,4
A Haslam	**1,2,4**	1,2,4
DJ Heaney	**-**	4
JN Hemingway	**3**	-
JJ Henson	**-**	1,2,3
DC Holden	**3**	4
T Hunersen	**4**	-
JC Hurst	**2,4**	1,2,4
RJ Hutchinson	**1,2,4**	1,2,4
GA Hyde	**1,2,4**	1,2,4
TL Irland	**2,4**	-
RJ Jacobs	**2,4**	1,2,4
KLM James	**-**	2,4
PA Jeffries	**1,3**	2,3
MF Johnstone	**-**	4
DC Jones	**-**	1,4
LS Jones	**2,3,4**	1,2,3,4
SD Jursek	**1,2,4**	1,2,4
DS Kelly	**1,2,3,4**	1,2,3,4
M Kelly	**1,2,3,4**	1,2,4
D Kenny	**2,4**	-
A Kentmann	**3,4**	-
D Keys	**1,2,4**	-
MA King	**1,2,4**	1,2,3,4
V Koh Yoke Har	**1,2,4**	1,2,4
GJ Kraehe	**2,3**	2,3
DM Krasnostein	**3,4**	1,3,4
PAK Laband	**1,2,4**	1,2,4
MT Laing	**-**	1,2,3,4
R Lakin	**1,2,4**	1,2,4

	Consolidated	
	2000	*1999*
B Lavelle	**2**	1,2,4
KJ Lawford	**-**	1,2,3
DIW Lawson	**1,2,3**	1,2,3,4
G Lefevre	**2,3,4**	-
C Leggat	**2,4**	1,2,4
P Lendon	**1,2,3,4**	-
BR Lenz	**1,2,4**	1,2,3,4
SP Littlebury	**1,3,4**	1,2,4
EA Lomas	**-**	1,2,3
B Long	**2,4**	-
NV Lucas	**-**	2,4
IG MacDonald	**-**	2,4
C Macek	**2**	1,2,4
D MacGregor	**2,3**	2,3
KM Mach	**2**	2,4
JT Macken	**2,4**	1,2,4
RF Matrenza	**3**	4
CP Matten	**1,2,3,4**	1,2,3,4
IG Mattiske	**1,2,3,4**	1,3,4
D Maull	**-**	-
J McDonald	**2,3,4**	2,3,4
DJ McGee	**1,2,3,4**	1,2,3,4
P McGrath	**-**	1,4
GD McKee	**-**	2,4
TD McKee	**-**	1,2,4
B McKenzie	**-**	1,2,3,4
RA McKimm	**1,2,3**	2,3
RE McKinnon	**1,2,4**	1,2,4
D McPherson	**4**	-
SJD Melia	**1,2,3,4**	-
JB Meyer	**2,3**	2,3
B Meyler	**1,2,4**	2,4
RB Miller	**1,2,3,4**	1,2,3,4
TB Millett	**-**	2,3
J Mitchell	**1,3**	1,2,3,4
LE Moon	**2,3**	2,3
C Moore	**2,4**	2,4
MJ Moorhouse	**-**	2,4
R Morath	**3**	-
AF Morrison	**1,3**	-
K Moss	**1,3**	-
D Motherwell	**1,2,4**	1,4
AM Murphy	**1,2,3**	1,2,3
RJ Murphy	**-**	3,4
FL Nelson	**1,3**	1,3
WR Nixon	**2,3,4**	1,2,3,4
GF Nolan	**1,2,4**	1,2,4
S O'Connor	**-**	3
AJ O'Grady	**1,2,4**	1,2,4
FG Olsson	**1,4**	-
P O'Sullivan Lacy	**-**	2,3,4
R Panizzi	**-**	1,2,4
D Peebles	**1,2,3**	-
GR Pellett	**1,2,3,4**	1,2,3,4
WF Pickard	**2,3**	3
J Pickett	**1,4**	1,2,4
MA Pinder	**-**	1,2,3,4
RP Pinney	**1,2,3,4**	1,2,3,4

	Consolidated			Consolidated			Consolidated	
	2000	*1999*		***2000***	*1999*		***2000***	*1999*
RH Polkinghorne	**2,4**	3,4	PJ Senior	**-**	-	J Trethowan	**2,3**	-
D Price	**-**	1,2,4	MR Shaw	**-**	2,3,4	S Tucker	**3**	-
P Promnitz	**3**	-	T Slater	**4**	-	RP Tuckey	**1,4**	-
RMC Prowse	**1,2,4**	1,2,4	MD Soden	**2**	1,2,4	D Upton	**1,2,4**	-
JE Queen	**1,2,3,4**	1,2,3,4	RJ Stapleton	**1,2,3,4**	1,2,3	SA Van Andel	**2,3**	1,2,3
H Raby	**4**	1,2,4	AA Stewart	**2,4**	2,4	K Van Solkema	**1,2,3,4**	1,3,4
K Race	**1,2,4**	-	A Stirrup	**1,2,4**	-	C Van Swearingen	**1,2,4**	2,4
TE Reiss	**1,2,3,4**	-	JD Storey	**2,3**	2,3	O Vanzuyden	**2,3**	-
J Richards	**1,4**	1,2,4	J Stroud	**-**	2,3	JD Walmsley	**1,2,4**	2,3,4
WD Ritsema	**1,2,4**	-	F Sunderland	**-**	1,2,3	P Weanie	**2,3,4**	2,3,4
P Rogan	**2,3**	-	EJ Talbot	**-**	1,2,3,4	RC Webb	**-**	2,3
CA Russell	**2,4**	4	SC Targett	**-**	3	GJ Wheaton	**1,2,3**	2,3
TC Rutland	**1,2,4**	1,2,4	DG Taylor	**1,2,3,4**	-	OA Wilhelm	**1,2,4**	1,2,4
LR Ryan	**2,4**	1,2,4	JD Taylor	**1,2,3,4**	1,2,3,4	JA Williams	**-**	1,3
G Savage	**1,2,3,4**	1,2,3,4	KD Thawley	**-**	1,2,4	KES Windeyer	**-**	1,2,3,4
RG Scholes-Robertson	**1,2,3**	1,2,3	PL Thodey	**-**	1,2,4	S Wright	**-**	2,4
RR Schwarzlose	**1,2,3,4**	1,4	PJS Thomas	**-**	3	NL Youren	**1,2,3**	2,3
P Scott	**1,4**	-	AC Thomson	**1,2,3**	1,2,3			
			H Thomson	**2,3,4**	1,2,3,4			

(1) *Loan made to this person during the year. Refer to page 140 for aggregate amounts.*
(2) *Repayment made by this person during the year. Refer to page 140 for aggregate amounts.*
(3) *Loan made in ordinary course of business on commercial terms and conditions. Refer to page 140 for aggregate amounts.*
(4) *Loan made on employee terms and conditions. Refer to page 140 for aggregate amounts.*

Loans made by the Consolidated Entity in 2000 and 1999 to Directors, or to any associate of such persons, as defined by the Securities and Exchange Commission of the United States of America, at no time exceeded 5% of shareholders' equity.

Deposits

The value of deposits made with the National directly or indirectly by Directors of the Company and by parties related to them as at September 30, 2000 is $4,025,000. These deposits are transacted on normal terms and conditions.

Shares, share options and equity instruments

The aggregate number of shares, share options and equity instruments issued, disposed/exercised, or held, directly, indirectly or beneficially by Directors of the Company and by parties related to them during the year ended September 30, 2000 is set out below. The share and share option details represent issues under the Dividend Reinvestment Plan, Bonus Share Plan, UK Dividend Plan and, where applicable, Employee Share Scheme and Executive Option Plan. Equity instrument details represent issues under the National Income Securities:

	The Company					
	Issued		*Disposed/Exercised*		*Held*	
	2000	*1999*	***2000***	*1999*	***2000***	*1999*
Ordinary shares, fully paid	**316,839**	128,568	**303,138**	105,000	**109,253**	142,913
Share options over the ordinary shares	**500,000**	1,150,000	**300,000**	100,000	**1,300,000**	1,100,000
Equity instruments	**12,700**	2,070	**2,200**	-	**11,570**	2,070

All these transactions were conducted on the same terms and conditions applicable to all ordinary shareholders, equity instrument holders or, where applicable, to all employees of the Company under the Employee Share Scheme.

Other transactions of Directors

Directors and director related parties have acquired personal investments, including contributions to superannuation products, and used motor vehicles from controlled entities during the year. These transactions are within normal customer relationships on terms and conditions no more favourable than those available to customers.

1. A Director of Michigan National Corporation (MNC), Mr S Van Andel is the Chairman of Amway Corporation. Amway Hotel Corporation is a wholly owned subsidiary of Amway Properties Corporation, which in turn is a wholly owned subsidiary of Amway Corporation. During the year MNC paid $96,690 for building rent and utility reimbursements for a MNC Branch located in the Amway Hotel.

2. A Director of MNC, Mr J Meyer is the Chairman, President and Chief Executive Officer of Spartan Stores, Inc. During the year MNC paid $40,970 for ATM rental space at the Spartan store and building rent for a MNC Supermarket Branch.

3. A Director of MNC, Mr S Forbes has a 16% interest in the Somerset Collection Limited partnership. During the year MNC paid $14,749 in ATM rental space to the Somerset Collection.

4. Directors of Nautilus Insurance Pty Ltd (Nautilus), Mr RW Bovill (resigned March 2000) and Mr GM McGhie were/are also Directors of Sedgwick Management Services Pty Ltd (SMS). This company provides management services to Nautilus. During the year, the total amount paid for management services was $126,177 (1999: $119,021). All transactions with SMS were in the ordinary course of business and on normal terms and conditions.

5. A Director of Alice Corporation Pty Ltd (a controlled subsidiary of National Australia Bank until 28 March 2000), Mr I Shepherd is also a Director of The Partnership Group Pty Ltd. This company provides management services to Alice. During the period to March 28,2000, the total amount paid for management services was $150,000 (1999: $300,000). All transactions with The Partnership Group Pty Ltd were in the ordinary course of business and on normal terms and conditions.

6. Mr M Gilligan and Mr P Gilligan, formerly Directors of Eden Vehicle Rentals Ltd (EVR) (resigned on 22 January, 1999) are also Directors of the County Garage Group of Companies (CG) who are motor vehicle traders. CG owned 25% of the issued capital of EVR until it was acquired by Yorkshire Bank PLC on January 22, 1999. CG entered into transactions with EVR involving the supply of new cars (1999: total amount paid of $5,512,374), disposal of used cars (1999: total amount received of $5,925,427, commission paid of $681,622), rental of property (1999: total amount paid of $6,673) and service and repair work (1999: total amount paid of $230,178). All transactions with CG were in the ordinary course of business and were on normal terms.

Controlled entities

Refer to Note 20 for details of the Company's investment in controlled entities. Refer to Note 40 for details of controlled entities.

Details of amounts paid to or received from related parties, in the form of dividends or interest, are set out in Note 4.

In the context of the Consolidated Entity's operations, the Directors do not consider it practicable to collate details of dealings with related parties by transaction type, except to the extent that they have been collated and disclosed in respect of the specific transaction types referred to in the preceding paragraphs.

The Company has certain guarantees and undertakings with entities in the Consolidated Entity. These are set out in Note 41.

49 Remuneration of Directors

	Consolidated		*The Company*	
For years ended September 30	***2000***	*1999*	***2000***	*1999*
Dollars in Thousands				

Total income paid or payable, or otherwise made available, to all Directors of the Company and each entity in the Consolidated Entity, directly or indirectly, by the Company or any related party consists of the following:

Salary package	**12,734**	9,684	**2,516**	3,565
Performance based bonuses [(1)]	**5,590**	1,801	**550**	900
Other benefits	**5,089**	10,338	**1,455**	8,116
Total Remuneration	**23,413**	21,823	**4,521**	12,581

[(1)] *Represents bonuses paid in respect of prior year performance.*

Remuneration of directors (continued)

Options issued during the year to Executive Directors under the Executive Option Plan have an exercise price equivalent to the market value of the Company's ordinary shares as at the date of issue. Accordingly, the remuneration value is deemed to be $Nil. Refer to Note 36 for details of all options issued under the Executive Option Plan.

The following table shows the number of Directors of the Company whose total income paid or payable, or otherwise made available, directly or indirectly, by the Company or any related party, falls within each of the bands:

Remuneration	*The Company*			*The Company*	
(Dollars)	***2000***	*1999*		***2000***	*1999*
10,001 - 20,000	**1**	-	160,001 - 170,000	**1**	-
50,001 - 60,000	**-**	1	180,001 - 190,000	**-**	1
80,001 - 90,000	**1**	1	300,001 - 310,000	**1**	1
90,001 - 100,000	**-**	2	400,001 - 410,000	***1**	-
100,001 - 110,000	***1**	-	540,001 - 550,000	**-**	*1
110,001 - 120,000	**1**	1	960,001 - 970,000	***1**	-
130,001 - 140,000	**1**	1	1,570,001 - 1,580,000	**-**	1
140,001 - 150,000	***1**	1	1,920,001 - 1,930,000	**1**	-
150,001 - 160,000	**1**	-	9,250,001 - 9,260,000	**-**	*1
Total number of Directors				**12**	12

** Includes retirement, retrenchment and/or resignation benefits paid to one person in each of these bands.*

The following table shows details of the nature and amount of each major element of the emoluments of each director 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* [(e)]	*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 [(f)]	**68,234**	**-**	**39,601**	**-**	**107,835**	**-**	**-**	**-**
CM Deeley [(g)]	**111,765**	**-**	**293,357**	**-**	**405,122**	**-**	**-**	**-**
GJ Kraehe	**106,966**	**-**	**-**	**7,844**	**114,810**	**-**	**-**	**-**
DK Macfarlane [(h)]	**87,507**	**-**	**880,160**	**-**	**967,667**	**-**	**-**	**-**
KJ Moss [(i)]	**10,478**	**-**	**-**	**838**	**11,316**	**-**	**-**	**-**
TP Park [(j)]	**36,817**	**-**	**104,850**	**-**	**141,667**	**-**	**-**	**-**
MR Rayner	**286,100**	**-**	**-**	**20,748**	**306,848**	**-**	**-**	**-**
GA Tomlinson [(k)]	**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)] *Refer to Note 36 for details of the valuation of options granted and an explanation of the performance hurdles that must be achieved before the options can be exercised.*

[(f)] *Resigned July 1, 2000.*

[(g)] *Retired September 1, 2000.*

[(h)] *Retired March 27, 2000.*

[(i)] *Appointed August 23, 2000*

[(j)] *Resigned February 29, 2000.*

[(k)] *Appointed March 22, 2000.*

Agreements between the Company and Non-Executive Directors provide that, upon and in consequence of each of these Directors ceasing to be a Director by reason of retirement or death, the Company shall pay a lump sum retiring allowance in accordance with the following table.

Remuneration of directors (continued)

Period of Service	*Amount of Retirement Benefit*
Less than 15 years	One third of the average yearly emoluments paid by the Company to the Director: (a) during the last three years of service; or (b) when the period of such service is less than three years, during that period; for each completed year of service and proportionately for part of a year, as a non-executive Director of the Company.
15 or more years	Five times the average yearly emoluments paid by the Company to the Director during the last three years of service as a non-executive Director.

The Company's Constitution provides that the non-executive Directors are entitled to be paid out of the funds of the Company as remuneration for their services as Directors. Their aggregate remuneration is determined by the Company in general meetings. At the Annual General Meeting held on December 17, 1998 this sum was set by shareholders at $2,000,000, such sum being divided among the Directors.

50 Remuneration of Executives

	Consolidated		*The Company*	
For years ended September 30	***2000***	*1999*	***2000***	*1999*
Dollars in Thousands				
Executives' remuneration received or due and receivable, directly or indirectly, by Executives of the Company and controlled entities from the Company and related parties consists of the following:				
Salary package	**24,478**	26,528	**24,478**	25,804
Performance based bonuses [1]	**7,709**	8,761	**7,709**	8,625
Other benefits	**2,030**	16,179	**2,030**	16,143
Total Remuneration	**34,217**	51,468	**34,217**	50,572

[1] *Represents bonuses paid in respect of prior year performance.*

Options issued during the year to executives under the Executive Option Plans have an exercise price equivalent to the market value of the Company's ordinary shares as at the date of issue. Accordingly, the remuneration value is deemed to be $Nil. Refer to Note 36 for details of all options issued under the Executive Option Plans.

The table which follows shows the number of executives of the Company and controlled entities who work wholly or mainly within Australia receiving gross remuneration in each of the ranges stated from the Company and related bodies corporate:

Remuneration	Consolidated		The Company			Consolidated		The Company	
(Dollars)	**2000**	1999	**2000**	1999		**2000**	1999	**2000**	1999
100,001 - 110,000	**1**	-	**1**	-	360,001 - 370,000	**2**	2	**2**	2
110,001 - 120,000	**1**	1	**1**	1	370,001 - 380,000	**2**	2	**2**	2
120,001 - 130,000	**2**	2	**2**	2	380,001 - 390,000	**1**	3	**1**	3
150,001 - 160,000	**1**	1	**1**	1	390,001 - 400,000	**4**	2	**4**	2
160,001 - 170,000	**1**	-	**1**	-	400,001 - 410,000	**-**	1	**-**	1
200,001 - 210,000	**-**	3	**-**	3	410,001 - 420,000	**3**	1	**3**	1
210,001 - 220,000	**1**	1	**1**	1	420,001 - 430,000	**1**	1	**1**	1
220,001 - 230,000	**-**	2	**-**	2	430,001 - 440,000	**1**	1	**1**	1
230,001 - 240,000	**3**	4	**3**	4	440,001 - 450,000	**1**	2	**1**	2
250,001 - 260,000	**2**	3	**2**	3	450,001 - 460,000	**-**	1	**-**	1
260,001 - 270,000	**1**	-	**1**	-	460,001 - 470,000	**1**	1	**1**	1
270,001 - 280,000	**3**	2	**3**	2	470,001 - 480,000	**2**	-	**2**	-
280,001 - 290,000	**1**	2	**1**	2	480,001 - 490,000	**1**	1	**1**	1
290,001 - 300,000	**1**	1	**1**	1	500,001 - 510,000	**1**	1	**1**	1
300,001 - 310,000	**-**	1	**-**	1	510,001 - 520,000	**1**	-	**1**	-
310,001 - 320,000	**2**	4	**2**	4	520,001 - 530,000	**1**	1	**1**	1
320,001 - 330,000	**3**	3	**3**	2	530,001 - 540,000	**1**	-	**1**	-
330,001 - 340,000	**2**	-	**2**	-	540,001 - 550,000	**1**	-	**1**	-
340,001 - 350,000	**-**	2	**-**	2	550,001 - 560,000	**-**	2	**-**	2
350,001 - 360,000	**1**	2	**1**	2	560,001 - 570,000	**1**	1	**1**	-

Remuneration (Dollars)	Consolidated 2000	Consolidated 1999	The Company 2000	The Company 1999	Remuneration (Dollars)	Consolidated 2000	Consolidated 1999	The Company 2000	The Company 1999
570,001 - 580,000	**2**	-	**2**	-	980,001 - 990,000	**1**	-	**1**	-
590,001 - 600,000	***1**	-	***1**	-	1,010,001 - 1,020,000	**-**	*1	**-**	*1
620,001 - 630,000	-	1	**-**	1	1,100,001 - 1,110,000	**1**	-	**1**	-
680,001 - 690,000	**1**	1	**1**	1	1,200,001 - 1,210,000	-	*1	**-**	*1
710,001 - 720,000	**-**	1	**-**	1	1,210,001 - 1,220,000	-	1	**-**	1
720,001 - 730,000	**1**	-	**1**	-	1,230,001 - 1,240,000	-	1	**-**	1
750,001 - 760,000	**1**	-	**1**	-	1,320,001 - 1,330,000	**1**	-	**1**	-
760,001 - 770,000	**1**	-	**1**	-	1,350,001 - 1,360,000	**1**	-	**1**	-
810,001 - 820,000	**1**	1	**1**	1	1,570,001 - 1,580,000	-	1	-	1
840,001 - 850,000	**1**	1	**1**	1	1,950,001 - 1,960,000	-	1	**-**	1
860,001 - 870,000	**-**	1	**-**	1	2,000,001 - 2,010,000	-	*1	**-**	*1
880,001 - 890,000	**1**	-	**1**	-	2,060,001 - 2,070,000	-	1	**-**	1
890,001 - 900,000	**1**	1	**1**	1	2,350,001 - 2,360,000	-	1	**-**	1
910,001 - 920,000	**1**	-	**1**	-	3,180,001 - 3,190,000	**-**	1	-	1
920,001 - 930,000	**1**	-	**1**	-	9,250,001 - 9,260,000	**-**	*1	-	*1
Total number of Executives						69	75	69	73

** Includes retention, retirement, retrenchment and/or resignation benefits paid to one person in each of these bands.*

Arrangements or understandings between Executive Officers, Executive Directors and the Company are covered by a standard memorandum of agreement. Under the agreement, remuneration of Executive Officers and Executive Directors is at such rates and payable at such times as the Company shall from time to time determine.

An executive includes persons who work in or mainly in Australia receiving gross remuneration in excess of $100,000, who are Board appointees, Executive Directors of controlled entities, or Group employees responsible for the strategic direction and management of major business units.

The remuneration bands are not consistent with the specific remuneration details set out below as the basis of calculation differs due to the differing requirements of the Corporations Law and Accounting Standards.

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 *Managing Director* *O_2-e*	908,715	375,000	-	66,607	1,350,322	300,000	21.29	23-Mar-2003
RMC Prowse *Executive General Manager* *Office of the CEO*	872,281	375,000	-	95,720	1,343,001	250,000	21.29	23-Mar-2003
SC Targett *Executive General Manager* *Wholesale Financial Services*	475,790	600,000	-	34,592	1,110,382	100,000 50,000	21.29 24.89	23-Mar-2003 28-Sep-2003
RE Pinney *Executive General Manager* *Specialist and Emerging Businesses*	646,321	300,000	-	44,641	990,962	200,000	21.29	23-Mar-2003
M Coomer *Executive General Manager* *Corporate & Technology Strategy*	573,691	275,000	-	43,280	891,971	100,000	21.29	23-Mar-2003

Remuneration of executives (continued)

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 *Chief Executive Officer* *Homeside*	737,463	764,526	1,304,206	74,096	2,880,291	100,000	21.29	23-Mar-2003
DE Ebert *Chief Executive* *Michigan National Corporation*	1,115,334	706,880	-	50,276	1,872,490	100,000	21.29	23-Mar-2003
M Soden *Executive General Manager* *Business & Personal Financial Services*	731,246	828,025	-	129,223	1,688,494	200,000 100,000	21.29 24.89	23-Mar-2003 28-Sep-2003
GLL Barnes *Managing Director* *O_2-e*	908,715	375,000	-	66,607	1,350,322	300,000	21.29	23-Mar-2003
RMC Prowse *Executive General Manager* *Office of the CEO*	872,281	375,000	-	95,720	1,343,001	250,000	21.29	23-Mar-2003

(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 36 for details of the valuation of options granted and an explanation of the performance hurdles that must be achieved before the options can be exercised.*

	Consolidated			The Company		
For years ended September 30 *Dollars in Thousands*	**2000**	*1999*	*1998*	**2000**	*1999*	*1998*

51 Remuneration of Auditors

	2000	1999	1998	2000	1999	1998
Total amounts received or due and receivable for audit and review of the financial statements by:						
Auditors of the Company	**6,069**	5,036	4,985	**1,971**	1,848	1,790
Total amounts received or due and receivable for regulatory services by:						
Auditors of the Company	**4,370**	3,072	1,932	**581**	513	496
Total amounts received or due and receivable for other services by:						
Auditors of the Company	**9,968**	5,349	2,141	**7,467**	2,628	1,649
Other auditors of entities in the Consolidated Entity	**-**	-	140	**-**	-	-
Total Remuneration of Auditors	**20,407**	13,457	9,198	**10,019**	4,989	3,935

By virtue of Australian Securities and Investment Commission Class Order 98/2000 dated September 30, 1998, and amended on February 8, 20(the auditors of National Australia Bank Limited and its controlled entities, KPMG, have been exempted from compliance with Section 324(1) 324(2) of the Corporations Law. The Class Order exemption applies in that members and associates of KPMG (other than those members and associates engaged on the audit of National Australia Bank Limited and/or controlled entities) may be indebted to National Australia Bank Limit and its controlled entities provided that:

(1) such indebtedness does not exceed $5,000; or
(2) section 324(3) applies to the relevant indebtedness; or
(3) the indebtedness arose upon ordinary commercial terms as to the rate of interest, the terms of repayment of principal and payment of interest, the security to be provided and otherwise, and it related to a financial arrangement between the relevant member and National Australia Bank Limited and/or its controlled entities prior to the member becoming a member of KPMG where the arrangement was not entered into in connection with becoming a member of KPMG.

52 Fiduciary Activities

The Consolidated Entity's fiduciary activities consist of life insurance business conducted through controlled entities and investment management activities conducted as trustee and/or manager for a number of investments and trusts including approved deposit and investment trusts. The aggregate amounts of funds concerned, which are not included in the Consolidated Entity's balance sheet, are as follows:

As at September 30 *Dollars in Millions*	***2000***	*1999*
Trustee and funds management [(1) (2)]	**26,352**	52,259
Life insurance business [(2)]	**-**	4,807

[(1)] Arrangements are in place to ensure that these activities are managed independently from all other activities.

[(2)] The adoption of Australian Accounting Standard AASB 1038 "Life Insurance Business", requires the disclosure on the consolidated balance sheet of all assets and liabilities of life insurance controlled entities.

53 Life Insurance Business Disclosures

Appropriately qualified actuaries have been appointed in respect of each life insurance business and they have reviewed and satisfied themselves as to the accuracy of the policy liabilities included in this financial report, including compliance with the regulations of the Life Insurance Act 1995 where appropriate. Further details are set out in the various insurance statutory returns of these life insurance businesses.

(a) Details of the solvency position of each life insurer in the Consolidated Entity

Australian life insurers

Under the Life Insurance Act 1995, life insurers are required to hold reserves in excess of policy liabilities. These additional reserves are necessary to support the life insurer's capital requirements under its business plan and to provide a cushion against adverse experience in managing long term risks.

The Life Insurance Actuarial Standards Board has issued Actuarial Standard AS 2.02 "Solvency Standard" for determining the level of solvency reserves. This Standard prescribes a minimum capital requirement for each statutory fund and the minimum level of assets required to be held in each statutory fund.

The summarised information provided below has been extracted from the financial statements prepared by each life insurer in the Consolidated Entity for the purpose of fulfilling reporting requirements prescribed by local Acts and prevailing prudential rules. For detailed solvency information on a statutory funds basis, users should refer to the financial statements prepared by each life insurer.

At September 30, 2000 *Dollars in Millions*	*NAFM*	*MLC Lifetime*	*MLC*
Solvency reserve	40	811	107
Assets available for solvency	99	1,156	168
Coverage of solvency reserve (times)	2.5	1.4	1.6

Non-Australian life insurers

The non-Australian life insurers in the Consolidated Entity are not governed by the Life Insurance Act 1995 as they are foreign domiciled life insurance companies. Each of these companies is required to meet similar tests of capital adequacy and solvency based on the regulations set down by their local authorities.

(b) Actuarial methods and assumptions - Australia life insurers

(i) Policy liabilities

The policy liabilities have been calculated on the Margin on Services method as set out in Actuarial Standard AS 1.02 "Valuation Standard" issued by the Life Insurance Actuarial Standards Board.

(ii) Types of business and profit carriers

Product Type	Method	Profit Carrier
Investment linked	Accumulation	N/a
Non-investment linked		
Traditional non-participating business	Projection	Premiums
Term insurance and disability insurance	Projection	Premiums
Annuity business	Projection	Annuity payments
Traditional participating business	Projection	Bonuses

(iii) Discount rates

These are the rates used to discount future cash flows under the projection method to determine the net present value. The discount rate is determined by the earnings rate of the assets that support the policy liabilities.

Discount Rates	NAFM Business	MLC and MLC Lifetime Businesses
Traditional Business		
- ordinary business	6.0% (1)	5.6% (2)
- superannuation business		7.0% (2)
Term life insurance	6.0% (1)	5.7% (1)
Disability business	6.0% (1)	5.7% (1)
Annuity business	6.7% (1)	7.3% (2)

(1) *Before tax.*

(2) *After tax.*

(iv) Future expenses and indexation

Future maintenance expenses have been assumed to increase by a 3% per annum rate of inflation, for National Australia Financial Management Limited (NAFM) business and 2.7% per annum for the MLC Limited and MLC Lifetime Company Limited businesses.

Future investment management fees have been assumed to remain at current rates.

Benefits and/or premiums on certain policies are automatically indexed by CPI. The policy liabilities assume a future take-up of these indexation options based on the company's recent experience.

(v) Rates of taxation

Rates of taxation have been revised in the period to reflect known changes in the basis of taxation on life insurance business.

(vi) Mortality and morbidity

Future mortality and morbidity assumptions are based on Actuarial tables, (as published by the Institute of Actuaries) but with adjustments to claim incidence and termination rates, based on recent experience as follows:

Product Type	NAFM Business	MLC and MLC Lifetime Businesses
Traditional business	90% of IA 90-92	86% of IA 90-92
Term life insurance	75% of IA 90-92	76% of IA 90-92

Product Type	NAFM Business	MLC and MLC Lifetime Businesses
Disability income		Rates similar to 106% or 107% of incidence and 110% of claim costs of IAD 89-93
- income protection benefits	120% of IAD 89-93	
- mortgage related TTD benefits	150% of IAD 89-93	
Annuity business	90% of the minimum of ALT 90-92 and IA 90-92 with annual improvements from 1991.	57% of IM 80 and IF 80

Actuarial Tables Used

IA 90-92	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1990 to 1992.
IM/IF 80	Mortality tables developed by the Institute of Actuaries and the Faculty of Actuaries based on United Kingdom annuitant lives experience from 1979 to 1982. The tables refer to male and female lives respectively and incorporate factors which allow for mortality improvements since the date of the investigation. (There is no standard Australian annuitant mortality table.)
IAD 89-93	A disability table developed by the Institute of Actuaries of Australia based on Australian insured lives disability income business experience from 1989 to 1993.
ALT 90-92	A mortality table published by the Australian Bureau of Statistics based on census data collected in 1991.

(vii) Discontinuances

Assumed future annual rates of discontinuance for the major classes of business are as follows:

Product Type	NAFM Business	MLC and MLC Lifetime Businesses
Traditional business	5%	8%
Term life insurance	12.5%	11%
Disability income	17.5%	15%
Annuity business	nil	nil

(viii) Surrender values

Surrender values are based on the provision specified in policy contracts and on the current surrender value basis for traditional policies, and typically include a recovery of policy acquisition and maintenance costs. In all cases, the surrender values specified in the contracts exceed those required by the Life Insurance Act 1995.

(ix) Crediting policy and bonus philosophy

For participating business, the Consolidated Entity's policy is to set bonus rates such that over long periods, the returns to policyholders are commensurate with the investment returns achieved on relevant assets backing the policies, together with other sources of profit arising from this business. Pre-tax profits are split between policyholders and shareholders with the valuation allowing for shareholders to share in the profits at the maximum rate of 20% (15% for certain policies issued before 1980). In applying the policyholders' share of profits to provide bonuses, consideration is given to equity between generations of policyholders and equity between various classes and sizes of policies in force. Assumed future bonus rates included in policy liabilities were set such that the present value of policy liabilities equates to the present value of assets supporting the business together with assumed future investment returns, allowing for the shareholders' right to participate in future profits.

Assumed future annual bonus rates for the major classes of business are:

Ordinary Business:	
Bonus rate on sum assumed	2.67%
Bonus rate on existing bonuses	2.67%
Superannuation Business:	
Bonus rate on sum assumed	3.47%
Bonus rate on existing bonuses	3.47%

(c) Disclosure of assumptions - non-Australian life insurers

The policy liabilities for BNZ Life Insurance Limited, National Australia Life Company Limited, Independence One Life Insurance Company, CEF Lend Lease Life Assurance Limited and PT Simas Lend Lease Life have been determined by the respective entity's actuary in accordance with the guidelines and standards mandated by their local authorities.

(d) Glossary of terms relating to statutory funds business

Accumulation Method - The calculation of the policy liability is based on the accumulation of premiums and investment earnings less fees applicable. Deferred acquisition costs are offset against this liability.

Annuity Products - Polices that provide a regular payment to the policyholder for a specified period or until death of the insured. Policies may also provide for a payment of a specified amount upon death.

Bonuses - Discretionary amounts added to the benefits currently payable under participating business. Under the Life Insurance Act 1995, bonuses are a distribution to policyholders of current profits and retained profits and may take a number of forms including reversionary bonuses, interest credits and capital growth bonuses (payable on the termination of the policy). The total amount of policyholders' retained profits distributed in the reporting period as interim and terminal bonus distributions are included in claims expense. Bonuses proposed during a year are included in the change in policy liabilities.

Class of Business - Under the Life Insurance Act 1995, there may be two classes of business in each statutory fund: ordinary business and superannuation business. Superannuation business is maintained for the purpose of a superannuation or retirement scheme. Ordinary business is all other business.

Discontinuances - The voluntary termination of polices through surrender, lapse (surrender value is insufficient to support the debt on the policy) or forfeiture (non-payment of premiums when the policy has no surrender value).

Investment Account Policies - Policies where the benefits are calculated by reference to an account balance. Interest is added to the account balance each year as a distribution of profits under the Life Insurance Act 1995.

Investment Management Expenses - The costs of managing the investment portfolio including principal investment advice, investment management and custodian expenses.

Maintenance Expenses - The costs of all activities which support the maintenance and servicing of the business currently in force. Maintenance costs include the cost of processing policy renewals, the cost of processing claims and surrender payments, various management costs, renewal commission, the cost of maintaining product and administration systems. Maintenance expenses include all costs that are not policy acquisition costs or investment management expenses.

Non-participating Business - Policies where the policy benefits are fully specified in the policy document. Profits or losses on this business accrue solely to the shareholders.

Participating Business - Policies where the policy benefits include, in addition to benefits guaranteed by the policy document, an entitlement to share (with the shareholders) in the profits of the life company. These profits are usually distributed by providing additional benefits under the policies eg by the addition of bonuses or interest credits. The participating policyholders' share of the profits is protected by the Life Insurance Act 1995. The participating business includes whole of life, endowment insurance, pure endowment policies and investment account policies.

Planned Profit - The amount of profit that is expected to be generated from the profit margins for a particular reporting period.

Experience Profits (Losses) - The profits (losses) that occur when the actual experience of business is better (or worse) than that expected according to the assumptions used in the calculation of policy liabilities or when once-off events occur which were not allowed for in the assumptions.

Policy Acquisition Costs or New Business Selling Costs - Include advisory fees, the cost of processing the application, advertising and promotion of products and services, the cost of developing and establishing new products and related activities.

Profit Margin - The expected profit under the policy is the profit margin. It depends upon the premiums charged and the policy benefits provided, the policy experience to date (including the policy acquisition costs incurred) and the assumptions used in the calculation of policy liabilities. Under the requirements of Actuarial Standard AS1.02 "Valuation Standard", profit margins are often defined in terms of the value of another income or expense item (the profit carrier). For participating business, profit margins include those for both policyholders and shareholders. For non-participating business, all profit margins belong to shareholders.

Traditional Business - Policies such as whole of life insurances, endowment insurances and pure endowments. The sum insured and any bonuses are payable on death or on reaching a certain age (endowment insurances and pure endowments). Premiums are normally paid throughout the policy term. Traditional business, which is normally participating business, is included within non-investment linked business.

Whole of Life and Endowment - policies where the sum insured and bonuses are payable on death or on reaching a certain age. Bonuses are added each year as distribution of profits.

(e) Disaggregated information

The Consolidated Entity's life insurance business is conducted through a number of life insurance entities in Australia and overseas. Most of the Australian life insurance business is conducted by National Australia Financial Management Limited, MLC Limited and MLC Lifetime Company Limited. Under the Australian Life Act 1995, life insurance business is conducted within separate statutory funds which are distinguished from one another and from the shareholders' fund. The financial statements of Australian life insurers are lodged with the relevant Australian regulators and show all major components of the financial statements disaggregated between each life insurance statutory fund and the shareholders' funds.

The disaggregated financial statements of the Consolidated Entity's life insurance businesses for the year ended September 30, 2000 are summarised below:

	Statutory Funds				**Shareholder Funds** [5]
	Investment Linked	*Non-Investment Linked*	*International*	*Total*	*Total*
Year ended September 30, 2000					
Dollars in millions					
Statement of Profit and Loss					
Premium and related revenue					
Total premiums received or receivable [1]	2,989	215	90	3,294	44
Less: Policyholder investment contributions	2,879	2	-	2,881	-
Fee revenue in premiums [1]	110	213	90	413	44
Reinsurance claim recoveries [2]	-	18	3	21	9
Total premium and related revenue	110	231	93	434	53
Investment revenue					
Equity securities	819	74	26	919	20
Debt securities	65	10	-	75	(2)
Property	56	1	-	57	1
Total investment revenue	940	85	26	1,051	19
Other revenue	1	5	4	10	167
Movement in the excess of the interest in controlled					-
entities over their recognised net assets	-	-	-	-	202
Total revenue	1,051	321	123	1,495	441
Claims expenses					-
Total claims paid or payable [3]	1,950	227	45	2,222	20
Less: Policyholder investment withdrawals	1,950	30	-	1,980	-
Total claims expenses	-	197	45	242	20
Change in policy liabilities	747	(89)	-	658	6
Outward reinsurance [4]	-	39	8	47	4
Policy acquisition					
- commission	62	14	5	81	7
- other	22	24	-	46	3
Policy maintenance					
- commission	16	6	8	30	9
- other	55	26	-	81	4
Investment management fees	31	7	1	39	(1)
Interest expense	3	4	-	7	9
Other expenses	-	-	42	42	124
Total expenses	936	228	109	1,273	185
Operating profit/(loss) before income tax and abnormals	115	93	14	222	256
Abnormal items	-	-	-	-	108
Operating profit/(loss) before income tax	115	93	14	222	148
Income tax expense/(benefit) attributable to operating profit/(loss)	60	44	4	108	38
Operating profit after income tax	55	49	10	114	110
Outside equity interest in operating profit after income tax	-	-	-	-	2
Operating profit after income tax attributable to members of the company	55	49	10	114	108

	Statutory Funds				Shareholder Funds (5)
	Investment Linked	Non-Investment Linked	International	Total	Total
Year ended September 30, 2000					
Dollars in millions					
Margin on Services (MoS) Shareholder Profit Analysis					
Planned profit margins	46	44	9	99	-
Experience variation and other items	(1)	(4)	(2)	(7)	-
(New business losses)/reversal of capitalised losses	-	-	(3)	(3)	-
Operating margins	45	40	4	89	-
Revaluation gains after tax	-	-	-	-	153
Abnormals after tax	-	-	-	-	(71)
Investment earnings on shareholder capital and retained profits	10	9	6	25	-
Other	-	-	-	-	26
Operating profit after income tax attributable to members of the Company	55	49	10	114	108
Balance Sheet					
Assets					
Investment assets (5)	25,258	4,908	651	30,816	287
Other assets	1,126	335	52	1,513	5,037
Total assets	26,384	5,242	703	32,329	5,324
Liabilities					
Policy liabilities (5)	24,684	4,250	568	29,502	163
Unvested policy holder benefits	-	214	-	214	-
Other liabilities	1,341	616	29	1,986	944
Total liabilities	26,025	5,080	597	31,702	1,107
Net assets	359	163	105	627	4,217
Shareholders' Equity					
Issued and paid up capital	-	-	105	105	4,271
Retained profits	359	163	-	522	(100)
Shareholders' equity attributable to members of the company					
Outside equity interests in controlled entities	-	-	-	-	46
Total Shareholders' Equity	359	163	105	627	4,217

(1) Premiums received for investment-linked business contain two elements: firstly, amounts which are in the nature of deposits (that is, policyholder investment contributions) that are recognised as an increase in policy liabilities; and secondly, the fee component which is recognised as revenue.

(2) Reinsurance claim recoveries received from reinsurers.

(3) Total claims paid or payable for investment-linked business which are in the nature of policyholder investment withdrawals are recognised as reductions in policy liabilities.

(4) Reinsurance premiums paid to reinsurers.

(5) Included with the shareholders' funds are investment assets and policy liabilities that relate to foreign domiciled life insurance entities held by the shareholders' funds. These non-Australian life insurers do not have statutory funds concepts.

54 Reconciliation with US GAAP

In this note, National Australia Bank Limited is referred to as ‘the Company’ and the ‘Consolidated Entity’ consists of the Company and those controlled entities listed in Note 40.

The Company files its annual report (Form 20-F) with the Securities and Exchange Commission of the United States of America.

Reconciliation with US GAAP (continued)

The financial report of the Consolidated Entity is prepared in accordance with Generally Accepted Accounting Principles applicable in Australia ('Australian GAAP') (refer Note 1) which differ in some respects from Generally Accepted Accounting Principles in the United States ('US GAAP').

The following are reconciliations of the accounts for any significant adjustments, applying to US GAAP instead of Australian GAAP.

	Consolidated		
For years ended September 30	***2000***	*1999*	*1998*
Dollars in Millions			
Consolidated Statement of Profit and Loss			
Net profit before abnormal item reported using Australian GAAP	**3,375**	2,821	2,511
Abnormal item reported using Australian GAAP	**(136)**	-	(497)
Net profit reported using Australian GAAP	**3,239**	2,821	2,014
Movement in the excess of the interest of life insurance entities in their controlled entities over their recognised net assets [1]	**(202)**	-	-
Amortisation of goodwill of life insurance entities[1]	**(43)**	-	-
Difference in revenue recognition and change in policy liabilities of life insurance entities [1]	**(109)**	-	-
Difference in investment asset values in life insurance entities [1]	**2**	-	-
Unrealised gains on available for sale securities of life insurance entities [1]	**(18)**	-	-
Movement in deferred acquisition cost asset	**57**	-	-
Amortisation of PVFP asset [1]	**(19)**	-	-
Movement and elimination of the deferred tax liabilities of life insurance entities [1]	**90**	-	-
Elimination of foreign currency translation gains/losses on subsidiaries of life insurance entities [1]	**(9)**	-	-
Movement in market value of subordinated debt [1]	**14**	-	-
Difference in minority interest share of profit [1]	**(1)**	-	-
Depreciation charged on the difference between revaluation amount and historical cost of buildings[2]	**2**	2	2
Difference in profit or loss on disposal of land and buildings revalued from historical cost [2]	**15**	1	93
Amortisation of goodwill - difference resulting from treatment of loan losses as a purchase adjustment [3]	**4**	4	4
Amortisation of goodwill [4]	**4**	6	5
Amortisation of core deposit intangible [4]	**(21)**	(26)	(26)
Amortisation of deferred tax liability associated with core deposit intangible [4]	**5**	7	7
Pension expense [5]	**35**	29	25
Recognition/amortisation of tax losses resulting from IRS Ruling [6]	**3**	3	3
Adjustment of profit on sale-leaseback transactions [7]	**(12)**	-	-
Amortisation of profit on sale-leaseback over lease term [7]	**15**	15	(28)
Net Income according to US GAAP [8]	**3,051**	2,862	2,099
Foreign Currency Translation Reserve [1]	**931**	(998)	1,313
Asset Revaluation Reserve	**14**	(3)	(197)
Available for sale securities [1][12]	**19**	1	-
Revaluation surplus	**9**	-	-
Total other comprehensive income	**973**	(1,000)	1,116
Total comprehensive income according to US GAAP	**4,024**	1,862	3,215
Earnings per share (cents) according to US GAAP [9]			
Basic - after abnormals	**189.8**	189.4	145.9
Diluted - after abnormals	**183.9**	184.3	143.5

For years ended September 30 Dollars in Millions	Consolidated 2000	1999	1998
Shareholders' Equity			
Issued and paid up capital	**9,855**	9,286	6,675
Reserves [10]			
Reserves reported using Australian GAAP	**2,006**	802	1,782
Foreign Currency Translation Reserve	**(1,570)**	(639)	(1,637)
Asset Revaluation Reserve	**(14)**	-	(3)
Reserves according to US GAAP	**422**	163	142
Retained profits			
Retained profits less outside equity interest reported using Australian GAAP	**9,500**	**8,432**	**7,304**
Movement in the excess of the interest of life insurance entities in their controlled entities over their recognised net assets [1]	**(4,582)**	-	-
Goodwill not brought to account for Australian reporting for groups acquired by a life insurance entity [1]	**3,146**	-	-
Difference in revenue recognition and change in policy liabilities of life insurance entities [1]	**(893)**	-	-
Difference in investment asset values in life insurance entities [1]	**48**	-	-
Unrealised profit on available for sale debt securities [1][12]	**(19)**	-	-
Movement in revaluation surplus [1]	**(9)**	-	-
Movement in deferred acquisition cost assets of life insurance entities [1]	**163**	-	-
Recognition of Present Value of Future Profits (PVFP) asset of life insurance entities [1]	**1,795**	-	-
Movement and elimination of the deferred tax liabilities of life insurance entities [1]	**69**	-	-
Movement in market value of subordinated debt[1]	**14**	-	-
Recalculation of minority interest[1]	**(109)**	-	-
Elimination of revaluation surplus of land and buildings [2]	**(107)**	(93)	(95)
Adjustment of provision for depreciation on buildings revalued [2]	**85**	83	81
Additional provisions relating to purchase adjustments, less amortisation [3]	**(27)**	(31)	(35)
Amortisation of goodwill, core deposit intangible and associated deferred tax liability [4]	**(64)**	(52)	(39)
Pension expense [5]	**31**	(4)	(33)
Recognition of tax losses resulting from IRS Ruling [6]	**(40)**	(43)	(46)
Unamortised profit on sale-leaseback transactions [7]	**(80)**	(83)	(98)
Unrealised profit on shares in entities and other securities [12]	**49**	67	96
Provision for final cash dividend [11]	**976**	861	767
Retained profits according to US GAAP [8]	**9,946**	9,137	7,902

	Consolidated		
For years ended September 30	***2000***	*1999*	*1998*
Dollars in Millions			
Outside equity interest			
Outside equity interest reported using Australian GAAP	**46**	-	3
Reclassification of minority interest	**(46)**	-	(3)
Outside equity interest according to US GAAP	**-**	-	-
Accumulated other comprehensive income			
Accumulated other comprehensive income reported using Australian GAAP			
Balance brought forward under US GAAP	**640**	1,640	524
Movement in Foreign Currency Translation Reserve	**931**	(998)	1,313
Movement in Asset Revaluation Reserve	**14**	(3)	(197)
Unrealised profit on available for sale debt securities	**19**	1	-
Movement in revaluation surplus	**9**	-	-
Accumulated other comprehensive income according US GAAP	**1,613**	640	1,640
Total shareholders' equity according to US GAAP	**21,836**	19,226	16,359
Consolidated Balance Sheet			
Assets			
Total assets reported using Australian GAAP	**343,677**	254,081	251,714
Elimination of the excess of the interest of life insurance entities in their controlled entities over their recognised net assets [1]	**(4,582)**	-	-
Goodwill not brought to accounts for Australian reporting for entities acquired by a life insurance entity [1]	**3,146**	-	-
Difference in investment asset values in life insurance entities [1]	**48**	-	-
Restatement of deferred acquisition costs to US GAAP [1]	**163**	**-**	**-**
Reclassification of deferred acquisition costs of life insurance entities [1]	**82**	-	-
Recognition of PVFP asset of life insurance entities [1]	**1,795**	**-**	**-**
Revaluation surplus of land and buildings [2]	**(107)**	(93)	(95)
Adjustment of provision for depreciation on buildings revalued [2]	**85**	83	81
Additional provisions relating to purchase adjustments, less amortisation [3]	**(27)**	(31)	(35)
Amortisation of goodwill, core deposit intangible [4]	**(94)**	(77)	(57)
Pension fund adjustment [5]	**31**	(4)	(33)
Recognition of tax losses resulting from IRS Ruling [6]	**(40)**	(43)	(46)
Unrealised profit on available for sale debt securities [12]	**1**	1	-
Unrealised profit on shares in entities and other securities [12]	**49**	67	96
Assets relating to life insurance statutory funds [13(a)]	**-**	4,807	5,128
Total assets according to US GAAP	**344,227**	258,791	256,753
Liabilities			
Total liabilities reported using Australian GAAP	**322,270**	235,561	235,950
Difference in policy liabilities of life insurance entities [1]	**893**	-	-
Reclassification of deferred acquisition costs of life insurance entities [1]	**82**	-	-
Elimination of present value discounting on deferred tax liabilities of life [1]	**(69)**	-	-
Subordinated debt revaluation from market value to cost [1]	**(14)**	-	-
Increase in and reclassification of minority interests [1]	**155**	-	3
Deferral tax associated with core deposit intangible [4]	**(30)**	(25)	(18)
Unamortised profit on sale-leaseback transactions [7]	**80**	83	98
Elimination of dividends provided for but not yet formally declared prior to balance date [11]	**(976)**	(861)	(767)
Liabilities relating to life insurance statutory funds [13(a)]	**-**	4,807	5,128
Total liabilities according to US GAAP	**322,391**	239,565	240,394
Net assets according to US GAAP	**21,836**	19,226	16,359

The following is a summary of the significant adjustments made to consolidated net profit, shareholders' equity and total assets to reconcile from Australian GAAP to US GAAP.

Life Insurance (1)

Refer to Note 1 for details of the accounting policy in relation to life insurance business of the Consolidated Entity.

Excess of market values over net assets

For Australian GAAP, the excess of the market value of the interest of life insurance entities in their controlled entities over the recognised net assets is required to be recognised as an asset in the balance sheet with any subsequent movements reflected in the profit and loss account. Deferred tax is provided on the movement recognised in the profit and loss account.

For US GAAP, this treatment is not permitted. Goodwill resulting from acquisitions of life insurance companies is recognised on the balance sheet and amortised over a period of 20 years.

Revenue recognition and policy liabilities

For Australian GAAP, policy liabilities are calculated on a Margin on Services (MoS) basis.

For US GAAP, policy liabilities are calculated under SFAS 60 "Accounting and Reporting by Insurance Enterprises", SFAS 91 "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases" and SFAS 97 "Accounting and Reporting by Insurance Enterprises for certain Long-Duration Contracts and for Realised Gains and Losses from the Sale of Investments", depending on the type of product.

One of the key differences between MoS and US GAAP is that acquisition costs are amortised within the policy liabilities for MoS rather than as a separately identifiable asset for US GAAP as described in Deferred acquisition costs, below.

Other differences relate to the parameters used to drive the rate of acquisition cost amortisation, and that the MoS method operates to produce liabilities that are consistent with asset values based on market value whereas US GAAP methods are consistent with historical cost accounting concepts.

Investments of life insurance entities

For Australian GAAP, all assets are carried at net market value in the balance sheet with any movements in the value reflected in the profit and loss account.

For US GAAP, this treatment is not permitted and the accounting treatment for investments where different is set out below:

- Investments in leases are recorded using the provisions within SFAS 13 "Accounting for Leases" in order to recognise income over the term of the lease in proportion to the outstanding investment balance.
- Investments classified as available for sale using the provisions of SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities" are recorded in the balance sheet at fair value with unrealised profits and losses recorded as a separate component of shareholders' equity - comprehensive income. Income is recognised in the profit and loss account by amortising the purchase price to the maturity value over the life of the security.

Deferred acquisition costs

For Australian GAAP, deferred acquisition costs are held within policy liabilities and are not separately disclosed as an asset. Further, the fixed and variable costs of acquiring new business are included in deferred acquisition costs.

For US GAAP, deferred acquisition costs are shown as a separate asset and only costs that vary directly with the acquisition of new business may be deferred.

In general the amounts deferred under Australian GAAP will be higher than those under US GAAP.

Deferred acquisition costs in existence at the purchase date of the MLC Group have been eliminated in accordance with US GAAP purchase accounting rules.

Present Value of Future Profits (PVFP) asset

For US GAAP, PVFP represents the actuarially determined present value of estimated future US GAAP profits in respect of the in-force business at acquisition. The PVFP is amortised over the life of the acquired in-force business. The excess of the purchase price is recorded as goodwill.

For Australian GAAP, the excess of the market value over the net assets is recorded as a separate asset as described in Excess of market value over net assets, above.

Unwinding of discounting on deferred income tax liabilities

Under Australian GAAP life insurance tax liabilities are required to be stated at their net present value and are therefore discounted.

US GAAP does not permit the discounting of deferred tax liabilities.

Foreign currency translation reserve

Under Australian GAAP, exchange gains and losses on foreign subsidiaries are taken to the profit and loss account.

Under US GAAP, where the functional currency is not the same as the ultimate parent's reporting currency exchange gains and losses are reported within a foreign currency translation reserve. This reserve is a separate component of shareholders' equity.

Restatement of subordinated debt to a cost basis

Under Australian GAAP, liabilities of life insurance entities are required to be stated at their net present value with movement taken to the profit and loss account.

US GAAP requires that subordinated debt be held at principal.

Minority interest reclassification and restatement

Under Australian GAAP, outside equity interest is shown as a component of shareholders' equity and does not include a share of the excess of the market value.

Under US GAAP, minority interest is shown as a liability in the balance sheet with all balance sheet items reported gross of minority interest, including PVFP.

The minority interest under US GAAP is therefore generally larger than outside equity interest under Australian GAAP.

Land and Buildings (2)

The Consolidated Entity revalues land and buildings at various intervals (refer Note 1). The revaluation increments and decrements are included in the Consolidated Entity's reserves (after adjustment for bonus issues) which form part of shareholders' equity. Revalued buildings are depreciated over their estimated useful lives to the entity (land is not depreciated).

Under US GAAP, revaluation of land and buildings is not permitted. Accordingly, depreciation charges on revalued buildings, and profit and loss on sale of revalued buildings, are adjusted back to an historical cost basis for US GAAP purposes.

Purchase Adjustments (3)

Additional provisions for loan losses relating to loans acquired on the acquisition of the controlled entities in January 1990 were treated as fair value adjustments under Australian GAAP. These additional provisions would have been charged against net income under US GAAP. Appropriate adjustments to goodwill amortisation have been made in subsequent years under US GAAP.

Amortisation of Goodwill, Core Deposit Intangible and Associated Deferred Tax Liability (4)

Under US GAAP, purchase adjustments that arise in the acquisition of a US company are required to be reflected in the acquiree’s financial report.

Following SEC regulations and guidelines, Michigan National Corporation (MNC) was required to separately identify and account for the intrinsic value of its retail deposit base on acquisition. The recognition of the intrinsic value of the retail deposit base, which arose from the premium paid to acquire MNC is considered to be a component of goodwill under Australian GAAP.

For US GAAP purposes, the intrinsic value of the retail deposit base is deemed to be a core deposit intangible which is amortised over a period of 10 years. Under Australian GAAP the total goodwill (which includes the core deposit intangible) is amortised over 20 years.

In the calculation of the core deposit intangible under US GAAP, a deferred tax liability was created. This tax liability is amortised over a 10 year period. Under Australian GAAP the deferred tax liability is not recognised.

Pension Plans (5)

For defined benefit pension plans, Australian GAAP recognises the actuarially-determined contribution payable as the expense for the year.

The disclosure requirements of SFAS132 "Employers' Disclosures About Pensions and Other Post Retirement Benefits" have been included in this financial report in respect of the years ended September 30, 2000, 1999 and 1998. Under US GAAP, pension expense for defined benefit plans is a function of service and interest cost, return on fund assets and amortisation of any prior service costs and of any net gains or losses. US GAAP also requires the accrued pension liability to be reconciled with the funded status of the pension plan, the funded status being the difference between the projected benefit obligation and the fair value of the plan assets. As a result, under US GAAP, adjustments are required to reflect the appropriate pension expense for the year. Such a reconciliation is included under "Pension and Other Post Retirement Benefit Plans" below.

Recognition of Tax Losses Arising from IRS Ruling (6)

In September 1997, Michigan National Corporation merged its wholly owned thrift, Independence One Banking Organization of California (IOBOC), with the Michigan National Bank (MNB). IOBOC contained tax losses that had not previously been brought to account due to doubts surrounding their realisability. Following a private ruling handed down by the US Internal Revenue Service (IRS), these losses can now be accessed by MNB. Under US GAAP the tax losses are brought to account and deducted from the goodwill arising on the acquisition of MNC. Under Australian GAAP (Abstract 9 issued by the Urgent Issues Group, "Accounting for Acquisitions - Recognition of Acquired Tax Losses"), these losses have been recognised in the Group's profit and loss statement and represent a permanent tax difference.

Profit on Sale-Leaseback over Lease Term (7)

Under US GAAP profits and losses on sale and leaseback transactions are required to be recognised over the term of the lease. Under Australian GAAP, profits and losses on sale and leaseback transactions where the lease is structured as an operating lease are recognised in the period that the sale takes place.

Net Income (8)

Under US GAAP the concept of 'operating profit' is not recognised and only a limited number of items can be included under the headings of 'extraordinary items' and 'abnormal items'. Net profit under Australian GAAP is operating profit after income tax, including extraordinary items and excluding outside equity interests.

In performing the US GAAP profit reconciliation, the starting point is net profit reported using Australian GAAP (after goodwill amortisation and extraordinary or abnormal items).

Earnings Per Share (9)

Under Australian GAAP, basic earnings per share is calculated by dividing net profit by the weighted average number of fully paid equivalent ordinary shares outstanding during the year after adjusting for the bonus element of rights and other issues. The fully diluted earnings per share reflects dilution by exercisable options issued under the Executive Option Plans, adjusted for notional interest on uncalled capital associated with partly paid shares and exercisable options, and dilution by potential conversion of the Exchangeable Capital Units adjusted for the interest expense on these units.

For the purpose of US GAAP, the options issued are considered common stock equivalents and are therefore included in the calculation of primary earnings per share. Net income has been adjusted for notional interest on uncalled capital associated with partly paid shares and options, and dilution by potential conversion of the Exchangeable Capital Units adjusted for the interest expense on these units. The bonus element of rights issues is excluded from US GAAP computations.

General Reserves (10)

As with Retained Profits, the General Reserve represents a retention of distributable profits available for general use in the business. This may include payment of cash dividends.

Provisions (11)

The term provisions is used in Australian GAAP to designate accrued expenses with no definitive payment date. Provisions disclosed in Note 29 comply in all material respects with US GAAP with the exception of the provision for final cash dividend, which is not formally declared until shortly after balance date. Under US GAAP, dividends are recorded as liabilities only if formally declared prior to balance date. This difference in treatment has been amended in the US GAAP reconciliation of shareholders' equity and the balance sheet.

Investments (12)

Under Australian GAAP, Shares in entities and other securities, are carried at original cost less any provision for diminution in value.
Under US GAAP, these securities are deemed to be available for sale securities which are carried at market value with unrealised profits and losses in respect of market value adjustments recognised in shareholders' equity. These securities have been restated to market value with unrealised profit recognised in shareholders' equity.

In addition, under Australian GAAP available for sale debt securities are carried at the lower of aggregate cost or market value with unrealised losses in respect of market value adjustments recognised in profit and loss. Under US GAAP, available for sale securities are carried at market value with unrealised profits and losses in respect of market value adjustments recognised in shareholders' equity. Under US GAAP, available for sale securities have been restated to market value with unrealised profit recognised in shareholders' equity.

Consolidated Balance Sheet (13)

The following are reconciliations of balance sheet categories for any significant adjustments, applying to US GAAP instead of Australian GAAP.

		Consolidated	
As at September 30	***2000***	*1999*	*1998*
Dollars in Millions			
Investments relating to life insurance business reported using Australian GAAP	**31,103**	-	-
Difference in investment asset values in life insurance entities [(1)]	**48**	-	-
Assets relating to life insurance statutory funds[(a)]	**-**	4,807	5,128
Investments relating to life insurance business according to US GAAP	**31,151**	4,807	5,128
Fixed assets reported using Australian GAAP	**2,437**	2,032	2,219
Revaluation surplus of properties[(2)]	**(107)**	(93)	(95)
Provision for depreciation on buildings revalued[(2)]	**85**	83	81
Fixed assets according to US GAAP	**2,415**	2,022	2,205
Goodwill reported using Australian GAAP	**2,617**	2,905	3,095
Goodwill not brought to account for Australian reporting for entities acquired by a life insurance entity [(1)]	**3,146**	-	-
Additional provisions relating to purchase adjustments, less amortisation[(3)]	**(27)**	(31)	(35)
Core deposit intangible recognised separately under US GAAP [(4)]	**(173)**	(173)	(173)
Amortisation of core deposit intangible and goodwill [(4)]	**(94)**	(77)	(57)
Future income tax benefit resulting from IRS Ruling [(6)]	**(40)**	(43)	(46)
Goodwill according to US GAAP	**5,429**	2,581	2,784
Shares in entities and other securities reported using Australian GAAP	**1,376**	1,068	1,013
Unrealised profit/loss on shares in entities and other securities[(12)]	**49**	67	96
Shares in entities and other securities according to US GAAP	**1,425**	1,135	1,109
Available for sale debt securities reported using Australian GAAP	**3,047**	1,399	937
Unrealised profit on available for sale debt securities[(12)]	**1**	1	-
Available for sale debt securities according to US GAAP	**3,048**	1,400	937
Other assets reported using Australian GAAP	**31,431**	14,155	21,341
Elimination of the excess of the interest of life insurance entities in their controlled entities over their recognised net assets [(1)]	**(4,582)**	-	-
Restatement of deferred acquisition costs [(1)]	**163**	-	-
Reclassification of deferred acquisition costs [(1)]	**82**	-	-
Recognition of PVFP under US GAAP[(1)]	**1,795**	-	-
Pension fund adjustment [(5)]	**31**	-	-
Other assets according to US GAAP	**28,920**	**14,155**	**21,341**

As at September 30 Dollars in Millions	Consolidated **2000**	 1999	 1998
Life insurance policy liabilities reported using Australian GAAP	**29,879**	-	-
Reclassification of deferred acquisition costs as an asset (1)	**82**	-	-
Difference in policy liabilities reported under US GAAP (1)	**893**	-	-
Life insurance policy liabilities according to US GAAP	**30,854**	-	-
Deferred tax liability reported using Australian GAAP	**1,811**	1,008	1,006
Elimination of present value discounting on deferred tax liabilities of life insurance entities (1)	**(69)**	-	-
Deferred tax liability associated with core deposit intangible (4)	**(32)**	(25)	(18)
Deferred tax liability according to US GAAP	**1,710**	983	988
Other liabilities reported using Australian GAAP	**8,699**	5,027	4,917
Subordinated debt revaluation from market value to cost (1)	**(14)**	-	-
Increase in minority interests (1)	**109**	-	3
Reclassification of minority interests as a liability (1)	**46**	-	-
Unamortised gain on sale-leaseback transactions (7)	**80**	83	98
Other liabilities according to US GAAP	**8,920**	5,110	5,018

(a) The adoption of Australian Accounting Standard AASB 1038 "Life Insurance Business" requires the disclosure on the balance sheet of all assets and liabilities of the Consolidated Entity's life insurance entities. Prior to the adoption of this Standard, for Australian GAAP, the assets and liabilities of life insurance entities statutory funds were excluded from the consolidated balance sheet.

Pension and Other Post Retirement Benefit Plans

The Company and its controlled entities provide substantially all employees with pension benefits. Additionally, Michigan National Corporation (MNC) provides health care and life insurance benefits to retired employees who are eligible for a benefit under the pension plan, are at least 55 years old and have at least 15 years of service.

Set out below are the disclosure requirements of SFAS 132 "Employers' Disclosures about Pensions and Other Post-retirement Benefits" for the Consolidated Entity's significant pension plans.

As at September 30 Dollars in Millions	Pension Benefits **2000**	 1999	 1998	Other Benefits **2000**	 1999	 1998
Change in benefit obligation						
Benefit obligation at beginning of year	**4,670**	3,456	3,372	**43**	38	38
Service cost	**167**	115	117	**-**	-	-
Interest cost	**239**	227	256	**3**	3	3
Plan participants' contributions	**1**	2	4	**-**	-	-
Administrative Expenses	**(9)**	(9)	(9)	**-**	-	-
Actuarial gain	**66**	806	393	**2**	(3)	3
Benefits paid	**(222)**	(237)	(188)	**(4)**	(3)	(3)
Benefit obligation at end of year	**4,912**	4,360	3,945	**44**	35	41
Change in plan assets						
Fair value of plan assets at beginning of year	**5,778**	4,827	4,826	**58**	48	54
Actual return on plan assets	**1,145**	815	864	**-**	-	-
Employer contribution	**65**	56	13	**2**	2	2
Administrative Expenses	**(9)**	(9)	(9)	**-**	-	-
Plan participants' contributions	**1**	2	4	**-**	-	-
Benefits paid	**(222)**	(237)	(188)	**(4)**	(3)	(3)
Fair value of plan assets at end of year	**6,758**	5,454	5,510	**56**	47	53

	Pension Benefits			*Other Benefits*		
As at September 30	***2000***	*1999*	*1998*	***2000***	*1999*	*1998*
Dollars in Millions						
Funded Status	**1,846**	1,095	1,554	**44**	35	42
Unrecognised net actuarial loss	**(1,220)**	(557)	(1,063)	**6**	7	4
Unrecognised prior service cost	**62**	76	106	**5**	5	7
Income Taxes	**40**	46	52	**-**	-	-
Prepaid (accrued) benefit cost	**728**	660	649	**55**	47	53
Weighted-average assumptions						
Discount rate	**6.0%**	5.5%	6.6%	**7.8%**	7.8%	7.0%
Expected return on plan assets	**7.9%**	7.4%	7.8%			
Rate of compensation increase	**4.2%**	3.7%	4.2%	**5.0%**	5.0%	5.0%

	Pension Benefits		
As at September 30	***2000***	*1999*	*1998*
Dollars in Millions			
Components of net periodic benefit cost			
Service cost	**159**	116	105
Interest cost	**227**	230	229
Expected return on plan assets	**(383)**	(359)	(356)
Amortisation of prior service cost	**-**	-	-
Amortisation of transition liability	**20**	19	19
Recognised net actuarial loss	**(14)**	(34)	(36)
Net periodic benefit cost	**9**	(28)	(39)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effect:

	1 Percentage Point Increase		*1 Percentage Point Decrease*	
As at September 30	***2000***	*1999*	***2000***	*1999*
Dollars in Millions				
Effect on total of service and interest cost components	**67**	66	**49**	44
Effect on post retirement benefit obligation	**3,844**	1,788	**3,378**	2,005

The assumed annual rate of increase in the per capita cost of covered benefits (ie health care cost trend) was 6.7% for September 30, 2000, 6.9% at September 30, 1999 and 7.1% at September 30, 1998. The 2000 rate was further assumed to decline linearly to 5.5% over 10 years.

The Consolidated Entity also sponsors defined contribution plans covering Australian and New Zealand employees (refer Note 44). The Consolidated Entity's contributions are based on salary and amounted to $78 million in the year ended September 30, 2000 (1999: $79 million, 1998: $52 million).

55 Proforma Consolidation Information

The following table presents proforma financial data in respect of the acquisition of HomeSide. The proforma effects on the Consolidated Entity's results assuming the acquisition of HomeSide occurred on October 1, 1997 (the beginning of the 1998 fiscal year) would be as follows:

	As reported for		*Pro-forma and consolidated*	
	Australian GAAP	*US GAAP*	*Australian GAAP*	*US GAAP*
Year ended September 30, 1998				
Dollars in Millions				
Net Profit ($ millions)	2,014	2,099	2,031	2,116
Basic Earnings per Share (cents)	140.0	145.9	141.2	147.1
Diluted Earnings per Share (cents)	137.9	143.5	139.0	144.6

Directors' Declaration

The Directors of National Australia Bank Limited declare that:

1. (a) the financial statements, and the notes thereto, as set out on pages 55 to 162, comply with accounting standards and the Corporations Law;
   (b) the financial statements and notes thereto give a true and fair view of the financial position as at September 30, 2000, and of the performance of the Company and the Consolidated Entity for the year ended September 30, 2000; and
   (c) in the opinion of the Directors, at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and certain controlled entities will, as a Consolidated Entity, be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to Australian Securities and Investment Commission Class Order 98/1418 dated August 13, 1998 (refer to Notes 40 and 41 to the financial statements for further details).

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

MR Rayner

FJ Cicutto

Independent Auditors' Report to the Members of National Australia Bank Limited

Scope

We have audited the financial report of National Australia Bank Limited for the financial year ended September 30, 2000 consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes (1 to 55), and the directors' declaration. The financial report includes the consolidated financial statements of the Consolidated Entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with the Auditing Standards of Australia and the United States of America to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

Audit Opinion

In our opinion, the financial report of National Australia Bank Limited is in accordance with :

(a) the Corporations Law, including:

- (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at September 30, 2000, 1999 and 1998, and of their performance of the financial years ended on those dates;
- (ii) complying with Accounting Standards and Corporations Regulations; and

(b) other mandatory professional reporting requirements.

Accounting principles generally accepted in Australia vary in certain respects from accounting principles generally accepted in the United States of America. An explanation of the major differences between the two sets of principles is presented in Note 54 to the financial statements. The application of the United States principles would have affected the determination of consolidated net profit for each of the three years in the period ended September 30, 2000 and the determination of consolidated financial position as of September 30, 2000, 1999 and 1998 to the extent summarised in Note 54 to the financial statements.

Signed at Melbourne on this 2nd day of November, 2000.

KPMG

KPMG
Chartered Accountants

CD Lewis
Partner

Form 20-F Cross Reference Index

Notes:

(1) Not required in this annual report

(2) The information called for by Item 10B has been reported previously in a registration statement (File no. 333-6394), which information is hereby incorporated by reference into this Item 10.

(3) None

(4) Not applicable as Item 18 complied with

(5) As listed under Item 19

Shareholder Information

Major Shareholders

The Company is not directly or indirectly controlled by another entity or person or any foreign government. As at October 20, 2000, there is no person or group of persons known to the Company to be the beneficial owner of more than 5% of the Ordinary Shares on issue at that date.

There are no arrangements known to the Company, the operation of which may after the date of this Annual Financial Report 2000 result in a change in control of the Company. Shareholdings of Directors and Executive Officers of the Company at that date are as follows

Title of Class	*Identity of Person or Group*	*Amount of Shares Owned* [1]	*% of Class*
Ordinary Shares	Directors and Executive Officers (25 persons)	804,832	0.05

(1) Includes 136,042 Ordinary Shares held by Executive Directors and Executive Officers under the Company's Staff Share Scheme

Directors

The Directors of National Australia Bank Limited at September 30, 2000 were:

Position	*Name*	*Age*	*Position Held Since*	*Directorship Held Since*
Chairman	Mark Richard Rayner	62	1997	1985
Managing Director	Francis John Cicutto	49	1999	1998
Other Directors	David Charles Keith Allen	64		1992
	Graham John Kraehe	58		1997
	Kenneth John Moss [1]	55		2000
	Geoffrey Allan Tomlinson [2]	53		2000
	Edward Desmond Tweddell	59		1998
	Catherine Mary Walter	48		1995

(1) Mr KJ Moss was appointed as a Director of the Company on August 23, 2000.
(2) Mr GA Tomlinson was appointed as a Director of the Company on March 22, 2000.

SENIOR MANAGEMENT

The Executive Officers of National Australia Bank Limited are:

Position	*Name*
Executive General Managers	Glenn Lawrence Lord Barnes *Managing Director, O_2-e Limited* Joined the Group in 1990. Prior to this position, he held senior positions both within Australia and UK, including Executive General Manager, Business & Personal Financial Services, Group General Manager, Affiliate Companies, and Managing Director National Australia Group (UK) Limited. Prior to joining the Group, he held senior management positions with the Mars Incorporated group in Australia, UK and Asia.
	Ian MacDonald *Executive General Manager, National Shared Services* Joined the Group in 1971. During this time, he has held the position of Global General Manager, Operational Services, Chief Operating Officer, Yorkshire Bank and other senior positions both in Australia and overseas.
	Roland Frank Matrenza *Executive General Manager, Strategic Projects, Office of the CEO* Joined the Group in 1967. Prior to this appointment, he held senior positions within the Group including Executive General Manager, Group Strategic Development and General Manager, Group Projects.
	Peter Alexander McKinnon *Executive General Manager, People & Culture* Initially joined the Group in 1987. He has 25 years strategic management experience in corporate Human Resources, holding senior positions both within the National and AXA/National Mutual.

Richard Ernest McKinnon
Chief Financial Officer, Finance & Planning
Joined the Group in 1986. He has held the positions of Chief Officer Investments and Advisory, Chief Manager, Mergers & Acquisitions in the Company's wholly owned Investment Bank, First National Limited. Prior to joining the Group he worked in the Investment Banking industry, including JP Morgan (in Australia).

Robert Bliss Miller
Executive General Manager, Risk Management
Joined the Group in 1960. He previously held the position of General Manager, Credit Bureau and other senior management positions in retail and wholesale banking in Australia and the United States of America.

Ross Edward Pinney
Executive General Manager, Specialist & Emerging Businesses
Joined the Group in 1990. Prior to this appointment, he held the position of Executive General Manager, Products & Services, Managing Director, National Australia Group Europe Limited and various other senior positions within Australia and overseas.

Robert Malcolm Charles Prowse
Executive General Manager, Office of CEO
Joined the Group in 1966. He has previously held the positions of Chief Financial Officer, Group General Manager USA & Asia, Managing Director of Bank of New Zealand, and Chief General Manager, Subsidiaries & Investments within the Group.

Peter Brooke Scott
Executive General Manager, Wealth Management
Joined the Group in 2000 when the Company acquired the MLC businesses from Lend Lease Corporation. He previously held senior positions within Lend Lease including Chief Executive Officer, MLC Funds Management and Chief Operating Officer, MLC Limited.

Michael Donald Soden
Executive General Manager, Business & Personal Financial Services
Joined the Group in 1994. He has held the positions of Executive General Manager, Wholesale Financial Services, Group General Manager, Wholesale Banking, General Manager, Treasury & Wholesale Banking Europe (NAG UK). Prior to joining the Group he held senior positions involving corporate and investment banking with Citibank NA and Security Pacific Hoare Govett Ltd in London, New York and Toronto.

Stephen Craig Targett
Executive General Manager, Wholesale Financial Services
Joined the Group in 1997. During this period he has overseen the Global and Australian Markets Divisions. He has previously held senior positions with Australia and New Zealand Banking Group Ltd and Cargill Incorporated

Chief Executive Officers

Doug Ebert
Chief Executive Officer, Michigan National Corporation
Joined the Group in 1993. He is also a Director on the Board of HomeSide Lending, Inc. Prior to joining the Group, he held the positions of President and Chief Executive Officer of Lincoln National Corporation and Southeast Banking Corporation and held senior management positions with Manufacturers Hanover Trust Company.

Joe Keith Pickett
Chief Executive Officer, HomeSide International, Inc.
Joined the Group in 1998. He has previously been on the Board of HomeSide Lending, Inc., HomeSide International's primary operating subsidiary. He has also been President of the Mortgage Bankers Association of America and currently is a Director of Fannie Mae.

Grahame Peter Savage
Managing Director, National Australia Group Europe
Joined the Group in 1973. For a number of years he was Managing Director, Yorkshire Bank Retail Services Ltd. Following the take-over of Yorkshire Bank by the Group, he held positions in Australia before returning to the UK where he was Chief Executive of the Group's operations in Ireland prior to his current position.

Mike Pratt
Chief Executive Officer, Australian Financial Services
Joined the Group in 1970. He has previously held the positions of Managing Director, Bank of New Zealand, General Manager Human Resources, General Manager Custodian Services.

Group General Counsel

David Milton Krasnostein
Joined the Group in 1996. Prior to joining the Group, he held the position of General Counsel, Telstra Corporation and partner / attorney positions with legal firms in the United States.

Company Secretary	Garry Francis Nolan Joined the Group in 1970. He has senior management experience in financial management, capital markets, corporate strategy, new business development, corporate restructuring, Board affairs, corporate governance, shareholder services and globalisation of business. Prior to joining the Group, he obtained branch banking experience with a major commercial bank and corporate restructuring with a firm of chartered accountants.

The Directors of the Company are classified as either Executive or Non-Executive, with the former being those Directors engaged in the full-time employment of the Company. Mr FJ Cicutto is the only Executive Director.

The aggregate remuneration paid by the Company and its subsidiaries during the year ended September 30, 2000 to all Directors and Executive Officers listed above as a group (25 persons in 2000 and 24 persons in 1999) was $20 million (1999: $18 million).

During the year ended September 30, 2000, Share Options were issued to 605 executives covering a total of 11,435,500 share options. A total of 3,075,000 options were issued to the 18 of the 25 Directors and Officers listed above as a group.

TRADING MARKET AND PRICE HISTORIES

Ordinary Shares

The Ordinary Shares are listed for trading on the Australian Stock Exchange Limited, a self-regulatory organisation which governs the open market quotation, purchase and sale of the Ordinary Shares in Australia. The Australian Stock Exchange Limited is the principal market for the Ordinary Shares, and operates in the following cities in Australia: Melbourne, Sydney, Brisbane, Perth, Adelaide and Hobart.

The Ordinary Shares are also listed for quotation on the London Stock Exchange Limited; the London Stock Exchange Automated Quotation System; the Stock Exchange, New Zealand; and the Tokyo Stock Exchange. American Depository Shares and preference shares are listed on the New York Stock Exchange (refer below).

The following table sets forth, for the calendar quarters indicated, the high and low sale prices of the Ordinary Shares as reported by the Australian Stock Exchange Limited.

	2000		***1999***		*1998*		*1997*	
	High $	*Low $*	***High $***	***Low $***	*High $*	*Low $*	*High $*	*Low $*
March Quarter	23.39	19.88	28.85	24.40	22.70	18.93	17.22	14.37
June Quarter	27.90	21.50	30.28	24.48	23.40	20.55	19.05	15.20
September Quarter	27.70	23.70	25.75	21.61	23.50	19.95	22.85	18.60
December Quarter (1)	27.40	25.51	25.72	22.23	25.04	18.99	21.95	16.87

(1) The 2000 December quarter represents the period from October 1 to October 20.

On October 20, 2000 the closing price on the Australian Stock Exchange Limited was $26.76 per Ordinary Share, with 1,514,639,412 Ordinary Shares (excluding partly-paid shares) outstanding and such shares were held by 301,592 holders.

October 2000		*September 2000*		*August 2000*		*July 2000*		*June 2000*		*May 2000*	
High $	*Low $*	*High $*	*Low $*	*High $*	*Low $*	*High $*	*Low $*	*High $*	*Low $*	*High $*	*Low $*
27.40	25.51	25.90	23.70	26.50	24.55	27.70	24.20	27.90	25.20	26.20	23.36

American Depositary Shares (ADSs)

The Ordinary Shares are traded in the United States in the form of ADSs evidenced by American Depositary Receipts (ADRs) issued by The Bank of New York, as Depositary, pursuant to an Amended and Restated Deposit Agreement dated as of November 14, 1997, or Morgan Guaranty Trust Company of New York, its predecessor Depositary, pursuant to a Deposit Agreement dated January 16, 1987, as amended as of June 24, 1988. Each ADS represents five Ordinary Shares. The ADSs are listed on the New York Stock Exchange (the 'NYSE'), which is the principal market in the United States for the trading of the ADSs. The ADSs trade on the NYSE under the symbol 'NAB'. At October 20, 2000 4,163,575 ADSs representing 20,817,875 Ordinary Shares, or approximately 1.4% of the Ordinary Shares outstanding on such date, were held by 208 holders with registered addresses in the United States. The following table sets forth, for the calendar quarters indicated, the high and low sale prices per ADS as reported on the NYSE composite tape.

	2000				*1998*		*1997*	
	High US$	***Low US$***	*High US$*	*Low US$*	*High US$*	*Low US$*	*High US$*	*Low US$*
March Quarter	**76.63**	**61.31**	90.69	76.31	73.88	65.38	66.13	56.13
June Quarter	**83.06**	**65.56**	97.69	80.44	76.38	61.25	72.75	60.05
September Quarter (1)	**82.00**	**65.31**	83.94	70.13	73.25	59.06	81.25	68.25
December Quarter	**73.00**	**69.13**	81.88	71.81	77.00	57.06	71.00	66.44

(1) The 2000 December quarter represents the period from October 1 to October 20.

On October 20, 2000 the closing price per ADS as reported on the NYSE composite tape was US$69.88

October 2000		*September 2000*		*August 2000*		*July 2000*		*June 2000*		*May 2000*	
High *US$*	***Low*** *US$*	*High* *US$*	***Low*** *US$*	*High* *US$*	***Low*** *US$*	***High*** *US$*	***Low*** *US$*	***High*** *US$*	***Low*** *US$*	*High* *US$*	*Low* *US$*
73.00	69.13	74.19	65.31	76.63	71.75	82.00	71.63	83.06	74.94	74.50	68.00

National Income Securities (NIS)

The NIS were listed on July 8, 1999 for trading on the Australian Stock Exchange Limited, a self-regulatory organisation which governs the open market quotation, purchase and sale of the NIS in Australia. The Australian Stock Exchange Limited is the principal market for the NIS, and operates in the following cities in Australia: Melbourne, Sydney, Brisbane, Perth, Adelaide and Hobart.

	2000		***1999***		*1998*		*1997*	
	High ***$***	**Low** ***$***	High *$*	Low *$*	High *$*	Low *$*	High *$*	Low *$*
March Quarter	**97.38**	**90.30**	-	-	-	-	-	-
June Quarter	**95.30**	**90.00**	-	-	-	-	-	-
September Quarter	**97.40**	**94.00**	103.60	100.45	-	-	-	-
December Quarter[1]	**96.25**	**95.20**	103.34	90.00				

(1) The 2000 December quarter represents the period from October 1 to October 20.

On October 20, 2000 the closing price on the Australian Stock Exchange Limited was $96.00 per NIS, with 20,000,000 NIS outstanding and such NIS were held by 48,641 holders.

October 2000		*September 2000*		*August 2000*		*July 2000*		*June 2000*		*May 2000*	
High	***Low***	*High*	*Low*	*High*	*Low*	*High*	*Low*	*High*	*Low*	*High*	*Low*
$96.25	$95.20	$95.89	$95.05	$95.25	$94.00	$97.40	$94.30	$95.30	$93.65	$94.99	$92.56

Preference Shares

On September 30, 1998 the Company issued 32,008,000 fully paid non-converting non-cumulative preference shares with a liquidation preference of US$12.50 per share (the "Preference Shares") in connection with an issuance of Trust Units Exchangeable for Preferred Shares ("Trust Units") by NAB Exchangeable Preferred Trust ("Trust"). The underwriters with respect to the Trust Units subsequently exercised an option resulting in a further issuance of 4,000,000 Preference Shares. The Trust is a non diversified closed end management investment company registered under the US Investment Company Act of 1940.

Upon maturity of the Trust Units on December 31, 2007, investors will mandatorily exchange the Trust Units for the Preference Shares and thereupon the Preference Shares will carry an entitlement to non-cumulative dividends as an annual rate of 8% payable quarterly in arrears. The mandatory exchange of Trust Units for Preference Shares may occur earlier at the Company's option or in certain specified circumstances including default, breach of APRA capital adequacy limits and appointment of a liquidator.

The Preference Shares are represented by ADSs each representing two Preference Shares. The Preference Shares and the ADSs representing the Preference Shares have been approved for listing on the NYSE when exchanged for Trust Units. Currently there is no public market for listing on the NYSE when exchanged for Trust Units. Currently there is no public market for the Preference Shares or the ADSs representing the Preference Shares.

Exchange Controls and Other Limitations Affecting Security Holders

There are no limitations under the Company's Constitution restricting the rights of non-resident or foreign owners of ordinary shares to have an interest in or vote on their securities.

Mergers, acquisitions and divestment of Australian public companies listed on the Australian Stock Exchange are regulated by detailed and comprehensive legislation and the rules and regulations of the Australian Stock Exchange.

In summary, under the Corporations Law, a person must not acquire a "relevant interest" in issued voting shares in a listed company if, broadly, because of the transaction, that person's or someone else's "voting power" in the company increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%, unless those shares are acquired in a manner specifically permitted by law. This restriction also limits the options available to a shareholder wanting to sell a shareholding of more than 20% in an Australian listed company.

The concepts of "relevant interest" and "voting power" are very broadly defined and shareholders should seek their own advice on their scope. In very general terms:

- A person has a "relevant interest" in securities if they broadly hold the securities or have the power to vote or dispose of the securities or are deemed to have a relevant interest;
- A person's "voting power" in a company is broadly the total number of votes attached to all the voting shares in the company that the person or an "associate" has a relevant interest in divided by the total number of votes attached to all voting shares in the company; and
- An "associate" is widely defined in Divisions 1 and 2 of Part 1.2 of the Corporations Law and includes, depending on the context, parent companies or subsidiaries of the holder and persons with whom the holder has entered into various types of agreements, arrangements or understandings (formal or informal) in relation to certain matters concerning shares, the affairs of the company or the composition of its board of directors.

The Corporations Law also imposes certain substantial shareholding disclosure obligations on persons who are or become "entitled" to 5% or more of the voting shares in a company listed on the Australian Stock Exchange, such as the Company.

One of the more common manners in which a controller shareholding is acquired in an Australian public company is by a takeover offer. The form and content of the documentation is regulated by law. Australian takeover law purports to have extra-territorial force. Therefore, Australian law may apply to transactions outside Australia with respect to non-Australian companies if that transaction affects the control of voting shares in an Australian company.

Australian law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market in Australia, in a State or in a Territory.

Acquisitions of certain interests in Australian companies by foreign interests are subject to review and approval by the Treasurer of the Commonwealth of Australia under the Foreign Acquisitions and Takeovers Act 1975 (the "Act"). This Act applies to any acquisition of 15% or more of the outstanding shares of an Australian company or any acquisition which results in one foreign person (including a company) or group of associated foreign persons controlling 15% or more of total voting power. In addition, the Act applies to any acquisition by non-associated foreign persons controlling, in the aggregate, 40% or more of total voting power or ownership.

In addition, there are specific limitations on the acquisition of a shareholding in a bank under the Financial Sector (Shareholdings) Act 1998. Under this Act, a person (including a company) must not acquire an interest in an Australian financial sector company where the acquisition would take that person's voting power (which includes the voting power of the person's associates) in the financial sector company to more than 15% of the voting power of the financial sector company without first obtaining the Treasurer's approval. Even if a person has less than 15% of the voting power, the Treasurer has the power to declare that a person has "practical control" of that company and, by applying for an order from the Federal Court may require the person to relinquish that control. The definition of a financial sector company includes banks, such as the Company. It also includes authorised insurance companies or an authorised insurance company's holding company. Three of the Company's subsidiaries are authorised insurance companies.

Subject to compliance with the Foreign Acquisitions and Takeovers Act 1975 and the Financial Sector (Shareholdings) Act 1998, non-residents of Australia have the same rights to hold shares and to vote as residents of Australia.

There are no general foreign exchange restrictions in effect in Australia at the present time. However, the specific approval of the Reserve Bank of Australia must be obtained in connection with certain payments and transactions having a prescribed connection with countries designated from time to time by the Reserve Bank of Australia for the purposes of the Banking (Foreign Exchange) Regulations (currently Iraq, Libya, the Federal Republic of Yugoslavia (Serbia and Montenegro) the Islamic Emirate of Afghanistan and the National Union for Total Independence of Angola).

TAXATION

The taxation discussion set forth below is intended only as a descriptive summary, and does not purport to be a complete technical analysis or listing of all potential Australian or US tax effects to US persons who are ADR holders or holders of Shares (US Holders), and US Holders are advised to satisfy themselves as to the overall tax effects, including state and local tax effects, by consulting their own tax advisers. This summary is based in part on representations of the Depositary, and assumes that each obligation provided for in or otherwise contemplated by the Deposit Agreement and any related agreement will be performed in accordance with its terms. Except as otherwise noted, the statements of Australian or US tax laws set out below are based on the laws in force as of the date of this annual report, and are subject to any changes in Australian or US law, and in any double taxation convention between the US and Australia, occurring after that date.

Australian Taxation

Under Australian revenue law, non-residents may be subject to withholding tax in respect of dividends received from shares in Australian companies depending upon the extent to which the dividends are franked. Under the Foreign Dividend Account system the unfranked portion of a dividend paid to non-residents of Australia may not be subject to Australian withholding tax if the unfranked amount is sourced from certain foreign income earned by the Australian company on which foreign tax has been paid. In accordance with the provisions of the Australian/United States double tax agreement, withholding tax on dividend income derived by a non-resident of Australia, who is a resident of the United States, is limited to 15% of the gross amount of the dividend.

Under the current Australian dividend imputation system, to the extent that dividends are paid out of income on which Australian income tax has been levied, such dividends are considered as ‘franked’ dividends to that same extent. Where an Australian resident shareholder receives a franked dividend, the shareholder receives an imputation tax credit which can be offset against the Australian income tax payable by the shareholder. The amount of the credit is dependent upon the extent to which the dividend paid is a franked dividend. As a result of the Australian Government’s business tax reform initiatives, from July 1, 2000 excess imputation tax credits are refundable to Australian resident shareholders who are individuals, superannuation funds and charities. Non-resident shareholders who do not hold the shares in connection with a permanent establishment in Australia, rather than receiving a credit, are exempt from dividend withholding tax in respect of franked dividends received. Non-resident shareholders are not entitled to a refund of excess imputation tax credits.

The Company paid a fully franked interim dividend out of profits for the half year-ended March 31, 2000 and has declared a fully franked final dividend payable out of profits for the year ended September 30, 2000. These franked dividends carry imputation tax credits at a tax rate of 34%, reflecting the reduction in the Australian company tax rate from 36% to 34%.

Subject to certain exceptions, a non-resident disposing of shares in Australian public companies will be free from tax in Australia. The exceptions relate to capital assets which are treated as having the necessary connection with Australia. The following two exceptions are relevant to disposals of shares:

- Shares held as part of a business conducted through a permanent establishment in Australia. In such a case, any profit on disposal would be assessable to ordinary income tax. Losses would constitute allowable deductions.

- Shares held in Australian resident public companies where such shares represent an associate inclusive holding of 10% or more by value in the shares of the company. In such a case, capital gains tax would apply, but not otherwise.

As part of the Australian Government’s business tax reform measures, the capital gains tax regime has also been modified. In calculating any capital gains in respect of the disposal of assets (including shares) acquired on or after October 1, 1999, indexation of the cost of the assets for inflation is not available. Under the revised capital gains tax rules, individuals will be subject to Australian tax on 50% of any actual capital gains (ie. without inflation indexation) on the disposal of assets acquired on or after October 1, 1999 and held for at least 12 months. In the case of superannuation (pension) funds, two thirds of any actual capital gains on the disposal of assets acquired on or after October 1, 1999 will be subject to Australian tax, provided the assets have also been held for at least 12 months.

For the disposal of assets acquired prior to October 1, 1999, indexation of the cost of assets will be frozen as at September 30, 1999. However, for such asset disposals, individuals will be able to choose whether to be taxed on any capital gain (after allowing for indexation of the cost to September 30, 1999) or 50% of any actual capital gain. Superannuation (pension) funds will also be able to make the same election for the disposal of assets acquired prior to October 1, 1999, however, if an election is made to be taxed on any actual capital gain, two thirds of the actual capital gain will be subject to Australian tax.

Normal rates of income tax will continue to apply to taxable capital gains so calculated. Capital losses are not subject to indexation; they are available as deductions, but only in the form of offset against other capital gains (whether capital gains net of the frozen indexation or actual capital gains on assets acquired on or after October 1, 1999). Excess capital losses can be carried forward for offset against future capital gains.

United Kingdom Dividend Plan

The United Kingdom Dividend Plan (UKDP) enables a shareholder who elects to participate, to receive dividends from a United Kingdom subsidiary of the Company, as an alternative to the cash component of dividends paid on Ordinary Shares in the Company. UK Advance Corporation Tax was abolished with effect from April 6, 1999. However, dividends from UK companies continue to carry a tax credit of 10% which can be utilised by certain shareholders.

The Company’s Australian resident corporate shareholders obtain no tax credits on a dividend paid by the United Kingdom controlled entity. Dividends received from the Company on Ordinary Shares which do not participate in the UKDP carry an Australian imputation tax credit to the extent those dividends are ‘franked’.

In addition, participants should not suffer Australian capital gains tax due solely to their participation in, or withdrawal from the UKDP.

United States Federal Income Taxation

A US Holder must include in gross income the gross amount of any dividend paid by the Company out of earnings and profits (as determined for United States federal income tax purposes), including any Australian income tax withheld from the dividend payment. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends paid by United States corporations. Subject to certain limitations, any Australian tax withheld from a dividend will be creditable against a US Holder's United States federal income tax liability.

For United States Federal income tax purposes, US Holders will not be entitled to a tax credit for the 10% UK withholding tax deducted from dividends paid by the United Kingdom subsidiary.

Currency of presentation, exchange rates and certain definitions

All dollar amounts are expressed in Australian dollars unless otherwise stated. Merely for the convenience of the reader, this Annual Financial Report contains translations of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of US$0.5415=A$1.00, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the 'Noon Buying Rate') on September 29, 2000.

Exchange Rates

Fluctuations in the exchange rate between the Australian dollar and the US dollar will affect the US dollar equivalent of the Australian dollar prices of the Ordinary Shares and, as a result, may affect the market price of the ADSs in the United States. Such fluctuations will also affect the US dollar conversion by the Depository of cash dividends paid in Australian dollars on the Ordinary Shares represented by the ADSs (see "American Depository Shares" on page 168 for a description of the ADSs). For each of the Company's fiscal years, the high, low, average and year-end Noon Buying Rates, see "Selected Financial data for five years ended September 30, 2000" on page 13.

Certain Definitions

The Company's fiscal year ends on September 30. As used herein, the fiscal year ended September 30, 2000 is referred to as 2000 and other fiscal years are referred to in a corresponding manner. 'Financial Statements' means the Company's consolidated Financial Statements for the years ended September 30, 2000, September 30, 1999 and September 30, 1998 included herein at pages 54 to 163. Any discrepancies between total and sums of components in tables contained in this Annual Financial Report 2000 are due to rounding.

REGISTERED 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
MLC Limited	19,284,623	1.3
National Australia Trustees Limited	18,108,890	1.2
Perpetual Nominees Limited	11,239,179	0.7
HKBA Nominees Limited	11,151,385	0.7
Mercantile Mutual Life Insurance Group	10,725,009	0.7
AMP Nominees Pty Limited	10,247,165	0.7
NRMA Nominees Pty Limited	9,368,162	0.6
National Mutual Group	8,234,271	0.5
Australian Foundation Investment Company Limited	6,773,400	0.5
BT Custodial Services Pty Limited	6,337,491	0.4
	727,923,267	48.1

The 20 largest registered shareholders held 727,923,267 shares which is equal to 48.1% of the total issued capital of 1,514,639,412 Ordinary Shares.

As at October 20, 2000 there was no person or group of persons known to the Company to be the beneficial owner of more than 15 per cent of the Ordinary Shares on issue at that date.

Distribution of Shareholdings

	Number of Shareholders	*% of Holders*	*Number of Shares*	*% of Shares*
Range				
1 - 1,000	185,500	61.5	76,411,659	5.0
1,001 - 5,000	91,934	30.5	199,240,016	13.2
5,001 - 10,000	14,283	4.7	99,670,173	6.6
10,001 - 100,000	9,410	3.1	201,123,366	13.3
100,001 and over	465	0.2	938,194,198	61.9
	301,592	**100.0**	**1,514,639,412**	**100.0**
Less than marketable parcel of $500	**8,573**	**2.8**		
Address of Holders				
Australia	281,429	93.3	1,489,889,235	98.4
United Kingdom	11,398	3.8	7,652,085	0.5
New Zealand	5,981	2.0	11,193,976	0.7
United States	441	0.1	969,138	0.1
Other Overseas	2,343	0.8	4,934,978	0.3
	301,592	**100.0**	**1,514,639,412**	**100.0**

Voting Rights

The Company’s Constitution provides in summary that every member (and person entitled under Article 6.1, the transmission Article) present in person or by proxy, attorney or representative at a general meeting of shareholders shall have one or more votes as follows:

On a show of hands – one vote
On a poll – one vote for each share held.

Where a member appoints two proxies that specify different ways to vote on a resolution, the proxy must not vote in a show of hands.

REGISTERED NATIONAL INCOME SECURITY HOLDERS AS AT OCTOBER 20, 2000

	Number of Securities	*%*
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
National Mutual Group	170,000	0.8
UBS Warburg Private Clients Nominees Pty Limited	155,008	0.8
Melbourne Square Pty Limited	150,000	0.8
Mirrabooka Investments Limited	150,000	0.8
BT Custodial Services Pty Limited	148,763	0.7
Permanent Trustee Australia Limited	116,000	0.6
Merrill Lynch (Australia) Nominees Pty Limited	115,701	0.6
Treaty Services Pty Limited	111,500	0.5
Djerriwarrh Investments Limited	103,640	0.5
University Of Western Australia	100,000	0.5
	5,293,966	**26.5**

The 20 largest registered National Income Security holders held 5,293,966 National Income Securities, which is equal to 26.5% of the total issue of 20,000,000 National Income Securities.

Distribution of Securities

	Number of Holders	*% of Holders*	*Number of Securities*	*% of Securities*
Range				
1 - 1,000	47,049	96.7	7,833,668	39.2
1,001 - 5,000	1,333	2.8	2,945,756	14.7
5,001 - 10,000	119	0.2	890,200	4.5
10,001 - 100,000	121	0.3	3,505,542	17.5
100,001 and over	19	*	4,824,834	24.1
	48,641	**100.00**	**20,000,000**	**100.0**
Less than marketable parcel of $500	**6**	**0.01**		

Address of Holders

Australia	48,559	99.8	19,946,180	99.7
United Kingdom	13	*	12,812	0.1
New Zealand	27	0.1	14,395	0.1
United States	5	*	1,880	*
Other Overseas	37	0.1	24,733	0.1
	48,641	**100.0**	**20,000,000**	**100.0**

* *due to the small numbers of these security holders the amounts round down to nil.*

Voting Rights

National Income Securities comprise a fully paid note and an unpaid Preference Share. The Company's constitution and the terms of issue of the Preference Shares provide, in summary, that holders of the Preference Shares will not be entitled to vote at a general meeting except they may:

- vote together with the holders of Ordinary Shares on certain limited resolutions: and
- vote as a class on any resolution to vary the rights attaching to the Preference Shares,

in which case the holders of the Preference Shares have the same rights as to voting in respect of each Preference Share as those conferred on the holders of Ordinary Shares in respect of each Ordinary Share and will have one vote per Preference Share.

National Australia Bank Limited

Chairman

Mr MR Rayner
BSc (Hons), FTSE, FausIMM, FAICD
FIEAust

Managing Director and Chief Executive Officer

Mr FJ Cicutto
Bcom, FAIBF, FCIBS

Company Secretary

Mr GF Nolan
Mbus, FCIS, FAIBE, FAICD, ASIA, CFTP

Registered Office Principal Share Register & Shareholder Services

24th Floor, 500 Bourke Street
Melbourne Victoria 3001
Australia
Postal Address
GPO Box 2333V
Melbourne Victoria 3001
Australia

Local call: 1300 367 647
Fax: (03) 8641 4927

Telephone (outside Australia)
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Fax (outside Australia)
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Website: www.national.com.au

United Kingdom Branch Share Register

C/- Computershare Services Plc
The Pavillions
Bridgwater Road
Bristol BS99 7NH
United Kingdom
Tel: (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
101 Barclay Street
New York NY 10286
United States
Tel: (212) 815 5838
Fax: (212) 571 3050
Toll Free (US only): 1 888 269 2377
Website: www.adrbny.com

Solicitors

Mallesons Stephen Jaques
525 Collins Street
Melbourne Victoria 3000
Australia

Auditors

KPMG
Chartered Accountants
161 Collins Street
Melbourne Victoria 3000
Australia

Shareholder's Centre

To ensure shareholders are fully informed about their investment, a separate section of the National's web site has been dedicated to shareholders. Called the Shareholder's Centre, the site contains a range of information including copies of recent result announcements, the Annual Financial Report and useful forms from our Shareholder Services.

The National's web side can be found at
Website: www.national.com.au

Official Quotation

National Australia Bank Limited is quoted on the following exchanges:

The Australian Stock Exchange;
The London Stock Exchange;
The Stock Exchange, New Zealand;
Tokyo Stock Exchange; and
New York Stock Exchange

In the United States the Company's ordinary shares are traded in the form of American Depositary Shares (ADSs) evidenced by American Depositary Receipts (ADRs) issued by The Bank of New York.

The Company has also issued:

Exchangeable Capital Units which are listed under the symbol 'NAU' on the New York Stock Exchange Inc., and are also listed on the Luxembourg Stock Exchange.

Trust Units Exchangeable for Preference Shares which are listed under the symbol 'NAR Pr' on the New York Stock Exchange.

National Income Securities trade on the Australian Stock Exchange under the symbol 'NABHA'.

Signatures

The registrant certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorised the undersigned to sign this annual report to be signed on its behalf.

National Australia Bank Limited
Registrant

Garry F Nolan
Secretary of the Company
Date: November 2, 2000

Principal establishments

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Group Offices and Australian Financial Services
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Fax: +61 2 9957 6881

MLC
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Fax: + 852 2845 9251 (HK Branch)

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