NATIONAL AUSTRALIA BANK LIMITED
ACN 004 044 937

DECEMBER 1999 RESULTS

		Page
Section 1	Media Release	1
Section 2	Summary of Financial Performance, Strategy and Prospects	3
Section 3	Analysis of Financial Performance	9
Section 4	Detailed Financial Statements	24
Alphabetical Index		52

National begins year with strong first quarter result

National Australia Bank began its financial year with a strong profit of $771 million for the three months to 31 December 1999, up 6.5 per cent on the previous corresponding period.

The latest result compares with $724 million for the December 1998 quarter and $734 million for the three months to September 1999.

Earnings attributable to ordinary shareholders (operating profit after tax and deducting distributions to other equity holders) increased by 3.1 per cent from $704 million for the September 1999 quarter to $726 million for the latest quarter.

The return on average ordinary shareholders' funds remained steady at 17.8% for the quarter.

The National's Managing Director, Mr Frank Cicutto said that the National's strong capital position provides strategic flexibility.

"However, as foreshadowed previously, if a realistic acquisition opportunity has not crystallised by the middle of the year, a share buyback will be initiated," Mr Cicutto said.

Underlying profit (before tax and charge for doubtful debts) for the latest period was $1,313 million, 20 per cent higher than the September 1999 quarter and 8.2 per cent higher than December 1998.

The result for the current quarter was impacted by a tax charge of $28 million to reflect the effect of the change in Australian corporate tax rates on the opening balance of future income tax benefits (FITB) at 1 October 1999 and a further $6 million being the impact of a lower effective tax rate on current quarter FITB movements. This was partly offset by an $11 million reduction in deferred tax liabilities in HomeSide due to a lower effective tax rate.

The adoption of the new Australian accounting standard for life insurance businesses impacted revenue and expense disclosures and also resulted in a gain of $11 million associated with the Group's investment in life insurance businesses.

Mr Cicutto said the latest result represented a strengthening of the organisation's performance.

"During this period we have seen strong growth in business activity, tight containment of costs and sound underlying asset quality.

"Our costs are down, in line with the commitments we made to the market last year," Mr Cicutto said.

The cost to income ratio for the current quarter was 51.1 per cent compared with 57.3 per cent in the previous quarter and 53 per cent for the December 1998 quarter.

For the December 1999 quarter, the cost to total asset ratio was 2.09 per cent, a significant improvement on the 2.43 per cent for the previous quarter and 2.22 per cent for the December 1998 quarter.

“We have continued to focus on the development of traditional banking products as well as investing in newly emerging financial services and e-commerce activities.

“Our priority is to vigorously grow the business whilst at the same time ensuring that costs are tightly controlled and resources used efficiently,” Mr Cicutto said.

Net interest income for the December 1999 quarter was $1,567 million, up 3.1 per cent on December 1998 and 1.9 per cent on September 1999, reflecting lending growth of 3.1 per cent (in local currency terms) partly offset by an easing in Group net interest margin from 3.00 per cent in the September 1999 quarter to 2.92 per cent.

Other operating income for the December 1999 quarter was $1,223 million. This was 4.8 per cent higher than December 1998 and 6.1 per cent higher than the September 1999 quarter.

“The much improved performance of Australian Financial Services is satisfying, demonstrating the success of a number of initiatives to enhance distribution, streamline activities and strengthen financial services capability during the past eighteen months,” Mr Cicutto said.

The strong recovery in the Australian Group was reflected in a 15.8 per cent increase in profit from $329 million in the September 1999 quarter to $381 million in the latest period. Underlying profit increased 33.4 per cent in the latest quarter.

Profit after tax for the European Group was $197 million for the current quarter, up 10.1 per cent from the September 1999 quarter, with higher net interest income driven by volume growth, a lower charge for doubtful debts and reduced operating costs.

For the December 1999 quarter, New Zealand’s profit after tax was $53 million compared with $73 million for the September 1999 quarter, reflecting higher doubtful debt provisions and an increase in the tax charge compared with the previous quarter.

Michigan National had a strong quarter with a profit of $83 million in the latest December quarter compared with $61 million in September 1999.

Looking ahead, Mr Cicutto said there would be a continued focus on gaining the maximum value from the Group’s investments in Europe and New Zealand.

“We intend to ensure that we are deriving the maximum value from our spread of local and international investments.

“We believe that the pleasing results of the most recent quarter will be sustained throughout the year.

“We will continue to deliver growth in profits and earnings per share, whilst maintaining tight management of our costs,” Mr Cicutto said.

Melbourne, 27 January 2000

For further information contact:

Brandon Phillips	Ron Burke
Group Manager	General Manager
Corporate Media Relations	Global Corporate Relations
Tel: (03) 8641 3857	Tel: (03) 8641 3876
Mobile: 0419 369 058	Mobile: 0419 334 452

Section 2

DECEMBER 1999 RESULTS

Summary of Financial Performance, Strategy and Prospects

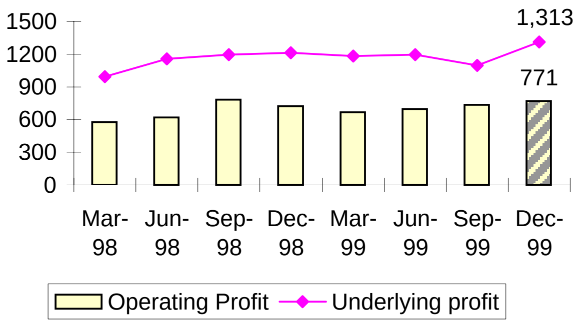
Quarter at a Glance

Operating Performance

Profits

- Operating profit after tax up 5% to $771 million.
- Operating profit attributable to ordinary shareholders up 3.1% to $726 million.
- Underlying profit up 20% (16.1% per cent excluding the impact of the new life insurance accounting standard).
- International franchises contributed 50.6% of the Group's December 1999 quarter earnings.
- Other operating income grew by 6.1% (1.3% excluding the impact of the new life insurance accounting standard).

Profits ($M)
(excluding abnormals)



Costs

- Cost to income ratio reduced to 51.1%.

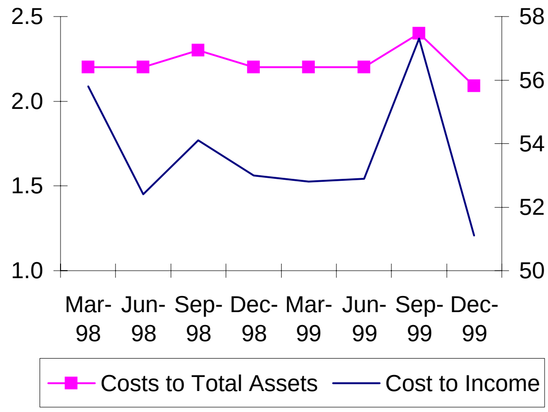
Excluding the impact of adopting the new life insurance accounting standard, and interest income from National Income Securities and Preference Shares from all periods, the cost to income ratio for December 1999 quarter was 52.7% compared with September 1999 quarter of 58.3% and December 1998 quarter of 53.2%.

- Costs to total assets reduced from 2.43% to 2.09% due to lower operating costs and asset growth.

During the December 1999 quarter:

- Personnel costs reduced by 2.9%.
- Occupancy costs were steady.
- General expenses reduced by 15.6%.

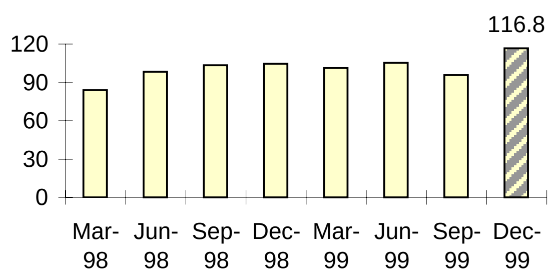
Costs to Total Assets & Cost to Income (%)
(excluding abnormals)



Productivity

- Return on Assets was 1.08% compared with 1.14% for the previous quarter and 1.09% for the December 1998 quarter.
- Employee numbers, measured on a full time equivalent (FTE) basis, decreased 1.5% during the December 1999 quarter and were 3.2% lower than a year earlier.
- Underlying profit per FTE employee for the December 1999 quarter is 21.9% higher than the September 1999 quarter and is 11.8% higher than the December 1998 quarter.

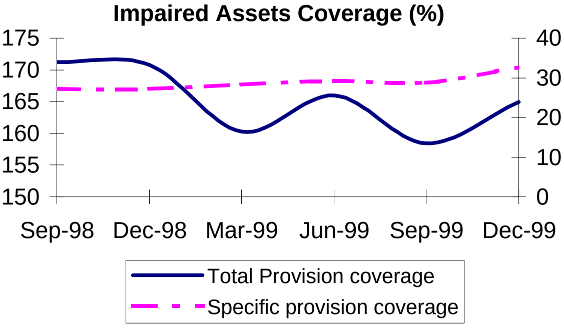
Underlying profit per FTE Employee ($'000)



Asset Quality

- Total provisioning coverage of impaired assets at December 1999 was 164.9% compared with 158.4% at September 1999 and 170.8% at December 1998.
- Specific provision coverage ratio is 32.6% compared with September 1999 of 28.8%.
- Net non-accrual loans represented 0.5% of risk weighted assets.

Impaired Assets Coverage (%)



Percentage movements quoted are as compared with the September 1999 quarter.

Quarter at a Glance

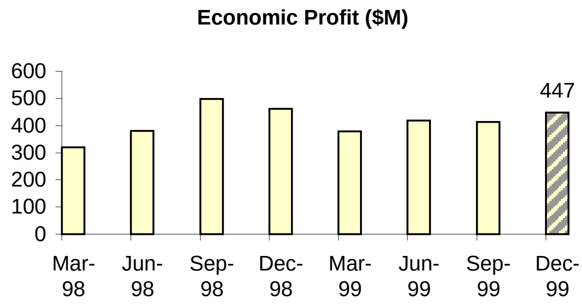
Shareholder Value

Economic Profit

Economic profit for the December 1999 quarter increased by 8% from $414 million for the September 1999 quarter to $447 million.

Growth in cash earnings and imputed franking credits, due to higher Australian profits, was partially offset by an increase in the level of capital employed.

Economic profit represents the excess of cash earnings over the cost of capital employed in the business plus the value to shareholders of franking credits generated.

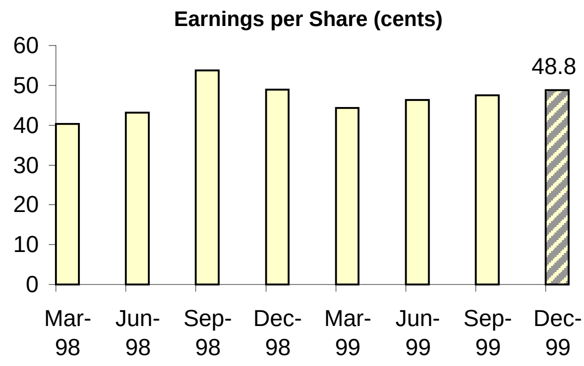


Earnings per Share

Basic earnings per share (attributable to ordinary shareholders) rose from 47.5 cents in the September 1999 quarter to 48.8 cents, an increase of 2.7%.

December 1999 earnings per share were steady with the December 1998 quarter of 48.9 cents.

Cash earnings per share (earnings attributable to ordinary shareholders before goodwill amortisation) rose by 1.8% to 52.1 cents compared with the September 1999 quarter.

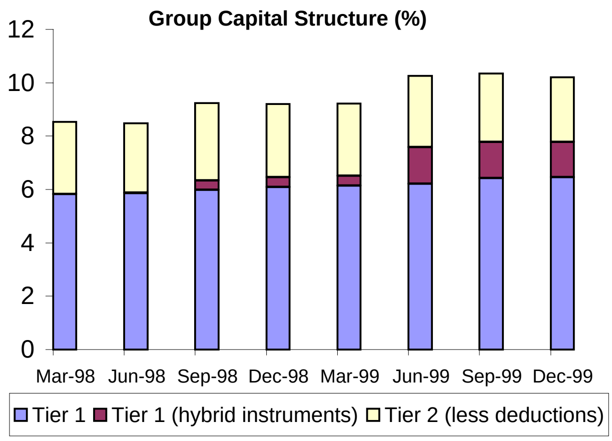


Capital Structure

Tier 1 ratio of 7.79% was steady compared with September 1999 and has increased from 6.46% a year earlier. The increase was due to the issue of National Income Securities in June 1999, retained earnings and dividend reinvestment.

Core Tier 1 (excluding the impact of preference shares and National Income Securities) was 6.46% compared with 6.42% for the previous quarter and 6.09% for December 1998.

The total capital ratio at December 1999 was 10.22% compared with 10.35% at September 1999 and 9.20% at December 1998.

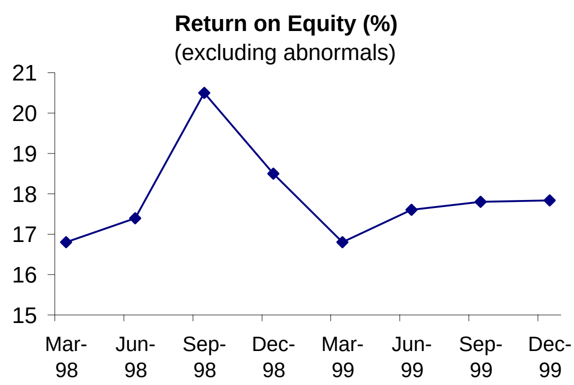


Return on Equity

The Group's return on average ordinary shareholders' funds increased from 17.80% to 17.84% during the quarter and compares with 18.51% a year earlier.

The current return was achieved on an increase in average ordinary shareholders' funds of 6.5% from $15.3 billion for December 1998 to $16.3 billion.

The return on equity reflects the retention of earnings to provide maximum strategic flexibility for expansion through acquisition. In the event that a suitable acquisition opportunity does not crystallise by the middle of the year, a share buyback will be initiated.



FINANCIAL HIGHLIGHTS

Profit & Loss	Quarter to				
	December 1999 $M	September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Net interest income	1,567	1,538	1,520	1.9	3.1
Charge to provide for doubtful debts	108	107	128	0.9	(15.6)
Net interest income after charge to provide for doubtful debts	1,459	1,431	1,392	2.0	4.8
Other operating income	1,223	1,153	1,167	6.1	4.8
Total operating income	2,682	2,584	2,559	3.8	4.8
Other operating expenses	1,477	1,597	1,474	(7.5)	0.2
Operating profit before tax	1,205	987	1,085	22.1	11.1
Income tax expense	434	253	361	71.5	20.2
Operating profit after tax attributable to members	771	734	724	5.0	6.5
Distributions to holders of National Income Securities and Trust Units (1)	45	30	15	50.0	large
Operating profit after tax attributable to ordinary shareholders	726	704	709	3.1	2.4

Balance Sheet	As at				
	December 1999 $M	September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Assets					
Due from other financial institutions	9,333	11,120	8,863	(16.1)	5.3
Due from customers on acceptances	23,921	22,851	22,481	4.7	6.4
Trading securities	16,491	12,853	13,258	28.3	24.4
Investment securities	11,100	8,951	10,503	24.0	5.7
Loans and advances (net)	170,056	165,620	163,141	2.7	4.2
Mortgage servicing rights	5,975	5,345	3,642	11.8	64.1
Other	36,034	27,341	34,258	31.8	5.2
Total assets	272,910	254,081	256,146	7.4	6.5
Liabilities					
Due to other financial institutions	19,057	16,203	20,619	17.6	(7.6)
Liability on acceptances	23,921	22,851	22,481	4.7	6.4
Deposits and other borrowings	170,516	162,468	163,857	5.0	4.1
Bonds, notes and subordinated debt	13,575	13,437	12,159	1.0	11.6
Other	26,469	20,602	20,568	28.5	28.7
Total Liabilities	253,538	235,561	239,684	7.6	5.8
Total Shareholders' Equity	19,372	18,520	16,462	4.6	17.7

(1) For further details in respect of the distributions to holders of National Income Securities and Trust Units refer page 32.

Results for the period ended 31 December 1999 are available at the following Internet address : www.national.com.au

KEY PERFORMANCE MEASURES

	Quarter to December 1999	Quarter to September 1999	Quarter to December 1998
All figures are in A$ millions unless otherwise stated.			
Earnings [1]			
Earnings attributable to ordinary shareholders	726	704	709
Basic earnings per ordinary share	48.8c	47.5c	48.9c
Diluted earnings per ordinary share	47.5c	46.2c	47.3c
Return on average assets	1.08%	1.14%	1.09%
Return on average shareholders' funds	17.84%	17.80%	18.51%
Cash Earnings [2]			
Cash earnings	776	759	760
Basic earnings per share	52.1c	51.2c	52.4c
Return on average tangible assets	1.17%	1.25%	1.18%
Return on average tangible shareholders' funds	23.20%	23.57%	24.80%
Productivity Measures			
Underlying profit	1,313	1,094	1,213
Underlying profit per full time equivalent employee (to nearest A$)	$116,766	$95,805	$104,474
Operating profit per full time equivalent employee (to nearest A$)	$68,565	$64,279	$62,357
Non interest income per full time equivalent employee (to nearest A$)	$108,762	$100,972	$100,512
Operating costs per full time equivalent employee (to nearest A$)	$126,904	$135,038	$122,561
Net Interest Income			
Group net interest spread	2.41%	2.45%	2.41%
Group net interest margin	2.92%	3.00%	2.95%
Non Interest Income			
Non interest income to total net income	43.8%	42.8%	43.4%
Non interest income to total net income (excluding impact of life insurance standard)	42.7%	42.8%	43.4%
Non Interest Expenses (excluding goodwill)			
Cost/income ratio	51.1%	57.3%	53.0%
Cost/income ratio (excluding impact of life insurance standard)	51.7%	57.3%	53.0%
Operating costs to total assets	2.09%	2.43%	2.22%
Operating costs to total assets (excluding life insurance business)	2.13%	2.43%	2.22%
Bad and Doubtful Debts			
Total provision charge to operating profit	14.0%	14.6%	17.7%
Specific provision balance to total assets	0.2%	0.2%	0.2%
Specific provision balance to risk weighted assets	0.3%	0.2%	0.2%
Capital			
Tier 1 ratio	7.79%	7.78%	6.46%
Tier 2 ratio	2.78%	2.85%	3.00%
Deductions	(0.35%)	(0.28%)	(0.26%)
Total capital ratio	10.22%	10.35%	9.20%
Risk weighted assets	201,412	197,096	197,815
Asset Quality			
Gross non-accrual loans to gross loans and acceptances	0.9%	0.8%	0.9%
Net non-accrual loans to risk weighted assets	0.5%	0.6%	0.5%
Shares			
Net tangible asset backing per ordinary share	$9.18	$8.67	$8.70
Weighted average shares on issue ('000)	1,486,199	1,472,144	1,450,598

[1] Based on earnings attributable to ordinary shareholders.
[2] Cash basis calculations are based on earnings attributable to ordinary shareholders and exclude goodwill and related amortisation expense.

The December 1999 quarter has been impacted by the adoption of the new Australian life insurance accounting standard, details of which are set out on page 33.

STRATEGY and PROSPECTS

Strategy

The National Australia Bank Group is a shareholder focused organisation committed to continually increasing shareholder value by growing its current profitable lines of business and focusing on areas that will be key to the future growth and the evolution of financial services in selected markets. The Group has five core strategies to achieve this:

- drive performance and growth in core businesses that rely on relationship management and the tailoring of financial services to meet customer expectations at every point of contact.
- accelerate the growth of selected global businesses where our capability, efficiency and service give us competitive advantage.
- stake out positions in areas key to the evolution of financial services.
- manage our other businesses for value.
- build diversified income streams.

These strategies capitalise on the unique strengths of the National and are designed to deliver long term sustainable growth. The National has significant growth opportunities in each of its core markets and is committed to capturing these opportunities and delivering value to shareholders.

To ensure we remain focused and effective in executing these strategies, a set of management approaches has been adopted that drive ’the way things are done’ at the National. These are:

- actively manage the portfolio of businesses to maximise earnings growth.
- expand in the ’early adopter’ markets of Australia, New Zealand, United Kingdom and North America.
- actively embrace emerging technologies to reshape the business.
- sharpen the focus on performance management and talent development.
- ensure the National Business Model supports our strategies and maximises value from our global organisation.
- build improved relationships with stakeholders.

Prospects

We believe the benefits of these strategies and management approach will be evident in financial performance. The National has begun the year with a strong first quarter result. We are confident that performance will be sustained throughout the year and another record result and return for shareholders will be delivered.

We are committed to achieving strong growth in shareholder value and to applying shareholder value measures suc as EVA™, EPS growth and ROE to provide true measures of our performance and success for the future.

To this end, we have engaged Stern Stewart to assist us in progressing EVA™ measures throughout the Group as soon as possible.

We are planning to achieve an increase in earnings per share of 8% and a cost to income ratio of better than 52% in the current year, reflecting the benefit of our global approach, technology investments and performance management.

Section 3

DECEMBER 1999 RESULTS

Analysis of Financial Performance

Overview of Group Result

Operating profit after tax for the December 1999 quarter increased by 5% from $734 million for the September 1999 quarter to $771 million. The latest quarter result is 6.5% higher than the December 1998 quarter of $724 million.

The latest result was impacted by:
- a tax charge of $28 million to reflect the effect of the new Australian corporate tax rate regime on the opening balance of net future income tax benefits (FITB) at 1 October 1999 and a further $6 million being the impact of a lower effective tax rate on the current quarter FITB movements;
- a tax credit of $11 million from a reduction in the carrying value of HomeSide's deferred tax liabilities due to a lower effective tax rate; and
- an $11 million gain on revaluation of National Australia Financial Management Limited's investment in controlled entities, in accordance with the new life insurance accounting standard.

Earnings attributable to ordinary shareholders (operating profit after tax and after deducting distributions to other equity holders) were $726 million, an increase of 2.4% over the December 1998 quarter and 3.1% higher than the September 1999 quarter.

Basic earnings per share rose from 47.5 cents for the September 1999 quarter to 48.8 cents for the December 1999 quarter.

Cash earnings per share (attributable to ordinary shareholders) for the December 1999 quarter were 52.1 cents compared with 52.4 cents for the December 1998 quarter and 51.2 cents for the September 1999 quarter.

Return on average ordinary shareholders' funds for the December 1999 quarter was 17.84%, steady compared with the September 1999 quarter, but lower than the December 1998 quarter of 18.51%. The current quarter return was achieved on an increase in average ordinary shareholders' funds of 6.5% to $16.3 billion during the past year.

Underlying profit (before tax and charge for doubtful debts) for the December 1999 quarter was 20% higher than the September 1999 quarter. The adoption of the new life insurance accounting standard (which requires revenues, expenses and income tax to be disclosed separately, compared with the previous practice of reporting the net of these items as revenue) favourably impacted underlying profit by $32 million. Excluding the impact of the new disclosure requirements and the $11 million gain on revaluation, underlying profit increased by 16.1%, reflecting higher net interest and other operating income, and lower operating expenses.

Net interest income grew by 1.9% from $1,538 million in the September 1999 quarter to $1,567 million. Gross loans and advances rose by 2.6% (3.1% in local currency terms) from the September 1999 quarter. Strong growth was experienced in credit cards (up 8.3%), leasing (up 7.3%) and housing loans (up 2.7%).

The Group's net interest margin for the December 1999 quarter was 2.92% down from 3.00% for the September 1999 quarter. The reduction was driven by increased liquidity held for the Year 2000, a reduction in the HomeSide margin resulting from a lower level of mortgage originations in the United States, and slightly lower variable lending margins in Australia and New Zealand resulting from increases in wholesale interest rates.

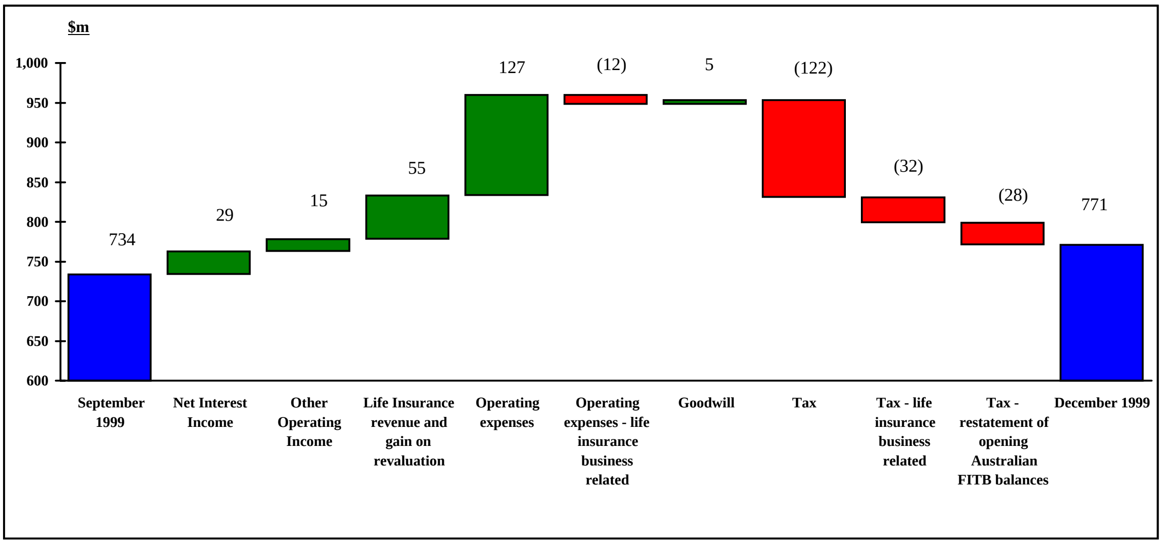
Other operating income grew by $70 million or 6.1% to $1,223 million. However, $55 million or 4.8% of the increase was attributable to the change in disclosure and accounting for life insurance businesses. Higher treasury income in the December 1999 quarter offset the absence of profits from property sales recorded in the September 1999 quarter.

Overview of Group Result

Operating expenses (excluding goodwill amortisation) decreased $115 million or 7.5% since the September 1999 quarter due to a focus on cost containment and the non-recurring nature of the carrying value adjustments and higher project costs recorded in the September 1999 quarter.

Tax expense for the December 1999 quarter reflects the impact of the restatement of opening net future income tax benefits (FITB) in Australia of $28 million and a further $6 million being the impact of a lower effective tax rate on the current quarter FITB movements. The impact of the change in the Australian corporate tax rate regime was partly offset by a reduction in HomeSide's effective tax rate which resulted in a reduction in the carrying value of deferred tax liabilities of $11 million. The September 1999 quarter was favourably impacted by a lower effective tax rate due to benefits from structured finance transactions in New Zealand and a non-assessable gain on Group hedging activities.

The movement in operating profit from $734 million to $771 million in the December 1999 quarter is shown below.



Profitability by Line of Business

The National's business model was introduced in April 1998 to sharpen customer focus and enhance leverage from its global operations. The business model has facilitated a higher level of standardisation, enhanced efficiency and focus across the Group and will continue to evolve to provide the benefits of both a global approach and local execution.

Further information will be progressively provided about the individual lines of business together with legal entities.

The contribution to operating profit after tax (before internal recharges) from each of the major lines of business for the December 1999 quarter was:

		$M		% Contribution
Business and Personal Financial Services		767		99.5
HomeSide		43		5.6
Products and Services:				
- other product specialists [(1)]	152		19.7	
- shared services	(163)		(21.1)	
Total Products and Services		(11)		(1.4)
Global Wholesale Financial Services		149		19.3
Information Technology (NSITE)		(107)		(13.9)
All Other [(2)]		(70)		(9.1)
Total		**771**		**100.0**

[(1)] *Includes Global cards, payments, international, asset finance, security services, investment and insurance and product management businesses.*

[(2)] *Includes corporate centre and goodwill amortisation.*

BUSINESS AND PERSONAL FINANCIAL SERVICES

Business and Personal Financial Services (B&PFS) manages the Group's integrated retailers. B&PFS comprises three key customer segments being Business Financial Services, Premium and Private Financial Services, and Retail Financial Services including Channel Management.

Business Financial Services

Business Financial Services provide a range of financial services and products to small and middle market business and agribusiness customers.

The focus for the quarter was on improved distribution through new electronic sales management processes in Europe and New Zealand, and expanding distribution capabilities in Australia.

Premium & Private Financial Services

Premium and Private Financial Services have continued their emphasis on building relationships with high net worth individuals through the expansion of the financial services network, the opening of private banking suites in Australia and enhancing access to financial services through the Internet in New Zealand. A premium platform was launched in the United States and preparatory work undertaken in Europe in readiness for a pilot launch of new premium and private platforms.

Retail Financial Services & Channel Management

This line of business provides core financial services and transactional support to almost seven million customers across all channels.

Initiatives during the quarter included the introduction of Internet capability in New Zealand, establishment of websites in Europe, provision of free access to the Internet through FreeOnline in Australia, and piloting transactional services through mobile phone utilising Wireless Application Protocol (WAP) technology. Internet banking registrations in Australia increased fifty percent during the quarter.

There was also continued focus on the retail market through the extension of product offerings (eg. car insurance in Australia), further strengthening of the relationship management process, and the launching of direct retailing capability in the United Kingdom under the Vivid brand. Vivid was established to sell home and personal loans in the United Kingdom through call centres and can be accessed via the Internet at www.itsvivid.co.uk.

HOMESIDE

HomeSide, the Group's residential mortgage origination and servicing business, was impacted by the continued increase in interest rates in the United States during the December 1999 quarter. This resulted in a reduction of refinancing in the residential mortgage origination market and sparked fierce pricing competition for mortgage production.

HomeSide's strategy, which relies on variable cost origination sources and servicing scale, allowed it to take quick action to minimise the negative effects of over-capacity as interest rates increased. Shortfalls in mortgage origination revenue and net interest income were largely offset by increases in HomeSide's mortgage servicing revenue and tight cost control.

HomeSide Australia operations are well advanced to undertake servicing of the National's Australian residential mortgage portfolio.

PRODUCTS AND SERVICES

Products and Services consist of a number of global product specialist units and shared services.

Global Cards

Credit card transactions grew by over 25% and outstandings by more than 20% compared with the first quarter last year. Co-branded and Gold cards in New Zealand, Australia and the United Kingdom continued to perform strongly.

Global Payments

The National has a strong position in payments in Australia and offshore, and experienced continued growth in the number of transactions generated through its systems. Health Insurance Claims and Payments Service (HICAPS) consolidated its position in Australia as the leader in its field as the point-of-sale presence of electronic capture of health claims with over 4,000 users.

Global Leasing & Asset Finance

This business performed strongly with lease outstandings (excluding leverage leases) rising by 7.8% during the quarter and 19.5% on the previous year. During the past year, market share increased in both Australia and the United Kingdom.

Global Security Services

National Custodian Services (NCS) is the largest custodian in Australia with assets under custody/administration of $131 billion (globally $210 billion). In the 1999 'Major Market Agent Bank Review', NCS was rated number one custodian in Australia and New Zealand, and number five custodian in the world. The unit has enjoyed considerable new business success winning the largest wholesale tender in Australia for master custody of Queensland Investment Corporation, one of the largest wholesale investment managers in Australia. New business success in the United Kingdom included winning the custodian business of M&G Securities and Mellon Trust.

National Financial Management

National Financial Management increased life insurance sales by 72% to $17 million and investment and trust sales by 44% to $197 million compared with the previous year. Sales of retirement products increased by 44% to $130 million. The National's Master Funds continue to experience strong growth. Sales were assisted by the launch of the 'Step by Step Guide to Retirement Success' and 'Rethinking Work and Retirement' publications.

National Australia Asset Management

During the December quarter, total funds under management increased by 13.7% to $9.4 billion and total revenue grew by 26%. Thirteen new clients joined NAAM, adding $133.4 million in new funds under management.

County Investment Management

Funds under management grew over the quarter to $12.2 billion. County experienced strong growth in funds sourced from master trust operators and increased fixed interest mandates.

Shared Services

During the quarter, Global Operational Services continued to centralise and automate back office processes including lending, collections and recoveries, cheque clearing and account management.

Global strategic sourcing capacity was strengthened with the appointment of personnel who will enhance the National's contract negotiation and supplier management capabilities.

GLOBAL WHOLESALE FINANCIAL SERVICES

Global Wholesale Financial Services is responsible for the Group's 1,500 major corporate and institutional relationships worldwide, specialising in foreign exchange, money markets, debt markets, corporate and institutional financial services, and project and structured finance.

Foreign Exchange

There was continued growth from the National's FX AutoDealing system, a PC-based sales and trading system which allows customers to access exchange rates electronically and perform spot, forward and historic rate rollover transactions. AutoDealing was launched in New Zealand and the United Kingdom during the quarter, providing significant potential for future growth. New foreign exchange sales opportunities also arose from the expansion of the currency options product range.

Money Markets

Money market operations performed well in the tight market conditions that prevailed during the period leading up to year 2000.

Debt Markets

There was strong growth in debt markets business with increased sales of interest rate risk management products, particularly to corporate and commercial customers. Capital markets activity was buoyant with a number of debt issues in the quarter. The Group also established a commodity derivatives desk providing risk management capabilities in base metals and soft commodities (ie. agricultural products).

Corporate and Institutional Financial Services

Corporate and Institutional Financial Services experienced a strong quarter with continued growth in fee income. With a focus on risk adjusted return on capital and fee income, this business was able to grow income without significantly increasing balance sheet assets.

Project and Structured Finance

The Project and Structured Finance business performed strongly with the growth experienced in 1998/99 continuing in the current quarter. The National retained its position as the number one lead arranger for project finance in Asia Pacific and was nominated as Project Finance House of the Year by INSTO magazine.

The Group has completed an extensive review of its strategies and operations in Asia, focusing its wholesale financial services activities in Hong Kong, Singapore, Korea and Japan.

The credit quality of Global Wholesale Financial Services' assets continues to be strong, with 95% of credit exposures equivalent to investment grade or above. Of this 60% have the equivalent of a single 'A' rating or above.

NATIONAL SERVICES INFORMATION TECHNOLOGY ENTERPRISES (NSITE)

National Services Information Technology Enterprises (NSITE) is the business unit responsible for global technology infrastructure, software, support and technology research and development.

To ensure that the National has the best access to technological services and innovation, a number of strategic alliances have been established, examples of which include;

- a global alliance with Concert, a joint venture between British Telecom and AT&T. The National will be one of the first companies globally to pilot a range of web-based applications developed by Concert.

- the National is working with leading software provider, Siebel Systems, to provide a globally integrated Customer Relationship Management capability.

The National is also upgrading customer relationship systems across each of its global distribution channels and businesses to further enhance service to customers.

Significant project expenditure was incurred by NSITE on behalf of the Group during the December quarter associated with the Year 2000 program.

Profitability by Region

The National achieved broadly based growth in operating profit after tax during the quarter.

Contribution by region and major entities	Quarter to December 1999 $M	Quarter to September 1999 $M	Quarter to December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Australia	**381**	**329**	**384**	**15.8**	**(0.8)**
Europe	**197**	**179**	**203**	**10.1**	**(3.0)**
Clydesdale Bank (1)(2)	*83*	*40*	*95*	*large*	*(12.6)*
Northern Bank (1)(2)	*41*	*51*	*35*	*(19.6)*	*17.1*
Yorkshire Bank (1)(2)	*89*	*82*	*78*	*8.5*	*14.1*
National Irish Bank (1)(2)	*6*	*1*	*9*	*large*	*(33.3)*
Other Europe (including NAL) (1)(2)	*(6)*	*20*	*2*	*large*	*large*
New Zealand	**53**	**73**	**53**	**(27.4)**	**-**
Bank of New Zealand (1)	*67*	*87*	*70*	*(23.0)*	*(4.3)*
United States	**140**	**138**	**78**	**1.4**	**79.5**
Michigan National Corporation (1)	*83*	*61*	*64*	*36.1*	*29.7*
HomeSide (1)	*43*	*41*	*36*	*4.9*	*19.4*
Asia (3)	**-**	**15**	**6**	**large**	**large**
Total Operating Profit after Tax	**771**	**734**	**724**	**5.0**	**6.5**

(1) *Earnings excluding goodwill amortisation and abnormal items.*

(2) *The September 1999 quarter result for each of the European Banks included the impact of a realignment in the statistically determined general provision, adopted in 1998, between Other Europe and the individual Banks. The impact on each of the European Banks was as follows: Clydesdale Bank [down $55 million], Northern Bank [up $8 million], Yorkshire Bank [down $6 million], National Irish Bank [down $2 million] and Other Europe [up $51 million]. The net impact was a $4 million charge to Europe's profit after tax.*

(3) *Asia's December quarter earnings reflect the results of operations excluding the impact of accounting translation gains or losses into Australian dollars for the purpose of consolidation. The accounting translation impact has been reflected against Australia where hedging instruments are in place to offset the impact of the accounting translation. Comparative results have also been amended to reflect this treatment.*

Operating profit after tax for **Australia** of $381 million includes a tax charge of $28 million due to the restatement of the opening balance of net future income tax benefits (FITB) and was further impacted by a lower tax rate on the December quarter FITB movements of $6 million. The December 1999 quarter result benefited from a gain on the revaluation of NFM's investment in subsidiaries of $11 million in accordance with the new life insurance accounting standard.

The latest quarter result reflects continued growth in net interest income, higher treasury income and a significant reduction in operating expenses.

In the customer facing units of Australian Financial Services, net interest income grew by 7.9 % in a very competitive market. Higher net interest income was driven by continued growth in lending volumes. Since September 1999, housing loans have grown by 3.5%, credit card outstandings increased by 8.5% and leasing has grown by 4%. This growth was partially offset by a 7.2% reduction in overdrafts.

The contribution of the National's investment and funds management companies such as National Australia Financial Management, National Asset Management and County Investment Management was $31 million. Excluding the impact of the gain on revaluation ($11 million), the contribution from these businesses grew by 2.0% during the December quarter. The December 1999 quarter result is 17.6% higher than December 1998 quarter of $17 million.

The activities outside of Australia contributed $390 million, representing over 50% of the Group's after tax profit during the December 1999 quarter.

Profit after tax for the **European** Group grew 10.1% from $179 million for the September 1999 quarter to $197 million (6.5% excluding the impact of exchange rate movements). The increase in profit reflects volume related growth in net interest income, a lower charge for doubtful debts and reduced operating costs, partially offset by lower other operating income.

Net interest income rose 3.2% since the September 1999 quarter due to growth in lending. European margins were relatively stable during the December 1999 quarter.

Other operating income decreased by 5.4% during the December 1999 quarter, however the September 1999 quarter included gains of $20 million on disposal of properties. Higher brokerage commissions in the December 1999 quarter were offset by lower money transfer fees.

Operating expenses declined by $19 million or 4.5% from the September 1999 quarter reflecting lower personnel, advertising and occupancy costs.

The December 1999 quarter earnings are 3% lower than the December 1998 quarter. Growth in net interest income and lower operating costs compared with December 1998 has been offset by the appreciation of the Australian dollar. Excluding exchange rate movements, December 1999 quarter earnings increased by 3.6% compared with a year earlier.

In the **United States**, profit after tax increased from $138 million in the September 1999 quarter to $140 million.

Michigan National Corporation had another good quarter with profit up 36.1% from $61 million to $83 million. The December 1999 quarter reflects a reduction in the charge for doubtful debts of $25 million due to a reduction in statistical provisioning and higher other operating income of $9 million.

HomeSide contributed $43 million to Group profit for the December 1999 quarter compared with $41 million in the September 1999 quarter. The December 1999 quarter benefited from a change in the tax rate mix that lowered HomeSide's effective tax rate and reduced the carrying value of deferred tax liabilities. The impact of the lower tax charge was offset by reduced net interest income and a higher charge for doubtful debts.

Earnings from the New York operations were well down due to the non-recurrence of a tax credit included in the September 1999 quarter.

The **New Zealand** Group's profit after tax for the December 1999 quarter was $53 million, 27.4 % lower than the September 1999 quarter.

Bank of New Zealand's profit after tax for the December quarter was $67 million compared with $87 million for the September 1999 quarter. The September quarter result benefited from a lower doubtful debts charge and lower tax expense partly driven by a number of tax effective financing transactions. Loans and advances grew by 6.2% during the December 1999 quarter.

The **Asian** region continues to experience a turnaround in confidence reflecting an improved economic outlook. The December 1999 quarter benefited from continued strong performance in the wholesale business, primarily related to treasury activities, and effective cost management, however, this was offset by higher provisions for doubtful debts.

Analysis of major components of profitability

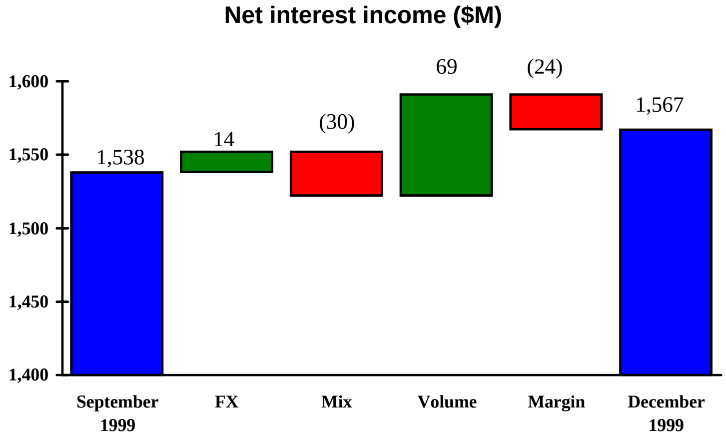
Net Interest Income

	Quarter to December 1999 $M	Quarter to September 1999 $M	Quarter to December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Interest income					
Other financial institutions	147	128	128	14.8	14.8
Marketable debt securities	362	296	324	22.3	11.7
Loans to customers	3,134	3,001	3,272	4.4	(4.2)
Other interest (includes regulatory deposits)	314	342	320	(8.2)	(1.9)
Total Interest Income	3,957	3,767	4,044	5.0	(2.2)
Interest expense					
Other financial institutions	269	250	329	7.6	(18.2)
Deposits and other borrowings	1,833	1,731	1,897	5.9	(3.4)
Bonds, notes and subordinated debt	249	213	260	16.9	(4.2)
Other debt issues	39	35	38	11.4	2.6
Total Interest Expense	2,390	2,229	2,524	7.2	(5.3)
Net Interest Income	**1,567**	**1,538**	**1,520**	**1.9**	**3.1**

Net interest income for the December 1999 quarter increased by 1.9% from $1,538 million for the September 1999 quarter to $1,567 million.

Growth in lending and favourable exchange rate movements were offset by lower margins and changes in product mix.

The unfavourable product mix was due to increased Year 2000 liquidity and lower growth in business overdrafts.



The Group net interest margin for the December 1999 quarter was 2.92% down from 3.00% for the September 1999 quarter. The reduction was driven by increased liquidity held for the Year 2000, a reduction in the HomeSide margin resulting from a lower level of mortgage originations in the United States, and slightly lower variable lending margins in Australia and New Zealand resulting from increased wholesale interest rates.

Since September 1999, loans and advances for the Group have increased by 3.1% in local currency terms. Growth was achieved in all regions.

Analysis of major components of profitability

Volumes

Gross Loans and Advances by Region

	At				
	December 1999 $M	September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Australia	87,043	86,210	82,263	1.0	5.8
Europe	47,763	45,655	45,906	4.6	4.0
New Zealand	21,534	20,251	20,362	6.3	5.8
United States	14,902	14,507	15,283	2.7	(2.5)
Asia	2,861	3,097	3,293	(7.6)	(13.1)
Total	**174,103**	**169,720**	**167,107**	**2.6**	**4.2**

Excluding the impact of exchange rate movements, loans and advances grew by 3.1% during the December 1999 quarter. In Australia, housing loans were up 3.5%, credit card outstandings grew 8.5% and lease finance rose 4%. In Europe, housing loans increased by 3.7% and credit cards rose 8.9%. In New Zealand, credit cards rose by 11.6%, housing loans were up 1.2% and term and other lending rose 10.5%. In the United States, term lending grew by 6.8%.

Loans and advances increased by 4.2% compared with December 1998. Strong volume growth in local currency terms of 8.6% was partly offset by the impact of exchange rate movements.

Gross Loans and Advances by Product

	At				
	December 1999 $M	September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Housing	63,634	61,946	58,454	2.7	8.9
Term Lending	60,484	60,040	64,062	0.7	(5.6)
Overdrafts	15,205	15,749	14,033	(3.5)	8.4
Leasing	12,875	12,000	10,929	7.3	17.8
Credit cards	4,749	4,385	4,080	8.3	16.4
Other	17,156	15,600	15,549	10.0	10.3
Total	**174,103**	**169,720**	**167,107**	**2.6**	**4.2**

Housing loans grew in all regions during the December 1999 quarter.

Leasing finance grew in Europe by 14.8% and in Australia by 4% during the December 1999 quarter.

Strong credit card volume growth was achieved in all regions. Credit card transactions grew by over 25% and outstandings increased by more than 20% in local currency terms compared with the first quarter last year.

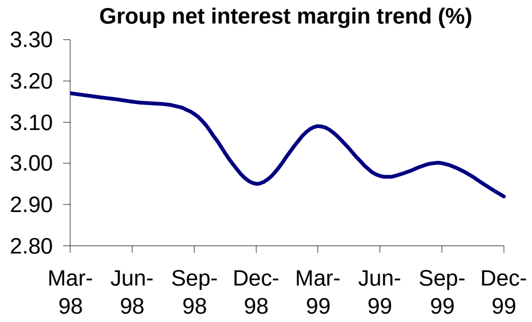
The increase in Other loans and advances reflects a temporary increase in European lending over the Year 2000 transition.

Analysis of major components of profitability

Margins

Net interest margin was 2.92% for the December 1999 quarter compared to 3.00% in September, and 2.95% for the same period last year.

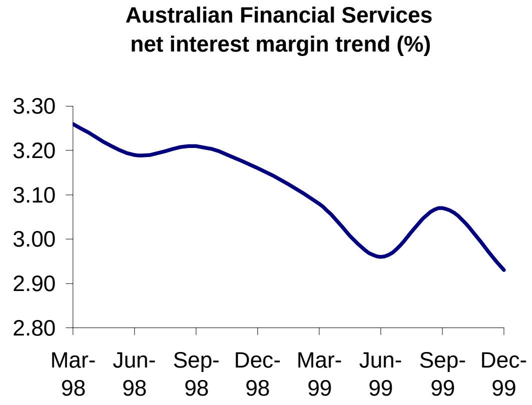
The reduction is driven by lower variable lending margins in Australia, the cost of additional liquidity for Year 2000 and lower margins in HomeSide International resulting from reduced levels of mortgage originations in the United States.



Australian Financial Services' net interest margin decreased to 2.93% in the December 1999 quarter from 3.07% in September.

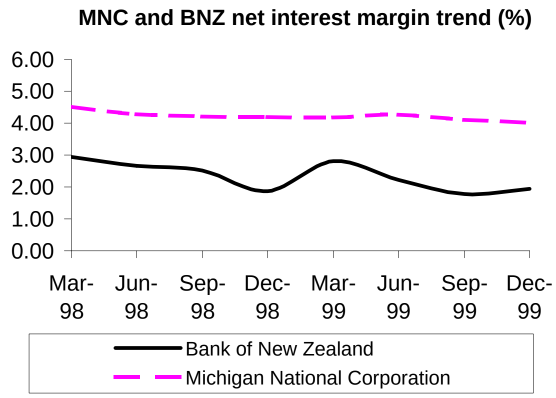
The main drivers of the reduced margin in Australia were lower income from tax based lending in the December quarter, slightly reduced margin contributions from variable term lending, housing lending and credit cards and a non recurring favourable adjustment in the September quarter.

Margins were adversely impacted by the funding cost from the build-up of Year 2000 liquidity buffers. In addition, the increased level of trading securities significantly improved trading income but reduced interest margins due to the higher asset base. Margins were also influenced by the timing of interest rate increases following changes in the official cash rates.



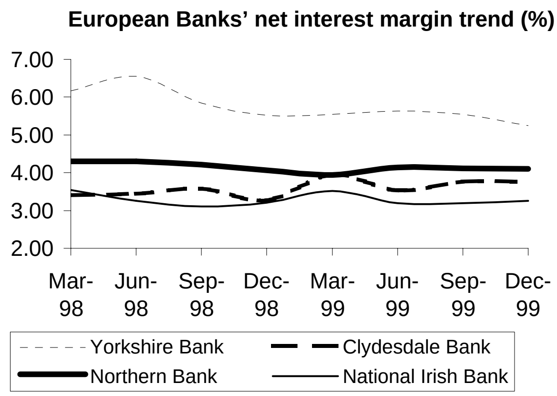
Michigan National's margin was slightly lower compared with the September quarter impacted by slowing loan demand in the United States, and a change in retail deposit mix to lower margin term deposits.

Bank of New Zealand margin increased from 1.78% to 1.94%, mainly due to the impact of a structured finance transaction which decreased margins in the September quarter.



Margins were steady in Clydesdale Bank and Northern Bank, slightly up in National Irish Bank and down in Yorkshire Bank.

Yorkshire Bank interest margin reduced from 5.54% in September to 5.24% in the December quarter due to lower business lending related margins including the impact of reduced interest recoveries compared with the September 1999 quarter.



Analysis of major components of profitability

Other Operating Income

	Quarter to December 1999 $M	Quarter to September 1999 $M	Quarter to December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Loan fees from banking	289	281	265	2.8	9.1
Money transfer fees	255	261	268	(2.3)	(4.9)
Net mortgage servicing fees	114	88	81	29.5	40.7
Net mortgage origination revenue	24	42	57	(42.9)	(57.9)
Treasury income	122	97	129	25.8	(5.4)
Fees and commissions	242	244	225	(0.8)	7.6
Revenue from life insurance operations (1)	95	-	-	Large	Large
Revaluation of life insurance entities interest in their controlled entities (1)	11	-	-	Large	Large
Other income	71	140	142	(49.3)	(50.0)
Total other operating income	**1,223**	**1,153**	**1,167**	**6.1**	**4.8**

(1) Effective from 1 October 1999, AASB 1038 was adopted. No comparatives are provided as it is impracticable.

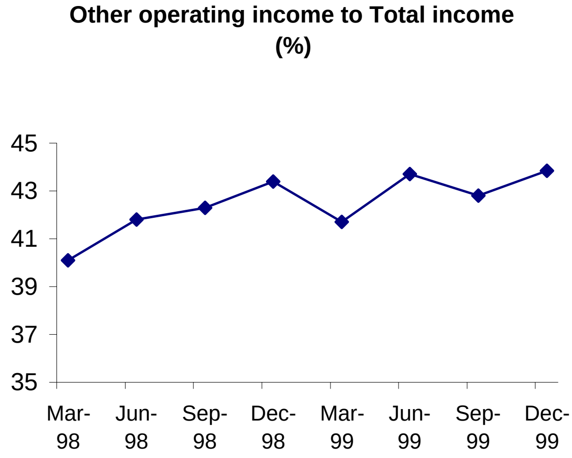
Other operating income rose $70 million or 6.1% from $1,153 million to $1,223 million which represents 43.8% of total income, up from 42.8% in the September 1999 quarter.

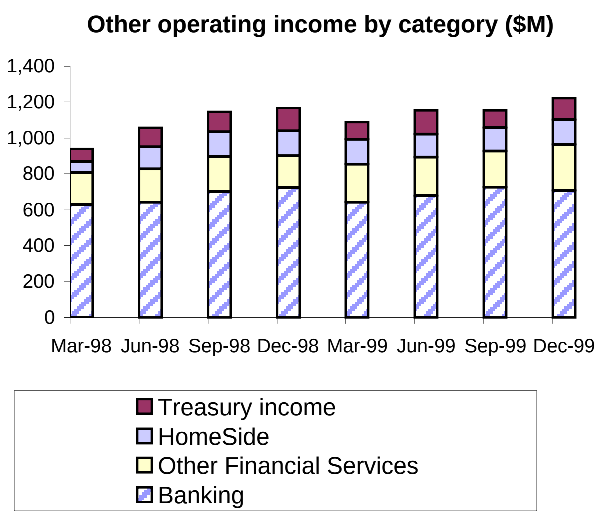
Of the increase, $55 million was attributable to the change in disclosure of income from life insurance business which is now required to be reported on a before expenses and tax basis. In addition, a gain of $11 million was recognised for the first time on the revaluation of NAFM's investment in its controlled entities.

Higher treasury income in the December 1999 quarter offset the absence of profits from property sales recorded in the September 1999 quarter.

The major movements in other operating income compared with the September 1999 quarter include:

- volume related growth in mortgage servicing fees of $26 million;
- a reduction in origination income of $18 million due to lower production volumes driven by higher US interest rates;
- volume related growth in Australian credit card fees offset by lower structured finance transaction fees compared with September 1999 quarter; and
- higher treasury related income of $25 million.





Analysis of major components of profitability

Operating Expenses

	Quarter to December 1999 $M	Quarter to September 1999 $M	Quarter to December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Personnel costs	816	840	828	(2.9)	(1.4)
Occupancy costs	125	126	129	(0.8)	(3.1)
General expenses	486	576	466	(15.6)	4.3
Total operating expenses	**1,427**	**1,542**	**1,423**	**(7.5)**	**0.3**
Employees (full time equivalents)	**44,979**	**45,676**	**46,442**	**(1.5)**	**(3.2)**

For the December 1999 quarter, the National's cost to income ratio was 51.1% down from 57.3% for the September 1999 quarter.

Excluding the impact from the adoption of the new life insurance accounting standard and interest income from National Income Securities and Preference Shares from all periods, the cost to income ratio for December 1999 quarter was 52.7% compared with September 1999 quarter of 58.3% and December 1998 quarter of 53.2%.

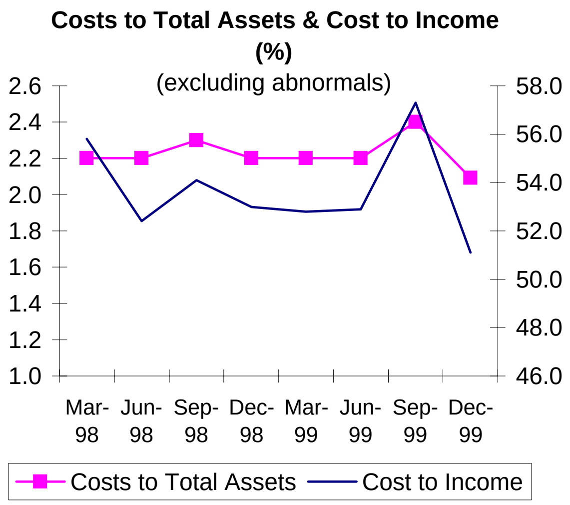
Costs to total assets ratio for the December 1999 quarter was 2.09%, down from 2.43% for the September 1999 quarter.

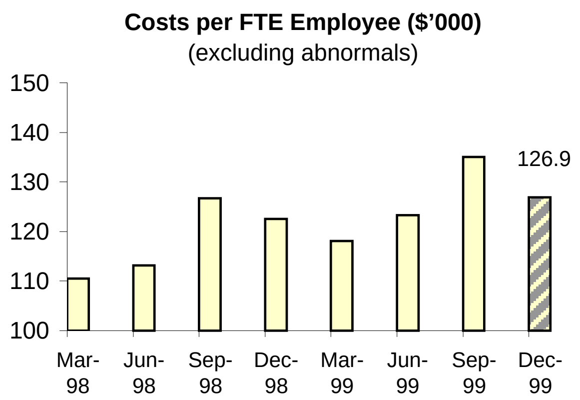
The reduction in the ratio reflects lower operating costs compared with the September 1999 quarter as well as growth in assets.

Total operating expenses (excluding amortisation of goodwill) for the December 1999 quarter were $1,427 million, 7.5% lower than September 1999 quarter and only marginally higher than December 1998 of $1,423 million.

The September 1999 quarter expenses included higher project related expenditure, market based salary increases, restructuring expenditure in Australia and an adjustment to the residual value of operating leased vehicles reflecting the prospective impact of GST.

Costs per FTE employee reduced by 6% over the quarter to $126,904 reflecting lower operating expenses partly offset by the impact of lower FTE numbers.





Asset Quality

Non-accrual loans

	At					
	December 1999		September 1999		December 1998	
Region	Gross $M	Net $M	Gross $M	Net $M	Gross $M	Net $M
Australia	635	409	644	418	580	397
Europe	582	418	586	424	549	398
New Zealand	84	66	89	69	107	84
United States	119	72	160	136	174	152
Asia	76	40	91	66	49	29
Total Group	**1,496**	**1,005**	**1,570**	**1,113**	**1,459**	**1,060**

The global credit reviews that were undertaken during calendar year 1999 are having a positive impact on asset quality with all measures showing improvement.

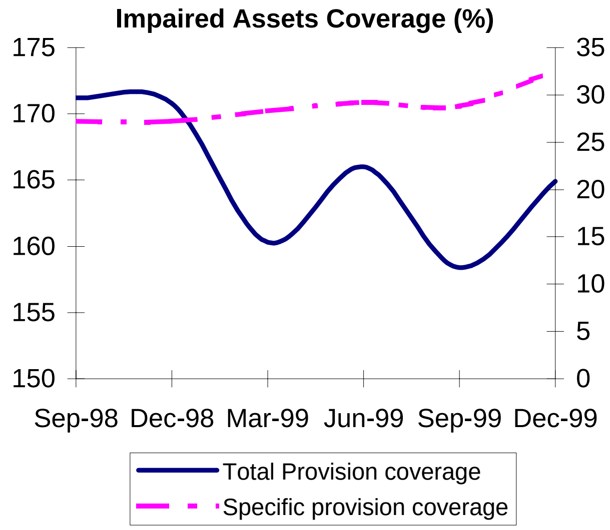
Gross non-accrual loans reduced by 4.7% during the December 1999 quarter, with a major decline in the United States.

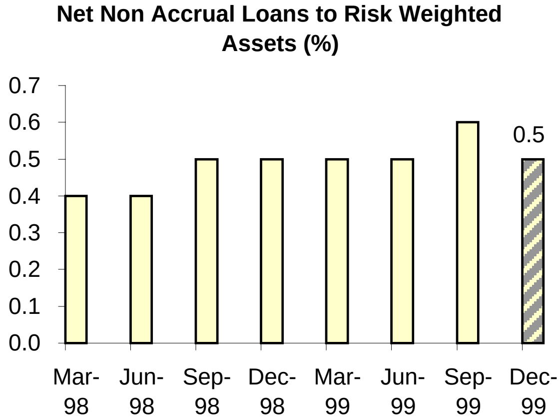
For the December 1999 quarter, the charge for doubtful debts was $108 million, steady compared with the September 1999 quarter and $20 million lower than the December 1998 quarter. The impact of a higher specific provision in Asia was offset by lower statistical provisioning in the United States and in Europe, reflecting improved loan quality.

The Group's total provisioning coverage of impaired assets at December 1999 was 164.9% compared with 158.4% at September 1999 and 170.8% at December 1998.

The specific provision coverage ratio increased during the quarter from 28.8% at September 1999 to 32.6%.

At 31 December 1999, the Group's net non-accrual loans represented 0.5% of risk weighted assets, down from 0.6% at 30 September 1999 and consistent with 31 December 1998.





Section 4

DECEMBER 1999 RESULTS

Detailed Financial Statements

National Australia Bank Limited

(ACN 004 044 937)

Financial results for the three months ended 31 December 1999

(Australian currency millions unless otherwise specified)

For announcement to the market

				A$M
Operating Revenue	Down	0.6%	to	5,180
Abnormal Items after Tax Attributable to Members				nil
Operating Profit (Loss) after Tax (before Amortisation of Goodwill) Attributable to Members	Up	5.9%	to	821
Operating Profit (Loss) after Tax Attributable to Members	Up	6.5%	to	771
Extraordinary Items after Tax Attributable to Members				nil
Operating Profit (Loss) and Extraordinary Items after Tax Attributable to Members	Up	6.5%	to	771

Consolidated Profit and Loss Statement

	December 1999 $M	Quarter to September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Operating revenue	5,180	4,920	5,211	5.3	(0.6)
Interest income	3,957	3,767	4,044	5.0	(2.2)
Interest expense	2,390	2,229	2,524	7.2	(5.3)
Net interest income	**1,567**	**1,538**	**1,520**	**1.9**	**3.1**
Charge to provide for doubtful debts	108	107	128	0.9	(15.6)
Net interest income after charge to provide for doubtful debts	**1,459**	**1,431**	**1,392**	**2.0**	**4.8**
Other operating income	1,223	1,153	1,167	6.1	4.8
Total operating income	**2,682**	**2,584**	**2,559**	**3.8**	**4.8**
Other operating expenses	1,477	1,597	1,474	(7.5)	0.2
Operating profit before tax	**1,205**	**987**	**1,085**	**22.1**	**11.1**
Income tax expense attributable to operating profit	434	253	361	71.5	20.2
Operating profit after income tax	**771**	**734**	**724**	**5.0**	**6.5**
Outside equity interests in operating profit after income tax	-	-	-	-	-
Operating profit after income tax attributable to members	**771**	**734**	**724**	**5.0**	**6.5**
Retained profits at the beginning of the financial period	8,432	8,561	7,304		
Adjustment resulting from adoption of accounting standard AASB 1038: Life Insurance Business	89	-	-		
Dividend provisions not required	38	35	35		
Aggregate of amounts transferred from reserves	-	-	3		
Total available for appropriation	**9,330**	**9,330**	**8,066**		
Dividends provided for or paid	-	861	-		
Distributions[1]	45	30	15		
Aggregate of amounts transferred to reserves	166	7	18		
Retained profits at the end of the financial period	**9,119**	**8,432**	**8,033**		

[1] Refer to "Equity Instruments as at 31 December 1999" on page 32.

Profit Restated to Exclude Amortisation of Goodwill[2]

	December 1999 $M	Quarter to September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Operating profit after tax, before outside equity interests and amortisation of goodwill	821	789	775	4.1	5.9
Outside equity interests	-	-	-	-	-
Operating profit after tax and outside equity interests before amortisation of goodwill attributable to members	821	789	775	4.1	5.9

[2] Refer to page 30 for details of goodwill amortisation.

Consolidated Balance Sheet

	December 1999 $M	As at September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Assets					
Cash and short-term liquid assets	5,410	3,649	5,420	48.3	(0.2)
Due from other financial institutions	9,333	11,120	8,863	(16.1)	5.3
Due from customers on acceptances	23,921	22,851	22,481	4.7	6.4
Trading securities	16,491	12,853	13,258	28.3	24.4
Available for sale securities	3,530	1,399	1,689	large	large
Investment securities	11,100	8,951	10,503	24.0	5.7
Investments relating to life insurance business	5,443	-	-	-	-
Loans and advances	170,056	165,620	163,141	2.7	4.2
Mortgage loans held for sale	1,804	1,980	3,661	(8.9)	(50.7)
Mortgage servicing rights	5,975	5,345	3,642	11.8	64.1
Shares in entities and other securities	1,031	1,068	1,006	(3.5)	2.5
Regulatory deposits	139	153	1,342	(9.2)	(89.6)
Fixed assets	2,053	2,032	2,125	1.0	(3.4)
Goodwill	2,771	2,905	3,044	(4.6)	(9.0)
Other assets	13,853	14,155	15,971	(2.1)	(13.3)
Total Assets	**272,910**	**254,081**	**256,146**	**7.4**	**6.5**
Liabilities					
Due to other financial institutions	19,057	16,203	20,619	17.6	(7.6)
Liability on acceptances	23,921	22,851	22,481	4.7	6.4
Deposits and other borrowings	170,516	162,468	163,857	5.0	4.1
Life insurance policy liabilities	5,178	-	-	-	-
Income tax liability	2,094	1,979	1,967	5.8	6.5
Provisions	826	1,743	859	(52.6)	(3.8)
Bonds, notes and subordinated debt	13,575	13,437	12,159	1.0	11.6
Other debt issues	1,644	1,645	1,669	(0.1)	(1.5)
Other liabilities	16,727	15,235	16,073	9.8	4.1
Total Liabilities	**253,538**	**235,561**	**239,684**	**7.6**	**5.8**
Net Assets	**19,372**	**18,520**	**16,462**	**4.6**	**17.7**
Shareholders' Equity					
Issued and paid-up capital	9,443	9,286	6,876	1.7	37.3
Reserves	810	802	1,551	1.0	(47.8)
Retained profits	9,119	8,432	8,033	8.1	13.5
Shareholders' equity attributable to members	**19,372**	**18,520**	**16,460**	**4.6**	**17.7**
Outside equity interests in controlled entities	-	-	2	-	large
Total Shareholders' Equity	**19,372**	**18,520**	**16,462**	**4.6**	**17.7**

Consolidated Statement of Cash Flows

	Quarter to December 1999 $M	Quarter to December 1998 $M
Cash inflows (outflows) from operating activities:		
Interest received	3,578	4,658
Dividends received	11	10
Fees and other income received	893	1,151
Premiums received	45	-
Interest paid	(1,861)	(3,659)
Personnel costs paid	(804)	(794)
Occupancy costs paid	(106)	(110)
General expenses paid	(417)	(352)
Income taxes paid	(213)	(281)
Policy payments paid	(28)	-
Net movement in trading instruments	(3,647)	(1,792)
Net movement in mortgage loans held for sale	171	(188)
Increase/(decrease) in policy liabilities	5,178	-
Net cash provided by operating activities	**2,800**	**(1,357)**
Cash inflows (outflows) from investing activities:		
Investment securities - purchases	(54,207)	(52,697)
Investment securities - proceeds on maturity	51,971	50,157
Available for sale securities - purchases	(3,976)	(781)
Available for sale securities - proceeds from sale	-	1
Available for sale securities - proceeds from maturity	1,842	-
Investments relating to life insurance business - purchases	(2,000)	-
Investments relating to life insurance business - proceeds from sale	316	-
Investment revenues received relating to life insurance business	246	-
Net movement in shares in entities and other securities	36	7
Net movement in loans and advances represented by:		
Banking activities	(4,654)	(8,190)
Non-banking activities - new loans and advances	(990)	(347)
Non-banking activities - repayments	201	2,143
Acquisition of mortgage servicing rights	(359)	(644)
Lodgement of regulatory deposits	12	(197)
Expenditure on fixed assets	(140)	(75)
Net proceeds from sale of fixed assets	24	37
Net movement in other assets	790	3,146
Net cash used in investing activities	**(10,888)**	**(7,440)**
Cash inflows (outflows) from financing activities:		
Net movement in bank deposits	8,929	8,167
Net movement in deposits and other borrowings represented by:		
Non-banking activities:		
New deposits and borrowings	15,554	9,262
Repayments	(15,537)	(8,751)
New equity issues:		
Ordinary share capital	2	4
Preference share capital	-	81
Net movement in long term debt represented by:		
New long term debt issues	620	1,281
Repayments	(447)	(3,956)
Net movement in other liabilities	656	232
Payments from provisions	(94)	(130)
Dividends paid	(713)	(770)
Net cash provided by financing activities	**8,970**	**5,420**
Net inflow (outflow) in cash and cash equivalents	882	(3,377)
Cash and cash equivalents at beginning of period	(1,434)	(3,086)
Exchange rate movement on opening cash balance	(3)	127
Cash and cash equivalents acquired	(3,848)	-
Adjustment resulting from adoption of accounting standard AASB 1038: Life Insurance Business	89	-
Cash and cash equivalents at end of period	**(4,314)**	**(6,336)**

Reconciliation of Cash

Cash and cash equivalents as at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	As at December 1999 $M	As at December 1998 $M
Cash	3,731	3,136
Short-term liquid assets	1,679	2,284
Due from other financial institutions	9,333	8,863
Due to other financial institutions	(19,057)	(20,619)
Cash and cash equivalents at end of period	**(4,314)**	**(6,336)**

For 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 reflects the net interbank funding position at balance date. These balances fluctuate widely in the normal course of business. The Group 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 cashflow purposes; cash flows arising from the acquisition and sale of trading securities are reflected as cash flows arising from operating activities.

Non-Cash Financing and Investing Activities

Movement in assets under finance lease	1	2

These amounts are not reflected in the Consolidated Statement of Cash Flows.

Ratios

	Quarter to December 1999	Quarter to September 1999	Quarter to December 1998
Profit before tax/operating revenue	23.3%	20.1%	20.8%
Profit after tax/ordinary shareholders' funds (period end)[1]	17.4%	17.8%	18.0%
Basic earnings per share	48.8c	47.5c	48.9c
Diluted earnings per share[2]	47.5c	46.2c	47.3c
Weighted average number of shares ('000) - basic	1,486,199	1,472,144	1,450,598
Weighted average number of shares ('000) - diluted	1,578,416	1,564,720	1,554,318
Net tangible asset backing per ordinary share	$9.18	$8.67	$8.70

(1) Based on earnings attributable to ordinary shareholders.

(2) Diluted earnings per share includes the impact of options, partly paid shares and the potential conversion of exchangeable capital units.

Details of Specific Revenues and Expenses

	Quarter to December 1999 $M	Quarter to September 1999 $M	Quarter to December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Interest Income					
Other financial institutions	147	128	128	14.8	14.8
Marketable debt securities	362	296	324	22.3	11.7
Loans to customers	3,134	3,001	3,272	4.4	(4.2)
Other interest (includes regulatory deposits)	314	342	320	(8.2)	(1.9)
Total Interest Income [1]	**3,957**	**3,767**	**4,044**	**5.0**	**(2.2)**

(1) Included within interest income on loans to customers for the three months to December 1999 is rental income of $94 million (December 1998: $91million) and depreciation of $62 million (December 1998: $58 million) in relation to operating leases where the Group is the lessor.

Details of Specific Revenues and Expenses (continued)

	December 1999 $M	Quarter to September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Other Operating Income					
Loan fees from banking	289	281	265	2.8	9.1
Money transfer fees	255	261	268	(2.3)	(4.9)
Net mortgage servicing fees	114	88	81	29.5	40.7
Net mortgage origination revenue	24	42	57	(42.9)	(57.9)
Treasury income:[1]					
Foreign exchange	103	62	72	66.1	43.1
Trading securities	(12)	18	(73)	large	(83.6)
Interest rate derivatives	31	17	130	82.4	(76.2)
Fees and commissions	242	244	225	(0.8)	7.6
Revenue from life insurance operations	95	-	-	-	-
Revaluation of life insurance entities interest in their controlled entities	11	-	-	-	-
Other income	71	140	142	(49.3)	(50.0)
Total Other Operating Income	**1,223**	**1,153**	**1,167**	**6.1**	**4.8**
Interest Expense					
Other financial institutions	269	250	329	7.6	(18.2)
Deposits and other borrowings	1,833	1,731	1,897	5.9	(3.4)
Bonds, notes and subordinated debt	249	213	260	16.9	(4.2)
Other debt issues	39	35	38	11.4	2.6
Total Interest Expense	**2,390**	**2,229**	**2,524**	**7.2**	**(5.3)**
Personnel Expenses					
Salaries	576	577	577	(0.2)	(0.2)
Related on-costs	86	82	99	4.9	(13.1)
Restructuring costs	7	19	1	(63.2)	large
Other	147	162	151	(9.3)	(2.6)
Total Personnel Expenses	**816**	**840**	**828**	**(2.9)**	**(1.4)**
Occupancy Costs					
Depreciation and amortisation	19	19	19	-	-
Rental on operating leases	58	53	56	9.4	3.6
Other	48	54	54	(11.1)	(11.1)
Total Occupancy Costs	**125**	**126**	**129**	**(0.8)**	**(3.1)**
General Expenses					
Charge to provide for non-lending losses/ contingencies	6	14	26	(57.1)	(76.9)
Communications, postage and stationery	110	108	102	1.9	7.8
Computer equipment and software	46	49	52	(6.1)	(11.5)
Depreciation and amortisation	58	56	50	3.6	16.0
Fees and commissions	26	19	22	36.8	18.2
Other expenses	240	330	214	(27.3)	12.1
Total General Expenses	**486**	**576**	**466**	**(15.6)**	**4.3**
Amortisation of Goodwill[2]					
Australia	-	7	2	large	large
United Kingdom and Irish Banks	16	15	16	6.7	-
Bank of New Zealand	8	8	8	-	-
Michigan National Corporation	12	12	12	-	-
HomeSide International, Inc.	14	13	13	7.7	7.7
Total Amortisation of Goodwill	**50**	**55**	**51**	**(9.1)**	**(2.0)**

(1) 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 Group manages its trading positions utilising a variety of instruments, fluctuations between the disclosed components may occur.

(2) There is no income tax or related outside equity interests applicable to goodwill amortisation.

Control Gained Over Entities Having a Material Effect

The National Australia Bank Limited did not gain control over any entities which had a material effect on the Group during the period ended 31 December 1999.

Loss of Control of Entities Having a Material Effect

The National Australia Bank Limited did not lose control over any entities which had a material effect on the Group during the period ended 31 December 1999.

Financial Reporting by Geographic Segments

	December 1999 $M	Quarter to September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Total Operating Revenue					
Australia	2,556	2,394	2,361	6.8	8.3
Europe	1,299	1,246	1,485	4.3	(12.5)
New Zealand	473	418	489	13.2	(3.3)
United States	714	674	714	5.9	-
Asia	138	188	162	(26.6)	(14.8)
Total	**5,180**	**4,920**	**5,211**	**5.3**	**(0.6)**
Operating Profit Before Tax and After Goodwill					
Australia	657	487	580	34.9	13.3
Europe	302	264	306	14.4	(1.3)
New Zealand	64	55	64	16.4	-
United States	185	154	128	20.1	44.5
Asia	(3)	27	7	large	large
Total	**1,205**	**987**	**1,085**	**22.1**	**11.1**
Operating Profit After Tax and Goodwill					
Australia	381	329	384	15.8	(0.8)
Europe	197	179	203	10.1	(3.0)
New Zealand	53	73	53	(27.4)	-
United States	140	138	78	1.4	79.5
Asia	-	15	6	large	large
Total	**771**	**734**	**724**	**5.0**	**6.5**

	December 1999 $M	As at September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Total Assets					
Australia	137,048	126,296	125,909	8.5	8.8
Europe	67,546	58,738	63,792	15.0	5.9
New Zealand	24,924	24,195	24,644	3.0	1.1
United States	34,040	32,768	32,446	3.9	4.9
Asia	9,352	12,084	9,355	(22.6)	-
Total	**272,910**	**254,081**	**256,146**	**7.4**	**6.5**

Equity Accounted Associated Entities and Other Material Interests

Associates are accounted for utilising the cost method with only dividends received or receivable recognised in profit and loss. The financial impact of this method does not differ significantly from accounting for Associates under the equity method for the Group.

Material Interests in Entities Which are not Controlled Entities

The National Australia Bank Limited does not have any material interests in entities which are not controlled entities.

Equity Instruments as at 31 December 1999

		Quarter to	
	December 1999 $M	**September 1999 $M**	**December 1998 $M**
Distributions			
Trust Units	14	14	15
National Income Securities	31	16	-
Total Distributions	**45**	**30**	**15**

Preference Shares

On 30 September 1998, the Company issued 32,008,000 fully paid Preference Shares at USD$25 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 Group.

On 31 December 2047, or upon the earlier occurrence of certain defined events, the Preference Shares will convert into 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.

National Income Securities

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

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

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

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

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

The current quarter distribution represents the amount declared and paid on 15 November 1999. No further amounts have been declared since this date and prior to the date of this profit announcement.

Basis of Presentation

This statement has been prepared under accounting policies which comply with the recognition and measurement requirements of Australian Accounting Standards and Urgent Issues Group Consensus Views.

Comparatives

Certain comparative information for 31 December 1998 and 30 September 1999 have been reclassified in accordance with changes to classifications made for 31 December 1999.

External Auditors Review

The information included in this announcement is unaudited but has been subject to a limited scope review by the Group's auditors, KPMG.

Change in Accounting Policy - New Life Insurance Standard

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

On initial adoption of the standard at 1 October 1999, the Group's assets increased by $4,896 million and liabilities increased by $4,807 million with a corresponding increase of $89 million in retained earnings. The impact of applying the standard for the quarter ended 31 December 1999 was an increase of $11 million to operating profit after tax. Comparatives have not been disclosed as it is impracticable to do so.

Change in Company Tax Rate

The Group'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 1 October 2000, and 30% effective from 1 October 2001 and beyond. The impact of the restatement on opening deferred tax balances increased the December 1999 quarter tax expense by $28 million. Tax expense has also been impacted by a further $6 million due to the lower effective tax rate on timing differences recognised in the current quarter.

Comments by Directors

This report is prepared in accordance with the listing rules of the Australian Stock Exchange Limited. It should be read in conjunction with the last annual report and any announcements made to the market by the Group during the period. There have been no material factors affecting the revenues and expenses of the Group for the current period.

March Half Profit Announcement Date

The first half results will be released on 4 May 2000.

G.F. Nolan
Company Secretary

27 January 2000

Results for the period ended 31 December 1999 are available at the following Internet address : www.national.com.au

Contributions to Consolidated Operating Profit

	Quarter to December 1999 $M	Quarter to September 1999 $M	Quarter to December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Australian Group:					
Australia Financial Services (a)	413	366	386	12.8	7.0
Other (b)	(32)	(30)	-	6.7	large
Less: Goodwill Amortisation	-	(7)	(2)	large	large
Total Australian Group	**381**	**329**	**384**	**15.8**	**(0.8)**
European Group:					
Clydesdale Bank	83	40	95	large	(12.6)
Northern Bank	41	51	35	(19.6)	17.1
Yorkshire Bank	89	82	78	8.5	14.1
National Irish Bank	6	1	9	large	(33.3)
National Australia Life	5	-	5	large	-
Other (c)	(11)	20	(3)	large	large
Less: Goodwill Amortisation	(16)	(15)	(16)	6.7	-
Total European Group	**197**	**179**	**203**	**10.1**	**(3.0)**
New Zealand Group:					
Bank of New Zealand	67	87	70	(23.0)	(4.3)
NAG(NZ)	(6)	(6)	(9)	-	(33.3)
Less: Goodwill Amortisation	(8)	(8)	(8)	-	-
Total New Zealand Group	**53**	**73**	**53**	**(27.4)**	-
United States Group:					
Michigan National Corporation	83	61	64	36.1	29.7
HomeSide	43	41	36	4.9	19.4
Other (d)	40	61	3	(34.4)	large
Less: Goodwill Amortisation	(26)	(25)	(25)	4.0	4.0
Total United States Group	**140**	**138**	**78**	**1.4**	**79.5**
Asian Group:					
Asian Branches	(3)	13	4	large	large
Other (e)	3	2	2	50.0	50.0
Total Asian Group	**-**	**15**	**6**	**large**	**large**
Operating Profit after Income Tax Attributable to Members	**771**	**734**	**724**	**5.0**	**6.5**

(a) Australian Financial Services includes Personal Banking, Business Banking, Wholesale Banking, the Australian Property Companies, National Australia Financial Management Limited, National Australia Asset Management Limited, the Australian Property Companies, Custom Service Leasing Limited, National Australia Trustees Limited, Global Securities Services, County Investment Management Limited, ARDB Limited, National Australia Investment Capital Limited, Australian Market Automated Quotation (Ausmaq) System Limited and Alice Corporation Pty Limited. Corporate centre costs and National Equities Limited have been excluded from the Australian Financial Services figures.

(b) Australian Other includes National Equities Limited and Corporate Centre.

(c) European Other includes National Australia Group (Europe) Limited, London Branch, NAB Investments Limited and NAB Finance (Ireland) Limited.

(d) US Other includes New York Branch, National Australia Funding (Delaware) Inc., National Americas Investment Inc. and HomeSide Investment, Inc.

(e) Asian Other includes Nautilus Insurance Pte Limited.

Review of Major Business Units

Australian Financial Services

Australian Financial Services includes Personal Banking, Business Banking, Wholesale Banking, National Australia Financial Management Limited, National Australia Asset Management Limited, the Australian Property Companies, Custom Service Leasing Limited, National Australia Trustees Limited, Global Securities Services, County Investment Management Limited, ARDB Limited, National Australia Investment Capital Limited, Australian Market Automated Quotation (Ausmaq) System Limited and Alice Corporation Pty Limited. Corporate centre costs and National Equities Limited have been excluded from the Australian Financial Services figures.

		Quarter to			
	December 1999 $M	September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Profit and Loss					
Net interest income	765	709	708	7.9	8.1
Other operating income	611	582	525	5.0	16.4
Less: Non-interest expenses	621	678	613	(8.4)	1.3
Less: Charge for doubtful debts	43	74	31	(41.9)	38.7
Profit before income tax	**712**	**539**	**589**	**32.1**	**20.9**
Less: Income tax expense	299	173	203	72.8	47.3
Profit after income tax	**413**	**366**	**386**	**12.8**	**7.0**
Selected Balance Sheet Items					
Bank deposits	73,758	74,337	69,424	(0.8)	6.2
Net loans and acceptances	107,531	105,561	101,131	1.9	6.3
Housing loans (included in net loans and acceptances)	43,418	41,968	38,423	3.5	13.0
Total assets	136,829	125,982	125,636	8.6	8.9
Key Ratios					
Cost/Income ratio	45.1%	52.5%	49.7%		
Impaired assets/Total loans	0.7%	0.7%	0.7%		
Return on assets	1.2%	1.2%	1.2%		
Net interest margin	2.93%	3.07%	3.16%		

December 1999 vs September 1999

Operating profit after tax for the December 1999 quarter of $413 million includes a tax charge of $28 million from the restatement of the opening balance of net future income tax benefits (FITB) and was impacted by a further $6 million due to a lower effective tax rate on the December quarter FITB movements. The current quarter benefited from a movement in the excess of market value over the net assets of NAFM’s investment in subsidiaries of $11 million in accordance with the new life insurance accounting standard.

The increase in operating profit of 12.8% compared with the September 1999 quarter reflects higher net interest and other operating income, a lower charge for doubtful debts and significantly lower non-interest expenses.

The growth in net interest income was driven by increased volumes partially offset by an easing in margins from 3.07% to 2.93%.

The introduction of the new Australian life insurance standard impacted revenue and expense disclosure in the current quarter. The standard requires revenue, expenses and tax to be separately disclosed; these amounts were reported on a net basis in other operating income in prior periods.

Higher treasury income and volume related increases in loan fees and credit card fees were partly offset by reduced dividend income and lower gains on sale of assets compared with the previous quarter.

The decrease in non interest expenses of 8.4% reflects a focus on cost containment and the non reoccurence of higher project related expenditure and asset carrying value adjustments recorded in the September quarter. The cost to income ratio improved significantly during the quarter to 45.1%.

Higher income tax expense in the latest quarter reflects the impact of the reduction in the carrying value of future income tax benefits due to the lowering of the Australian corporate tax rate and disclosure changes in respect of the Group’s life insurance businesses ($32 million - offset by a corresponding increase in other operating revenue and expenses).

December 1999 vs December 1998

The increase in profit after tax compared with a year earlier is largely due to volume related growth in net interest income, higher other operating income and cost containment. Gross loans and advances were 5.8% higher in the latest quarter compared with December 1998. Net loans and acceptances grew by 6.3%.

Review of Major Business Units (continued)

National Australia Trustees

National Australia Trustees provides both corporate and personal fiduciary services to the Group's customers. Services provided include personal trusts and agencies, estate planning, corporate trusts, personal superannuation and the Common Fund.

National Australia Trustees contributed a profit of $2 million in the December 1999 quarter, slightly down from the December 1998 quarter. Growth in sales of 7% was offset by volume related increases in commissions and brokerage and Year 2000 related expenditure.

National Australia Financial Management (NFM)

NFM is a manufacturer of retail financial services products which includes insurance, investment trusts, superannuation and retirement income. NFM continues to grow strongly. The December 1999 quarter result of $30.3 million includes a gain of $10.7 million in respect of the movement in excess market value over the net assets of NFM's investment in controlled entities, in accordance with the new Australian accounting standard for life insurance businesses. Excluding the impact of this gain, the latest quarter result was $19.6 million compared with $15 million a year earlier. The increased profit was driven by growth in funds under management and increased sales. Sales grew by 34% to $500 million and retail funds under management increased by 5% to $7.2 billion during the quarter.

Sales of all products recorded strong growth during the December 1999 quarter compared with a year earlier. Sales of insurance products increased 72% to $17 million, investment and trust product sales rose 44% to $197 million, sales of retirement product grew by 44% to $130 million and superannuation products were up 14% to $156 million.

County Investment Management (County)

County is a wholesale manager, providing a range of products from funds and portfolios for institutional clients to trusts for large investors and specialist support for retailers. County's profit contribution increased from $0.3 million for December 1998 to $0.4 million in the current quarter. Funds under management grew over the quarter to $12.2 billion. County experienced strong growth in funds sourced from master trust operators, and increased fixed interest mandates.

National Australia Asset Management (NAAM)

National Asset Management (NAAM) is a wholesale investment management company formed in June 1995. NAAM manages superannuation and non-superannuation portfolios for corporate, industry, government and institutional clients, as well as funds for National Financial Management.

NAAM's profit after tax for the December 1999 quarter was $0.8 million.

Total funds under management of NFM, NAAM and County amounted to $22 billion at 31 December 1999.

Review of Major Business Units (continued)

Clydesdale Bank

	December 1999 $M	Quarter to September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Profit and Loss					
Net interest income	181	178	169	1.7	7.1
Other operating income	102	113	115	(9.7)	(11.3)
Less: Non-interest expenses	139	138	129	0.7	7.8
Less: Charge for doubtful debts	23	99	16	(76.8)	43.8
Profit before income tax	**121**	**54**	**139**	**large**	**(12.9)**
Less: Income tax expense	38	14	44	large	(13.6)
Profit after income tax	**83**	**40**	**95**	**large**	**(12.6)**
Selected Balance Sheet Items					
Bank deposits	13,356	13,437	15,828	(0.6)	(15.6)
Net loans and acceptances	17,027	17,672	18,230	(3.6)	(6.6)
Housing loans (included in net loans and acceptances)	5,338	5,301	5,297	0.7	0.8
Total assets	19,111	19,163	20,889	(0.3)	(8.5)
Key Ratios					
Cost/Income ratio	49.1%	47.4%	45.4%		
Impaired assets/Total loans	2.2%	2.1%	1.7%		
Return on assets	1.7%	0.8%	1.8%		
Net interest margin	3.76%	3.77%	3.58%		

December 1999 vs September 1999

Clydesdale Bank's operating profit after tax was $83 million compared with $40 million in the previous quarter. The September 1999 quarter was impacted by a high doubtful debts charge (refer below). Excluding the impact of the September 1999 quarter statistical provisioning adjustment, Clydesdale's operating profit after tax decreased by 12.6%. The cost to income ratio was 49.1% compared with 47.4% in the previous quarter due to lower other operating income.

Net interest income has increased by 1.7%, however in local currency terms it decreased by 1.7%. This decrease is attributable to the reduction in volumes of loans and advances and bank deposits since the previous quarter.

The 9.7% decrease in other operating income is partly the result of weaker performance in credit line origination fees, personal irregular fees and account maintenance fees. Seasonal factors have contributed to the lower origination fees. The September 1999 quarter included the one-off impact of the profit on sale of a tranche of properties under a sale and leaseback transaction.

Non-interest expenses have fallen in local currency terms by around 2.3%. This was mainly due to a provision for pension mis-selling and the impact of expensing switching fees, which both occurred in the September quarter and have not been repeated in the December quarter.

Excluding the effect of the September quarter statistical provisioning adjustment, the doubtful debts charge increased by 1.5%. This increase is attributable to a number of specific provisions raised in the December quarter. A refinement of the statistically based methodology for calculating the general provision increased the September 1999 charge for doubtful debts by $79 million ($55 million after tax). At the European Group level this was offset by the release of an amount carried in Other Europe.

December 1999 vs December 1998

Clydesdale Bank's operating profit after tax decreased by $12 million, or 12.6%, compared with a year earlier, of which $5 million is attributable to movements in exchange rates.

The cost to income ratio increased due to a disproportionate increase in expenses compared with the growth in income, however, the increase in expenses is mainly exchange rate related.

Review of Major Business Units (continued)

Northern Bank

	December 1999 $M	Quarter to September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Profit and Loss					
Net interest income	86	83	91	3.6	(5.5)
Other operating income	39	48	40	(18.8)	(2.5)
Less: Non-interest expenses	64	60	63	6.7	1.6
Less: Charge for doubtful debts	2	(2)	16	large	(87.5)
Profit before income tax	**59**	**73**	**52**	**(19.2)**	**13.5**
Less: Income tax expense	18	22	17	(18.2)	5.9
Profit after income tax	**41**	**51**	**35**	**(19.6)**	**17.1**
Selected Balance Sheet Items					
Bank deposits	7,297	7,067	8,060	3.3	(9.5)
Net loans and acceptances	6,473	6,576	7,022	(1.6)	(7.8)
Housing loans (included in net loans and acceptances)	2,052	-	2,139	-	(4.1)
Total assets	9,810	9,164	10,519	7.0	(6.7)
Key Ratios					
Cost/Income ratio	51.2%	45.8%	48.1%		
Impaired assets/Total loans	1.0%	1.0%	1.0%		
Return on assets	1.7%	2.2%	1.3%		
Net interest margin	4.10%	4.11%	4.06%		

December 1999 vs September 1999

Northern Bank's operating profit after tax was $41 million, 19.6% lower than the September 1999 quarter. The previous quarter was favourably impacted by an adjustment to doubtful debts (refer below). Excluding the impact of the September 1999 quarter statistical provisioning adjustment, Northern's operating profit after tax decreased by 5%, mainly due to lower other operating income.

Net interest income increased due to higher volumes for business term loans and mortgages. Margins have remained relatively steady.

The 18.8% decrease in other operating income is primarily due to the inclusion of profits from property disposals in the September 1999 quarter. This is the major contributing factor to the higher cost to income ratio.

Non-interest expenses increased by 6.7%, largely the result of exchange rate movements. In local currency terms, non interest expenses remained relatively steady.

The refinement of the statistically based methodology for calculating the general provision reduced the September 1999 charge for doubtful debts by $11 million ($8 million after tax).

December 1999 vs December 1998

Northern Bank's operating profit after tax increased by 17.1% or $6 million compared with the December 1998 quarter. The increase in profit reflects a lower statistical provisioning charge compared with a year earlier.

Review of Major Business Units (continued)

Yorkshire Bank

	December 1999 $M	Quarter to September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Profit and Loss					
Net interest income	200	196	192	2.0	4.2
Other operating income	94	99	97	(5.1)	(3.1)
Less: Non-interest expenses	136	150	145	(9.3)	(6.2)
Less: Charge for doubtful debts	27	33	26	(18.2)	3.8
Profit before income tax	**131**	**112**	**118**	**17.0**	**11.0**
Less: Income tax expense	42	30	40	40.0	5.0
Profit after income tax	**89**	**82**	**78**	**8.5**	**14.1**
Selected Balance Sheet Items					
Bank deposits	11,064	10,456	10,658	5.8	3.8
Net loans and acceptances	12,999	12,811	12,177	1.5	6.8
Housing loans (included in net loans and acceptances)	3,459	3,306	2,940	4.6	17.7
Total assets	14,846	14,383	13,880	3.2	7.0
Key Ratios					
Cost/Income ratio	46.3%	50.8%	50.2%		
Impaired assets/Total loans	0.9%	0.9%	1.1%		
Return on assets	2.4%	2.3%	2.2%		
Net interest margin	5.24%	5.54%	5.52%		

December 1999 vs September 1999

Yorkshire Bank's operating profit after tax was $89 million, an increase of 8.5% over the September 1999 quarter. The previous quarter was impacted by a higher doubtful debts charge (refer below). Excluding the impact of the September 1999 quarter statistical provisioning adjustment, Yorkshire's operating profit after tax increased by $1 million. Yorkshire has continued to reduce its cost to income ratio. The December 1999 quarter cost to income ratio is 46.3%, down from 50.8% in the previous quarter, driven by a 9.3% reduction in expenses.

The increase in net interest income is entirely attributable to favourable movements in exchange rates. In local currency terms, net interest income has remained flat. The decline in net interest margin, due to lower business lending related margins and lower interest recoveries compared with the previous quarter, was offset by increased lending volumes.

The reduction in other operating income in the December quarter is due to lower profits from the sale and leaseback of properties compared with the previous quarter. Non-interest expenses decreased 9.3% compared with the previous quarter. The September quarter, included an asset carrying value adjustment in respect of leased vehicles and a higher provision charge for pension mis-selling. During the current quarter, advertising and marketing costs reduced due to seasonal factors and lower media activity. In the September quarter, advertising costs were higher due to the launch of the new current account.

The refinement of the statistically based methodology for calculating the general provision increased the September 1999 charge for doubtful debts by $9 million ($6 million after tax). At the European Group level this was offset by the release of an amount carried in Other Europe.

December 1999 vs December 1998

Yorkshire Bank's operating profit after tax increased by $11 million or 14.1% compared with the December 1998 quarter. Excluding the impact of exchange rate movements, profit increased by $16 million. The cost to income ratio has decreased to 46.3% due to strong income generation combined with a decrease in expenses over the period.

Excluding the effects of exchange rate movements, net interest income increased by $19 million, due to increased lending volumes. The main drivers were personal loans, asset finance and residential mortgages. In local currency terms, the movement in other operating income was also favourable, due to a timing related increase in personal loan insurance profit sharing income and increased lending fees.

Review of Major Business Units (continued)

National Irish Bank

	December 1999 $M	Quarter to September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Profit and Loss					
Net interest income	30	30	35	-	(14.3)
Other operating income	11	13	14	(15.4)	(21.4)
Less: Non-interest expenses	29	32	33	(9.4)	(12.1)
Less: Charge for doubtful debts	3	9	(2)	(66.7)	large
Profit before income tax	**9**	**2**	**18**	**large**	**(50.0)**
Less: Income tax expense	3	1	9	large	(66.7)
Profit after income tax	**6**	**1**	**9**	**large**	**(33.3)**
Selected Balance Sheet Items					
Bank deposits	2,506	2,502	2,847	0.2	(12.0)
Net loans and acceptances	2,573	2,603	3,049	(1.2)	(15.6)
Housing loans (included in net loans and acceptances)	949	972	1,112	(2.4)	(14.7)
Total assets	3,624	3,720	4,332	(2.6)	(16.3)
Key Ratios					
Cost/Income ratio	70.7%	74.4%	67.3%		
Impaired assets/Total loans	0.8%	0.9%	1.2%		
Return on assets	0.7%	0.1%	0.8%		
Net interest margin	3.26%	3.20%	3.21%		

December 1999 vs September 1999

National Irish Bank's operating profit after tax was $6 million compared with $1 million in the previous quarter. The September 1999 quarter was impacted by a high doubtful debts charge (refer below). Excluding the impact of the September 1999 quarter statistical provisioning adjustment, operating profit after tax doubled.

Other operating income decreased due to the sale of an investment property in the September 1999 quarter and lower brokerage and commission income.

Non-interest expenses decreased by 9.4% primarily due to a reduction in personnel related expenditure and lower costs associated with the on-going investigations arising from various allegations made against certain aspects of the Bank's operations. The reduction in expenses lead to an improvement in the cost to income ratio in the current quarter.

The refinement of the statistically based methodology for calculating the general provision increased the September 1999 charge for doubtful debts by $3 million ($2 million after tax). At the European Group level this was offset by the release of an amount carried in Other Europe.

December 1999 vs December 1998

Operating profit after tax for the December 1999 quarter is $3 million lower than a year earlier. The reduction in current quarter earnings is largely attributable to a higher charge for doubtful debts. The December 1998 quarter benefited from a significant debt recovery.

Review of Major Business Units (continued)

Bank of New Zealand Group

	December 1999 $M	Quarter to September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Profit and Loss					
Net interest income	116	110	128	5.5	(9.4)
Other operating income	89	89	89	-	-
Less: Non-interest expenses	118	122	124	(3.3)	(4.8)
Less: Charge for doubtful debts	5	-	7	large	(28.6)
Profit before income tax	**82**	**77**	**86**	**6.5**	**(4.7)**
Less: Income tax expense	15	(10)	16	large	(6.3)
Profit after income tax	**67**	**87**	**70**	**(23.0)**	**(4.3)**
Selected Balance Sheet Items					
Bank deposits	15,890	16,272	16,238	(2.3)	(2.1)
Net loans and acceptances	21,377	20,097	20,196	6.4	5.8
Housing loans (included in net loans and acceptances)	7,095	6,999	7,108	1.4	(0.2)
Total assets	25,487	24,595	24,998	3.6	2.0
Key Ratios					
Cost/Income ratio	57.6%	61.3%	57.1%		
Impaired assets/Total loans	0.4%	0.4%	0.5%		
Return on assets	1.1%	1.4%	1.1%		
Net interest margin	1.94%	1.78%	1.87%		

The above table reflects the legal entity result of Bank of New Zealand. Detailed below is the after tax contributions of the major geographic units:

New Zealand operations	66	86	69
Australian operations	-	-	-
Asian operations	1	1	1
	67	87	70

December 1999 vs September 1999

Bank of New Zealand's profit after tax for the December quarter was $67 million compared with $87 million for the previous quarter. The September 1999 quarter's result benefited from a lower doubtful debts charge and reduced tax expense partly driven by a number of tax effective financing transactions.

The increase in net interest income in the December 1999 quarter was largely due to growth in lending volumes.

Bank of New Zealand's net interest margin increased from 1.78% for the September 1999 quarter to 1.94%, mainly due to the impact of a structured finance transaction which decreased margins in the previous quarter.

In local currency terms, other operating expenses decreased 1.8% reflecting lower occupancy and redundancy costs and reduced expenditure on consultants. Higher income generation combined with lower non-interest expenses resulted in an improved cost to income ratio.

December 1999 vs December 1998

The 4.3% decline in operating profit after tax in the current quarter compared with a year earlier is primarily due to movements in exchange rates. Excluding the impact of exchange rate movements, operating profit after tax increased 1.5%, reflecting higher other operating income and lower costs.

Review of Major Business Units (continued)

Michigan National Corporation

	December 1999 $M	Quarter to September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Profit and Loss					
Net interest income	152	152	157	-	(3.2)
Other operating income	75	66	70	13.6	7.1
Less: Non-interest expenses	115	117	121	(1.7)	(5.0)
Less: Charge for doubtful debts	(16)	9	8	large	large
Profit before income tax	**128**	**92**	**98**	**39.1**	**30.6**
Less: Income tax expense	45	31	34	45.2	32.4
Profit after income tax	**83**	**61**	**64**	**36.1**	**29.7**
Selected Balance Sheet Items					
Bank deposits	13,023	12,717	13,279	2.4	(1.9)
Net loans and acceptances	12,220	12,210	12,714	0.1	(3.9)
Housing loans (included in net loans and acceptances)	685	701	679	(2.3)	0.9
Total assets (excluding goodwill)	15,862	15,716	16,600	0.9	(4.4)
Key Ratios					
Cost/Income ratio	50.7%	53.7%	53.3%		
Impaired assets/Total loans	0.7%	0.7%	0.7%		
Return on assets (excluding goodwill)	2.1%	1.6%	1.5%		
Net interest margin	4.02%	4.10%	4.20%		

December 1999 vs September 1999

Michigan National’s operating profit after tax increased by $22 million or 36.1% over the September 1999 quarter. Michigan’s cost to income ratio improved to 50.7% due to higher operating income combined with a decrease in expenses over the period.

Other operating income increased by 13.6% primarily due to a gain related to Michigan National's divestiture of its interest in a third party business venture.

The current quarter charge for doubtful debts reflects a reduction in statistical provisioning.

December 1999 vs December 1998

Michigan National’s operating profit after tax increased by 29.7% from $64 million in December 1998 to $83 million in the current quarter. The December 1999 quarter result reflects a lower charge for doubtful debts and a reduction in non-interest expenses. The decrease in net interest income is largely due to exchange rate movements.

Review of Major Business Units (continued)

HomeSide International, Inc.

	December 1999 $M	Quarter to September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Profit and Loss					
Net interest income	1	13	22	(92.3)	(95.5)
Other operating income	142	134	145	6.0	(2.1)
Less: Non-interest expenses	89	90	102	(1.1)	(12.7)
Less: Charge for doubtful debts[(1)]	3	(6)	6	large	(50.0)
Profit before income tax	**51**	**63**	**59**	**(19.0)**	**(13.6)**
Less: Income tax expense	8	22	23	(63.6)	(65.2)
Profit after income tax	**43**	**41**	**36**	**4.9**	**19.4**
Balance Sheet					
Total assets (excluding goodwill)	9,394	8,722	8,838	7.7	6.3
Key Ratios					
Cost/Income ratio	62.2%	61.2%	61.1%		
Return on assets (excluding goodwill)	1.8%	1.9%	1.6%		

December 1999 vs September 1999
HomeSide's operating profit after tax increased by 4.9% from $41 million for the September 1999 quarter to $43 million in the current quarter.

US interest rates continued to increase during the December quarter, ending the refinance boom in the residential mortgage origination market which favourably impacted previous quarters, and sparking fierce pricing competition for mortgage production.

Other operating income rose by 6% to $142 million. Growth in net mortgage servicing fees of $26 million was offset by a decline in mortgage origination revenue of $19 million. The growth in mortgage servicing fees is volume related reflecting an increase in the size of the servicing portfolio by $7.9 billion in the current quarter. Higher mortgage interest rates have reduced prepayment activity resulting in a lower amortisation expense. The reduction in net mortgage origination revenue was driven by lower production volumes and price competition due to higher interest rates.

Net interest income decreased by $12 million in the current quarter largely due to lower mortgage production volumes which impacted the level mortgage loans held for resale.

HomeSide's variable cost origination structure is designed to minimise over-capacity as production falls. Non-interest expenses reduced by 1.1% during the current quarter, although HomeSide's cost income ratio has increased to 62.2% due to lower total income.

Income tax expense in the December 1999 quarter benefited from a change in tax rate mix that lowered HomeSide's effective tax rate and reduced the carrying value of deferred tax liabilities.

December 1999 vs December 1998
HomeSide's operating profit after tax increased by $7 million or 19.4% during the current quarter compared with December 1998, largely due to the favourable income tax adjustment. As described above, the mortgage market has changed markedly over the last 12 months and HomeSide's profitability has changed from one based on net production earnings to a more normal mix based on net servicing revenue. Changes in the interest rate environment have impacted on net interest income and other operating income during the current quarter compared with a year earlier.

Review of Major Business Units (continued)

National Australia Life (NAL)

National Australia Life's profit for the quarter to December 1999 is $4.9 million. This result is a 9% improvement on the profit for the quarter to December 1998 and a significant improvement on the quarter to September 1999. The result for the September 1999 quarter was a small loss due to a significantly lower level of other operating income, as a result of poor investment performance arising from a decline in the stock market.

The improvement on the December 1998 quarter is due to an increase in other operating income of 8.1%, partially offset by increased operating expenses and income tax expense. The increase in other operating income is attributable to unrealised gains on investments, as a result of a more favourable stock market position. Expenses have increased due to higher advertising and marketing costs and bureau charges.

Asia

The Asian region continues to experience a turnaround in confidence reflecting an improved economic outlook. The December 1999 quarter benefited from continued strong performance in the wholesale business, primarily related to treasury activities, and effective cost management, however, this was offset by higher provisions for doubtful debts.

At the regional level, the loss in the Asian branches for the December 1999 quarter was offset by a profit in Nautilus Insurance.

Asia's December quarter earnings reflect the results of operations excluding the impact of accounting translation gains and losses into Australian dollars for the purposes of consolidation. The accounting translation impact has been reflected against Australia Other, where hedging instruments are in place to offset the impact of the accounting translation. Comparative results have been restated to reflect this treatment.

Loans and Advances

	December 1999 $M	As at September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Australia					
Overdrafts	5,198	5,599	4,819	(7.2)	7.9
Credit card outstandings	2,654	2,447	2,180	8.5	21.7
Market rate advances	265	303	457	(12.5)	(42.0)
Lease finance	6,123	5,889	5,497	4.0	11.4
Housing loans	43,418	41,968	38,423	3.5	13.0
Other term lending	24,348	24,259	24,784	0.4	(1.8)
Equity participation in leveraged leases	617	633	672	(2.5)	(8.2)
Other lending	4,420	5,112	5,431	(13.5)	(18.6)
	87,043	**86,210**	**82,263**	**1.0**	**5.8**
Overseas					
Overdrafts	10,007	10,150	9,214	(1.4)	8.6
Credit card outstandings	2,095	1,938	1,900	8.1	10.3
Market rate advances	408	413	757	(1.2)	(46.1)
Bills discounted	28	33	30	(15.2)	(6.7)
Lease finance	6,135	5,478	4,760	12.0	28.9
Housing loans	20,216	19,978	20,031	1.2	0.9
Other term lending	36,136	35,781	39,278	1.0	(8.0)
Redeemable preference share finance	2,103	1,702	1,414	23.6	48.7
Other lending	9,932	8,037	7,460	23.6	33.1
	87,060	**83,510**	**84,844**	**4.3**	**2.6**
Total Loans and Advances (Gross)	**174,103**	**169,720**	**167,107**	**2.6**	**4.2**
Deduct: Unearned income	(1,553)	(1,587)	(1,455)	(2.1)	6.7
Provision for doubtful debts	(2,494)	(2,513)	(2,511)	(0.8)	(0.7)
Total Loans and Advances (Net)	**170,056**	**165,620**	**163,141**	**2.7**	**4.2**

Non-Accrual Loans and Impaired Assets

The Group calculates the asset quality of its loan portfolio according to the following impaired assets categories which are defined in APRA's guidelines on asset quality disclosures. For a full description of the Group's impaired asset categories, reference should be made to the 1999 National Australia Bank Limited Annual Report.

	December 1999			September 1999		
	Gross $M	Specific Provisions $M	Net $M	Gross $M	Specific Provisions $M	Net $M
Non-accrual loans						
Australian Group	635	226	409	644	226	418
European Group	582	164	418	586	162	424
New Zealand Group	84	18	66	89	20	69
United States Group	119	47	72	160	24	136
Asian Group	76	36	40	91	25	66
	1,496	**491**	**1,005**	**1,570**	**457**	**1,113**
Restructured loans	4	-	4	3	-	3
Assets acquired through security enforcement	11	-	11	13	-	13
Total impaired assets						
Australian Group	639	226	413	644	226	418
European Group	584	164	420	589	162	427
New Zealand Group	84	18	66	89	20	69
United States Group	128	47	81	173	24	149
Asian Group	76	36	40	91	25	66
	1,511	**491**	**1,020**	**1,586**	**457**	**1,129**
Percentage of non-accrual loans to risk weighted assets	0.7%		0.5%	0.8%		0.6%
Memorandum disclosures:						
Accruing loans past due 90 days or more with adequate security	118	-	118	96	-	96
Accruing portfolio facilities past due 90 to 180 days	60	16	44	56	17	39

Provisioning Balances and Coverage Ratios

	December 1999	September 1999	December 1998
Specific Provisions	507	474	416
Total Provisions	2,508	2,529	2,528
Specific Provision Coverage	32.6%	28.8%	27.2%
Total Provision Coverage	164.9%	158.4%	170.8%

Total Charge for Doubtful Debts by Group Entities

	December 1999 $M	Quarter to September 1999 $M	December 1998 $M	% Change Sep 99 to Dec 99	% Change Dec 98 to Dec 99
Australian Group	43	35	31	22.9	38.7
European Group [(1)]					
Clydesdale Bank	23	99	16	(76.8)	43.8
National Irish Bank	3	9	(2)	(66.7)	large
Northern Bank	2	(2)	16	large	(87.5)
Yorkshire Bank	27	33	26	(18.2)	3.8
Other	4	(60)	(3)	large	large
Total European Group	59	79	53	(25.3)	11.3
New Zealand Group	5	-	7	-	(28.6)
United States Group	(16)	-	22	-	large
Asian Group	17	(7)	15	large	13.3
Total	**108**	**107**	**128**	**0.9**	**(15.6)**

(1) The September 1999 quarter doubtful debts charge for each of the European entities included the impact of a realignment to the statistically determined general provision, adopted in 1998, between Europe Other and the individual Banks. The realignment 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 $3 million) and Other Europe (down $74 million). The net impact on the European Group charge was an increase of $6 million ($4 million after tax).

Provision for Doubtful Debts

	Quarter to December 1999			Quarter to September 1999		
	Specific $M	General $M	Total $M	Specific $M	General $M	Total $M
Opening balance	474	2,055	2,529	452	2,037	2,489
Restatement to reflect future income tax benefit	-	-	-	-	-	-
Abnormal charge upon adoption of statistically based provisioning	-	-	-	-	-	-
Transfers to/from specific/general provision	119	(119)	-	127	(127)	-
Provisions acquired	-	-	-	-	-	-
Bad debts recovered	47	-	47	52	-	52
Bad debts written off	(114)	-	(114)	(167)	-	(167)
Charge to profit and loss	-	108	108	-	107	107
Foreign currency translation and consolidation adjustments	(19)	(43)	(62)	10	38	48
Closing balance	**507**	**2,001**	**2,508**	**474**	**2,055**	**2,529**

Total doubtful debts charge as a percentage of :

	December 1999	September 1999
Risk Weighted Assets	0.1%	0.1%
Total Income	3.9%	4.0%

The specific provision for off balance sheet credit related commitments of $14 million (September 1999: $16 million) is included in the above table. For financial statements presentation, the specific provision for off balance sheet credit related commitments is classified and reported as a liability.

Asian Exposure

The National's Asian exposure includes all lending, foreign exchange and derivative transactions with companies residing in Asia. The exposures include facilities originated in the Group's eleven Asian branches and offices in addition to lending into Asia from the Group's other subsidiaries.

	Trade Finance A$M	Retail Loans A$M	Bankers Acceptances A$M	Marketable Securities A$M	Local Lending (1) A$M	Unfunded Treasury Exposure (2) A$M	Funded Treasury Exposure (3) A$M	Total A$M
Taiwan	3	2	-	22	50	7	33	117
South Korea	270	1	186	-	1,303	73	44	1,877
Japan	10	6	-	602	1,338	716	1,800	4,472
Indonesia	5	24	-	-	136	-	-	165
Thailand	2	5	-	15	45	4	15	86
Malaysia	4	21	-	-	109	8	38	180
Phillipines	1	-	-	-	11	1	-	13
Hong Kong	3	593	-	424	670	92	-	1,782
China	65	1	-	-	7	33	2	108
Singapore	-	188	-	19	408	45	78	738
India	117	1	-	-	1	5	-	124
Total at 31/12/1999	**480**	**842**	**186**	**1,082**	**4,078**	**984**	**2,010**	**9,662**
Total at 30/9/1999	**651**	**849**	**314**	**1,066**	**3,965**	**827**	**2,146**	**9,818**
Total at 31/12/1998	**507**	**870**	**221**	**1,643**	**3,752**	**3,006**	**1,169**	**11,168**

(1) Term, general, revolving, leasing and project loans.

(2) Forward foreign exchange contracts are shown as net exposure expressed as 10% of gross outstandings. Interest rate swaps are shown as gross outstandings.

(3) Primarily money market lines to banks.

Capital Adequacy

	As at December 1999 $M	As at September 1999 $M	As at December 1998 $M
Tier 1 Capital	15,681	15,337	12,784
Tier 2 Capital	5,602	5,616	5,944
Deductions	(715)	(573)	(519)
Total Regulatory Capital	**20,568**	**20,380**	**18,209**
Risk Weighted Assets - Credit Risk(1)	199,966	194,269	195,094
Risk Weighted Assets - Market Risk(2)	1,446	2,827	2,721
Total Risk Weighted Assets	**201,412**	**197,096**	**197,815**

Risk Adjusted Capital Ratios

	December 1999	September 1999	December 1998
Tier 1	7.79%	7.78%	6.46%
Tier 2	2.78%	2.85%	3.00%
Deductions	(0.35%)	(0.28%)	(0.26%)
Total	**10.22%**	**10.35%**	**9.20%**

(1) Risk Weighted Assets compiled for credit risk purposes as outlined in the Australian Prudential Regulation Authority (APRA) Prudential Statement C1 (PS C1).

(2) Risk Weighted Assets compiled for market risk purposes as outlined in the APRA Prudential Statement C3 (PS C3). PS C3 requires the measure of market risk to be multiplied by 12.5 (ie the reciprocal of the minimum capital ratio of 8%) to determine a notional Risk Weighted Asset figure.

Exchange Rates

	Profit and Loss		Balance Sheet		
	Average year to date		Spot as at		
	December 1999	December 1998	December 1999	September 1999	December 1998
British Pounds	0.3946	0.3724	0.4050	0.3967	0.3696
Irish Pounds	0.4880	0.4168	0.5106	0.4840	0.4148
United States Dollars	0.6439	0.6238	0.6540	0.6528	0.6141
New Zealand Dollars	1.2577	1.1850	1.2565	1.2589	1.1610

Favourable/(Unfavourable) effect on:	European Group $M	New Zealand Group $M	United States Group $M	Asian Group $M	Total $M

Impact on Profit and Loss of Exchange Rate Movements since December 1998 on December 1999 Result

	European Group $M	New Zealand Group $M	United States Group $M	Asian Group $M	Total $M
Net Interest Income	(33)	(6)	(6)	-	(45)
Charge for Doubtful Debts	4	-	(1)	-	3
Non Interest Income	(18)	(6)	(7)	-	(31)
Non Interest Expenses	27	7	7	-	41
Income Tax Expense	7	1	1	-	9
Operating Profit After Tax	(13)	(4)	(6)	-	(23)

Impact on Balance Sheet of Exchange Rate Movements since December 1998 on December 1999 Result

	European Group $M	New Zealand Group $M	United States Group $M	Asian Group $M	Total $M
Total Assets	(1,419)	48	(62)	63	(1,370)
Gross Non-Accrual Loans	(13)	-	-	4	(9)
Provisions for Doubtful Debts	15	-	1	-	16

Staffing Levels

	As at			Change	
	December 1999 No.	September 1999 No.	December 1998 No.	September/ December %	December/ December %
Full Time Equivalents:					
Australian Group	20,899	21,210	21,274	(1.5)	(1.8)
European Group	13,336	13,621	13,820	(2.1)	(3.5)
New Zealand Group	4,411	4,433	4,474	(0.5)	(1.4)
United States Group	6,042	6,120	6,583	(1.3)	(8.2)
Asian Group	291	292	291	(0.3)	-
Total Full Time Equivalents	44,979	45,676	46,442	**(1.5)**	**(3.2)**

Group Financial Information for U.S. Investors

Generally accepted accounting principles applicable in the United States (US GAAP) differ in some respects from those applying in Australia (Australian GAAP). Figures adjusted to US GAAP basis are set out below.

	December 1999		December 1998	
	A$M	**US$M (1)**	**A$M**	**US$M (1)**
Consolidated Statements of Profit and Loss				
Net profit reported using Australian GAAP	771	506	724	443
Amortisation of goodwill not required under AASB 1038	(1)	(1)	-	-
Depreciation charged on the difference between revaluation amount and historical cost of buildings	1	1	1	1
Difference in profit and loss on disposal of land and buildings revalued from historical cost	-	-	3	2
Amortisation of goodwill - difference resulting from treatment of loan losses as a purchase adjustment	1	1	1	1
Amortisation of goodwill	1	1	-	-
Amortisation of core deposit intangible	(7)	(5)	(7)	(4)
Amortisation of deferred tax associated with core deposit intangible	2	1	2	1
Pension expense	8	5	8	5
Recognition/amortisation of tax losses resulting from IRS ruling	1	1	1	1
Amortisation of profit on sale-leaseback over lease term	3	2	5	3
Net income according to US GAAP	**780**	**512**	**738**	**453**
Earnings per ordinary share according to US GAAP (cents)				
Basic	49.5	32.4	49.9	30.5
Diluted	48.2	31.6	48.1	29.5

Comprehensive Income Under US GAAP[2]

Net income according to US GAAP	**780**	**512**	**738**	**453**
Other comprehensive income				
Foreign currency translation reserve	(158)	(104)	(246)	(151)
Available for sale debt securities	2	1	-	-
Total other comprehensive income	(156)	(103)	(246)	(151)
Total comprehensive income according to US GAAP	**624**	**409**	**492**	**302**

(1) Translated from Australian dollars at the rate of US$0.6560 equals A$1.00 (September 1999: US$0.6528 equals A$1.00, December 1998: US$0.6123 equals A$1.00), the "Noon Buying Rate" per the Federal Reserve Bank of New York on 31 December 1999.

(2) SFAS 130 "Reporting Comprehensive Income", which became effective for financial years commencing after 15 December 1997, requires the disclosure of the components of comprehensive income. As there is no similar accounting standard in Australia that requires reporting of comprehensive income, set out above is the disclosure of the components of comprehensive income under USGAAP. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes net income plus all other changes in equity during a period except those resulting from investments by owners and distributions to owners.

ALPHABETICAL INDEX

	PAGE
Announcement to Market	25
Asian Exposure	48
Asset Quality	23
Balance Sheet	27
Capital Adequacy	48
Cash Flow Statement	28
Changes in Accounting Policy	33
Changes in Company Tax Rates	33
Comments by Directors	33
Contributions to Consolidated Operating Profit	34
Control Gained Over Entities Having a Material Effect	31
Equity Accounted Associated Entities and Other Material Interests	32
Equity Instruments	32
Exchange Rates	49
Exchange Rate Movement Impact	49
Financial Highlights	6
Geographic Segments	31
Key Performance Measures	7
Loans and Advances	45
Loss of Control of Entities Having a Material Effect	31
March Half Profit Announcement Date	33
Margins	20
Net Interest Income	18
Non-Accrual Loans and Impaired Assets	46
Non-Controlled Entities	32
Operating Expenses	21
Other Operating Income	20
Overview of Group Result	10
Profit & Loss Statement	26
Profit Contributions by Entity	34
Profit Restated to Exclude Amortisation of Goodwill	26
Profitability by Line of Business	12
Profitability by Region	16
Provisions:	
Doubtful Debt Provisions	47
Doubtful Debts Total Provision Charge	47
Provisioning Coverage Ratios	46
Quarter at a Glance	
Operating Performance	4
Shareholder Value	5
Ratios	29

ALPHABETICAL INDEX (Continued)

Revenue and Expense Details. 29
Review of Major Business Units
Asia 44
Australian Financial Services 35
- National Australia Trustees 36
- National Australia Financial Management 36
- County Investment Management 36
- National Australia Asset Management 36
Bank of New Zealand Group 41
Clydesdale Bank 37
HomeSide International, Inc.. 43
Michigan National Corporation 42
National Australia Life 44
National Irish Bank 40
Northern Bank 38
Yorkshire Bank 39
Reconciliation of Cash. 29
Staffing Levels 49
Strategy and Prospects 8
US Investors Financial Information 50
Volumes 19