

National profit tracks plan

National Australia Bank today reported a Group operating profit after tax of \$522 million for the three months to 31 December, 1997.

This compares with \$580 million earned in the previous three months to 30 September and \$582 million for the December 1996 quarter.

The decline is partly attributable to a higher charge for doubtful debts in the December 1997 quarter and the inclusion of previously unrecognised tax losses of \$49 million in the September 1997 quarter.

Underlying profit (before tax and doubtful debts charge) was \$932 million, an increase of 4.4 per cent over the \$893 million earned in the September quarter.

The National's Managing Director, Mr Don Argus said the latest result met Group expectations.

Underlying profitability was in line with the current plan and the Group's performance is tracking above that of the previous three quarters.

“Our latest result reflects the combined impact of continued margin reductions due to competition and higher expenses associated with projects currently underway,” Mr Argus said.

“Our expenses are under pressure due to the need to rapidly progress a number of important projects including the Year 2000 program, standardisation of credit processes and the first element of the migration to a new business model.

“During the quarter, the Group introduced a new staff share scheme. The \$16 million cost of acquiring shares under this scheme is included in personnel expenses.

“The fact that our underlying profit continued to improve in these circumstances is particularly pleasing,” Mr Argus said.

Net interest income was \$1,385 million. This compares with \$1,353 million for the September quarter and \$1,316 million in the December 1996 quarter. The rise in net interest income demonstrates the success in continuing to build the business.

Non interest income also continued to rise strongly to \$928 million. This was 2.4 per cent higher than the September quarter and 14.1 per cent higher than in December 1996.

“The growth of our non interest income is also highly encouraging,” Mr Argus said.

“Asset quality continued to improve over the quarter and we are comfortable with our current level of provisioning which reflects credit policies that have served us well over the last two decades,” he said.

The Group has increased its charge for doubtful debts to \$120 million compared with \$105 million in September and \$39 million (net of specific provision recoveries) in December 1996.

The Group’s actual provisioning coverage has increased from 45.8% to 50.1% over the quarter with total coverage (reflecting current period write-offs and the level of general provisioning) increasing from 104.6% to 114.5%.

“The increased provisioning reflects our view of the current stage of the business cycle in Australia and other economies, including Asia,” Mr Argus said.

“There is much speculation on Asian credit exposure. Our credit exposure in Asia is modest and well diversified. Over 70 per cent of our Asian exposure is short term in nature with a maturity of less than 12 months.

“Looking ahead the Group is confident that the underlying strength of its earnings will continue,” he said.

Mr Argus also emphasised that the implementation of the major projects across the Group has been accelerated, particularly the migration to the new business model. This is critical to position the Group for the future.

“Our income continues to grow in key market areas, particularly Europe, Australia and the United States.

“We will soon complete the HomeSide Inc acquisition in the United States which will add another valuable earnings source to the Group,” Mr Argus said.

Melbourne, 22 January 1998.

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National Australia Bank Limited
Consolidated Group Results
for the Three Months Ended 31 December 1997

Profitability	Three Months to			% Change Sep 97 to Dec 97	% Change Dec 96 to Dec 97
	December 1997	September 1997	December 1996		
Group operating profit	522	580	582	(10.0)	(10.3)
Underlying profit	932	893	960	4.4	(2.9)
Net interest income	1,385	1,353	1,316	2.4	5.2
Non interest income	928	906	813	2.4	14.1
Non interest expenses	1,381	1,366	1,169	1.1	18.1
Charge for doubtful debts	120	105	39	14.3	large

Balance Sheet	As at			% Change Sep 97 to Dec 97	% Change Dec 96 to Dec 97
	December 1997	September 1997	December 1996		
Shareholders' equity	13,883	12,581	13,317	10.3	4.3
Total assets	229,441	201,969	184,016	13.6	24.7
Risk weighted assets	171,411	154,309	140,633	11.1	21.9
Gross loans and advances	147,493	133,391	120,341	10.6	22.6
Total net loans, advances and acceptances	164,805	150,398	135,273	9.6	21.8
Total deposits	141,988	128,469	117,525	10.5	20.8
Non-accrual loans, net of specific provisions	644	706	719	(8.8)	(10.4)

Performance Measurements	Three Months to		
	December 1997	September 1997	December 1996
Cost/income ratio (excl goodwill)	58.1%	58.9%	53.3%
Operating costs to total assets	2.4%	2.8%	2.4%
Non interest income to total net income	40.1%	40.1%	38.2%
Basic earnings per share	36.9c	39.8c	39.4c
Diluted earnings per share	36.1c	38.8c	38.8c
Basic earnings per share - pre goodwill	39.6c	42.3c	41.8c
Specific provision charge to operating profit	14.2%	14.1%	3.1%
Specific provision balance to total assets	0.3%	0.3%	0.3%
Specific provision balance to risk weighted assets	0.4%	0.4%	0.5%
Capital risk asset ratio (Tier 1: 6.6%, Tier 2: 3.2%, deductions: (0.3)%)	9.5%	8.7%	9.2%
Net tangible asset backing per share	\$8.23	\$7.40	\$7.54

All figures are in A\$ millions unless otherwise stated.

A full copy of the Group Results for the period ended 31 December 1997 is available at the following Internet address : <http://www.national.com.au>

Review of Operations

The National continued to expand its operations in the first quarter of the 1997/98 financial year with robust lending and deposit growth and a further improvement in underlying profit. Underlying profit (profit before tax and bad and doubtful debts charge) increased by 4.4% over the September 1997 quarter to \$932 million.

Despite the improved underlying result, net profit after tax for the December 1997 quarter declined by 10.0% over the September 1997 quarter. The decline can be directly traced back to higher income tax expense following the recognition of previously unrecognised tax losses in one of the Group's subsidiaries in the September quarter. There was also a higher general provision charge in the current quarter in line with the strong growth in risk weighted assets.

The composition of the result was also pleasing with a further increase in the contribution from the Group's offshore operations, assisted by movements in exchange rates, and increases in non interest income which have maintained the ratio of non interest income to total income at just above 40%.

Net Interest Income

Net interest income increased by 2.4% over the September 1997 quarter, and by 5.2% over the corresponding December 1996 quarter. Interest margins for the December quarter were slightly lower with competitive pressures in Australia accounting for the majority of the decline. Despite an easing in margins, volume growth led to higher net interest income. Loans and advances increased by 10.6% over September 1997 with strong lending growth in:

- housing lending, up by 6.8% over September 1997;
- lease financing, up by 12.9% over September 1997;
- credit cards, up by 12.6% over September 1997.

Movements in exchange rates between the Australian dollar and the British pound, Irish pound and United States dollar also made a positive contribution to loans and advances outstanding. Excluding exchange rate movements, net loans and advances increased by 6.4% over the quarter.

Other Operating Income

Total other operating income increased a further 2.4% over the September 1997 quarter and by 14.1% over the December 1996 quarter. The proportion of other operating income to total net income remained the same as that reported for the September 1997 quarter at 40.1%, up from 38.2% for the December 1996 quarter.

The increase in other operating income over the September 1997 quarter was primarily due to:

- money transfer fees which increased by 10.1% reflecting changes in fee and account structures in Australia;
- increased trading income from treasury operations up 16.7%;
- fees and commissions which increased by 4.3%.

The decline in the other category principally reflects lower dividend income received in the December quarter.

Other Operating Expenses

Total other operating expenses increased marginally by 1.1% over the September 1997 quarter and by 18.1% over the December 1996 quarter.

Personnel costs rose by 3.9% over the September 1997 quarter reflecting salary increases being recorded across the Group and the \$16 million cost of acquiring shares under the new staff share scheme. Staff numbers declined by 3.0% since September 1997. On-costs were little changed from the previous quarter while restructuring costs were incurred in Australia and Europe to cover redundancies over the quarter.

Occupancy costs fell by 6.0% from the September 1997 quarter reflecting the partial completion of branch refurbishment programs undertaken in Australia and Europe involving significant expenditure in the 1996/97 financial year.

General expenses remained relatively steady with a decrease of 1.4% from the September 1997 quarter. The main contributor to this reduction was reduced computer equipment and software expenditure, down 29.3% predominantly due to decreased expenditure on software. Largely offsetting this decrease was an increase in fees and commissions, up 13.5% which is a direct result of increased credit card and EFTPOS usage.

Provisions for Doubtful Debts

The charge for doubtful debts was up by \$15 million or 14.3% over the September 1997 quarter and up by \$81 million over the December 1996 quarter. The December 1996 quarter charge was largely offset by high specific provision recoveries in Australia and New Zealand. Compared to the September 1997 quarter, a 9.8% decrease in the specific provision charge has been offset by an increase in the general provision charge reflecting the rise in risk weighted assets (up 11.1%).

Specific provision coverage of non-accrual loans grew to 49.2%, as gross non-accrual loans fell 1.0% to \$1,268 million (\$1,281 million at September 1997).

Capital

The Tier 1 capital ratio declined to 6.6% from 6.8% at September 1997 predominantly due to large growth in risk weighted assets over the quarter. Tier 2 capital rose to 3.2% from 2.2% at September 1997 due to the raising of an additional \$2.0 billion term subordinated debt in the Australian and US markets.

Asset Quality

Asset quality further improved over the period with gross non-accrual loans declining by 1.0%. As a result of the decline in non-accrual loans and the increase in risk weighted assets, the ratio of gross non-accrual loans to risk weighted assets is now 0.7% compared to 0.8% as at September 1997.

National Australia Bank Limited
(ACN 004 044 937)

Financial results for the three months ended 31 December 1997

(Australian currency millions unless otherwise specified)

For announcement to the market

				A\$M
Operating Revenue	Up	12.8%	to	4,485
Abnormal Items (nil tax applicable)				nil
Operating Profit (Loss) after Tax (before Amortisation of Goodwill) Attributable to Members	Down	9.4%	to	559
Operating Profit (Loss) after Tax Attributable to Members	Down	10.3%	to	522
Extraordinary Items after Tax Attributable to Members				nil
Operating Profit (Loss) and Extraordinary Items after Tax Attributable to Members	Down	10.3%	to	522
Basic Earnings per Share	Down	6.2%	to	36.9c
Diluted Earnings per Share	Down	7.0%	to	36.1c

National Australia Bank Limited
Unaudited Consolidated Group Results
for the three months ended 31 December 1997

Consolidated Profit and Loss Account

	Three months to			% Change Sep 97 to Dec 97	% Change Dec 96 to Dec 97
	December 1997 \$M	September 1997 \$M	December 1996 \$M		
Operating revenue	4,485	4,301	3,976	4.3	12.8
Interest income	3,557	3,395	3,163	4.8	12.5
Interest expense	2,172	2,042	1,847	6.4	17.6
Net interest income	1,385	1,353	1,316	2.4	5.2
Charge to provide for doubtful debts	120	105	39	14.3	large
Net interest income after provision for doubtful debts	1,265	1,248	1,277	1.4	(0.9)
Other operating income	928	906	813	2.4	14.1
Total operating income	2,193	2,154	2,090	1.8	4.9
Other operating expenses	1,381	1,366	1,169	1.1	18.1
Operating profit before abnormal items and tax	812	788	921	3.0	(11.8)
Abnormal gain (nil tax applicable)	-	-	-	-	-
Operating profit before tax	812	788	921	3.0	(11.8)
Income tax expense attributable to operating profit	291	209	339	39.2	(14.2)
Operating profit after income tax	521	579	582	(10.0)	(10.5)
Outside equity interests in operating profit after income tax	(1)	(1)	-	-	-
Operating profit after income tax attributable to members of the holding company	522	580	582	(10.0)	(10.3)

Profit Restated to Exclude Amortisation of Goodwill

Operating profit after tax, before outside equity interests and amortisation of goodwill	558	615	617	(9.3)	(9.6)
Outside equity interests	(1)	(1)	-	-	-
Operating profit after tax and outside equity interests before amortisation of goodwill	559	616	617	(9.3)	(9.4)

Earnings per Share

Basic earnings per share	36.9c	39.8c	39.4c	(7.2)	(6.2)
Diluted earnings per share ⁽¹⁾	36.1c	38.8c	38.8c	(7.0)	(7.0)

⁽¹⁾ Diluted earnings per share includes the impact of options, partly paid shares and the potential conversion of exchangeable capital units.

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Consolidated Balance Sheet

	December 1997 \$M	As at September 1997 \$M	December 1996 \$M	% Change Sep 97 to Dec 97	% Change Dec 96 to Dec 97
Assets					
Cash and short-term liquid assets	6,857	4,454	5,669	54.0	21.0
Due from other financial institutions	12,834	10,360	10,756	23.9	19.3
Due from customers on acceptances	20,110	19,605	17,390	2.6	15.6
Trading securities	9,540	9,987	8,968	(4.5)	6.4
Available for sale securities	1,906	1,815	368	5.0	large
Investment securities	9,634	7,448	6,737	29.4	43.0
Loans and advances	144,695	130,793	117,883	10.6	22.7
Shares in entities and other securities	298	280	602	6.4	(50.5)
Regulatory deposits	1,126	1,016	966	10.8	16.6
Fixed assets	3,441	3,276	3,021	5.0	13.9
Goodwill	2,169	2,122	2,182	2.2	(0.6)
Other assets	16,831	10,813	9,474	55.7	77.7
Total Assets	229,441	201,969	184,016	13.6	24.7
Liabilities					
Due to other financial institutions	17,542	12,746	11,912	37.6	47.3
Liability on acceptances	20,110	19,605	17,390	2.6	15.6
Deposits and other borrowings	141,988	128,469	117,525	10.5	20.8
Income tax liability	1,782	1,629	1,806	9.4	(1.3)
Provisions	606	1,292	1,300	(53.1)	(53.4)
Bonds, notes and subordinated debt	11,996	9,569	8,008	25.4	49.8
Other debt issues	1,645	1,609	419	2.2	large
Other liabilities	19,889	14,469	12,339	37.5	61.2
Total Liabilities	215,558	189,388	170,699	13.8	26.3
Net Assets	13,883	12,581	13,317	10.3	4.3
Shareholders' Equity					
Issued and paid-up capital	1,423	1,413	1,477	0.7	(3.7)
Reserves	5,304	4,598	5,639	15.4	(5.9)
Retained profits	7,155	6,568	6,201	8.9	15.4
Shareholders' equity attributable to members of the Company	13,882	12,579	13,317	10.4	4.2
Outside equity interests in controlled entities	1	2	-	(50.0)	-
Total Shareholders' Equity	13,883	12,581	13,317	10.3	4.3

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Consolidated Statement of Cash Flows

	Three months to	
	December 1997 \$M	December 1996 \$M
Cash inflows (outflows) from operating activities:		
Interest received	3,549	2,747
Dividends received	3	21
Fees and other income received	1,403	896
Interest paid	(2,073)	(1,397)
Personnel costs paid	(721)	(628)
Occupancy costs paid	(91)	(85)
General expenses paid	(352)	(324)
Income taxes paid	(182)	(186)
Net movement in trading instruments	505	(524)
Net cash provided by operating activities	2,041	520
Cash inflows (outflows) from investing activities:		
Payment for controlled entities	(69)	-
Investment securities - purchases	(2,268)	(1,443)
Investment securities - proceeds on maturity	787	1,603
Available for sale securities - purchases	(24)	(111)
Available for sale securities - proceeds from sale	59	1
Available for sale securities - proceeds on maturity	57	121
Net movement in shares in entities and other securities	(17)	(427)
Net movement in loans and advances represented by:		
Banking activities	(6,691)	(3,299)
Non-banking activities - new loans and advances	(1,702)	(1,112)
Non-banking activities - repayments	32	11
Lodgement of regulatory deposits	(86)	(52)
Expenditure on fixed assets	(232)	(146)
Proceeds from sale of fixed assets	96	77
Net movement in other assets	(1,328)	764
Net cash used in investing activities	(11,386)	(4,013)
Cash inflows (outflows) from financing activities:		
Net movement in bank deposits	6,742	4,162
Net movement in deposits and other borrowings represented by:		
Non-banking activities:		
New deposits and borrowings	825	109
New share issues:		
Premium on shares issued	-	5
Buyback of shares:		
Capital	(1)	-
Premium on shares purchased	(2)	-
Net movement in long-term debt represented by:		
New long term debt issues	2,839	1,856
Repayments	(940)	(785)
Net movement in other liabilities	28	(885)
Payments from provisions	(56)	(34)
Dividends paid	(491)	-
Net cash provided by financing activities	8,944	4,428
Net inflow (outflow) in cash and cash equivalents	(401)	935
Cash and cash equivalents at beginning of period	2,068	3,259
Exchange rate movement on opening cash balance	474	319
Cash and cash equivalents acquired	8	-
Cash and cash equivalents at end of period	2,149	4,513

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Reconciliation of Cash

For purposes of reporting cash flows, cash and cash equivalents include "cash and short-term liquid assets", "due from other financial institutions" and "due to other financial institutions".

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

	As at	
	December 1997	December 1996
	\$M	\$M
Cash	1,787	1,510
Short-term liquid assets	5,070	4,159
Due from other financial institutions	12,834	10,756
Due to other financial institutions	(17,542)	(11,912)
Cash and cash equivalents at end of period	2,149	4,513

Non-Cash Financing and Investing Activities

Movement in assets under finance lease	6	1
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These amounts are not reflected in the Consolidated Statement of Cash Flows.

Details of Specific Revenues and Expenses

	Three months to				
	December 1997	September 1997	December 1996	% Change Sep 97 to Dec 97	% Change Dec 96 to Dec 97
	\$M	\$M	\$M		
Interest Income					
Other financial institutions	155	139	143	11.5	8.4
Marketable debt securities	317	265	268	19.6	18.3
Loans to customers	2,934	2,845	2,712	3.1	8.2
Other interest (includes regulatory deposits)	151	146	40	3.4	large
Total Interest Income	3,557	3,395	3,163	4.8	12.5
Other Operating Income					
Loan fees from banking	217	218	194	(0.5)	11.9
Money transfer fees	250	227	215	10.1	16.3
Trading income: ⁽¹⁾					
Foreign exchange	34	35	27	(2.9)	25.9
Trading securities	(10)	90	39	large	large
Interest rate derivatives	46	(65)	7	large	large
Fees and commissions	218	209	176	4.3	23.9
Other income	173	192	155	(9.9)	11.6
Total Other Operating Income	928	906	813	2.4	14.1

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Details of Specific Revenues and Expenses (continued)

	Three months to			% Change Sep 97 to Dec 97	% Change Dec 96 to Dec 97
	December 1997 \$M	September 1997 \$M	December 1996 \$M		
Interest Expense					
Other financial institutions	179	122	157	46.7	14.0
Deposits and other borrowings	1,713	1,677	1,503	2.1	14.0
Bonds, notes and subordinated debt	246	210	181	17.1	35.9
Other debt issues	34	33	6	3.0	large
Total Interest Expense	2,172	2,042	1,847	6.4	17.6
Personnel Expenses					
Salaries	529	499	467	6.0	13.3
Related on-costs	64	66	67	(3.0)	(4.5)
Restructuring costs	17	21	6	(19.0)	large
Other	140	136	96	2.9	45.8
Total Personnel Expenses	750	722	636	3.9	17.9
Occupancy Costs					
Depreciation and amortisation	19	19	17	-	11.8
Rental on operating leases	47	43	42	9.3	11.9
Other	44	55	43	(20.0)	2.3
Total Occupancy Costs	110	117	102	(6.0)	7.8
General Expenses					
Charge to provide for non-lending losses/ contingencies	8	10	(11)	(20.0)	large
Communications, postage and stationery	84	84	74	-	13.5
Computer equipment and software	41	58	39	(29.3)	5.1
Depreciation and amortisation	96	90	71	6.7	35.2
Fees and commissions	59	52	51	13.5	15.7
Other expenses	196	197	172	(0.5)	14.0
Total General Expenses	484	491	396	(1.4)	22.2
Amortisation of Goodwill					
County Investment Management	1	-	-	-	-
United Kingdom and Irish Banks	15	15	15	-	-
Bank of New Zealand	8	8	8	-	-
Michigan National Corporation	13	13	12	-	8.3
Total Amortisation of Goodwill	37	36	35	2.8	5.7

There is no income tax or related outside equity interests applicable to goodwill amortisation. The National Australia Bank Limited Group has no other intangibles, abnormal items or extraordinary items.

- (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. The Bank manages its trading positions utilising a variety of instruments. Therefore, fluctuations between the disclosed components may occur.

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Financial Reporting by Geographic Segments

	Three months to			% Change Sep 97 to Dec 97	% Change Dec 96 to Dec 97
	December 1997 \$M	September 1997 \$M	December 1996 \$M		
Total Operating Revenue					
Australia	2,153	2,201	2,132	(2.2)	1.0
Europe	1,210	1,098	904	10.2	33.8
New Zealand	532	511	534	4.1	(0.4)
United States	377	335	298	12.5	26.5
Asia	213	156	108	36.5	97.2
Total	4,485	4,301	3,976	4.3	12.8

Operating Profit After Tax and Goodwill

Australia	283	316	376	(10.4)	(24.7)
Europe	143	141	94	1.4	52.1
New Zealand	45	40	66	12.5	(31.8)
United States	35	79	40	(55.7)	(12.5)
Asia	16	4	6	large	large
Total	522	580	582	(10.0)	(10.3)

	As at			% Change Sep 97 to Dec 97	% Change Dec 96 to Dec 97
	December 1997 \$M	September 1997 \$M	December 1996 \$M		
Total Assets					
Australia	115,310	107,573	97,119	7.2	18.7
Europe	58,531	47,273	44,778	23.8	30.7
New Zealand	22,219	20,674	19,470	7.5	14.1
United States	20,257	16,825	14,989	20.4	35.1
Asia	13,124	9,624	7,660	36.4	71.3
Total	229,441	201,969	184,016	13.6	24.7

Provisioning Coverage Ratios

	December 1997	September 1997	December 1996
Actual coverage	50.1%	45.8%	44.2%
Effective coverage	54.4%	52.3%	47.9%
Total coverage	114.5%	104.6%	93.2%

The actual coverage reflects the level of specific provision raised against impaired assets. Effective coverage is determined by notionally adding back write offs taken during the course of the period to both the gross receivable and specific provision balances. The total coverage is determined by adding in the general provision balance.

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Specific Provision Charge for Doubtful Debts

	Three months to			% Change Sep 97 to Dec 97	% Change Dec 96 to Dec 97
	December 1997 \$M	September 1997 \$M	December 1996 \$M		
Australian Group	32	38	(17)	(15.8)	large
European Group	34	37	56	(8.1)	(39.3)
New Zealand Group	(1)	-	(23)	-	(95.7)
United States Group	7	5	2	40.0	large
Asian Group	2	2	-	-	-
Total	74	82	18	(9.8)	large

Total Impaired Assets

	As at December 1997			As at September 1997		
	Gross A\$M	Specific Provisions A\$M	Net A\$M	Gross A\$M	Specific Provisions A\$M	Net A\$M
Australian Group	503	193	310	553	189	364
European Group	509	178	331	478	164	314
New Zealand Group	103	19	84	110	20	90
United States Group (1)	140	217	(77)	138	187	(49)
Asian Group	38	17	21	19	15	4
Total	1,293	624	669	1,298	575	723

(1) Michigan National Corporation (MNC) adopts a provisioning methodology under which a portion of its specific provision is determined against segments of its loan portfolio based on historical loan loss experience and current trends evident in those segments of its loan portfolios. As at 31 December 1997, this portion of MNC's specific provision amounted to A\$129 million (September 1997: A\$168 million). This amount is included in the specific provision figure quoted in the above table. Due to the nature of MNC's provisioning methodology, the above table does not include gross loan amounts to which this portion of the specific provision relates.

Asian Exposure

The National's credit exposure includes all lending to 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.

Asian Credit Commitments by Sector

	Banks A\$M	Corporate A\$M	Government Banks A\$M	Retail A\$M	Total Exposure A\$M
Hong Kong	639	461	18	475	1,593
Indonesia	224	130	64	54	472
Japan	6,973	354	-	-	7,327
Singapore	594	290	-	162	1,046
South Korea	772	631	257	-	1,660
Thailand	83	127	12	3	225
Other	63	198	342	11	614
Total	9,348	2,191	693	705	12,937

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Capital Adequacy

	As At		
	December 1997 \$M	September 1997 \$M	December 1996 \$M
Tier 1 Capital	11,298	10,464	10,751
Tier 2 Capital	5,424	3,395	2,548
Deductions	(414)	(385)	(360)
Total Regulatory Capital	16,308	13,474	12,939
Total Risk Weighted Assets	171,411	154,309	140,633

Risk Adjusted Capital Ratios

Tier 1	6.6%	6.8%	7.6%
Tier 2	3.2%	2.2%	1.8%
Deductions	(0.3%)	(0.3%)	(0.2%)
Total	9.5%	8.7%	9.2%

Exchange Rates

	Profit and Loss		Balance Sheet		
	Average three months to		Spot as at		
	December 1997	December 1996	December 1997	September 1997	December 1996
British Pounds	0.4178	0.4861	0.3939	0.4467	0.4711
Irish Pounds	0.4695	0.4836	0.4568	0.4940	0.4758
United States Dollars	0.6931	0.7952	0.6528	0.7197	0.7965
New Zealand Dollars	1.1231	1.1272	1.1230	1.1272	1.1256

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.

Comparatives

Certain comparative information for 31 December 1996 and 30 September 1997 has been reclassified in accordance with changes to classifications made for 31 December 1997.

G.F. Nolan
Company Secretary

22 January 1998

National Australia Bank Limited
Unaudited Consolidated Group Results
for the three months ended 31 December 1997

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.

Consolidated Statements of Profit and Loss	Three months to			
	December 1997		December 1996	
	A\$M	US\$M (1)	A\$M	US\$M (1)
Net profit reported using Australian GAAP	522	340	582	462
Tax effect of increase in general provision for doubtful debts	23	15	7	6
Depreciation charged on the difference between revaluation amount and historical cost of buildings	1	1	2	2
Difference in profit and loss on disposal of land and buildings revalued from historical cost	34	22	-	-
Amortisation of goodwill - difference resulting from treatment of loan losses as a purchase adjustment	1	1	1	1
Amortisation of goodwill	2	1	1	1
Amortisation of core deposit intangible	(6)	(4)	(5)	(4)
Amortisation of deferred tax associated with core deposit intangible	2	1	1	1
Pension expense	7	5	8	6
Net income according to US GAAP	<u>586</u>	<u>382</u>	<u>597</u>	<u>475</u>
Earnings per share according to US GAAP (cents)				
Basic	41.5	27.0	40.7	32.3
Fully Diluted	<u>40.3</u>	<u>26.3</u>	<u>39.8</u>	<u>31.6</u>

Shareholders' Equity	As at			
	December 1997		September 1997	
	A\$M	US\$M (1)	A\$M	US\$M (1)
Shareholders' equity reported using Australian GAAP	13,882	9,044	12,579	9,120
Reinstatement of the deferred tax asset relating to the general provision for doubtful debts	269	175	246	178
Elimination of revaluation surplus of land and buildings	(258)	(168)	(292)	(212)
Adjustment of provision for depreciation on buildings revalued	80	52	79	57
Additional provisions relating to purchase adjustments, less amortisation	(38)	(25)	(39)	(28)
Pension expense	(51)	(33)	(58)	(42)
Provision for cash dividend	-	-	692	502
Unrealised profit on shares in entities and other securities	3	2	20	15
Amortisation of goodwill, core deposits intangible and associated deferred tax liability	(29)	(19)	(25)	(18)
Recognition of tax losses resulting from IRS ruling	(48)	(31)	(49)	(36)
Shareholders' equity according to US GAAP	<u>13,810</u>	<u>8,997</u>	<u>13,153</u>	<u>9,536</u>

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Group Financial Information for U.S. Investors (continued)

	December		September	
	1997	1997	1997	1997
	A\$M	US\$M (1)	A\$M	US\$M (1)
Consolidated Balance Sheets				
Total assets reported using Australian GAAP	229,441	149,481	201,969	146,428
Reinstatement of the deferred tax assets relating to the general provision for doubtful debts	269	175	246	178
Revaluation surplus of land and buildings	(258)	(168)	(292)	(212)
Adjustment of provision for depreciation on buildings revalued	80	52	79	57
Additional provisions relating to purchase adjustments less amortisation	(38)	(25)	(39)	(28)
Unrealised profit on shares in entities and other securities	3	2	20	15
Amortisation of goodwill, core deposit intangible and associated deferred tax liability	(29)	(19)	(25)	(18)
Recognition of tax losses resulting from IRS ruling	(48)	(31)	(49)	(36)
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Total assets according to US GAAP	229,420	149,467	201,909	146,384
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(1) Translated from Australian dollars at the rate of US\$0.6515 equals A\$1.00 (Sept 1997: US\$0.7250 equals A\$1.00, December 1996: US\$0.7944 equals A\$1.00), the "Noon Buying Rate" per the Federal Reserve Bank of New York on 31 December 1997.