NATIONAL AUSTRALIA BANK LTD
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of May 2006

National Australia Bank Limited

ACN 004 044 937

(Registrant s Name)

Level 24

500 Bourke Street

MELBOURNE VICTORIA 3000

AUSTRALIA

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ý Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No ý

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82

National Australia Bank Limited ABN 12 004 044 937

This document does not purport to be or contain the Group s financial report or financial statements. For the Group s financial report and financial statements for the six months ended 31 March 2006 refer to the Group s Appendix 4D filed with the ASX.

Results for announcement to the market

Reporting period	**Previous corresponding period**
6 months ended 31 March 2006	6 months ended 31 March 2005

				March 31 2006 $m
Revenue	up	7.5%	to	20,309
Profit after tax attributable to members of the Company	down	27.7%	to	1,994
Net profit attributable to members of the Company	down	27.7%	to	1,994

Dividends

	Amount per share	**Franked amount per share**
Interim dividend	83 cents	80.0%
Previous corresponding period	83 cents	80.0%
Record date for determining entitlements to the interim dividend		June 8, 2006

National Australia Bank Limited

ABN 12 004 044 937

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Financial Highlights*

Cash earnings before significant items ($m)

Half Year to			% Change on	
Mar 06	**Sep 05**	**Mar 05**	**Sep 05**	**Mar 05**
1,840	1,601	1,652	+14.9	+11.4

Net profit attributable to members of the company ($m)

Half Year to			% Change on	
Mar 06	**Sep 05**	**Mar 05**	**Sep 05**	**Mar 05**
1,994	1,234	2,758	+61.6	-27.7

Net profit included large significant items in each half year. These included income from the sale of the Irish banks (Mar 05), the cost of restructuring provisions (Mar 05 and Sep 05) and income arising from United Kingdom pensions reforms (Mar 06).

Net profit before significant items of $1.76 billion was 3.6% higher than the March 2005 half year and 9.2% above the September 2005 half year.

Dividend

The interim dividend is steady at 83 cents and will be 80% franked.

Diluted cash earnings per share (before significant items)

114.5 cents compared with 105.0 cents in the March 2005 half year.

Cash earnings on average equity (before significant items)

17.4% compared with 16.0% in the March 2005 half year.

Total capital ratio

10.73% compared with 11.37% at 31 March 2005.

Net interest margin

2.31% compared with 2.12% in the March 2005 half year.

Cost to income ratio (banking)

55.6% compared with 58.6% in the March 2005 half year.

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*Prior period numbers have been adjusted for Australian International Financial Reporting Standards.

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ASX Announcement

Thursday, 11 May 2006

National Australia Bank Increases Cash Earnings by 11.4%

National Australia Bank Group Chief Executive Officer, John Stewart, said the March 2006 half year results shows the National Australia Bank is delivering on its promises.

Cash earnings before significant items were 11.4% higher than the March 2005 half year and 14.9% above the September 2005 half year.

Reflecting the large one-off items in each half year, net profit after significant items fell by 27.7% to $1.99 billion compared with the March 2005 half year. Net profit increased by 61.6% compared with the September 2005 half year.

The improvement in cash earnings in the United Kingdom by Clydesdale and Yorkshire banks was the highlight of an across-the-board improvement in cash earnings compared with the September 2005 half year, he said.

The progress in the last six months shows our businesses are building momentum but much still remains to be done.

We continue to be focussed on the four areas of culture change, compliance and risk, business efficiency and revenue growth, he said.

Key Performance Measures

Net operating income increased by 10.9% to $7.69 billion compared with the March 2005 half year and was 1.5% higher than the September 2005 half year.

Operating expenses, excluding the charge to provide for doubtful debts and significant items, showed a marginal increase to $3.93 billion from $3.90 billion in the March 2005 half year and fell 3.9% compared with the September 2005 half year.

Total lending increased by 17.1% to $322 billion compared with the March 2005 half year and was up 8.2% on the September 2005 half year (excluding foreign exchange impacts).

The overall net interest margin improved 0.19% to 2.31% compared with 2.12% in the March half year. The net interest margin was up 0.17% on the September 2005 half year.

Non-accrual loans as a proportion of the portfolio fell to 0.30%, down from 0.40% in the March 2005 half year and 0.34% in the September 2005 half year.

We continue to monitor asset quality closely but the overall improvement demonstrates no serious credit issues have emerged, Mr Stewart said.

Regional Business Commentary

Australia

Cash earnings increased 8.5% compared with the September 2005 half year reflecting strong expense management and revenue growth, in both banking and wealth management.

The solid overall performance by the Australian region was underpinned by volume growth balanced with careful margin management. Total banking expenses declined by 0.7% compared with the September 2005 half year.

Banking revenue increased by 8.2% compared with the March 2005 half year.

Asset quality remains strong with the ratio of gross non-accrual loans to gross loans and acceptances steady at 0.22%.

The iSaver and Business Cash Maximiser products were central to better than industry growth rate in deposits.

Business lending growth was also ahead of the industry growth rate.

The Australian bank business created a new brand which received extensive exposure as part of the sponsorship of the recent Melbourne 2006 Commonwealth Games.

The National Australia Bank won the Money Magazine/Cannex Bank of the Year for 2006 award and achieved the largest improvement in customer satisfaction ratings among the major banks according to March 2006 Roy Morgan Research.

Cash earnings in wealth management, excluding the loss of transitional tax relief and the introduction of AIFRS, increased by 14.5% on the September 2005 half, with operating expenses falling 3.7%.

One of the key strategies for wealth management is cross-selling of wealth products within the bank customer base. The sale of insurance and wealth products increased by 27% during the March 2006 half year, on top of last year s 25% increase.

In recent months our focus on risk and return and the growth potential of our businesses resulted in the sales of the MLC Hong Kong and Indonesian life insurance operations and the Custom Fleet business.

United Kingdom

Cash earnings in UK pounds were 13.7% up (up 12.2% in A$) on the September 2005 half year as income increased reflecting growing business momentum.

This is a strong result for the United Kingdom businesses that demonstrates Clydesdale and Yorkshire banks are starting to deliver sustainable profit growth.

The management team has delivered on the objectives of increased revenue, ongoing margin management and improved efficiency.

Asset quality remained strong with the ratio of gross non-accrual loans declining to 0.27% compared with 0.37% in the March 2005 half year.

The charge to provide for doubtful debts increased as a result of volume growth and the industry-wide issue of increased write-offs for credit card and personal lending.

The UK operations also gained employee and trustee support for pension reforms designed to put UK pension arrangements on a secure and sustainable footing for the future.

Integrated Financial Solutions Centres increased lending and deposit growth. During the March half year four new integrated Financial Solutions Centres were opened in the south of England making a total of 36 new centres in this region and in addition five centres were relocated and one was upgraded bringing the total to 46.

The Clydesdale and Yorkshire bank branch network showed improved performance in a number of areas with good growth in deposits, improvement in cross-sell and mortgage sales over the same period in the previous year.

The third party distribution channel now has approximately 440 broker relationships and contributed £822 million in mortgages in the half year. (A$1.94 billion based on A$1 equals £0.4237).

The separation of back office processing for Northern Bank and National Irish Bank following their sale was successfully completed in line with the original schedule.

New Zealand

The New Zealand business increased cash earnings in New Zealand dollars by 1.7% compared with the September half year (in Australian dollars 1.8% compared with the September 2005 half year).

Delivering profitable growth in the competitive New Zealand market is a pleasing outcome and reflected good volume growth, effective margin management and strong expense control.

Asset quality improved with the ratio of gross non-accrual loans to gross loans and acceptances falling to 0.22% compared with 0.32% in the March 2005 half year due to the settlement of a large single exposure.

The Bank of New Zealand investment management business was disposed of during the half year.

Balance sheet funding options were diversified with the establishment of BNZ International Funding.

The Bank of New Zealand was awarded the best contact centre in New Zealand for the second year in a row and online banking services were expanded to include text and email account alerts for customers.

Institutional Markets & Services

Cash earnings improved by 2.5% compared with the September 2005 half year.

The improvement in cash earnings was achieved while reducing risk weighted assets in the business. During the last six months capital deployed in the business reduced by 15% compared to the September 2005 half year.

Management delivered against its stated objectives for the March 2006 half year in relation to the ongoing transformation program. The focus is to develop the business to provide increasing return on equity, greater efficiency and improving sustainable cash earnings, recognising that the nature of the IMS business contains elements which may cause volatility in cash earnings in any period.

The underlying financial performance in the March 2006 half for IMS has been favourably impacted by the accelerated execution of new business initiatives, together with a strong demand for client sales of risk management products arising from the recent interest and exchange rate volatility, and the low level of doubtful debts.

After considerable work to stabilise and re-base the business, IMS is rebuilding capability to create a stronger, more sustainable business based on a broader product offering, better client service, and investment opportunities for the Group s diverse client base. This will require continued investment to support the rebuilding program.

Outlook

We remain comfortable with the global economic outlook but we are not complacent about the risks to growth and inflation in the regions in which we operate.

Global economic indicators show strengthening activity levels. Solid economic growth in the United States is creating employment growth and gains in household incomes. The important economies of Europe and Japan are regaining momentum and China s economy remains strong.

In the United Kingdom economic growth is improving and is expected to be maintained at current levels and underlying inflation remains moderate. However manufacturing remains flat and credit growth is expected to slow.

The New Zealand economy is expected to recover due to the lower currency and the Government s package to boost household incomes but concerns remain about low business confidence and lower business credit growth.

In Australia the recent interest rate rise highlights concern about inflation risks. Economic growth is forecast to improve but credit growth is expected to moderate in line with slower domestic demand.

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Disclaimer

This announcement contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and the US Private Securities Litigation Reform Act of 1995. The words anticipate , believe , expect , project , estimate , likely , intend , could , may , target , plan and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. For further information relating to the identification of forward-looking statements and important factors that could cause actual results to differ materially from those projected in such statements, see Presentation of Information -Forward-Looking Statements and Risk Factors in the Group s Annual Report on Form 20-F filed with the US Securities & Exchange Commission.

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2006

SELECTED FINANCIAL DATA

Divisional Performance Summary

DIVISIONAL PERFORMANCE SUMMARY

	Mar 06 $m	**Half Year to Sep 05 $m**	**Mar 05 $m**	**Fav / (Unfav) Change on Sep 05 %**	**Mar 05 %**
Cash earnings (1)					
Australian Banking	**989**	882	965	12.1	2.5
Wealth Management Australia	**174**	202	201	(13.9)	(13.4)
Asia Banking & Wealth Management	**29**	15	14	93.3	large
Total Australia	**1,192**	1,099	1,180	8.5	1.0
Total UK	**257**	229	307	12.2	(16.3)
Total New Zealand	**167**	164	153	1.8	9.2
Institutional Markets & Services	**286**	279	298	2.5	(4.0)
Other (incl. Group Funding & Corporate Centre)	**65**	(61)	(191)	large	large
Cash earnings before significant items and distributions	**1,967**	1,710	1,747	15.0	12.6
Distributions	**(127)**	(109)	(95)	(16.5)	(33.7)
Cash earnings before significant items	**1,840**	1,601	1,652	14.9	11.4
Weighted av no. of ordinary shares (million)	**1,593**	1,563	1,555	(1.9)	(2.4)
Cash earnings per share before significant items (cents)	**115.5**	102.5	106.2	12.7	8.8
Diluted cash earnings per share before significant items (cents)	**114.5**	101.4	105.0	12.9	9.0
Reconciliation to net profit					
Cash earnings before significant items	**1,840**	1,601	1,652	14.9	11.4
Adjusted for:					
Significant items after tax	**270**	(380)	1,058	large	(74.5)
Cash earnings after significant items	**2,110**	1,221	2,710	72.8	(22.1)
Adjusted for:					
Net profit attributable to minority interest	**259**	456	154	43.2	(68.2)
Distributions	**127**	109	95	(16.5)	(33.7)
Treasury shares after tax	**(104)**	(96)	(47)	(8.3)	large
Impairment of goodwill	**(5)**			large	large
Revaluation gains / (losses) on exchangeable capital units after tax	**(134)**			large	large
Net profit	**2,253**	1,690	2,912	33.3	(22.6)
Net profit attributable to minority interest	**(259)**	(456)	(154)	43.2	(68.2)
Net profit attributable to members of the Company	**1,994**	1,234	2,758	61.6	(27.7)
Distributions	**(127)**	(109)	(95)	(16.5)	(33.7)
Earnings attributable to ordinary shareholders	**1,867**	1,125	2,663	66.0	(29.9)

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(1) Cash earnings is a performance measure used by the management of the Group. Refer to Non-GAAP financial measures within Section 2 - Selected Financial Data for a complete discussion of cash earnings.

Group Key Performance Measures

GROUP KEY PERFORMANCE MEASURES

	Note	Mar 06	Half Year to Sep 05	Mar 05
Earnings per share (cents)				
Basic cash earnings per ordinary share before significant items	**Supp 7**	**115.5**	102.5	106.2
Diluted cash earnings per share before significant items	**Supp 7**	**114.5**	101.4	105.0
Basic cash earnings per ordinary share after significant items		**132.5**	78.2	174.2
Basic earnings per ordinary share after significant items (1)	**Supp 7**	**118.8**	73.0	173.5
Weighted average ordinary shares (no. million)	**Supp 7**	**1,571**	1,541	1,535
Weighted average diluted shares (no. million)	**Supp 7**	**1,613**	1,545	1,603
Dividends per share (cents)	**6**	**83**	83	83
Performance (2)				
Return on average equity before significant items		**15.4%**	14.0%	15.6%
Cash earnings on average equity before significant items		**17.4%**	14.9%	16.0%
Return on average assets before significant items		**0.73%**	0.70%	0.74%
Net interest income				
Net interest spread	**Supp 1**	**1.82%**	1.68%	1.70%
Net interest margin	**Supp 1**	**2.31%**	2.14%	2.12%
Profitability (before significant items)				
Cash earnings per average FTE ($ 000)		**94**	81	78
Banking cost to income ratio (3)		**55.6%**	59.9%	58.6%

	Note	31 Mar 06	As at 30 Sep 05	31 Mar 05
Capital				
Tier 1 ratio	**Supp 3**	**8.05%**	7.86%	8.30%
Tier 2 ratio	**Supp 3**	**3.66%**	3.60%	4.12%
Deductions	**Supp 3**	**(0.98)%**	(1.01)%	(1.05)%
Total capital ratio	**Supp 3**	**10.73%**	10.45%	11.37%
Adjusted common equity ratio	**Supp 3**	**5.77%**	5.49%	5.84%
Assets ($bn)				
Gross loans and acceptances (6)	**Supp 2**	**322**	297	277
Risk-weighted assets	**Supp 3**	**302**	290	279
Net tangible assets per ordinary share ($)		**10.75**	10.54	10.76
Asset quality				
Gross non-accrual loans to gross loans and acceptances (4) (7)	**9**	**0.30%**	0.34%	0.40%
Net impaired assets to total equity (parent entity interest)	**9**	**2.8%**	2.8%	3.0%
Collective provision to total risk weighted assets (5)	**9**	**0.60%**	0.71%	0.73%
Collective provision to credit risk weighted assets (5)	**9**	**0.62%**	0.75%	0.76%
Specific provision to gross impaired assets	**9**	**25.8%**	34.9%	34.9%
Total provision to gross impaired assets (5)	**9**	**208.5%**	235.8%	216.8%
Other information				
Funds under management and administration ($bn)		**96**	91	85
Assets under custody and administration ($bn)		**442**	410	372
Full-time equivalent employees (no.)	**Supp 5**	**39,298**	38,933	39,961

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(1) *Basic earnings are defined as Earnings attributable to ordinary shareholders .*

(2) Return calculations use Earnings attributable to ordinary shareholders .

(3) Refer to Non-GAAP financial measures within Section 2 - Selected Financial Data for discussion of the cost to income ratio.

(4) Non-accrual loans are those loans meeting the APRA definition and consist of: retail loans (excluding credit card loans and portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue; non retail loans which are contractually past due and there is sufficient doubt about the ultimate collectibility of principal and interest to warrant the cessation of the recognition of interest revenue; and impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. APRA award an exemption to unsecured portfolio managed facilities whereby they become non accrual at 180 days.

(5) For Asset Quality disclosure purposes provision includes credit adjustment to the Group s entire loan book (ie. both loans recorded at amortised cost and fair value). This differs to the approach required for the statutory financial statements.

(6) 31 March 2006 includes acceptances bought back by the Group (classified as Trading Securities in comparative periods).

(7) Excludes securitised loans.

Non-GAAP Financial Measures

NON-GAAP FINANCIAL MEASURES

Cash earnings

Cash earnings is defined as follows:

Net profit
Less:

Minority interests

Minority interests Life businesses

Distributions

Revaluation gains/losses on exchangeable capital units

Treasury shares

Add:

Impairment of goodwill
Cash earnings

Cash earnings is a key performance measure and financial target used by the Group. Dividends paid by the Company are based on after-tax cash earnings (adjusted for significant items).

Cash earnings is a key performance measure used by the investment community, as well as by those Australian peers of the Group with a similar business portfolio.

Cash earnings does not refer to, or in any way purport to represent the cash flows, funding or liquidity position of the Group. It does not refer to any amount represented on a Cash Flow Statement.

Adjustments are made between net profit and cash earnings as follows:

Minority interests reflects the allocation of profit to minority interests in the Group, and is adjusted from net profit to reflect the amount of net profit that is attributable to ordinary shareholders

Minority interests Life Businesses reflects the allocation of profit to controlled unit trusts of life companies

Distributions this reflects payments to holders of National Income Securities, Trust Preferred Securities, and Trust Preferred Securities II, and is adjusted from net profit to reflect the amount of net profit that is attributable to ordinary shareholders

Revaluation gains/losses on exchangeable capital units the Group s exposure to foreign exchange risk is eliminated through the existence of certain conversion features that convert the ExCaps to equity at predetermined exchange rates

Treasury shares relates to the movement in treasury share assets (direct investments in National Australia Bank Limited) caused by the movement in the share price

Impairment of goodwill - relates to the impairment expense recognised on the application of an annual impairment test. Financial statement users generally do not regard impairment of goodwill as being useful information in analysing investments. As it relates to an intangible asset, management believes it is prudent to isolate this amount from the underlying operating result.

In future periods, adjustments will also be made for changes in the value of insurance related acquisition costs that result from discount rate variations. (No adjustment has been made in the 31 March 2006 half year as the amount is insignificant).

Cash earnings before significant items and Net profit before significant items

Under Australian accounting standards AASB101(83) additional line items shall be presented when such presentation is relevant to an understanding of the entity s performance. For example, where a revenue or an expense from ordinary activities is of such a size, nature or incidence that its disclosure is relevant in explaining the financial performance of the entity for the reporting period and its disclosure is not otherwise required by this or another Standard, its nature and amount must be disclosed separately either on the face of the statement of financial performance or in the notes in the financial report.

The Group has identified items as significant items where management believes that the inclusion of these items distorts the underlying operating results of the Group and cause difficulty in identifying underlying performance trends and issues. Through the clear separation and identification of these items the Group ensures that they are identified and discussed in full, as well as ensuring that the underlying performance is highlighted and discussed in full.

Cost to income ratio

The cost to income ratio for the Banking operations (excluding Wealth Management) is calculated as total costs (defined in table below) divided by total income (defined in table below):

Total expenses
Less:
Interest expense
Life insurance expenses
Depreciation on leased vehicle assets
Impairment of goodwill
Charge to provide for doubtful debts
Significant expenses
Total costs for purposes of cost to income ratio
Total revenue
Less:
Interest expense
Life insurance income
Depreciation on leased vehicle assets
Significant revenue
Total income for purposes of cost to income ratio

The cost to income ratio calculated on this basis is a standard efficiency measure used widely across the Australian banking industry. In the above income calculation, the Group does not include net life insurance income and the pre-tax equivalent gross up of certain structured finance transactions.

SECTION 3

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2006

FINANCIAL REVIEW

Group Performance Highlights

Group Performance Highlights

Overview

The Group recorded cash earnings before significant items for the half year ended 31 March 2006 of $1,840 million, 14.9% higher than the September 2005 half and 11.4% higher than the March 2005 result on an Australian Equivalents to International Financial Reporting Standards (AIFRS) basis. This reflects the continued rebuilding of the Group s businesses and demonstrates that the Group s turnaround remains on track.

Summary

		Half Year to		Fav/(Unfav) Change on	
	Mar 06 $m	Sep 05 $m	Mar 05 $m	Sep 05 %	Mar 05 %
Cash earnings before significant items					
AGAAP basis as previously published		1,692	1,618		
AIFRS adjustments to prior periods *(1)*		(91)	34		
AIFRS basis*(2)*	**1,840**	1,601	1,652	14.9	11.4

(1) AIFRS adjustments primarily relate to share based payments, tax effect accounting adjustments, and defined benefit pension expense. Tax adjustments are the primary reason for the decline in performance Sept 05 as compared to March 05 on an AIFRS basis.

(2) For March 2006 represents full application of AIFRS standards; for Sept 05 and March 05 represents application of all AIFRS standards excluding AASB 132, Financial Instruments: Recognition and Measurement, AASB 139, Financial Instruments: Disclosure and Presentation, and AASB 4, Insurance Contracts.

Movement on September 2005 Half

The 2005 financial year focused on making a number of key operational changes to stabilise the Group s performance, and the results for the six months to March 2006 reflect the progressive shift in focus toward rebuilding each business and improving the Group s overall financial performance.

Key items include:

Cash earnings before significant items of $1,840 million are 14.9% higher than the September 2005 half-year result of $1,601 million. At constant exchange rates the half-on-half comparison is 15.1%.

Total lending for the Group increased by 8.2%*(3)* to $322 billion and this, combined with improved deposit volumes which increased by 1.8% to $216 billion. As well as maintaining growth in lending and deposit volumes, the Group net interest margin has increased to 2.31% from 2.14% during the half. Excluding AIFRS impacts, the net interest margin increased 8 basis points on the September half. Good volume growth combined with margin control resulted in steady revenue growth for the banking business across all regions, especially in Australia where cash earnings for the banking business grew by 12.1% on the September half. Asset quality for the Group remains sound with reductions in the overall level of non-accrual loans from 0.34% at September 2005 to 0.30% at March 2006 as a proportion of the total portfolio.

Considerable work to stabilise the Institutional Markets and Services (IMS) business has resulted in steady comparative cash earnings contribution for that business, while concurrently reducing half on half $520 million of capital deployed in this business, thus improving returns on risk weighted assets and equity.

Increased focus on costs and ongoing restructuring activities saw operating expenses before significant items fall by 5.1% for the half.

The Group continues to evaluate its business portfolio to ensure alignment with risk/reward objectives designed to achieve satisfactory returns for shareholders. The Group entered into arrangements or negotiations to sell a number of businesses during the half. This included Custom Fleet, MLC Hong Kong and Indonesia life insurance companies, and the Investment Management business in New Zealand.

The resulting diluted cash earnings before significant items per share of 114.5 cents represents an increase of 13.1 cents on the September 2005 half.

The interim dividend has been maintained at 83 cents per share and will be 80% franked. For non-resident shareholders of the Company, the unfranked portion of the dividend will be paid from the Company s foreign income account and therefore will not be subject to Australian withholding tax.

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(3) After adjusting for AIFRS reclassification of discounted NAB own bill acceptances

Movement on March 2005 Half

Cash earnings before significant items of $1,840 million increased 11.4% on the March 2005 half year result of $1,652 million. At constant exchange rates the half-on-half comparison is 12.1%.

The Group s underlying performance showed solid improvements compared with the previous corresponding half-year, including:

Across the Group strong volume growth has been achieved as the regions stabilised their businesses, focused on lifting sales and service standards, together with the continued roll out of the integrated Financial Solutions Centres and third party distribution strategy in the UK. Total lending for the Group increased by 16.5%*(1)* to $322 billion and deposit volumes increased by 3.9% to $216 billion.

Operating costs were up reflecting rebasing activities that occurred across the Group as it embarks on a restructure and productivity improvement process;

As previously foreshadowed, a change in strategy for the Institutional Markets and Services (IMS) business to reduce the amount of capital utilized, has resulted in a lower comparative cash earnings contribution accompanied by a stronger return on assets and equity; and

Credit quality remained sound.

The resulting diluted cash earnings before significant items per share of 114.5 cents represents an increase of 9.5 cents on the March 2005 half.

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(1) Includes loans at cost and at fair value plus acceptances

Financial Review: Divisional Cash Earnings

DIVISIONAL CASH EARNINGS

Half Year ended	**Total Australia**								**Total**
31 March 2006	**Banking $m**	**WM $m**	**Asia $m**	**Total UK $m**	**Total NZ $m**	**IMS $m**	**Other(1) $m**	**Eliminations $m**	**Group $m**
Net interest income	2,299	(6)	13	883	401	434	168		4,192
Net life insurance income excluding IORE (2)		910	20		6				936
Investment earnings on shareholders retained profits & capital (IORE)		42	13		2				57
Other operating income	1,083	310	11	590	232	294	69	(87)	2,502
Net operating income	3,382	1,256	57	1,473	641	728	237	(87)	7,687
Operating expenses (3)	(1,861)	(296)	(29)	(954)	(372)	(366)	(142)	87	(3,933)
Underlying profit	1,521	960	28	519	269	362	95		3,754
Charge to provide for doubtful debts	(115)		1	(152)	(22)	17	1		(270)
Cash earnings before tax	1,406	960	29	367	247	379	96		3,484
Income tax expense	(417)	(527)		(110)	(80)	(93)	(31)		(1,258)
Cash earnings before significant items, distributions and Minority Interest	989	433	29	257	167	286	65		2,226
Net profit - Minority Interest		(259)							(259)
Cash earnings before significant items and distributions	989	174	29	257	167	286	65		1,967
Distributions									(127)
Cash earnings before significant items									1,840

(1) Other includes Group Funding, Corporate Centre and elimination entries within Total Australia.

(2) Net life insurance income is the profit before tax of the life insurance and investment businesses of the statutory funds of the life insurance companies of the Group (excluding net interest income and investment earnings on shareholders retained profits & capital (IORE) of the life insurance businesses).

(3) Operating expenses excludes the life insurance expenses incorporated within net life insurance income (Wealth Management businesses only).

Half Year ended	Total Australia								Total
				Total	Total				
30 September 2005	Banking	WM	Asia	UK	NZ	IMS	Other(1)	Eliminations	Group
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	1,958		13	813	372	244	72		3,472
Net life insurance income excluding IORE (2)		1,026	5						1,031
Investment earnings on shareholders retained profits & capital (IORE)		72	8		3				83
Other operating income	1,351	330	10	631	260	423	90	(108)	2,987
Net operating income	3,309	1,428	36	1,444	635	667	162	(108)	7,573
Operating expenses (3)	(1,875)	(354)	(21)	(967)	(367)	(372)	(245)	108	(4,093)
Underlying profit	1,434	1,074	15	477	268	295	(83)		3,480
Charge to provide for doubtful debts	(127)			(126)	(26)	24	2		(253)
Cash earnings before tax	1,307	1,074	15	351	242	319	(81)		3,227
Income tax expense	(425)	(418)	2	(122)	(78)	(40)	20		(1,061)
Cash earnings before significant items, distributions and Minority Interest	882	656	17	229	164	279	(61)		2,166
Net profit - Minority Interest		(454)	(2)						(456)
Cash earnings before significant items and distributions	882	202	15	229	164	279	(61)		1,710
Distributions									(109)
Cash earnings before significant items									1,601

(1) Other includes Group Funding, Corporate Centre and elimination entries within Total Australia.

(2) Net life insurance income is the profit before tax of the life insurance and investment businesses of the statutory funds of the life insurance companies of the Group (excluding net interest income and investment earnings on shareholders retained profits & capital (IORE) of the life insurance businesses).

(3) Operating expenses excludes the life insurance expenses incorporated within net life insurance income (Wealth Management businesses only).

Half Year ended	**Total Australia**								**Total**
31 March 2005	**Banking** **$m**	**WM** **$m**	**Asia** **$m**	**Total UK** **$m**	**Total NZ** **$m**	**IMS** **$m**	**Other(1)** **$m**	**Eliminations** **$m**	**Group** **$m**
Net interest income	1,854	5	12	981	367	258	(5)		3,472
Net life insurance income excluding IORE (2)		472	14		9				495
Investment earnings on shareholders retained profits & capital (IORE)		52	10		1				63
Other operating income	1,271	328	4	618	262	504	41	(125)	2,903
Net operating income	3,125	857	40	1,599	639	762	36	(125)	6,933
Operating expenses (3)	(1,642)	(303)	(18)	(1,066)	(401)	(370)	(227)	125	(3,902)
Underlying profit	1,483	554	22	533	238	392	(191)		3,031
Charge to provide for doubtful debts	(130)			(90)	(12)	(48)	(1)		(281)
Cash earnings before tax	1,353	554	22	443	226	344	(192)		2,750
Income tax expense	(388)	(206)	(1)	(136)	(73)	(46)	1		(849)
Cash earnings before significant items, distributions and Minority Interest	965	348	21	307	153	298	(191)		1,901
Net profit - Minority Interest		(147)	(7)						(154)
Cash earnings before significant items and distributions	965	201	14	307	153	298	(191)		1,747
Distributions									(95)
Cash earnings before significant items									1,652

(1) Other includes Group Funding, Corporate Centre and elimination entries within Total Australia.

(2) Net life insurance income is the profit before tax of the life insurance and investment businesses of the statutory funds of the life insurance companies of the Group (excluding net interest income and investment earnings on shareholders retained profits & capital (IORE) of the life insurance businesses).

(3) Operating expenses excludes the life insurance expenses incorporated within net life insurance income (Wealth Management businesses only).

Management Discussion & Analysis Total Australia

TOTAL AUSTRALIA

Summary

		Half Year to		Fav/(Unfav) Change on	
	Mar 06 $m	**Sep 05 $m**	**Mar 05 $m**	**Sep 05 %**	**Mar 05 %**
Cash earnings before significant items					
Australian Banking	**989**	882	965	12.1	2.5
Wealth Management Australia	**174**	202	201	(13.9)	(13.4)
Asia (Banking and Wealth Management)	**29**	15	14	93.3	large
Total Australia	**1,192**	1,099	1,180	8.5	1.0

Financial performance highlights

The Australian region delivered another solid performance in the March 2006 half. Strong operating conditions and active expense management facilitated further investment in the region, continuing to build a foundation for sustainable earnings growth.

The definition of the Australian Region continues to evolve, with the March 2006 half including Asian banking operations previously reported in IMS together with certain Group functions, in line with the Group strategy of regional accountability.

Key financial metrics across the region remain sound. Australian region cash earnings before significant items were 8.5% higher than the September 2005 half.

Core business trends have been partially clouded by the loss of transitional tax relief in Wealth Management Australia, the prior period acquisition of minorities in the Hong Kong Wealth Management operations, ongoing work to resolve over-charging issues identified in Australian Banking operations in the prior period and the accounting impact of AIFRS.

Revenue continues to improve in the banking business, driven by strong volumes, and a stable interest rate environment whilst asset quality remains sound. An enhanced customer experience is being borne out through customer satisfaction ratings, with the largest gain on this metric among the major Australian banks for the March 2006 half according to Roy Morgan Research data. In Wealth Management, a continuation of good investment market conditions has driven favourable core earnings trends.

Expense management has been an area of focus during the half. Business as usual expenses were flat or better in both the banking and wealth management businesses, aided by $61 million in gross restructuring benefits, savings from a centralised procurement strategy and ongoing productivity initiatives. This facilitated an increase in project expenses, which are now managed on a regional basis, focussed on rebuilding critical infrastructure and progressing important regulatory and compliance work across the region.

Business developments

NAB has been awarded Bank of the Year in the Money Magazine / Cannex 2006 Consumer Finance Awards. It reflects the significant focus and change ongoing in our Retail business and the rejuvenation of our consumer product set. NAB was also nominated for Home Lender of the Year and Investment Home Loan Lender of the Year .

The Australian Region updated its visual identity in February 2006, supported by internal communication around the role staff play in delivering a great customer experience. The launch signals new beginnings and represents a re-energised and distinctively nab customer experience.

An updated enterprise agreement was finalised with the Finance Sector Union after staff voted in favour of the new agreement. The new agreement will provide a comprehensive package to employees via increased flexibility in work/life balance, increased parental leave, greater reward for performance and an increase to superannuation, along with a share scheme aimed at building longer-term financial security.

The sale of MLC Hong Kong and Indonesia life insurance companies for A$575 million was announced on 21 February 2006. Completion was subject to regulatory approval that was provided in May 2006.

Key product developments during the half included:

the success of deposit products launched late in the previous half, particularly the iSaver and Business Cash Maximiser products.

the launch of a Protected Home Loan product, insuring a customer s home loan debt against unforeseen future circumstances such as fire, involuntary unemployment, disability or death.

an exclusive partnership agreement to launch two new Credit Cards as part of the Velocity Loyalty Program.

the launch of the MLC Long Term Absolute Return (LTAR) Fund. The LTAR Fund is an unconventional investment strategy explicitly designed to maximise the long term net real return to investors over rolling 20-year time frames.

the launch of Masterkey Fundamentals, a no commission version of our MasterKey platform, supporting a growing number of advisers operating under a fee for service model. Last year over 30% of new business was provided on a fee for service basis, promoting transparency in the advice process.

Commitment to the community

Established a new Community Advisory Council (CAC), replacing the External Stakeholder Forum. The CAC aims to further integrate external stakeholders in business decisions and enhance transparency. There will be six external members, with the CEO of World Vision, Tim Costello, remaining as the independent Chairperson and NAB represented by Danny Gilbert and Ahmed Fahour.

Jointly won the Victorian Big Business Award for our work with the Good Shepherd organisation. NAB supports Australia s largest micro-credit scheme, No Interest Loans, which is co-ordinated by Good Shepherd Youth and Family Service and helps financially disadvantaged people obtain access to funds for white good purchases.

Contributed over $1 million in relief measures to those affected by Tropical Cyclone Larry in March 2006.

Raised over $300,000 for the 2005 Ovarian Cancer Research Foundation Silver Ribbon Campaign.

Accepted donations on behalf of CARE Australia for the central Asian earthquake victims.

Sponsorship of significant sporting and cultural events and organisations, including:

the Melbourne 2006 Commonwealth Games, including the participation by 13 long-term staff volunteers in the Queen s Baton Relay throughout Australia and the conclusion of NAB s M2006 Junior Games roadshow after a nine month national journey incorporating over 700 schools and 21,000 children;

the AFL NAB Cup preseason competition, NAB AFL AusKick and NAB AFL Rising Stars Program;

the Football Federation of Australia and Australia s National Team, the Socceroos, in a three-year agreement announced in November ahead of the Qantas Socceroos qualification for the 2006 World Cup;

the Sydney Festival, as the Official Bank at the 2006 Festival and Major Sponsor of the inaugural NAB Ferrython;

the Australian Ballet, as Lead Partner and major sponsor of the national Education Program to promote ballet through educational initiatives across Australia;

ongoing sponsorship of the Sydney Royal Easter Show and the Royal Melbourne Show;

the Sydney Opera House, as a major sponsor and the presenting partner for the Vienna Philharmonic Orchestra in September 2006.

Maintained AA RepuTex social responsibility rating, ranking equal second with eleven other companies on the new RepuTex Socially Responsible Investment Index.

Restructuring activity

The restructuring program remains on track for the Australian region. Expenditure during the half included refocusing the retail and business distribution strategy, product rationalisation and simplification and streamlining a number of back office functions and processes. This resulted in an additional 382 gross FTE redundancies during the half, taking the total redundancies under the program to date to 1,280 with the remaining 968 redundancies to occur over the remainder of the program. The remaining provision balance at March 2006 was $142 million.

Total expense benefits from the restructuring were $61 million in the March 2006 half, an incremental impact of $25 million and $56 million relative to the September 2005 and March 2005 halves respectively.

Australian Banking

Performance Summary

	Mar 06 $m	Half Year to Sep 05 $m	Mar 05 $m	Fav/(Unfav) Change on Sep 05 %	Mar 05 %
Net interest income	**2,299**	1,958	1,854	17.4	24.0
Other operating income	**1,083**	1,351	1,271	(19.8)	(14.8)
Total income	**3,382**	3,309	3,125	2.2	8.2
Operating expenses	**(1,861)**	(1,875)	(1,642)	0.7	(13.3)
Underlying profit	**1,521**	1,434	1,483	6.1	2.6
Charge to provide for doubtful debts	**(115)**	(127)	(130)	9.4	11.5
Cash earnings before tax	**1,406**	1,307	1,353	7.6	3.9
Income tax expense	**(417)**	(425)	(388)	1.9	(7.5)
Cash earnings before significant items	**989**	882	965	12.1	2.5

Key Performance Measures

	Mar 06	Half Year to Sep 05	Mar 05	Fav/(Unfav) Change on Sep 05 %	Mar 05 %
Performance & profitability					
Return on average assets (annualised)	**1.00%**	0.92%	1.09%		
Cost to income ratio	**52.9%**	54.7%	50.3%		
Cash earnings per average FTE (annualised) ($ 000)	**108**	98	104		
Net interest income					
Net interest margin	**2.37%**	2.46%	2.50%		
Net interest margin (including acceptances) (1)	**2.37%**	2.33%	2.36%		
Net interest spread	**2.30%**	2.44%	2.43%		
Average balance sheet ($bn)					
Gross loans and acceptances	**194.6**	181.8	167.9	7.0	15.9
Interest-earning assets	**194.5**	158.5	148.9	22.7	30.6
Interest earning assets (including acceptances) (1)	**194.5**	187.7	174.9	3.6	11.2
Retail deposits	**82.0**	76.0	74.1	7.9	10.7

(1) To assist with meaningful comparison between periods, the net interest margin and average interest earning assets data has been adjusted to include bill acceptances in prior periods.

Key Performance Measures

		As at	
	Mar 06	**Sep 05**	**Mar 05**
Full-time equivalent employees (FTE)	**18,367**	17,837	18,528
Asset quality			
Gross non-accrual loans ($m)	**430**	372	362
Gross loans and acceptances ($bn)	**199.0**	187.6	173.1
Gross non-accrual loans to gross loans and acceptances	**0.22%**	0.21%	0.21%
Specific provision to gross impaired assets	**25.0%**	27.8%	34.2%
Market share (%) (1)			
Housing	**14.05**	14.19	14.04
Business (including Institutional Markets & Services)	**18.67**	18.47	18.32
Other Personal	**15.68**	15.75	16.02
Retail deposits (Personal & Business)	**15.46**	14.85	14.99

(1) Source: Reserve Bank of Australia (March 2006 Data).

Financial performance movement on September 2005 half

Cash earnings before significant items increased 12.1%.

Underlying profit increased 6.1%, driven by the following factors:

Reported net interest income increased $341m or 17.4%. This includes AIFRS impacts of $252 million yield-based income from bill acceptances (previously reported as other operating income) and a further $43 million relating to other AIFRS adjustments. The reported result was also impacted by reduced interest income on internally assigned capital ($20 million) following a change in the Group s capital allocation methodology. Excluding these items, net interest income increased $66 million or 3.4%, with strong volume growth in housing and business lending offset by an unfavourable product mix (lower margin home loans, online savings accounts) and product margin contraction (business lending, term deposits).

Growth in average interest earning assets (including bill acceptances) was $6.8 billion or 3.6%, negatively impacted by the run-off of custodian assets ($5.7 billion). Market share(4) trends for the half were generally positive, with business lending up 0.20 percentage points to 18.67%, other personal lending down 0.07 percentage points to 15.68% and retail deposits up 0.61 percentage points to 15.46% following the successful introduction of the iSaver and Business Cash Maximiser online accounts. Housing lending market share was down 0.14 percentage points to 14.05%, driven by the restructure of the proprietary distribution channel with reduced focus on less profitable growth through third party channels.

The headline decline in net interest margin of 9 basis points was largely driven by the reclassification of bill acceptances to interest earning assets under AIFRS. After including bill acceptances in both periods to ensure a like for like comparison net interest margin increased 4 basis points. This reflects the favourable impact of the introduction of effective yield under AIFRS, (4 basis points) less the negative impact of a change in the Group capital allocation methodology (2 basis points). Taking these factors into account, margins increased by 2 basis points. This increase was driven by a favourable interest rate environment (2 basis points), the reduction in custodian assets invested in low margin bill acceptances (7 basis points), largely offset by an unfavourable mix impact (2 basis points) and product margin contraction (5 basis points).

The reported decline in other operating income was $268 million or 19.8%. Adjusting for AIFRS changes (reclassification of income on bill acceptances of $252 million to net interest income, $41 million in application fee income now deferred), and the impact of transfers between the Australian region and IMS/Corporate Centre, the increase in other operating income was $18 million or 1.3%. Lending and bill fee income was up $34 million largely due to strong volume growth and tactical repricing, partly offset by lower transaction fee income ($10 million), including higher ATM interchange expenses, and lower cards income due to a combination of product mix, competitive pressures and seasonal influences ($11 million).

Reported operating expenses decreased by $14 million or 0.7%. This is impacted by a number of items including:

Following completion in late March of the work to resolve over-charging issues identified in the prior period, there is a pre-tax expense of $53 million for the March 2006 half (prior period $114 million);

A reduction due to the calculation of deferred expenses on an effective yield basis under AIFRS ($7 million); and

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(4) Source: Reserve Bank of Australia, March 2006 data.

The transfer into the region of project expenses previously in the Corporate Centre ($12 million).

Excluding these items, operating expenses increased 2.4%, comprising a $1 million or 0.1% increase in business as usual expenses and a $41 million increase in project expenditure. Business as usual expenses increased due to higher salary and performance-based remuneration, reflecting greater focus on the variable component of staff rewards, and investment in specific product development, including the Velocity Credit Card. However, these items were largely offset by $16 million incremental gross restructuring benefits, the emergence of productivity and procurement savings and active management of discretionary expenditure. The higher project expenditure reflected continued work on regulatory and compliance obligations and investment to rebuild critical infrastructure.

FTE s increased 530 on the prior half, with net recruitment largely to support frontline operations associated with volume growth, recruitment of new graduates, specific product development including the Velocity Credit Card and an increase of 259 to improve project capability in the region. Over 40% of net roles added were contractors, reflecting the need for a short-term uplift in specific capabilities. These additions were offset by 358 redundancies.

The cost to income ratio declined to 52.9% (51.3% excluding the large non-lending losses).

The charge for doubtful debts decreased by $12 million, impacted by a new calculation methodology under AIFRS. Underlying credit quality indicators remained stable over the half.

Financial performance movement on March 2005 half

Cash earnings before significant items increased 2.5%.

Underlying Profit was up 2.6%, driven by the following factors:

Reported net interest income increased by $445m or 24.0%. Adjusting for the impact of AIFRS and a change in capital allocation methodology, net interest income grew by $170 million or 9.2%, driven by growth in retail and business lending and the success of online deposit products, offset by unfavourable volume mix and product margin contraction.

Growth in average interest earning assets (including acceptances) was $19.6 billion or 11.2%, impacted by the run-off of custodian assets ($6.6 billion). Market share(5) trends for the half were generally positive, with business lending up 0.35 percentage points to 18.67%, housing lending(5) up 0.01 percentage points to 14.05%, other personal lending(5) down 0.34 percentage points to 15.68% and retail deposits(5) up 0.47 percentage points to 15.46%.

The headline decline in net interest margin of 13 basis points was largely driven by the reclassification of bill acceptances to interest earning assets under AIFRS. After including bill acceptances in both periods to ensure a like for like comparison net interest margin increased by 1 basis point. This reflects the favourable impact of the introduction of effective yield under AIFRS, (4 basis points), less the negative impact of a change in the Group capital allocation methodology (2 basis points). Taking these factors into account, margins decreased by 2 basis points. This was driven by favourable interest rate environment (1 basis point), the run-off of custodian assets invested in low margin bill acceptances (7 basis points), offset by unfavourable mix (7 basis points) and product margin contraction (4 basis points).

The reported decline in other operating income was $188m or 14.8%. Adjusting for AIFRS, other operating income grew by $103 million or 8.1%, due to strong lending growth and increases in bill fee income driven by volume growth and tactical repricing ($69 million) and growth in income from fleet management ($13 million), master custody fees ($8 million) and card interchange ($6 million).

Reported operating expenses increased by $219m or 13.3%. This result is impacted by a number of items including:

Following completion in late March of the work to resolve over-charging issues identified in the prior period, there is a pre-tax expense of $53 million for the March 2006 half (prior period $10 million);

AIFRS and other methodology changes ($7 million) and

The transfer into the region of project expenses previously in Corporate Centre ($12 million).

Excluding these items, operating expenses increased by 10.5%, comprising a $128 million or 8.0% increase in business as usual expenses and a $43 million increase in project expenditure. The increase in business as usual expenses was attributable to higher personnel expenses, including the full period impact of the 2005 Enterprise Bargaining Agreement and an uplift in performance based remuneration and investment in product development, including the Velocity Credit Card. These items were partly offset by $39 million incremental gross restructuring benefits, the emergence of productivity and procurement savings and active management of discretionary expenditure. The higher project expenditure reflected continued work on regulatory and compliance obligations, as well as increased investment in critical infrastructure and business efficiency initiatives.

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(5) Source: Reserve Bank of Australia, March 2006 data.

FTE s decreased by 161, with additional FTE required to support growth initiatives more than offset by redundancies relating to restructuring activity.

The cost to income ratio increased to 52.9% (51.3% excluding large non-lending losses).

The charge for doubtful debts decreased by $15 million, impacted by a new calculation methodology under AIFRS. Underlying credit quality indicators remained stable.

Wealth Management Australia

Performance Summary

	Mar 06 $m	Half Year to Sep 05 $m	Mar 05 $m	Fav/(Unfav) Change on Sep 05 %	Mar 05 %
Investments	**88**	99	112	(11.1)	(21.4)
Insurance	**68**	80	66	(15.0)	3.0
Other (including regulatory programs)	**(11)**	(37)	(18)	70.3	38.9
Profit from operations (after tax)	**145**	142	160	2.1	(9.4)
Investment earnings on shareholders retained profits and capital from life businesses (IoRE)	**29**	60	41	(51.7)	(29.3)
Cash Earnings before significant items	**174**	202	201	(13.9)	(13.4)

Key Performance Measures

	31 Mar 06	As at 30 Sep 05	31 Mar 05	Change on Sep 05 %	Mar 05 %
Full-time equivalent employees (FTEs) (No.)	**3,995**	3,842	3,903	4.0	2.4
Financial advisers (No.)					
Bank channels	**476**	466	476	2.1	
Aligned channels	**821**	827	858	(0.7)	(4.3)
Funds Under Management & Administration ($bn)	**90.5**	84.2	78.1	7.5	15.9
Annual InForce Premiums (Group & Retail) ($m)	**663.2**	633.4	607.7	4.7	9.1

Market share Australia %			
Total Master Funds (1)	**16.3**	16.6	17.1
Retail funds management (ex cash mgmt)(1)	**12.9**	12.8	13.0
Retail risk insurance (2)	**15.0**	14.8	15.2
New retail risk annual premiums (2)	**12.0**	11.2	12.2

	Mar 06 $m	Half Year to Sep 05 $m	Mar 05 $m
Performance & profitability			
Cost to funds under management (bps)	**42**	45	46
Cost to premium income (%)	**16**	15	16

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(1) Source: Plan for Life Australian Retail & Wholesale Investments Market Share & Dynamics Report as at 31 December 2005 for 31 December 2005, 30 June 2005 and 31 December 2004.

(2) Source: DEXX&R Life Analysis Reports as at 31 December 2005, 30 June 2005 and 31 December 2004. Retail risk insurance includes term, trauma and disability insurance.

Financial performance movement on September 2005 half

The reported cash earnings decline of 13.9% was significantly impacted by the loss of transitional tax relief in the Investments business ($15 million impact in the September 2005 half) and the introduction of AIFRS ($10 million impact on profit from operations, $25 million impact on investment earnings in the September 2005 half).

After adjusting the comparative half for these items, cash earnings increased 14.5% on the September 2005 half, driven by solid growth in the Investments business, continued strong investment earnings on shareholders retained profits and capital and a significant reduction in one-off expenses in Other. This was partly offset by reduced profits in the Insurance business. An additional $9 million of pre-tax restructuring benefits were realised during the half.

Investments

Reported profit from operations declined by 11.1%, which was adversely impacted by the reversal of deferred acquisition costs (DAC) at 1 October 2005 under AIFRS ($6 million) and the impact of the loss of transitional tax relief from 1 July 2005 ($15 million). Adjusting the comparative half for these items, profit from operations grew by 12.8%, reflecting increased fee revenue following continued growth in funds under management and administration (FUM), with average FUM growing 8.5% for the half.

Wealth Management maintained the number one position in the target market of Master Fund FUM in Australia, with market share of 16.3% as at 31 December 2005. Gross annual Master Fund inflows were $8.9 billion for the half, representing a market share of 10.6% (ranking second in the industry). Market share of Retail FUM (excluding cash management) was 12.9% at 31 December 2005, also ranking second.

The cost to funds under management ratio of 42 basis points for the half was an improvement of 3 basis points, driven by increased funds under management and ongoing cost control.

Insurance

Reported profit from operations decreased by 15.0%. Adjusting the comparative half for the increased amortisation of DAC ($4 million) under AIFRS, reported profit decreased by 10.5%. This result was adversely impacted by claims experience with the individual lump sum business returning to levels comparable with March 2005 ($5 million) and an increase in the group disability claims reserve following a review of the claims book ($8 million). Excluding the disability claims reserve increase, profit from operations was flat relative to the September half. Notwithstanding the reserve increase, underlying claims experience for the Insurance business continues to be satisfactory.

At 31 December 2005, Wealth Management Australia maintained the number one position for retail risk annual inforce premiums with market share of 15.0%, underpinned by retention of the existing book of business. Market share of new retail risk annual premiums increased to 12.0% at 31 December 2005.

Growth in individual risk inforce premiums has been offset by seasonally lower Group insurance sales, resulting in a one percentage point increase in the cost to premium income ratio for the half year to 16%.

Other

The March 2006 half was positively impacted by lower spend on compliance projects ($7 million) and reduced expenses in the shareholders branches of the life companies ($18 million). The September 2005 half result included strategic investment expenditure on the Amazon project of $6 million and the insurance recovery of $8 million relating to the NAFiM investor compensation payments (compared to $3 million in the March 2006 half).

Investment earnings on shareholders retained profits and capital from life businesses

Shareholders capital is invested in fixed interest and cash (84%) with the remaining balance in equities, consistent with the investment profile of policyholder assets and regional regulatory requirements. The average asset balance of the life insurance statutory funds for the half was $1.2 billion. Investment earnings were $31 million below the September 2005 half, with AIFRS accounting for $25 million of this reduction.

Financial performance movement on March 2005 half

The reported cash earnings decline of 13.4% was significantly impacted by the loss of transitional tax relief in the Investments business ($24 million in March 2005 half) and the introduction of AIFRS ($12 million impact on profit from operations, $17 million impact on investment earnings in the March 2005 half).

After adjusting the comparative half for these items, cash earnings increased 17.6% on the March 2005 half, driven by solid growth in the Investments and Insurance businesses and continued strong investment earnings on shareholders retained profits and capital. An additional $17 million of pre-tax restructuring benefits were realised during the half.

Investments

Reported profit from operations declined 21.4%, which was adversely impacted by the non-deferral of acquisition costs under AIFRS ($8 million) and the impact of the loss of transitional tax relief ($24 million). After adjusting the comparative half for these items, growth was 10%, reflecting the positive impact of increased fee revenue following continued growth in average FUM, driven by strong investment market conditions, partially offset by lower retail margins following changes to commission rates from 1 April 2005 ($6 million).

The cost to funds under management ratio of 42 basis points for the half was an improvement of 4 basis points, driven by increased funds under management and ongoing cost control.

Insurance

Reported profit from operations increased by 3.0%. Adjusting the comparative half for the increased amortisation of DAC ($4 million) under AIFRS, growth was 9.7% driven by favourable claims experience in the individual lump sum business and growth in annual inforce premiums. This was partially offset by an increase in the group disability claims reserve ($8 million), resulting in revised core growth of 22.5% after removing the impact of the reserve increase.

Other

The March 2006 half was positively impacted by lower spend on compliance and discretionary projects ($16 million) and higher expenses in the shareholders branches of the life companies ($7 million). The March 2005 half result included strategic investment expenditure on the Amazon project of $14 million and the insurance recovery of $19 million relating to the NAFiM investor compensation payments (compared to $3 million in the March 2006 half).

Investment earnings on shareholders retained profits and capital from life businesses

Shareholders capital is invested in fixed interest and cash (84%) with the remaining balance in equities, consistent with the investment profile of policyholder assets and regional regulatory requirements. The average asset balance of the life insurance statutory funds for the half was $1.2 billion. Investment earnings were $12 million below the March 2005 half, with AIFRS accounting for a $17 million reduction in investment earnings.

Management Discussion & Analysis Total UK

TOTAL UK

Performance Summary ongoing operations

	Half Year to			Fav/(Unfav) Change on	
	Mar 06 $m	**Sep 05 $m**	**Mar 05(1) $m**	**Sep 05 %**	**Mar 05 %**
Australian dollars					
Net interest income	**883**	813	796	8.6	10.9
Other operating income	**590**	631	544	(6.5)	8.5
Total income	**1,473**	1,444	1,340	2.0	9.9
Operating expenses	**(954)**	(967)	(868)	1.3	(9.9)
Underlying profit	**519**	477	472	8.8	10.0
Charge to provide for doubtful debts	**(152)**	(126)	(84)	(20.6)	(81.0)
Cash earnings before tax	**367**	351	388	4.6	(5.4)
Income tax expense	**(110)**	(122)	(118)	9.8	6.8
Cash earnings before significant items	**257**	229	270	12.2	(4.8)
	£m	**£m**	**£m**	**%**	**%**
Pounds sterling					
Net interest income	**374**	341	325	9.7	15.1
Other operating income (1)	**250**	264	222	(5.3)	12.6
Total income	**624**	605	547	3.1	14.1
Operating expenses (1)	**(405)**	(406)	(353)	0.2	(14.7)
Underlying profit	**219**	199	194	10.1	12.9
Charge to provide for doubtful debts	**(65)**	(53)	(35)	(22.6)	(85.7)
Cash earnings before tax	**154**	146	159	5.5	(3.1)
Income tax expense	**(46)**	(51)	(49)	9.8	6.1
Cash earnings before significant items	**108**	95	110	13.7	(1.8)

(1) March 2005 comparative amounts have been prepared on an on-going basis. These are based on pro-forma information which has been calculated as Total UK, adjusting for the contribution of the Irish Banks which were sold on 28 February 2005, and the UK custody business, the closure of which was fully provided for in the financial statements at September 2004. The half to September 05 includes £14.5million of NII from the sale proceeds, the half year to March 05 includes £4.5million and the half year to March 06 £nil.

The five months to 28 February 2005 exclude certain fixed head office expenses recharged to the Irish Banks that from 1 March 2005 can no longer be recharged. The March 2005 half includes one month s income recharge receivable by the UK for transitional services provided to Danske Bank A/S. Recharges continued in the half years to September 2005 and March 2006. Refer to detailed performance summary for further detail of impact.

Financial performance highlights

These results demonstrate that the turnaround of our UK business is firmly on track. Income is increasing, efficiency is improving and the strategic agenda is being delivered. In short, we are starting to deliver a growing and sustainable business.

Business developments

The National s differentiated business model in the UK continued to gain traction:

The integrated Financial Solutions Centres in both the North and South of England showed accelerating momentum with lending growth at the half year of 13.7% (to £12.3 billion) and deposit growth of 8.9% (to £5.5 billion).

During the period 4 new integrated Financial Solutions Centres were opened in the South of England, bringing the total to 36, and in addition, 5 existing centres were relocated and 1 was upgraded in order to bring facilities up to the required integrated Financial Solutions Centre standard. Additionally, work is in progress on the relocation of a further 3 centres, significant upgrades at 3 locations and the expansion of an existing centre to meet increased demand.

25 leading entrepreneurs and professionals have been recruited to act as local non-executive chairpersons supporting our integrated Financial Solutions Centres.

The re-alignment of our high street branch presence was completed 6 months ahead of schedule with the closure of the remaining 81 branches completed during the period.

The branch network showed improved performance in a number of areas with good growth in deposits, improvement in cross sales and mortgage sales up 33% over the same period in the previous year (with 20% fewer branches). The Wealth Management sales force was integrated into retail over the period with early indications of resulting improvements to performance.

The agreement by staff members(3) and trustees to reforms to the UK pension schemes has resulted in a one-off credit to the income statement of £164 million recognised as a significant item. As part of these reforms, National Australia Bank is also making a one-off contribution of £100 million across its three defined benefit schemes during the 2006 financial year. From 1 April 2006, the defined benefit schemes moved to a structure known as career average .

The successful migration and separation of back office processing for Northern Bank and National Irish Bank from the UK operations took place in April 2006, in line with the original timetable set in December 2004. This terminates the phase of providing transitional services to Danske Bank A/S.

The continued development of the Third Party Distribution channel resulted in 440 broker relationships which delivered a further £822 million of gross mortgage advances in the half year.

An agreement to transfer the UK Discretionary Investment Management business to Tilney Investment Management is scheduled to be completed by May this year.

The charge to provide for doubtful debts increased by £12 million on the previous period. This reflects additional provision charges related to increased lending growth and the continued deterioration seen across the UK market in credit cards and personal lending books.

During the period Clydesdale Bank plc launched a medium term note programme under the NAB Group US$30 billion Global MTN Programme. Since launch, three issuances under the programme have been made resulting in a total of £650 million of Floating Rate Notes being issued. In addition, in February 2006, Clydesdale Bank plc launched its first stand-alone subordinated debt transaction.

Commitment to the Community

Clydesdale Bank sponsored the successful Scottish Commonwealth Games team.

Our charity partnership with the British Heart Foundation has resulted in £170,000 being raised by staff and customers.

Restructuring Activity

Restructuring continues with the reconfiguration of the distribution networks and streamlining of operations. To date 73% (1,235) of the headcount reduction has been achieved. The restructuring initiatives provided for have generated an incremental £20.5 million in pre-tax savings in the March 2006 half. £62 million of the £109 million provision raised has been utilised to date.

Key Performance Measures

		Half Year to		Fav/(Unfav) Change on	
	Mar 06	**Sep 05**	**Mar 05(1)**	**Sep 05 %**	**Mar 05 %**
Performance & profitability					
Return on average assets (annualised)	**0.93%**	0.94%	1.12%		
Cost to income ratio	**62.9%**	65.1%	62.5%		
Cash earnings per average FTE (annualised) (£ 000)	**23**	20	22		
Net interest income					
Net interest margin	**3.65%**	3.74%	3.88%		
Net interest spread (2)	**3.02%**	3.32%	3.54%		
Average balance sheet (£bn)					
Gross loans and acceptances	**19.6**	17.4	15.6	12.6	25.6
Interest-earning assets	**20.6**	18.2	16.8	13.2	22.6
Retail deposits	**12.4**	11.6	11.2	6.9	10.7

(2) The September 2005 half year net interest spread has been restated upwards by 30 basis points to reflect a change to the treatment of intercompany liabilities. There has been no impact to Group net interest spreads.

(3) Including UK based employees of the Group s Institutional Markets & Services business.

Key Performance Measures

		As at	
	31 Mar 06	30 Sep 05	31 Mar 05
Full-time equivalent employees (FTE)	**9,246**	9,480	9,772
Asset quality			
Gross non-accrual loans (£m)	**58**	48	60
Gross loans and acceptances (£bn)	**21.1**	18.6	16.3
Gross non-accrual loans to gross loans and acceptances	**0.27%**	0.26%	0.37%
Specific provision to gross impaired assets	**21.8%**	78.6%	56.0%
Financial advisers			
Bank channels	**114**	115	112
Aligned channels	**52**	43	53
Financial advisers (no.)	**166**	158	165
Funds under management and administration (£m)	**1,774**	1,623	1,513

Financial performance of ongoing operations (in local currency) movement on September 2005 half

Cash earnings before significant items increased 13.7% on the September 2005 half reflecting increased underlying income and flat expenditure, partially offset by higher charges to provide for doubtful debts.

Underlying profit increased 10.1% on the September 2005 half driven by the following factors:

Net interest income has increased 9.7%. After adjusting for the income received from the Irish Banks sale proceeds in the half year to September 2005 and the impact of the introduction of AIFRS, underlying net interest income has increased 6.2%. Continued growth in customer lending and deposit balances was partially offset by planned margin contraction and changes to the portfolio mix;

Average lending balances increased 12.6%; 21.1% from integrated Financial Solutions Centres and Third Party Distribution. The continuing focus on mortgage lending, consistent with our growth strategy, has resulted in growth of average mortgage balances of 18.3%; 17.5% from integrated Financial Solutions Centres, 133.2% in the Third Party Distribution channel, and 2.7% from the branch network;

Average retail deposit balances grew 6.9% driven by improved sales focus and pricing initiatives;

The net interest margin has decreased 9 basis points from 3.74% to 3.65%. The movement, adjusted for the Irish Banks sale proceeds income and the introduction of AIFRS, is a decrease of 20 basis points. This reflects managed margin contraction and the planned shift to lower-margin products across the lending and deposit portfolios. Within Lending, higher margin personal loans and credit cards have shown a small decrease while other lending has shown strong growth.

Other operating income has decreased 5.3% reflecting:

AIFRS accounting policy changes driving a net £21 million decrease through the deferral of lending fees partly offset by the mark to market valuations of AIFRS defined ineffective hedges;

A one off profit of £21 million in the September 2005 half for property disposals with a residual £1 million received in the March 2006 half;

Partially offset by:

an increase in underlying origination fees of £6.3 million driven by the volume growth of the integrated Financial Solutions Centres and third party propositions;

Wealth Management creditor profit share, which is received in the first half, of £8.3 million;

£5.3 million sales proceeds from the sale of the UK Discretionary Investment management business to Tilney Investment Management;

increased Danske Bank A/S transitional service income (offset in expenses) of £5.4 million as a result of the sale of the Irish Banks in February 2005;

After adjusting for one-off items, including AIFRS, other operating income has increased by 8.8%.

Operating expenses have decreased 0.2% driven by:

£21 million incremental savings from the restructuring initiatives provided for in the March 2005 half which have delivered a gross spot FTE reduction of 453 in the March 2006 half;

decreased investment project spend of £10 million;

Partially offset by:

direct costs associated with the growth programme (£12.9 million) including the costs of approximately 130 new staff in the integrated Financial Solutions Centres, and additional property associated costs, advertising and marketing costs, and additional brokerage commission costs as a result of higher mortgage completions through the third party channel;

increased Danske Bank A/S transitional service expenses (offset in income) of £5.4 million;

increased salary costs of £6 million as a result of annual salary reviews and performance related bonus.

The charge to provide for doubtful debts has increased 22.6% as compared to the September 2005 half. This reflects additional provision charges related to increased lending growth and the continued deterioration seen across the UK market in credit cards and personal lending books. Specific provisions to gross impaired assets decreased from 78.6% at 30 September 2005 to 21.8% at March 2006 primarily due to a transfer from specific provision to collective provision upon adoption of AIFRS.

During the period a number of strategies have been put in place to mitigate these industry effects. The lending decision process has been tightened, particularly around personal loans and credit cards and in the direct channels area, along with more rigorous fraud review processes. More pro-active collections strategies have been implemented including increased collections staff and improved pre-delinquency management.

Financial performance of ongoing operations (in local currency) movement on March 2005 half

Cash earnings before significant items decreased 1.8% on the March 2005 half reflecting higher income offset by increased expenses and charges to provide for doubtful debts.

Underlying profit increased by 12.9% with the following factors driving the result:

Net interest income has increased 15.1%. After adjusting for the interest received on the Irish Banks sale proceeds (£4.4 million in the March 2005 half) and the impact of the introduction of AIFRS, net interest income has increased 8.2%. This increase reflects the growth of the integrated Financial Solutions Centres and third party distribution network with strong underlying volume growth being partially offset by the managed effects of margin contraction and changing portfolio mix;

Average lending volumes increased 25.6% on the prior corresponding period (integrated Financial Solutions Centres and Third Party Distribution increased 41.9%). The continuing focus on mortgage lending has resulted in growth of mortgage volumes of 32.0%;

Average retail deposit volumes grew 10.7% driven by pricing initiatives on existing products and the launch of Current Account Plus designed to attract new to bank customers.

The net interest margin has decreased 23 basis points from 3.88% to 3.65%. Excluding the benefit of the proceeds from the sale of the Irish Banks, held for one month in the March 2005 half, and the introduction of AIFRS, the underlying margin decline was 44 basis points. This decline reflects margin contraction and the planned shift to lower margin products across the portfolio. Within lending, higher margin personal loans and credit cards have shown a small decrease while other lending has shown strong growth. Savings accounts have been re-priced to attract deposit growth and customers have moved to lower margin products.

Other operating income is 12.6% higher reflecting:

an underlying increase in origination fees of £12.4 million driven by the growth of the integrated Financial Solutions Centres and third party propositions;

£5.3 million sale proceeds from the sale of the UK Discretionary Investment management business to Tilney Investment Management;

increased income from Danske Bank A/S of £20.4 million for the provision of transitional services (offset in expenses) as March 05 half only included one month of services; offset by

AIFRS accounting policy changes driving a net £21.0 million decrease through the deferral of lending fees offset by the fair value impact of ineffective accounting hedges;

Operating expenses have increased 14.7% driven by:

increase of £20.4 million due to costs associated with transitional services provided to Danske Bank A/S (offset in income);

direct costs associated with the UK Growth Programme which have increased by £33.9 million including the recruitment and ongoing costs of 286 staff in the integrated Financial Solutions Centres, additional property associated costs, advertising and marketing costs, additional brokerage commission costs as a result of more mortgage completions through the third party channel;

increased salary costs of £9.1 million as a result of annual salary reviews and performance related bonus;

overhead costs previously internally charged to the Ireland operation of £16 million;

indirect costs associated with growing the balance sheet;

Partially offset by;

a further £21 million savings this half (in addition to the annualised savings from the prior half) from the restructuring initiatives provided for in the March 2005 half which have generated an additional 453 gross spot FTE reduction in the March 2006 half.

The charge to provide for doubtful debts increased by £30 million on the March 2005 half. This reflects additional provision charges related to increased lending growth and the continued deterioration seen across the UK market in credit cards and personal lending books. Specific provisions to gross impaired assets decreased from 56% at 31 March 2005 to 21.8% at 31 March 2006 primarily due to a transfer from specific provision to collective provision upon adoption of AIFRS.

During the period a number of strategies have been put in place to mitigate these industry effects. The lending decision process has been tightened, particularly around personal loans and credit cards and in the direct channels area, along with more rigorous fraud review processes. More pro-active collections strategies have been implemented including increased collections staff and improved pre-delinquency management.

Supplementary Performance Summary (includes ongoing and disposed operations - eg. includes the Irish Banks)

		Half Year to		Fav/(Unfav) Change on	
	Mar 06 $m	**Sep 05 $m**	**Mar 05 $m**	**Sep 05 %**	**Mar 05 %**
Australian dollars					
Net interest income	**883**	813	981	8.6	(10.0)
Other operating income	**590**	631	618	(6.5)	(4.5)
Total income	**1,473**	1,444	1,599	2.0	(7.9)
Operating expenses	**(954)**	(967)	(1,066)	1.3	10.5
Underlying profit	**519**	477	533	8.8	(2.6)
Charge to provide for doubtful debts	**(152)**	(126)	(90)	(20.6)	(68.9)
Cash earnings before tax	**367**	351	443	4.6	(17.2)
Income tax expense	**(110)**	(122)	(136)	9.8	19.1
Cash earnings before significant items	**257**	229	307	12.2	(16.3)
	£m	**£m**	**£m**	**%**	**%**
Pounds sterling					
Net interest income	**374**	341	400	9.7	(6.5)
Other operating income	**250**	264	253	(5.3)	(1.2)
Total income	**624**	605	653	3.1	(4.4)
Operating expenses	**(405)**	(406)	(435)	0.2	6.9

Underlying profit	**219**	199	218	10.1	0.5
Charge to provide for doubtful debts	**(65)**	(53)	(37)	(22.6)	(75.7)
Cash earnings before tax	**154**	146	181	5.5	(14.9)
Income tax expense	**(46)**	(51)	(56)	9.8	17.9
Cash earnings before significant items	**108**	95	125	13.7	(13.6)

Management Discussion & Analysis Total New Zealand

TOTAL NEW ZEALAND

Financial performance highlights

New Zealand s underlying cash earnings growth (after adjustment for AIFRS impacts) has been driven by solid volume and disciplined margin growth whilst keeping costs flat in a slowing but an intensively competitive New Zealand banking environment. A continued focus on offering customers the best products coupled with superior service continues to position New Zealand to deliver stable and sustainable growth.

Key developments

A relentless focus on improving customer service has seen the Bank of New Zealand awarded the best customer service for a contact centre over 50 seats across all industries in New Zealand for two consecutive years. This outstanding achievement has been supported by leading branch satisfaction scores.

Divestment of BNZ s Investment Management business on 31 January 2006.

Successful diversification of balance sheet funding options via the establishment of BNZ International Funding Limited (London branch), under the NAB Group $US30 billion global medium term programme.

Performance Summary

		Half Year to		Fav/(Unfav) Change on	
	Mar 06 $m	**Sep 05 $m**	**Mar 05 $m**	**Sep 05 %**	**Mar 05 %**
Australian dollars					
Net interest income	**401**	372	367	7.8	9.3
Other operating income	**249**	276	276	(9.8)	(9.8)
Total income	**650**	648	643	0.3	1.1
Operating expenses	**(381)**	(380)	(405)	(0.3)	5.9
Underlying profit	**269**	268	238	0.4	13.0
Charge to provide for doubtful debts	**(22)**	(26)	(12)	15.4	(83.3)
Cash earnings before tax	**247**	242	226	2.1	9.3
Income tax expense	**(80)**	(78)	(73)	(2.6)	(9.6)

Cash earnings before significant items	**167**	164	153	1.8	9.2
	NZ$m	**NZ$m**	**NZ$m**	**%**	**%**
New Zealand dollars					
Net interest income	**438**	405	397	8.1	10.3
Other operating income	**273**	299	299	(8.7)	(8.7)
Total income	**711**	704	696	1.0	2.2
Operating expenses	**(415)**	(412)	(439)	(0.7)	5.5
Underlying profit	**296**	292	257	1.4	15.2
Charge to provide for doubtful debts	**(25)**	(28)	(13)	10.7	(92.3)
Cash earnings before tax	**271**	264	244	2.7	11.1
Income tax expense	**(88)**	(84)	(80)	(4.8)	(10.0)
Cash earnings before significant items	**183**	180	164	1.7	11.6

Key Performance Measures

	Mar 06	Half Year to Sep 05	Mar 05	Fav/(Unfav) Change on Sep 05 %	Fav/(Unfav) Change on Mar 05 %
Performance & profitability					
Return on average assets (annualised)	**1.02%**	1.07%	1.07%		
Cost to income ratio	**55.5%**	55.0%	59.8%		
Cash earnings per average FTE (annualised) (NZ$ 000)	**79**	78	73		
Net interest income					
Net interest margin (1)	2.55%	2.49%	2.68%		
Net interest spread (1)	2.30%	2.22%	2.42%		
Average balance sheet (NZ$bn)					
Gross loans and acceptances	**33.7**	31.6	29.2	6.6	15.4
Interest-earning assets	**34.4**	32.4	29.8	6.2	15.4
Retail deposits	**18.8**	18.1	17.4	3.9	8.0

(1) Net interest margins and spreads have been restated for September 2005 half year and March 2005 half year to include only interest bearing assets and liabilities.

	Mar 06	As at Sep 05	Mar 05
Full-time equivalent employees (FTE)	**4,628**	4,645	4,549
Asset quality			
Gross non-accrual loans (NZ$m)	**77**	113	97
Gross loans and acceptances (NZ$bn)	**34.6**	32.4	30.1
Gross non-accrual loans to gross loans and acceptances	**0.22%**	0.35%	0.32%
Specific provision to gross impaired assets	**36.6%**	34.1%	27.1%
Market share (%) *(2)*			
Housing	**16.2**	16.2	16.2
Agribusiness	**17.9**	17.9	17.8
Cards	**30.6**	30.5	30.8
Retail deposits (personal & business)	**18.0**	19.1	18.7

(2) Source RBNZ - based on March 2006 data.

Financial Performance (in local currency) movement on September 2005 half

Cash earnings before significant items increased 1.7% on the September 2005 half. Excluding AIFRS adjustments (fair value, effective yield), cash earnings before significant items increased $13 million (7.2%) to $193 million. This solid result is a reflection of strong volume driven net interest income growth whilst driving further business efficiencies to keep overall expenses flat in an extremely competitive banking environment. The result further demonstrates the success of the Bank of New Zealand s consistent execution of its long-term strategy for its people, processes and products.

Underlying profit increased 1.4% on the September 2005 half. Excluding $17 million of AIFRS adjustments, underlying profit increased 7.2% as a result of the following factors:

Net interest income grew 8.1% (5.4% excluding AIFRS adjustments of $11m). This increase reflects solid volume growth and the benefit of a portfolio approach to margin management in a competitive but slowing banking environment.

Lending volumes increased 6.6% on the September 2005 half, with housing up 6.7% and business lending up 6.6% as the Bank continues to focus on profitable market share growth. This reflects the success of the Unbeatable campaigns and Bank of New Zealand Banking s core strength in business banking. Retail deposits grew by 3.9% over the September half as the competition for deposits intensified.

Excluding a 5 basis point impact from AIFRS adjustments, net interest margin increased 1 basis point on the September 2005 half to 2.50%. The appropriateness of Bank of New Zealand s decision to exit the mortgage broker channel for home loan distribution is continuing to be demonstrated in margin and management. The maintenance of market share is particularly pleasing given that Bank of New Zealand does not participate in the mortgage broker channel which represents approximately 30% of the total New Zealand market.

Other operating income declined 8.7% due to AIFRS adjustments of $28m and $2m from discontinued activities arising from the sale of the BNZ Investment Management business on 31 January 2006. Excluding these items, other operating income was largely flat compared to the prior period as the Bank of New Zealand continued to focus on making the customer proposition more attractive to drive sustainable longer-term customer relationships.

Operating expenses increased by 0.7% compared to the September 2005 half. Excluding the favourable impact from the sale of the BNZ Investment Management business, expenses increased by 1.2% compared to the prior period whilst absorbing annual remuneration increases and continuing to reinvest in people, processes, brand and infrastructure. A relentless focus on efficiency through Six Sigma, simplifying processes, empowering people at the grassroots and a re-energised brand has seen Bank of New Zealand receive several awards for both branch and customer service.

Overall asset quality remains sound with the ratio of gross non-accrual loans to gross loans and acceptances down 13bps to 0.22%. The decrease in non-accrual loans was due to the settlement of a large single exposure.

These results do not reflect the impact of any hedging activities for the payment of dividends to National Australia Bank Limited. The impact of these activities are reflected within Group Funding.

Financial Performance (in local currency) movement on March 2005 half

Cash earnings before significant items increased 11.6% on the March 2005 half year. Excluding AIFRS adjustments in the current half and a one-off pension charge of $22m (pre tax) in the March 2005 half, cash earnings before significant items increased $14m (7.8%) to $193m.

Underlying profit increased 15.2% on the March 2005 half year. Excluding AIFRS adjustments and the one-off pension charge referred to above, the underlying profit increase was a strong $34m (12.2%) to $313m as a result of the following factors:

Net interest income grew 10.3% (7.6% excluding AIFRS adjustments). This underlying growth reflects solid volume growth in a competitive but slowing economic environment.

Lending volumes increased 15.4% on the March 2005 half, with housing up 15.9% and business lending up 15.2%. Housing volume growth was driven by a continuation of the successful Unbeatable campaigns and business lending experienced one of the strongest periods of growth from buoyant economic conditions. Retail deposit volumes increased 8.0% as a result of targeted campaigns and leveraging our best in New Zealand call centre capabilities.

Excluding the impact of AIFRS adjustments, interest margin declined 18bps to 2.50%. The decrease in the net interest margin reflected continuing competitive pressures and the adverse impact from a change in lending mix as customers preferred to lock in lower fixed rates in a rising interest rate environment.

Other operating income declined 8.7% due to AIFRS adjustments of $28m and $2m from discontinued activities after the sale of the BNZ Investment Management Business on 31 January 2006. Excluding these items, other operating income was largely flat compared to the prior period as the BNZ continues to focus on ensuring the customer proposition remains attractive over the long term.

Operating expenses reduced by 5.5% compared to the March 2005 half. Excluding the one-off prior period pension charge of $22m and $2m from the sale of the BNZ Investment Management business in the current period, expenses are flat compared to the prior period. Increases in annual remuneration and continual reinvestment in people, processes, brand and infrastructure have been offset by a holistic focus on cost control and driving efficiency through Six Sigma.

Overall asset quality remains sound with the ratio of gross non-accrual loans to gross loans and acceptances down 10bps to 0.22%.

Management Discussion & Analysis   Institutional Markets & Services

INSTITUTIONAL MARKETS & SERVICES

Institutional Markets & Services (IMS) comprises Markets, Corporate Loan Portfolio, Structured Products, Credit Products, Financial Institutions Group and a Support Services unit. The IMS business model provides products across the Group s client base. IMS operates through an international network of offices in Australia, UK, New Zealand, the Americas and Asia.

Business Developments

After considerable work to stabilise and re-base the business, IMS is in the early stages of a rebuilding program to transition to a more sustainable business built on a broader product offering, better client service and investment opportunities for the Group s diverse client base. This will require a continued investment to support the rebuilding program.

Management delivered against its stated objectives for the March 2006 half year in respect of the ongoing transformation program. The focus of the strategy is to develop into a business which provides increasing return on equity and greater efficiency, thereby improving the quality of cash earnings, recognising that the nature of the IMS business contains elements which may cause volatility in cash earnings in any period.

Against this backdrop, IMS is:

Broadening its product range, including the expansion of Structured Property Finance into New Zealand, and moves to develop a Project Finance business in the UK.

Managing its capital to reduce its reliance on low yielding assets resulting in a $1.1 billion reduction in the capital deployed in the business since the initiative commenced in January 2005. Notable transactions included the US$1.3b Collateralised Loan Offering that released $56m of capital, and the Grocon Property Trust Australia transaction which involved an equity issuance to retail investors via the Group s customer base.

Completing the consolidation of regional activities by centralising Asian operations into Hong Kong, and continuing exiting non-core businesses in the Americas (Energy and Utilities, Real Estate, Public Finance and Structured Finance).

Maximising cross-sell opportunities across the NAB franchise, including the introduction of a new Client Relationship Model designed to drive greater cross-sell by establishing clear targets and performance metrics, and clarifying processes and responsibilities for origination decision-making to meet distribution requirements.

Gaining momentum across all of its product lines, including strong sales growth in Global Markets, increased origination activity and healthy deal flow in Syndications. The opening of a new, state-of-the-art trading floor in Sydney adds further strength to IMS trading capability, integrating trading functions and enhancing IMS ability to capitalise on an improved product range.

IMS focus on product innovation and strong execution led to a range of industry awards and market-leading rankings, including:

The highly successful $A2b Wells Fargo corporate bond issue was voted Best Local Bond Deal by Asiamoney (Dec 2005), IFR Asia (Dec 2005), and Finance Asia (Dec 2005), and Best Australian Dollar Bond by Euroweek (Feb 2006).

NAB was named Insto s Vanilla Bond House of the Year (Dec 2005), while IFR Asia awarded NAB Australia and New Zealand, Bond House of the Year (Dec 2005).

Asiamoney voted NAB the Best Domestic Provider of FX Services in Australia (Sept 2005).

NAB finished 2005 as No.1 mandated arranger of Australasian Project Finance loans (Dealogic), and ranked No. 1 for Bonds and Loan Syndications in Australia in the quarter to 31 March 2006 (Thomson Financial).

Commitment to the Community

IMS is developing a dedicated corporate social responsibility and community investment program that supports Group activities and identifies strategic priorities relevant to the business.

Through the work of IMS, the Group is also actively involved in various industry initiatives focusing on the issue of climate change. The Group was a major sponsor of the 2nd Australia-New Zealand Climate Change & Business Conference, and is a signatory to both the Carbon Disclosure Project and the United Nations Environment Project Finance Initiative (UNEP FI), having presented in October 2005 to the UNEP FI Roundtable in New York.

Restructuring activity

In the September 2005 half a restructuring charge of $121m pre-tax was incurred and recognised as a significant item. This related to a number of initiatives, including rebasing the Asian and Americas operations, improving operational efficiency, and the replacement of the Markets technology platform.

Progress on these activities has continued in line with expectations with a gross reduction of a further 71 FTE s in the March 2006 half. This was offset by new business initiatives and continued investment in enhancing the control environment.

Performance Summary

	Half Year to		Fav/(Unfav) Change on	
	Mar 06 $m	**Sep 05 $m**	**Sep 05 %**	**Sep 05 Ex FX(1) %**
Net interest income	**434**	244	77.9	77.9
Other operating income	**294**	423	(30.5)	(30.3)
Total income	**728**	667	9.1	9.3
Operating expenses	**(366)**	(372)	1.6	1.6
Underlying profit	**362**	295	22.7	23.1
(Charge) / Write-back to provide for doubtful debts	**17**	24	(29.2)	(29.2)
Cash earnings before tax	**379**	319	18.8	19.1
Income tax expense	**(93)**	(40)	large	large
Cash earnings before significant items	**286**	279	2.5	2.5

	Half Year to		Fav/(Unfav) Change on	
	Mar 06 $m	**Mar 05 $m**	**Mar 05 %**	**Mar 05 Ex FX(1) %**
Net interest income	**434**	258	68.2	69.0
Other operating income	**294**	504	(41.7)	(40.9)
Total income	**728**	762	(4.5)	(3.7)
Operating expenses	**(366)**	(370)	1.1	0.3
Underlying profit	**362**	392	(7.7)	(6.9)
(Charge) / Write-back to provide for doubtful debts	**17**	(48)	large	large
Cash earnings before tax	**379**	344	10.2	11.3
Income tax expense	**(93)**	(46)	large	large
Cash earnings before significant items	**286**	298	(4.0)	(3.4)

(1) Change expressed at constant exchange rates.

Key Performance Measures

	Mar 06	Half Year to Sep 05	Mar 05	Fav/(Unfav) Change on Sep 05 %	Mar 05 %
Performance & profitability					
Return on average Risk Weighted Assets (1) (annualised)	**0.89%**	0.77%	0.79%		
Return on average assets (annualised)	**0.37%**	0.36%	0.35%		
Return on average external assets (annualised)	**0.49%**	0.47%	0.46%		
Cost to income ratio	**50.3%**	55.8%	48.6%		
Cash earnings per average FTE (annualised) ($ 000)	**301**	287	297		
Net interest income					
Net interest margin (2)	**0.64%**	0.37%	0.37%		
Average balance sheet ($bn)					
Core lending (3)	**37.2**	39.5	41.4	(5.8)	(10.1)
Gross loans and acceptances (4)	**41.7**	44.3	47.2	(5.9)	(11.7)
Interest-earning assets external	**97.1**	97.1	103.0		(5.7)
Interest-earning assets internal (5)	**38.5**	34.3	38.7	12.2	(0.5)
Interest-earning assets - total	**135.6**	131.4	141.7	3.2	(4.3)

	31 Mar 06	As at 30 Sep 05	31 Mar 05	Fav /(Unfav) Change on Sep 05 %	Mar 05 %
Spot Balance sheet ($bn)					
Interest-earning assets external	**90.8**	80.5	86.1	12.8	5.5
Interest-earning assets internal (5)	**39.7**	32.8	35.9	21.0	10.6
Interest-earning assets - total	**130.5**	113.3	122.0	15.2	7.0
Risk weighted assets (1)	**58.8**	69.3	75.4	(15.2)	(22.0)
Full-time equivalent employees (FTE)	**1,944**	1,920	2,005		
Asset quality					
Gross non-accrual loans ($m)	**331**	434	499		
Gross loans and acceptances ($bn)	**41.1**	41.8	44.6		
Gross non-accrual loans to gross loans and acceptances	**0.81%**	1.04%	1.12%		
Specific provision to gross impaired assets	**31.7%**	29.4%	31.8%		

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(1) Risk Weighted Assets are calculated on internal model rather than standard model to enable a more representative comparison between periods.

(2) Impact to the March 2006 margin of the reclassification of bill acceptances under AIFRS was an increase of 1 basis point.

(3) Core lending includes loans and advances at amortised cost and at fair value.

(4) Gross loans and acceptances represents core lending and bill acceptances.

(5) Internal interest-earning assets include short-term funding of the Group s operations.

Financial performance movement on September 2005 half

Cash earnings before significant items of $286 million increased by 2.5% on the September 2005 half year, while concurrently reducing $520 million of capital deployed in the business. This resulted in an improvement on the return on average risk weighted assets of 12 basis points to 89 basis points (15.6%).

IMS, through the program commenced in January 2005, has undergone significant rebasing of its businesses in Asia and the Americas and is transforming to a lower capital base business by reducing capital in low yielding risk weighted assets, increasing capital velocity and the number of product lines to improve the level of cross sales into the NAB franchise. This strategy will result in a portfolio of businesses which will deliver sustainable client income streams and improved return on equity.

The underlying financial performance in the March 2006 half for IMS has been favourably impacted by the accelerated execution of new business initiatives, together with a strong demand for client sales of risk management products arising from the recent interest and exchange rate volatility, and the low level of doubtful debts.

Cash earnings were only marginally impacted in the March 2006 half year by the changes to accounting under AIFRS.

Underlying profit increased 22.7% on the September 2005 half year as a result of the following factors:

Total income increased by $61m on the September 2005 half year (9.1% higher), with net interest income up by 77.9% and other operating income down by 30.5%. The mix of net interest income versus other operating income has been impacted by changes to accounting under AIFRS. This has resulted in net interest income increasing by $131 million mainly due to a change in the treatment of derivatives held in relation to foreign currency funding, offset by a corresponding decrease in other operating income. Excluding the AIFRS impact the key movements were due to:

higher interest income mainly due to improved performance in Financial Institutions and Credit Products as a result of new business initiatives and higher volumes.

other operating income which was in line with the September 2005 half largely due to increased sales of risk management products in the Markets business as a result of recent interest and foreign exchange rate volatility, offset by lower income from the strategy to exit low yielding assets.

Operating expenses reduced 1.6% reflecting the transformation initiatives which have been undertaken in IMS including the rebasing of the Asian and American operations, partially offset by increased staffing costs mainly as a result of EBA salary increases in January 2006. The number of FTE s has increased slightly on a spot basis, with the reduction of FTE from transformation initiatives offset by new business initiatives and continued investment in enhancing the control environment.

The write-back in the charge for bad and doubtful debts (29.2%) is mainly due to the impact of AIFRS on the treatment of new lending facilities, partially offset by a small specific provision taken in the March 2006 half year.

The return on average external assets has marginally improved by 2 basis points to 0.49% mainly due to the reduction in the average trading derivative assets which occurred towards the end of the September 2005 half year period. On a spot basis trading derivatives were relatively flat compared to 30 September 2005. With the focus of IMS on improving return on equity, the principal measure is increasing the return on average risk weighted assets which improved 12 basis points (15.6%).

The reported net interest margin, which has increased by 27 basis points, has been significantly impacted by the changes to accounting under AIFRS outlined above. The underlying net interest margin, excluding AIFRS impacts, has improved by 8 basis points primarily as a result of the strategy to exit low yielding assets combined with an increase in lending to higher yielding counterparties.

The effective tax rate for IMS has increased from 12.5% in the September 2005 half to 24.5% in the March 2006 half. This is primarily a result of a reduced number of Structured Finance transactions in Europe and New Zealand in the March 2006 half year following legislative changes.

Reported average external interest-earning assets remained flat on the September 2005 half year average. Under AIFRS, bill acceptances of $3.3 billion are now reported as interest earning assets (previously non interest earning). Largely offsetting this movement is the AIFRS treatment of securitisation vehicles which were included in the September 2005 half year average assets and are now not included in the March 2006 half year average assets due to the deconsolidation of these vehicles following a restructure of these arrangements. Average internal interest earning assets have increased primarily as a result of changes in the Group s funding requirements. On a spot basis and excluding the impact of AIFRS and exchange rate movements, external interest-earning assets have increased by $10.8 billion (14.0%) mainly as a result of new business initiative related increases in lending to higher yielding counterparties and period end increases in the March 2006 half in Markets assets arising from client based bond and funding activities. However, IMS is principally focussed on the level of risk weighted assets (rather than the level of gross assets) which including the deconsolidation of securitisation vehicles, have reduced $10.5 billion (15.2%) from 30 September 2005 to 31 March 2006.

Asset quality remains strong, however the level of exposures rated as investment grade or above has marginally reduced from 94.1% at 30 September 2005 to 92.3% at 31 March 2006 due to the strategic decision to exit low yielding assets which are typically investment grade. The level of gross non-accrual loans to gross loans and acceptances has improved from 1.04% at 30 September 2005 to 0.81% at 31 March 2006, mainly due to the reduction in non accrual loans as a result of recoveries, loans restored to performing status and the write off of a historical non performing facility. The reduction in non accrual loans has also favourably impacted the specific provision coverage to gross impaired assets ratio.

Financial performance movement on March 2005 half

Cash earnings before significant items of $286 million decreased by 4.0% on the March 2005 half year. However, after excluding the earnings from the Irish Banks sold in the March 2005 half year, cash earnings decreased by 2.4%.

Underlying profit decreased 7.7% on the March 2005 half as a result of:

Total income was 4.5% lower than the March 2005 half year, with net interest income up by 68.2% and other operating income down by 41.7%. Excluding the impact of AIFRS on the income mix, (with $131 million of income reclassified as net interest income as outlined above), net interest income increased by 17.4% and other operating income decreased 15.7%. Overall, the decrease in income of 4.5% was primarily as a result of the impact of the strategies employed to improve return on equity across all IMS product portfolios, including rebasing of the Asian and US operations, sale of the Irish banks and legislative changes in Europe reducing Structured Finance activity, partially offset by strong performance in the Markets business as a result of increased client sales due to recent interest and exchange rate volatility and improved performance in Financial Institutions and Credit Products as a result of new business initiatives.

Operating expenses reduced by 1.1% primarily due to the impact of the transformation initiatives including rebasing of the Asian and US operations and the sale of the Irish banks. This has also contributed to the reduction in FTEs.

The write-back in bad and doubtful debts in the March 2006 half versus the March 2005 charge (135.4% lower) is primarily due to the high level of specific provisions taken in the March 2005 half.

Return on average risk weighted assets improved 10 basis points to 0.89% (12.7%) due to the ongoing focus of releasing low yielding risk weighted assets which resulted in a reduction of capital deployed in IMS of $830m.

After taking into account reclassification of bill acceptances under AIFRS and the deconsolidation of securitisation vehicles following the restructure of arrangements, average external interest-earning assets reduced by $6.8 billion (6.8%). This was driven by the strategic decision to release capital invested in low yielding assets in order to improve returns in the IMS business, and as a result of legislative changes in Europe reducing the level of Structured Finance assets. This also contributed to the reduction in gross loans and acceptances.

Asset quality remains strong, however the level of exposures rated as investment grade has marginally reduced from 94.8% at 31 March 2005 to 92.3% at 31 March 2006 due to the strategic decision to exit low yielding assets which are typically investment grade. The level of non-accrual loans has reduced by $168 million (33.7% lower) with the sale of certain US energy and utilities exposures in the September 2005 half, together with recoveries, facilities returning to performing status, and the write off of a historical exposure in the March 2006 half year.

Management Discussion & Analysis Group Funding and Corporate Centre

OTHER (GROUP FUNDING & CORPORATE CENTRE)

Performance Summary

	Half Year to			Fav/(Unfav) Change on	
	Mar 06 $m	Sep 05 $m	Mar 05 $m	Sep 05 $m	Mar 05 $m
Cash Earnings before Significant Items					
Group Funding	**87**	32	(41)	55	128
Corporate Centre	**(22)**	(93)	(150)	71	128
Other	**65**	(61)	(191)	126	256

Group Funding

Group Funding acts as the central vehicle for movements of capital and structural funding to support the Group s operations. This ensures divisional results are not affected by factors related to Group operations and enhances the comparability of divisional performance over time.

Group Funding recorded a surplus for the March 2006 half year of $87 million.

Financial performance movement on September 2005 half

Compared to the Group Funding surplus of $32 million in September 2005, the $55 million increase is primarily due to:

- Gains from fair valuing of hedges of future cash flows within the Group;
- Increased interest income earned on surplus Group funds;
- Increase in interest income received from other Group companies in respect of funding; and

A reduction in net capital benefit paid due to changes in the internal allocation model and a lowering of the risk weighted assets in the business.

Financial performance movement on March 2005 half

Compared to the Group Funding deficit of $41 million in March 2005, the $128 million increase is primarily due to:

Gains from fair valuing of hedges of future cash flows within the Group;

Increased interest income earned on surplus Group funds;

Increase in interest income received from other Group companies in respect of funding; and

A reduction in net capital benefit paid due to changes in the internal allocation model and a lowering of the risk weighted assets in the business.

Corporate Centre

Corporate Centre comprises the following units Group Financial and Risk Management (includes Group Treasury and Nautilus Insurance), Group People and Culture, Group Development and Office of the CEO.

Corporate Centre recorded a deficit for the March 2006 half year of $22 million.

Financial performance movement on 30 September 2005 half year

Compared to the Corporate Centre deficit of $93 million in September 2005, the $71 million reduction in deficit is primarily due to:

- $49 million due to favourable income, generated through the insurance recovery relating to AUSMAQ litigation costs;
- $34 million due to lower personnel expenses (in part due to transfer of functions to business units in various regions, consistent with NAB s regional model), as well as restructuring efficiencies coupled with lower levels of accruals for short term incentives in the March 2006 half as compared to the September 2005 half;
- Lower consultant fees of $14 million (mainly lower spending on requirements for Basel II implementation);
- Offset by a lower tax benefit associated with the lower deficit.

Financial performance movement on 31 March 2005 half year

Compared to the Corporate Centre deficit of $150 million in March 2005, the $128 million reduction in deficit is primarily due to:

- $49 million due to favourable income, generated through insurance recoveries relating to AUSMAQ litigation costs; and

$98 million for costs incurred in the March 2005 half in respect to the Northern Bank robbery and South Korean fraud, partly offset by;

Increased tax expense.

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2006

REPORT ON GROUP OPERATIONS & RESULTS

Report on Group Operations & Results

REPORT ON GROUP OPERATIONS & RESULTS

Directors

Directors in office at the date of this report are:

Michael A Chaney (Chairman)	Paul J Rizzo
Patricia A Cross	Jillian S Segal
Peter JB Duncan	John M Stewart
Robert G Elstone	John G Thorn
Ahmed Fahour	Geoffrey A Tomlinson
Daniel T Gilbert	Michael Ullmer
Thomas (Kerry) McDonald	G Malcolm Williamson

Board changes

Mrs Patricia A Cross and Mr Thomas (Kerry) McDonald were appointed as non-executive directors on December 1, 2005. All other directors were in office for the entire period covered by this report.

Review of Operations and Group Results

Rounding of Amounts

Pursuant to Class Order 98/100 made by the Australian Securities and Investments Commission on July 10, 1998, the Company has rounded off amounts in this report and the accompanying financial statements to the nearest million dollars, except where indicated.

Profit before Income Tax Expense

Group profit before income tax expense increased 29.7% from the September 2005 half, and decreased 1.4% from the March 2005 half.

Net Profit attributable to members of the Company

Movement on September 2005 half

Net profit attributable to members of the Company of $1,994 million for the half year ended March 31, 2006, increased $760 million or 61.6% compared with the half year ended 30 September 2005, primarily as a result of movement in Significant Items.

Significant items are those individually significant items included in profit from ordinary activities where management believes that the inclusion of these items distorts the underlying operating results of the Group and causes difficulty in identifying underlying performance trends and issues.

The March 2006 half year result included the following after tax significant item:

one off income of $270 million in respect of past service revenue arising out of reform made to the UK defined benefit pension fund, offset by an on-going expense of the Group s UK defined benefit plans of $38 million after tax.

The September 2005 half year result includes the following after-tax significant items:

restructuring costs of $328 million;

provision for settlement of tax dispute on TrUEPrS^{SM} of $97 million;

profit on sale of $44 million on the sale of Northern Bank Limited and National Irish Bank Limited (the Irish Banks);

reversal of PfG restructuring provision of $1 million.

Net profit before significant items of $1,762 million for the half year ended 31 March 2006 increased $148 million or 9.2% compared with the half year ended 30 September 2005.

Movement on March 2005 half

Net profit attributable to members of the Company of $1,994 million for the half year ended 31 March 2006, decreased $764 million or 27.7% compared with the half year ended 31 March 2005.

The March 2006 half year result included the following after tax significant item:

one off income of $270 million in respect of past service revenue arising out of reform made to the UK defined benefit pension fund, offset by an on-going expense of the Group s UK defined benefit plans of $38 million after tax.

The March 2005 half year result included the following after tax significant items:

profit on sale of Northern Bank Limited and National Irish Bank Limited (the Irish Banks) after all disposal costs of $1,276 million;

restructuring costs of $248 million;

reversal of a provision in relation to foreign currency options trading losses of $24 million (after-tax); and

reversal of PfG restructuring provision of $6 million.

Net profit before significant items of $1,762 million for the half year ended 31 March 2006 increased $62 million or 3.6% compared with the half year ended 31 March 2005.

Net Interest Income

Net interest income increased 20.7% from both the September 2005 half and the March 2005 half. The result reflects the favourable impact of the full adoption of AIFRS in the March 2006 half year. Excluding the impact of AIFRS, net interest income has increased 5.2% from the September 2005 half due to strong volume growth in all regions and 5.2% from the March 2005 half year.

Volumes by Division

	Mar 06 $bn	Half Year to Sep 05 $bn	Mar 05 $bn	Fav/(Unfav) Change on Sep 05 %	Ex FX %(2)
Average interest-earning assets *(1)*					
Australian Banking	194.5	158.5	148.9	22.7	22.7
UK Banking	48.3	43.1	53.7	12.1	13.2
New Zealand Banking	31.5	29.8	27.4	5.7	6.2
Institutional Markets & Services	135.6	131.4	141.7	3.2	3.4
Other *(3)*	(45.8)	(39.7)	(43.8)	(15.4)	(16.4)
Group average interest-earning assets	364.1	323.1	327.9	12.7	12.9

(1) Average interest-earning assets include bill acceptances of $35.8bn in the March 2006 half year under AIFRS and intercompany balances.

(2) Change expressed at constant foreign exchange rates.

(3) Other includes the Wealth Management regional operations, Group Funding, Corporate Centre and Inter-divisional eliminations.

Average interest-earning assets increased $41.0 billion, or 12.7% on the September 2005 half. This was driven primarily by a $12.6 billion increase in loans and advances and the inclusion of $35.8 billion bill acceptances that are reported in the March 06 period as interest earning assets under AIFRS.

The $12.6 billion increase in loans and advances on the September 2005 half reflects the continued growth in the Group s housing book and improved business lending. Key factors contributing to this outcome were:

Australian Banking growth of $5.9 billion (5.7%) in housing lending on the September 2005 half. Non-housing lending grew $3.2 billion (6.8%) primarily in fixed-rate interest-only term lending and leasing, which increased 9.1% and 8.6% respectively;

Average housing loans in UK Banking increased 18.3% at constant exchange rates on the September 2005 half, due to the growth of the integrated Financial Solutions Centres and the continued development of the Third Party Distribution channel. Average non-housing loan balances in the UK grew 13.0% at constant exchange rates, with growth primarily in overdrafts and variable-rate term lending;

New Zealand Banking s average housing portfolio increased 6.7% at constant exchange rates on the September 2005 half reflecting the continued success of the Unbeatable campaigns while business lending grew 6.6%, at constant exchange rates;

Institutional Markets & Services average core lending decreased $2.3 billion or 5.8% on the September 2005 half mainly due to the deconsolidation of special purpose vehicles under AIFRS. Lending to higher

yielding counter-parties as a result of new business initiatives has largely offset the planned reduction of low yielding assets.

Average marketable debt securities declined $11.7 billion (33.5%) primarily as a result of $5.7 billion run-off of custodian assets in Australian Banking and an AIFRS transitional adjustment where $5.6 billion in acceptances repurchased by the Group as part of trading activities have been reclassified from trading securities to bill acceptances.

Net Interest Margin

Group net interest margin increased 17 basis points during the half year from 2.14% to 2.31%. Compared to the March 2005 half, the net interest margin has increased 19 basis point from 2.12%.

The changes to accounting under AIFRS in the March 2006 half year has had a favourable 9 basis point impact in the current half. After adjusting for AIFRS impacts, the Group net interest margin has increased 8 basis points from the September 2005 half primarily due to the reduction in low margin assets in several businesses.

Divisional net interest margin movements on the September 2005 half are summarised as follows:

Australian Banking margin declined by 9 basis points. Excluding the unfavourable AIFRS impact, the net interest margin has increased 2 basis points on the September 2005 half due to the reduction in custodian assets invested in low margin products and a favourable rate environment. This was partly offset by the ongoing competitive pressure on margins and the continuing shift in the balance sheet to lower-margin home loans and deposit products;

UK Banking margin declined by 9 basis points. Excluding the favourable AIFRS impact in the current half and the income from the Irish Banks sale proceeds in the previous half, the net interest margin has decreased 20 basis points. This reflects the managed margin contraction as part of the expansion strategy together with the planned shift to lower margin products across the lending and deposit portfolios that has been partly offset by an increased contribution from interest rate management.

New Zealand Banking s margin increased by 6 basis points. Excluding the favourable AIFRS impact, the net interest margin has increased by 1 basis point due to favourable deposit margins and stable housing margins as a result of effective margin management that has been partly offset by competitive pressure for business and card products and changes in portfolio mix with growth in lower-margin fixed rate products;

Institutional Markets & Services margin increased by 27 basis points reflecting the significant impact of accounting changes under AIFRS. After adjusting for AIFRS impacts the net interest margin has increased by 8 basis points resulting from the exit of low yielding assets and increased lending to higher yielding counter-parties; and

Group Funding s net interest income has increased, reflecting the results of the Group s ongoing funding activities and capital management.

As a result, on a weighted basis, the key contributor to the Group s 17 basis point net interest margin increase were Institutional Markets & Services contributing 9 basis points of the increase on a weighted basis, followed by Australian Banking contributing 6 basis points. This reflects the positive impact of the planned reduction in low margin investments across the Group and the relative growth in higher margin products.

Net interest margin contribution to the movement in the Group net interest margin on the September 2005 half

Gains Less Losses on Financial Instruments at Fair Value

Movement on September 2005 half

Gains less losses on financial instruments at fair value decreased by $90 million or 30.7% on the September 2005 half (or 30.0% at constant exchange rates) mainly due to the recognition of hedging ineffectiveness of $31 million and the inclusion of derivatives costs associated with short term funding under AIFRS. Under AIFRS derivatives associated with funding activity are fair valued and recognised in trading income. Previously under AGAAP, these costs were treated as hedges and accrual accounted, and incorporated as part of net interest income.

Movement on March 2005 half

Gains less losses on financial instruments at fair value decreased by $143 million on the March 2005 half mainly due to the recognition of hedging ineffectiveness of $31 million and the inclusion of derivatives costs associated with short term funding under AIFRS. Under AIFRS derivatives associated with funding activity are fair valued and recognised in trading income. Previously under AGAAP, these costs were treated as hedges and accrual accounted, and incorporated as part of net interest income.

Other Operating Income

Movement on September 2005 half

Other operating income decreased $548 million or 20.3% (or 20.2% at constant exchange rates) on the September 2005 half to $2,146 million which reflects the following factors:

Loan fees fell by $375 million reflecting the impact of AIFRS for effective yield ($143 million) and reclassification of income on Bill Acceptances to net interest income ($274 million) partly offset by an increase in fees driven by the volume growth in the UK integrated Financial Solutions Centres and third party distribution channel and in the Australian region;

Revaluation losses on exchangeable capital units of $153 million;

A one off profit on a UK property transaction of $51 million received in the September 2005 half; and

A decline of $40 million in money transfer fees and foreign exchange income.

Partly offset by:

Income received of $49 million generated primarily through the insurance recovery relating to AUSMAQ Litigation costs;

Receipt of a $20 million creditor profit share in the UK (which is only received in the first half of each year);

Proceeds from the sale of the UK Discretionary Investment management business to Tilney Investment Management of $13 million; and

An increase in income for the provision of transitional services to Danske Bank A/S of $13 million (with offsetting expense recorded in operating expenses).

Movement on March 2005 half

Other operating income decreased by $411 million or 16.1% (or 15.4% at constant exchange rates) on the March 2005 half to $2,146 million. Excluding the impact of the Irish Banks, other operating income declined $339 million or 13.6% which reflects the following factors:

Loan fees fell by $332 million reflecting the impact of AIFRS for effective yield ($143 million) and reclassification of income on Bill Acceptances to net interest income ($274 million) and the sale of the Irish Banks. This has been partly offset by an increase in fees driven by the volume growth in the UK integrated Financial Solutions centres and third party distribution channel and in the Australian region; and

Revaluation losses on exchangeable capital units of $153 million.

Partly offset by:

An increase in income for the provision of transitional services to Danske Bank A/S of $48 million (with offsetting expense recorded in operating expenses);

Income received of $49 million generated primarily through the insurance recovery relating to AUSMAQ Litigation costs;

Proceeds from the sale of the UK Discretionary Investment management business to Tilney Investment Management of $13 million;

Increased income of $20 million reflecting higher master custody and custodian fees driven by customer growth and increased fee income driven by growth in funds under management in Wealth Management Australia; and

Additional fleet service fees and rental income of $27 million.

Operating Expenses

Movement on September 2005 half

Operating expenses (excluding charge to provide for doubtful debts and significant expenses) fell $209 million or 5.1% (or 4.9% at constant exchange rates) on the September 2005 half to $3,884 million. Including the ongoing costs of the Group s UK defined benefit plans of $54 million (refer to note 3), operating expenses fell $155 million or 3.8% (or 3.6% at constant exchange rates) to $3,938 million. In particular:

Operational risk losses decreased by $71 million, primarily driven by a reduction in costs relating to fee refunds for the Choice package, BAD tax and fixed rate interest only loans ($111 million in the September 2005 half; $53 million in the current half);

Professional fees reduced by $50 million, primarily as a result of a reduction in consulting fees relating to the Group s compliance projects;

A reduction in communication costs of $20 million as a result of finalisation of projects and lower network costs after the completion of ATM contracts; and

A reduction in other general expenses, mainly due to the application of effective yield requirements to loan related fee origination costs now deferred of $43 million, $30 million costs of financial planners in the September 2005 half year which are now classified within personnel expenses, and impairment on the Group s Custom Fleet assets of $16 million in the September 2005 half that did not recur in the current period;

Partly offset by:

Personnel expenses (excluding superannuation and equity based payments), which increased by $68 million (4.0% growth), reflecting salary increases and additional provisions for performance based remuneration. Benefits achieved from restructuring programmes throughout the Group have been partially offset by an increase in the number of contractors in the Australian region as a result of increased investment in critical infrastructure and business efficiency initiatives;

Higher fees and commissions of $26 million, mainly due to the application of effective yield requirements resulting in items no longer satisfying deferral criteria and an increase as a direct result of growth in funds under management in Wealth Management Australia; and

Higher general expenses of $13 million from the provision of transitional services to Danske Bank A/S.

Movement on March 2005 half

Operating expenses (excluding charge to provide for doubtful debts and significant expenses) decreased $18 million or 0.5% (or increased 0.4% at constant exchange rates) on the March 2005 half year to $3,884 million. Including the ongoing costs of the Group s UK defined benefit plans of $54 million (refer to note 3), operating expenses increased $36 million or 0.9% (or 1.9% at constant exchange rates) to $3,938 million. Excluding the impact of the Irish Banks, operating expenses increased $205 million or 5.5%, reflecting:

Growth in personnel expenses (excluding superannuation and equity based payments) of $144 million (8.8% growth), reflecting salary increases and additional provisions for performance based remuneration. Benefits achieved from restructuring programmes throughout the Group have been partially offset by recruitment to support and frontline operations and an increase in the number of contractors in the Australian region as a result of increased investment in critical infrastructure and business efficiency initiatives;

Higher equity based payments of $30 million, due to higher performance based remuneration;

An increase of $56 million in the charge to provide for operational risk losses, primarily driven by costs relating to fee refunds for the Choice package, BAD tax and fixed rate interest only loans;

Higher fees and commissions of $67 million, mainly due to the application of effective yield requirements resulting in items no longer satisfying deferral criteria and increases as a direct result of growth in funds under management in Wealth Management Australia and growth strategies in the United Kingdom;

Costs associated with the sponsorship of the 2006 Melbourne Commonwealth Games; and

Higher general expenses of $48 million from the provision of transitional services to Danske Bank A/S;

Partly offset by:

Lower superannuation costs of $30 million, due primarily to an updated actuarial review in New Zealand in the March 2005 half;

One-off costs incurred in the March 2005 half of $98 million associated with the Northern Bank robbery and a legal action in South Korea; and

A reduction in other general expenses, mainly due to the application of effective yield requirements to loan related fee origination costs now deferred of $43 million and $24 million costs of financial planners in the March 2005 half year which are now classified within personnel expenses.

Asset Quality

Although the Australia and United Kingdom regions have been in a rebuilding phase and Institutional Markets and Services in a refocus and stabilising phase, the Group generated growth across its portfolio of gross loans and acceptances in a continuing benign credit environment. During the six months to 31 March 2006:

The Australian region continued to generate growth across its portfolio, and maintained its strong position in business and private banking;

The United Kingdom region generated growth pursuant to its strategy under its integrated Financial Services Centre model;

Although the volume of non accrual loans fell, there has been a slight increase in the ratio of 90 day past due loans to total loans , particularly in Australia. Although this ratio is influenced by seasonal factors arising from the Christmas and January/February holiday period, it may be the first indication that the credit cycle (which had bottomed over the past two to three years) has begun to emerge from its cyclical low;

The transition from AGAAP to AIFRS resulted in expected reductions in the Group s level of bad & doubtful debt provisions, however, coverage levels remain satisfactory.

The Group s credit framework remains robust and has continued to be enhanced by improvements to processes which has assisted the Group s growth initiatives via:

Resources being more effectively positioned to focus on client solutions and cross selling opportunities;

Increased speed to market with enhanced turnaround times; and

An overall improvement in customer experience.

Asset composition

The volume of gross loans and acceptances*(1)* for the Group grew by 7% (excluding AIFRS adjustments) in the March 2006 half year to $322 billion (September 2005 half year increase 7%), largely from strong growth in the geographic regions of Australia, $12 billion (6%) to $222 billion, and the United Kingdom $8 billion (15%) to $62 billion. Including $6 billion of AIFRS adjustments to acceptances in the March 2006 half the Group increased gross loans and acceptances by 9% over the September 2005 half year.

Housing loans remain the largest product segment and amount to $162 billion as at 31 March 2006 (September 2005: $152 billion). AIFRS transitional adjustments to acceptances have resulted in the proportion of housing in the portfolio reducing from 52% to 50%. Term loans grew by $7 billion (9%).

Gross Loans & Acceptances by Geography as at 31 March 2006

Gross Loans & Acceptances by Product as at 31 March 2006

(1) *Includes both loans at amortised cost and at fair value. These are presented separately in the balance sheet.*

The regional businesses grew strongly over the March 2006 half as a result of the successful implementation of strategies to lift sales and service standards in their businesses. The initial success of these strategies is illustrated by the strong growth rates generated by Australia* (6%), United Kingdom* (18%) and New Zealand* (7%) prior to exchange rate movement.

Volume of Gross Loans & Acceptances by Region

* Operations excluding Institutional Markets & Services

Trends in the ratings of non-retail exposures and security coverage

Over the March 2006 half the Group has grown its portfolio without materially altering the overall credit quality. The volume of non-retail investment grade equivalent (AAA to BBB-) exposures remains at 76% (FY05: 76%) of the portfolio. However within the investment grade equivalent segment of the portfolio, there has been a decrease of 2% in AAA to BBB+ volumes as a result of Institutional Markets & Services continuing its active capital management program.

As part of the Group s continuous improvement program and Basel II system and process enhancements, new corporate risk rating (probability of default) and security indicator (loss given default) models will be implemented globally over the next twelve months commencing August/September 2006. The new models are better tailored to various industry segments and regional geographies and increase the granularity of the risk grade scale from 16 to 26 levels and the granularity of security indicators from 4 to 10.

Sample testing to date, however, has indicated that there will be no material impact on loan loss provisioning.

Institutional/Corporate and Business Customer Rating Distribution*

Institutional/Corporate and Business % of well secured lending

The proportion of well-secured facilities in the non-retail portfolio increased by 1 percentage point during the March 2006 half to 50% of the portfolio. The Group defines a loan to be well secured where bank security is greater than 100% of the facility.

Accruing loans 90 days past due

The proportion of past due loans to gross loans & acceptances increased in the half from 0.28% to 0.30% (partly the result of seasonal issues) resulting in the volume of past due facilities rising in the six months to 31 March 2006 by 17% to $963 million. The increase was primarily driven by Australian housing loan exposures. The Australian region actively manages its past due exposures amending business strategies as appropriate and taking into account its low write off experience and relationship approach to collections.

The movement in Asia from 0.01% to 0.06% is largely from an increase in past due loans from a low base to $1 million.

Proportion of 90 day past due loans to gross loans and acceptances by Geography

90 day past due facilities consist of well-secured accruing loans that are more than 90 days past due and portfolio-managed facilities that are not well secured but between 90 and 180 days past due.

Non-accrual loans

Non-accrual loans fell in the March 2006 half year by $43 million to $979 million and as a proportion of the portfolio fell from 0.34% to 0.30%. The largest reductions occurred in New Zealand (36% reduction to $66 million) following the repayment and partial write off of impaired facilities relating to one large agribusiness client, and the full exit of non-accrual loans in the United States, after the gross $26 million write off of their only impaired asset. Non-accrual loans rose in Australia by less than 2% to $769 million.

Gross Non-Accrual Loans*

Net Write Offs

As a proportion of gross loans and acceptances the ratio of half yearly net write offs remains unchanged at 0.07%, however the volume of net write offs in the half year to 31 March 2006 amounted to $225 million, being $32 million higher than the September 2005 half year volume.

The increase in volume is primarily due to a rise in retail net write offs. Business net write offs continue to trend towards cyclical lows and have been assisted by the benign credit environment and solid asset prices.

Half Yearly Net Write-Offs by Geography

Regionally, the rise in New Zealand to $27 million is attributable to the $20 million partial write off of one large agribusiness non-accrual exposure. Similarly the increase in the United States to $23 million is from the complete write off of their only impaired asset offset by minor recoveries on other previously written off exposures. The 19% increase in Europe to $126 million is mostly from increases in write offs in the unsecured segment of the retail portfolio.

Provisioning coverage

The provisioning coverage ratio was adjusted as at 1 October 2005 as a result of the transition from AGAAP to AIFRS. This resulted in the coverage ratio decreasing from 236% to 198%.

During the six months to 31 March 2006 the AIFRS coverage ratio has improved to 209%.

The ratio of collective provisions to total credit risk-weighted assets is 0.62% at 31 March 2006 on an AIFRS basis.

From 1 July 2006, a general reserve for credit losses will be established to align coverage ratios with APRA s proposed benchmark of 0.5% of total risk-weighted credit risk assets (refer capital adequacy note in the supplementary section).

Coverage Ratio*

Retail portfolio

The retail portfolio grew strongly over the March 2006 half by 7% to $174 billion.

During this period, the volume of 90-day delinquent loans increased by 6 basis points to 0.63%, driven primarily by increased delinquencies in the Australian region.

The gross 12-month rolling write off rate for the Group s retail portfolio rose by only 1 basis point to 0.29% driven by a rise in the write off rate in the United Kingdom unsecured portfolio. Australia maintained its 12-month rolling write off rate at 0.12% as a result of its strong collection and work out performance, assisted by the maintenance of strong asset prices.

90+ Delinquency and Gross 12 Month

Rolling Write Off Rates for Retail Lending

Taxation

Total income tax expense for the March 2006 half of $1,341 million, was $260 million or 24.1% higher than the September 2005 half and $608 million or 82.9% higher than the March 2005 half.

The effective tax rate excluding statutory funds attributable to the life insurance business for the March 2006 half of 31.2% is consistent with the Group s corporate tax rate of 30% and compares to 38.0% for the September 2005 half and 17.4% for the March 2005 half.

The higher income tax expense for the current half reflects higher operating profits before tax in all businesses and increased tax expense attributable to the statutory funds of the life insurance business. The quantum of income tax expense attributable to the statutory funds of the life insurance business is also impacted by Wealth Management products and activities, to which a wide range of tax rates are applied.

The effective tax rate excluding statutory funds attributable to the life insurance business for the September half of 38.0% was adversely impacted by $97 million in respect of the settlement of a tax dispute with the Australian Taxation Office (ATO) and a $21 million adjustment during the September 2005 half to the non-assessable profit on the sale of the Irish Banks. Excluding significant items and the statutory funds attributable to the life insurance business, the effective tax rate for the September 2005 half was 30.7%.

The effective tax rate excluding statutory funds attributable to the life insurance business for the March 2005 half of 17.4% was favourably impacted by a once-off tax benefit in relation to the non-assessable profit on sale of the Irish Banks amounting to $393 million. Excluding significant items and the statutory funds attributable to the life insurance business, the effective tax rate for the March 2005 half was 30.2%.

The effective tax rate excluding statutory funds attributable to the life insurance business for the 2005 year was 24.6%, favourably impacted by the non-assessable profit in respect of the sale of the Irish Banks, partly offset by the settlement of the ATO tax dispute. Excluding significant items and the statutory funds attributable to the life insurance business, the effective tax rate for the 2005 year was 30.5%.

For details of the Group s contingent tax liabilities refer to note 15 of the Financial Report.

Significant Items

Pensions revenue

The agreement by staff members and trustees to reforms to the UK pension schemes has resulted in a credit to significant revenue of $270 million ($232 million after tax). Refer to note 3 for a break down of this further details.

Balance Sheet

Total assets at 31 March 2006 increased to $459,224 million from $422,598 million at 30 September 2005 and $406,280 million at 31 March 2005. Excluding the impact of exchange rate movements, total assets grew $32,760 million or 7.7% during the half. This increase was driven by the growth in loans and advances (including loans accounted for at fair value), customer acceptances and life insurance business investments, partly offset by a decline in marketable debt securities (trading, available for sale and held to maturity investments).

Total liabilities at 31 March 2006 increased to $433,151 million from $391,044 million at 30 September 2005 and $376,677 at 31 March 2005. Excluding the impact of exchange rate movements, total liabilities grew $39,376 million or 10.0% during the half. This increase was driven by the growth in deposits and other borrowings (including deposits accounted for at fair value), liability on acceptances, life insurance policy liabilities and bonds, notes and subordinated debt. Liabilities have also increased as a result of minority interests relating to the life insurance business being reclassified to liabilities from October 1, 2005 under AIFRS.

Total equity at 31 March 2006 in the Group decreased to $26,073 million from $31,554 million at 30 September 2005 and $29,603 million at 31 March 2005. However, excluding minority interests relating to the life insurance business of $6,224 million, which were reclassified to liabilities from 1 October 2005 under AIFRS, total equity increased by $743 million during the half. This increase was primarily driven by an increase in contributed equity, reflecting ordinary share issues, dividend reinvestment and conversion of exchangeable capital units to ordinary shares.

Further discussion on the significant movements in categories of the balance sheet follows:

Lending

		As at		Fav/(Unfav) Change on	
	31 Mar 06 $m	**30 Sep 05 $m**	**31 Mar 05 $m**	**Sep 05 Ex FX%**	**Mar 05 Ex FX%**
Housing					
Australia	123,860	117,718	109,605	5.2	13.0
UK	20,891	17,175	15,289	15.3	36.1
New Zealand	16,431	16,393	15,399	6.8	14.8
Asia	502	494	617	(4.6)	(24.6)
Total housing	161,684	151,780	140,910	6.5	15.5
Term lending *(1)*	80,663	74,455	72,455	8.0	12.6
Other lending *(1)*	42,805	42,963	41,926	(1.9)	2.4
Bill acceptances	37,266	27,627	21,567	34.9	72.8
Total lending (gross loans & acceptances)	322,418	296,825	276,858	8.2	17.1

(1) Includes loans accounted for at fair value of $14,396 million as at 31 March 2006. On the balance sheet, these amounts are included within other financial assets at fair value.

Housing lending has increased by $9,904 million or 6.5% (excluding foreign exchange movements) from the September 2005 half to $161,684 million supported by continued strong residential mortgage markets across all regions.

In Australia, housing lending increased by 5.2% from the September 2005 half, reflecting continued strong growth in the housing sector and sound economic conditions, despite a slight decrease in market share, which reflects the restructure of the proprietary distribution channel and a deliberate strategy to reduce the amount of business through third party channels. The housing lending growth reflects both variable rate products (including 100% offset accounts) as well as fixed rate-lending products.

In the UK, housing lending increased by 15.3% (excluding foreign exchange movements) from the September 2005 half, reflecting strong growth across the Integrated Financial Solution Centres (with the opening, upgrading and relocation of more centres), continued growth in the third party distribution channel (inception in May 2004) and the branch network. The UK is continuing to successfully implement its strategy of increasing housing lending and target volume growth expansion strategies, with significant growth in variable rate lending, particularly the highly promoted offset mortgages.

In New Zealand, housing lending increased by 6.8% (excluding foreign exchange movements) from the September 2005 half, with market share remaining constant at March 2006, despite an intensively competitive

New Zealand banking environment. Lending volumes grew during the half, driven by sound systems growth in fixed rate housing loans and the continued success of Bank of New Zealand s Unbeatable housing campaign.

Business lending volumes have grown over the half, in all regions, reflecting a combination of strong economic conditions in all regions, increased market share in Australia, continued growth in the UK across the Integrated Financial Solution Centres and New Zealand s core strength in business banking.

Bill acceptances increased by $9,639 million or 34.9% during the March 2006 half. However as a result of 1 October 2005 AIFRS transition adjustments, acceptances repurchased by the Company as part of trading activities have been reclassified from trading securities to bill acceptances. Excluding the impact of this reclassification, volumes have grown 14.8% over the half as bill acceptances continue to be a product favoured by business customers due to favourable pricing and flexibility.

Marketable Debt Securities

Marketable debt securities (trading, available for sale and held to maturity investments) decreased by 38.7% to $16,225 million during the March 2006 half. The reduction in these securities mainly reflects 1 October 2005 AIFRS transition adjustments, including the accounting for bill acceptances repurchased by the Company and the reclassification of certain securities transferred to other financial assets at fair value following the introduction of this category under AIFRS.

Life insurance business investments and life insurance policy liabilities

Life insurance business investments increased by $4,290 million or 8.6% during the March 2006 half to $54,073 million. This increase in life insurance business investments primarily reflects growth in funds under management and continued strong equity market conditions, particularly international markets.

The increase in life insurance business investments was largely offset by an increase in life insurance policy liabilities as the movement in investment assets primarily reflects returns made on policyholder contributions to the investment linked businesses. As a result, life insurance policy liabilities have increased by $4,223 million or 10.0% to $46,346 million.

Deposits and other borrowings

Total deposits and other borrowings (including deposits and other borrowings at fair value) increased by $3,749 million or 1.8% (0.8% excluding foreign exchange movements) during the March 2006 half to $216,306 million.

Total deposits (including deposits at fair value) increased by $4,278 million or 2.3% (1.4% excluding foreign exchange movements) to $190,305 million during the March 2006 half. This increase reflects sound growth in retail deposit volumes (on-demand and savings deposits), particularly in Australia and the UK. In Australia, growth has resulted from the success of several products launched late in the September 2005 half, such as Business Cash Maximiser deposit products and the iSaver product that was introduced in mid-September 2005 as an alternative to product offerings from competitors. Growth in the UK was primarily in retail term deposits and the current account plus product, driven by the continued expansion of the Integrated Financial Solutions Centres across England, as well as improved sales focus and pricing initiatives offered. The increase in retail deposits has been partly offset by a decrease in certificates of deposits in Australia, primarily reflecting the Group s current strategy of reducing its reliance on short-term borrowings and lengthening its debt maturity profile.

Other borrowings have decreased by $529 million or 2.0% (3.7% excluding foreign exchange movements) to $26,001 million during the March 2006 half. This decrease again mainly reflects the Group s current strategy of reducing its reliance on short-term borrowings and lengthening its debt maturity profile.

Bonds, notes and subordinated debt

Bonds, notes and subordinated debt increased by $14,232 million or 34.3% during the March 2006 half to $55,722 million. This increase substantially reflects the issuance undertaken to fund asset growth and reflects the Group s current strategy of reducing reliance on short-term funding and lengthening the term debt maturity profile. This is achieved through utilising various debt issuance programs available to the Group.

During the half, Clydesdale Bank and Bank of New Zealand also issued debt under the Group s US$30 billion global medium term program. Issuing by these entities in their own name, unguaranteed by National Australia Bank Limited, will further increase the Group s access to a diverse and liquid investor base within the global capital markets.

Capital Position

Capital ratios and risk-weighted assets are set out below:

	Target ratio %	31 Mar 06 %	As at 30 Sep 05 %	31 Mar 05 %
ACE ratio	4.75 5.25	5.77	5.49	5.84
Tier 1 ratio	7.0 - 7.5	8.05	7.86	8.30
Total capital ratio	**10.0 -10.5**	**10.73**	**10.45**	**11.37**

	31 Mar 06 $m	As at 30 Sep 05 $m	31 Mar 05 $m
Risk-weighted assets credit risk	288,350	276,540	266,854
Risk-weighted assets market risk	13,474	13,293	12,294
Total risk-weighted assets	**301,824**	**289,833**	**279,148**

Movement in ACE Ratio

Impact of the Australian Equivalents of International Financial Reporting Standards (AIFRS) on Regulatory Capital effective 1 July 2006

APRA requires regulatory capital to continue to be calculated in accordance with AGAAP until 1 July 2006. As such, the effect to total equity of material AIFRS adjustments to 1 October 2005 and material AIFRS impacts to 31 March 2006 have been reversed for the purposes of calculating the Group s capital position at 31 March 2006 (refer supplementary information Note 3). Final APRA standards on AIFRS are expected shortly and the Group is currently discussing its transitional arrangements with APRA.

Capital Movements during the period

There has been no change to the National s target capital ranges during the March 2006 half.

In addition to regulatory capital ratios, the National uses the adjusted common equity (ACE) ratio as a key capital target. It measures the capital available to support the banking operations, after deducting the Group s investment in its wealth management operations. As at 31 March 2006, the ACE ratio was 5.77%, an increase from 5.49% at 30 September 2005. *Refer to supplementary information note 3 regarding the components of the ACE ratio.*

The Group s ACE and Tier 1 ratios increased during the half and are above the top end of our stated target ranges at 31 March 2006. The increase in these ratios principally reflects the conversion of $545 million exchangeable capital units into ordinary shares. The increase in the total capital ratio also reflects the issue of GBP 250 million subordinated debt by Clydesdale Bank.

The continuing initiative to reduce low return risk-weighted assets in the Institutional Markets & Services business resulted in a reduction in credit risk RWAs of approximately $7 billion in the half year to March 2006.

As directed by APRA, the National currently uses the standard method to calculate the market risk capital component of risk-weighted assets. During the half there was an increase of $181 million in the market risk component of risk-weighted assets. Using an internal model, which was applied prior to 31 March 2004, the market risk component of risk-weighted assets at 31 March 2006 amounted to $2,746 million, down from $3,217 million at 30 September 2005. The effect of using the standard method to calculate the market risk component of risk-weighted assets was an increase of $10,728 million (compared to $10,076 million at 30 September 2005).

APRA s proposals on Tier 1 hybrid capital

On 7 April 2006, APRA released draft prudential standards on Tier 1 hybrid capital. Based on these proposals, hybrid Tier 1 capital will be classified into two categories being Innovative Tier 1, which will be limited to 15% of net Tier 1 capital, and a new category of Non-Innovative Tier 1 representing 10% of net Tier 1 capital. Non-Innovative Tier 1 capital includes perpetual non-cumulative preference shares issued either on a stand-alone basis or via a stapled structure. APRA proposes to introduce these rules from 1 July 2006, however the new limits will not apply until 1 January 2008, coinciding with the implementation of the Basel II Framework. A further transitional period, until 1 January 2010, will apply for entities that are materially affected by the proposed changes.

Other Matters

Claim for compensation for foreign currency options trading losses

In September 2005, the Company issued letters of demand claiming compensation exceeding $539 million against ICAP plc and another broker in relation to the foreign currency options trading losses announced in January 2004.

The Company is seeking compensation for losses including foreign currency trading losses, additional expenses and loss of profit as a result of the disruption to foreign currency options trading services. The Company has also indicated its intention to seek exemplary damages against ICAP plc and another broker in any proceedings brought against those firms. The Company has conducted a detailed forensic investigation over the course of more than a year in preparing its claims, and has also had regard to evidence gained during inquiries by APRA and PricewaterhouseCoopers.

The Company is confident it has a strong case to seek compensation from the parties involved in the foreign currency options trading losses. While the Company would prefer to resolve its claims against those parties by negotiation, it may be necessary for it to bring legal proceedings against them to enforce its rights.

New ongoing employment arrangement for the Company s Managing Director and Group Chief Executive John Stewart

The Group announced in December 2005 that the Company s Managing Director and Group Chief Executive John Stewart agreed to terms of a new ongoing employment arrangement.

Commission certifies new NAB Enterprise Agreement

The Group announced in February 2006 that it has certified a new three-year Enterprise Agreement in the Australian Industrial Relations Commission (AIRC). The new Enterprise Agreement 2006-2009 covers all employees, including NAB and MLC staff formerly covered by separate agreements.

UK staff support changes to UK pension schemes

The Group announced in March 2006 that its UK staff have supported a series of reforms to their final salary and defined contribution pension schemes.

The proposed reforms were put to a ballot of the members of the three defined benefit schemes (approximately 7,000 in the Clydesdale Bank and Yorkshire Bank schemes, 800 in the National Australia Bank scheme) and the 1,200 members of the defined contributions scheme.

Key aspects of the proposed reforms to the defined benefit schemes are as follows:

All defined benefits accrued to 31 March 2006 are unaffected and the defined benefit schemes remain non-contributory.

From 1 April 2006, the defined benefit schemes moved to a structure known as career average , under which members earn blocks of pension every year. Rather than receiving a pension based solely on a final salary at retirement, the proposed structure builds pension benefits year-on-year based on a member s annual salary.

NAB will make a one-off contribution of £100 million across its three defined benefit schemes in the 2006 financial year. This contribution will reduce the deficit with no resulting material profit and loss impact. Further discussions will now be entered into with the Trustee boards on an appropriate basis to address the remaining deficit.

The proforma AIFRS impact of these reforms on a full year, ongoing basis, would result in a pension expense reduction of between £15 million and £20 million.

Australian Stock Exchange Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations

Under recommendation 7.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice recommendations, the Managing Director and Chief Executive Officer and the Director, Finance and Risk are required to state to the Board in writing that the certifications they give to the Board under Recommendation 4.1(as to the integrity of the Company s financial statements) are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that the Company s risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

In relation to the 2005 financial year, these certifications given by the Managing Director and Chief Executive Officer, and the Director, Finance and Risk referred to certain matters relating to controls and procedures and internal control over financial reporting as at September 30, 2005, (as set out on pages 65 & 66 of the Company s 2005 Annual Financial Report, and summarised below).

Progress has been made in addressing each of the matters and whilst one matter is now considered to be sufficiently remediated, several remain reported for the March 31, 2006 half year. Details of these matters, updated for any recent developments, are summarised below:

Matters reported in 2005 Annual Financial Report with relevance to March 31, 2006 half year

The discovery of unauthorised trading in foreign currency options: In January 2004, the Company announced that it had identified losses relating to unauthorised trading in foreign currency options. In the investigation of those losses it was found that there were significant issues in relation to risk systems, procedures and organisational culture. In the 2005 Annual Financial Report there were four key areas disclosed as still requiring remediation. These were:

- Design and implementation of improved governance structures;
- Validation of complex models;
- Regular reconciliation of key data flows; and
- Improvements to the corporate culture.

As of the March 31, 2006 half-year the matters surrounding the design and implementation of improved governance structures and improvements to the corporate culture have been addressed and are discussed in further detail below. Progress is ongoing with regard to the remaining two issues.

The extent of manual processes necessary in order to compensate for the identified systems deficiencies: While the core financial information systems of the Company are considered sound and controlled effectively, further improvement is necessary to the Company s disclosure controls and procedures and internal controls over financial reporting. In particular there are identified system deficiencies where the Company relies extensively on manual controls and processes together with key personnel in mitigating the risk arising from these deficiencies.

Related to this, on February 27, 2006 the Company announced to the ASX that corrections were required in relation to certain classification disclosures included in Notes 11 and 16 of the 2005 Annual Financial Report and that the classifications were derived from ancillary systems, requiring manual processing.

The operation of key manual controls and processes will continue to be reviewed and tested as part of Company s assessment of the integrity of the internal control framework over financial reporting, as part of the Company s Sarbanes-Oxley 404 compliance program for the full year to September 30, 2006. Management will continue to progress the resolution of the identified deficiencies to reduce the reliance on the manual controls.

Other matters reported in 2005 Annual Financial Report now addressed

Organisational and cultural change: The 2005 Annual Financial Report noted the progress made in addressing the organisational cultural issues highlighted in the Company s 2004 results following the APRA investigation into the unauthorised foreign currency option trading. The Company has continued to address these matters and has been advised that APRA considers sufficient progress has been made for closure of the cultural remedial actions raised in that investigation, subject to ongoing monitoring and a specific review by Internal Audit later this year. This will continue to be an area of focus for senior management and the Board.

Matters reported in the 2005 Annual Financial Report not considered relevant for March 2006 half year reporting

Reconciliation with US GAAP:

A reconciliation of the financial statements to US GAAP is not included in the March 2006 half year reporting and this disclosure is therefore not relevant for the March 2006 half year financial statements. Focus on this issue however continues to further improve processes for the full year to September 30, 2006. Reference should be made to the 2005 Annual Financial Report for further information.

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2006

DETAILED FINANCIAL INFORMATION

The following section does not purport to be a set of financial statements.
For the Group s financial statements refer to appendix 4D filed with the ASX.

Condensed Consolidated Income Statement

CONDENSED CONSOLIDATED INCOME STATEMENT

For the half year ended	Note	Mar 06 $m	Sep 05 $m	Mar 05 $m
Interest income		**12,191**	10,873	10,230
Interest expense		**(7,999)**	(7,401)	(6,758)
Net interest income		**4,192**	3,472	3,472
Premium and related revenue		**460**	472	434
Investment revenue		**4,976**	4,719	2,812
Claims expense		**(262)**	(303)	(287)
Change in policy liabilities		**(3,891)**	(3,499)	(2,071)
Policy acquisition and maintenance expense		**(390)**	(374)	(365)
Investment management fees		**(19)**	(15)	(18)
Net life insurance income		**874**	1,000	505
Gains less losses on financial instruments at fair value	**3**	**203**	293	346
Other operating income	**3**	**2,146**	2,694	2,557
Significant revenue				
Pensions revenue	**3**	**333**		
Proceeds from the sale of controlled entities	**14(e)**		(21)	2,514
Total other income		**2,682**	2,966	5,417
Personnel expenses	**4**	**(1,920)**	(1,899)	(1,908)
Occupancy related expenses	**4**	**(262)**	(262)	(277)
General expenses	**4**	**(1,702)**	(1,932)	(1,717)
Charge to provide for doubtful debts	**8**	**(270)**	(253)	(281)
Significant expenses				
Foreign currency options trading losses				34
Restructuring provision			(437)	(356)
PfG restructuring provision			2	9
Cost of foreign controlled entity sold	**14(e)**		114	(1,253)
Total operating expenses		**(4,154)**	(4,667)	(5,749)