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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ABN 12 004 044 937

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.

SECTION 2

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2006

SELECTED FINANCIAL DATA

1

Divisional Performance Summary

DIVISIONAL PERFORMANCE SUMMARY

		Half Year to		Fav / (Unfav) Change on	
	Mar 06 $m	**Sep 05 $m**	**Mar 05 $m**	**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)

(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.

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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%

		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.

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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.

(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**
30 September 2005	**Banking**	**WM**	**Asia**	**Total UK**	**Total 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
				Total	Total				
31 March 2005	Banking	WM	Asia	UK	NZ	IMS	Other(1)	Eliminations	Group
	$m	$m	$m	$m	$m	$m	$m	$m	$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

	Mar 06	Half Year to Sep 05	Mar 05(1)	Fav/(Unfav) Change on Sep 05	Mar 05
	$m	$m	$m	%	%
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

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(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	**Sep 05**	**Mar 05**	**Sep 05**	**Mar 05**
	$m	**$m**	**$m**	**%**	**%**
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

Fav/(Unfav)