NATIONAL AUSTRALIA BANK LTD
Form 6-K
October 25, 2006

**FILE NO 1-9945**

# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON DC 20549**

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# 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 **October 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-Fx Form 40-Fo

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 x

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

**Group Corporate Affairs**
500 Bourke Street, Melbourne
Victoria 3000
Australia

www.nabgroup.com

ABN 12 004 044 937

**ASX Announcement**

*Tuesday, 24 October 2006*

**National Australia Bank Full Year Reporting Template**

National Australia Bank today released its reporting template extract for the 2006 financial year profit announcement.

The template is provided to allow analysts to update financial models to take into account the impact of businesses disposed during 2006.

To facilitate comparison on a like for like basis, prior period cash earnings have been reduced to reflect operations that have been sold. These include Custom Fleet and the MLC life insurance operations in Hong Kong and Indonesia.

The template also includes refinements to the March 2006 disclosure of fair value movements for financial instruments. This is associated with the introduction of the Australian equivalents of International Financial Reporting Standards and does not change the reported profit.

National Australia Bank will announce its 2006 financial results on Friday 3 November.

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Australia

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**Summary of Changes**

The attached templates incorporate the following changes to the disclosures made at the 31 March 2006 half:

Prior period comparatives have been amended to exclude the impact of the businesses disposed during the year;

Prior period comparatives have been updated to reflect the impact of a minor business re-organisation of the Australian Treasury business moving from Group Funding into the Australia Region;

Reclassification within Gains less losses on financial instruments has been made to reclassify the fair value movements on derivatives designated under the Fair Value Option out of Trading income and into Other fair value movements .

The definition of Cash Earnings has been updated to reflect how it will be determined for the 30 September 2006 half year.

**Divisional Performance Summary**

**DIVISIONAL PERFORMANCE SUMMARY**

| | Half Year to | | | Year to | | |
|---|---|---|---|---|---|---|
| | Sep 06 $m | Mar 06 $m | Fav / (Unfav) Change on Mar 06 % | Sep 06 $m | Sep 05 $m | Fav / (Unfav) Change on Sep 05 % |
| ***Cash earnings (1)*** | | | | | | |
| Australian Banking | | 990 | | | 1,836 | |
| Wealth Management Australia | | 174 | | | 403 | |
| Asia Banking & Wealth Management | | 29 | | | 29 | |
| Australia Region | | 1,193 | | | 2,268 | |
| UK Region | | 257 | | | 536 | |
| New Zealand Region | | 167 | | | 317 | |
| nabCapital | | 286 | | | 577 | |
| Other (incl. Group Funding & Corporate Centre) | | 64 | | | (241) | |
| **Cash earnings before significant items and distributions** | | 1,967 | | | 3,457 | |
| Distributions | | (127) | | | (204) | |
| **Cash earnings before significant items** | | 1,840 | | | 3,253 | |
| Cash earnings before significant items disposed operations | | (52) | | | (93) | |
| **Cash earnings before significant items ongoing operations** | | 1,788 | | | 3,160 | |
| ***Reconciliation to net profit*** | | | | | | |
| **Cash earnings before significant items** | | 1,840 | | | 3,253 | |
| **Adjusted for:** | | | | | | |
| Significant items after tax | | 270 | | | 678 | |
| **Cash earnings after significant items** | | 2,110 | | | 3,931 | |
| **Adjusted for:** | | | | | | |
| Net profit attributable to minority interest | | 259 | | | 610 | |
| Distributions | | 127 | | | 204 | |
| Treasury shares after tax | | (104) | | | (143) | |
| IoRE discount rate variation | | | | | | |
| Impairment of goodwill | | (5) | | | | |
| Revaluation gains / (losses) on exchangeablecapital units after tax | | (134) | | | | |
| Net profit/(loss) on sale of controlled entities | | | | | | |
| Revaluation gains/(losses) on economic hedge of the proceeds on sale of controlled | | | | | | |

| | | |
|---|---|---|
| entities | | |
| **Net profit** | 2,253 | 4,602 |
| Net profit attributable to minority interest | (259) | (610) |
| **Net profit attributable to members of the Company** | 1,994 | 3,992 |
| Distributions | (127) | (204) |
| **Earnings attributable to ordinary shareholders** | 1,867 | 3,788 |

*(1) Cash earnings is a performance measure used by the management of the Group. Refer to Non-GAAP financial measures for a complete discussion of cash earnings.*

**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
Net profit/loss on sale of controlled entities
Revaluation gains/losses on economic hedge of the proceeds on
sale of controlled entities
IoRE discount rate variation
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 pre-determined 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

Net profit/loss on sale of controlled entities relates to profits or losses on the sale of controlled entities.

Revaluation gains/losses on economic hedge of the proceeds on sale of controlled entities represents the fair value movement on derivatives taken out to protect against foreign exchange rate movements and relates directly to the profit/loss on sale of controlled entities.

IoRE discount rate variation relates to the movement in Investment Earnings on Shareholders Retained Profits (IoRE) attributable to the variation between applying the short term and long term discount rates when calculating the IoRE. This adjustment has been made for the 30 September 2006 half only. It had an insignificant impact on the March 2006 half.

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.

**Cash earnings before significant items and Net profit before significant items**

Under Australian accounting standards AASB101 Presentation of Financial Statements additional line items shall be presented when such presentation is relevant to an understanding of the entity s performance. Such items have been identified as significant revenue or expenses and are included on the face of the Income Statement when this is necessary to explain the elements of financial performance. Factors to consider in their identification include materiality and the nature and function of the components of income and expenses.

**DIVISIONAL CASH EARNINGS**

| Year ended 30 September 2005 | Australia Region Banking $m | Australia Region WM $m | Asia $m | UK Region $m | NZ Region $m | nabCapital $m | Other[1] $m | Elimina-tions $m | Total Group $m | Disposed Operations $m | Total Ongoing $m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 3,807 | 5 | 25 | 1,794 | 739 | 502 | 72 | | 6,944 | (94) | 6,850 |
| Net life insurance income excluding IoRE (2) | | 1,498 | 19 | | 9 | | | | 1,526 | (19) | 1,507 |
| Investment earnings on shareholders retained profits & capital (IoRE) | | 124 | 18 | | 4 | | | | 146 | (18) | 128 |
| Other operating income | 2,636 | 658 | 14 | 1,249 | 522 | 927 | 117 | (233) | 5,890 | (814) | 5,076 |
| Net operating income | 6,443 | 2,285 | 76 | 3,043 | 1,274 | 1,429 | 189 | (233) | 14,506 | (945) | 13,561 |
| Operating expenses (3) | (3,543) | (657) | (39) | (2,033) | (768) | (742) | (446) | 233 | (7,995) | 799 | (7,196) |
| Underlying profit | 2,900 | 1,628 | 37 | 1,010 | 506 | 687 | (257) | | 6,511 | (146) | 6,365 |
| Charge to provide for doubtful debts | (257) | | | (216) | (38) | (24) | 1 | | (534) | 9 | (525) |
| Cash earnings before tax | 2,643 | 1,628 | 37 | 794 | 468 | 663 | (256) | | 5,977 | (137) | 5,840 |
| Income tax expense | (807) | (624) | 1 | (258) | (151) | (86) | 15 | | (1,910) | 35 | (1,875) |
| **Cash earnings before significant items, distributions and Minority Interest** | 1,836 | 1,004 | 38 | 536 | 317 | 577 | (241) | | 4,067 | (102) | 3,965 |
| Net profit - Minority Interest | | (601) | (9) | | | | | | (610) | 9 | (601) |
| **Cash earnings before significant items and distributions** | 1,836 | 403 | 29 | 536 | 317 | 577 | (241) | | 3,457 | (93) | 3,364 |
| Distributions | | | | | | | | | (204) | | (204) |
| **Cash earnings before significant items** | | | | | | | | | 3,253 | (93) | 3,160 |

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

*(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 31 March 2006 | Australia Region Banking $m | Australia Region WM $m | Asia $m | UK Region $m | NZ Region $m | nabCapital $m | Other[1] $m | Elimina-tions $m | Total Group $m | Disposed Operations $m | Total Ongoing $m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 2,315 | (6) | 13 | 883 | 401 | 434 | 152 | | 4,192 | 49 | 4,241 |
| Net life insurance income excluding IoRE (2) | | 910 | 20 | | 6 | | | | 936 | (20) | 916 |
| Investment earnings on shareholders retained profits & capital (IoRE) | | 42 | 13 | | 2 | | | | 57 | (13) | 44 |
| Other operating income | 1,082 | 310 | 11 | 590 | 232 | 294 | 70 | (87) | 2,502 | (379) | 2,123 |
| Net operating income | 3,397 | 1,256 | 57 | 1,473 | 641 | 728 | 222 | (87) | 7,687 | (363) | 7,324 |
| Operating expenses (3) | (1,875) | (296) | (29) | (954) | (372) | (366) | (128) | 87 | (3,933) | 299 | (3,634) |
| Underlying profit | 1,522 | 960 | 28 | 519 | 269 | 362 | 94 | | 3,754 | (64) | 3,690 |
| Charge to provide for doubtful debts | (115) | | 1 | (152) | (22) | 17 | 1 | | (270) | | (270) |
| Cash earnings before tax | 1,407 | 960 | 29 | 367 | 247 | 379 | 95 | | 3,484 | (64) | 3,420 |
| Income tax expense | (417) | (527) | | (110) | (80) | (93) | (31) | | (1,258) | 12 | (1,246) |
| **Cash earnings before significant items, distributions and Minority Interest** | 990 | 433 | 29 | 257 | 167 | 286 | 64 | | 2,226 | (52) | 2,174 |
| Net profit - Minority Interest | | (259) | | | | | | | (259) | | (259) |
| **Cash earnings before significant items and distributions** | 990 | 174 | 29 | 257 | 167 | 286 | 64 | | 1,967 | (52) | 1,915 |
| Distributions | | | | | | | | | (127) | | (127) |
| **Cash earnings before significant items** | | | | | | | | | 1,840 | (52) | 1,788 |

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

*(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).*

**SUMMARY OF DISPOSED OPERATIONS**

| Year ended 30 September 2005 | Australia $m | Custom Fleet UK $m | NZ $m | MLC Asia $m | Ireland Banking $m | UK Discretionary Investment Management $m | Total Disposed Operations $m |
|---|---|---|---|---|---|---|---|
| Net Interest Income | (55) | (14) | (25) | 1 | 185 | 2 | 94 |
| Net life insurance income excluding IoRE (1) | | | | 19 | | | 19 |
| Investment earnings on shareholders retained profits & capital (IoRE) | | | | 18 | | | 18 |
| Other Operating Income | 415 | 132 | 174 | 10 | 74 | 9 | 814 |
| Net operating income | 360 | 118 | 149 | 48 | 259 | 11 | 945 |
| Operating expenses (2) | (325) | (113) | (140) | (15) | (198) | (8) | (799) |
| Underlying profit | 35 | 5 | 9 | 33 | 61 | 3 | 146 |
| Charge to provide for doubtful debts | | (1) | (2) | | (6) | | (9) |
| Cash earnings before tax | 35 | 4 | 7 | 33 | 55 | 3 | 137 |
| Income tax expense | (14) | (1) | (1) | | (18) | (1) | (35) |
| **Cash earnings before significant items, distributions and Minority Interest** | 21 | 3 | 6 | 33 | 37 | 2 | 102 |
| Net profit - Minority Interest | | | | (9) | | | (9) |
| **Cash earnings before significant items and distributions** | 21 | 3 | 6 | 24 | 37 | 2 | 93 |

| Half year ended 31 March 2006 | Australia $m | Custom Fleet UK $m | NZ $m | MLC Asia $m | Ireland Banking $m | UK Discretionary Investment Management $m | Total Disposed Operations $m |
|---|---|---|---|---|---|---|---|
| Net Interest Income | (29) | (7) | (14) | | | 1 | (49) |
| Net life insurance income excluding IoRE (1) | | | | 20 | | | 20 |
| Investment earnings on shareholders retained profits & capital (IoRE) | | | | 13 | | | 13 |
| Other Operating Income | 215 | 69 | 87 | 3 | | 5 | 379 |
| Net operating income | 186 | 62 | 73 | 36 | | 6 | 363 |
| Operating expenses (2) | (163) | (56) | (68) | (7) | | (5) | (299) |
| Underlying profit | 23 | 6 | 5 | 29 | | 1 | 64 |
| Charge to provide for doubtful debts | | | | | | | |
| Cash earnings before tax | 23 | 6 | 5 | 29 | | 1 | 64 |
| Income tax expense | (7) | (1) | (2) | (1) | | (1) | (12) |
| **Cash earnings before significant items, distributions and Minority Interest** | 16 | 5 | 3 | 28 | | | 52 |
| Net profit - Minority Interest | | | | | | | |
| **Cash earnings before significant items and distributions** | 16 | 5 | 3 | 28 | | | 52 |

*(1) 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).*

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

**Management Discussion & Analysis - Australia Region**

**Australia Region**

***Summary - ongoing operations***

| Cash earnings before significant items | Half Year to Sep 06 $m | Half Year to Mar 06 $m | Fav / (Unfav) Change on Mar 06 % | Year to Sep 06 $m | Year to Sep 05 $m | Fav / (Unfav) Change on Sep 05 % |
|---|---|---|---|---|---|---|
| Australian Banking | | 974 | | | 1,815 | |
| Wealth Management Australia | | 174 | | | 403 | |
| Asia Banking | | 1 | | | 5 | |
| Australia Region | | 1,149 | | | 2,223 | |

**Australian Banking**

***Performance Summary - ongoing operations***

| | Half Year to Sep 06 $m | Half Year to Mar 06 $m | Fav / (Unfav) Change on Mar 06 % | Year to Sep 06 $m | Year to Sep 05 $m | Fav / (Unfav) Change on Sep 05 % |
|---|---|---|---|---|---|---|
| Net interest income | | 2,344 | | | 3,862 | |
| Other operating income | | 867 | | | 2,221 | |
| **Total income** | | 3,211 | | | 6,083 | |
| Operating expenses | | (1,712) | | | (3,218) | |
| **Underlying profit** | | 1,499 | | | 2,865 | |
| Charge to provide for doubtful debts | | (115) | | | (257) | |
| **Cash earnings before tax** | | 1,384 | | | 2,608 | |
| Income tax expense | | (410) | | | (793) | |
| **Cash earnings before significant items** | | 974 | | | 1,815 | |

***Key Performance Measures - ongoing operations***

| | Half Year to Sep 06 $m | Half Year to Mar 06 $m | Fav / (Unfav) Change on Mar 06 % | Year to Sep 06 $m | Year to Sep 05 $m | Fav / (Unfav) Change on Sep 05 % |
|---|---|---|---|---|---|---|
| **Performance & profitability** | | | | | | |

| | | |
|---|---|---|
| Return on average assets (annualised) | 1.00% | 0.99% |
| Cost to income ratio | 52.9% | 52.5% |
| Cash earnings per average FTE (annualised) ($'000) | 108 | 101 |
| **Net interest income** | | |
| Net interest margin | 2.42% | 2.52% |
| Net interest margin (including acceptances) (1) | 2.42% | 2.38% |
| Net interest spread | 2.36% | 2.50% |
| **Average balance sheet ($bn)** | | |
| Gross loans and acceptances | 194.5 | 174.6 |
| Interest-earning assets | 194.3 | 153.4 |
| Interest-earning assets (including acceptances) (1) | 194.3 | 181.0 |
| Retail deposits | 82.0 | 75.1 |

*(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 September 2005.*

| | As at | | |
|---|---|---|---|
| | 30 Sep 06 | 31 Mar 06 | 30 Sep 05 |
| **Full-time equivalent employees (FTE)** | | 18,132 | 17,598 |
| **Asset quality** | | | |
| Gross non-accrual loans ($m) | | 430 | 372 |
| Gross loans and acceptances ($bn) | | 198.9 | 187.5 |
| Gross non-accrual loans to gross loans and acceptances | | 0.22% | 0.21% |
| Specific provision to gross impaired assets | | 25.0% | 27.8% |
| | | | |
| **Market share (%) (1)** | | | |
| Housing | | 14.08 | 14.19 |
| Business (including Institutional Markets & Services) | | 18.71 | 18.49 |
| Other personal | | 15.52 | 15.50 |
| Retail deposits (Personal & Business) | | 14.22 | 13.76 |

*(1) Source: Reserve Bank of Australia (August 2006 data)*

**Wealth Management Australia**

**Performance Summary**

| | Half Year to | | Fav / (Unfav) Change on | Year to | | Fav / (Unfav) Change on |
|---|---|---|---|---|---|---|
| | Sep 06 $m | Mar 06 $m | Mar 06 % | Sep 06 $m | Sep 05 $m | Sep 05 % |
| Investments | | 80 | | | 179 | |
| Insurance | | 65 | | | 123 | |
| **Profit from operations (after tax)** | | 145 | | | 302 | |
| Investment earnings on shareholders' retained profits and capital from life businesses (IoRE) | | 29 | | | 101 | |
| **Cash earnings before significant items** | | 174 | | | 403 | |

***Key Performance Measures***

| | As at | | |
|---|---|---|---|
| | 30 Sep 06 | 31 Mar 06 | 30 Sep 05 |
| **Full-time equivalent employees (FTEs) (No.)** | | 3,995 | 3,842 |
| **Financial advisers (No.)** | | | |
| Bank channels | | 476 | 466 |
| Aligned channels | | 821 | 827 |
| Funds Under Management & Administration ($bn) | | 90.5 | 84.2 |
| Annual InForce Premiums (Group & Retail) ($m) | | 663.2 | 633.4 |

| **Market share - Australia % as at** | 31 Dec 05 | 30 Jun 05 |
|---|---|---|
| Total Master Funds (1) | 16.2 | 16.4 |
| Retail funds management (ex cash mgmt) (1) | 12.8 | 12.7 |
| Retail risk insurance (2) | 15.0 | 15.0 |
| New retail risk annual premiums (2) | 12.0 | 12.1 |

| | Half Year to | | Fav / (Unfav) Change on | Year to | | Fav / (Unfav) Change on |
|---|---|---|---|---|---|---|
| **Performance & profitability** | Sep 06 | Mar 06 | Mar 06 | Sep 06 | Sep 05 | Sep 05 |
| Cost to funds under management (bps) | | 42 | | | 45 | |
| Cost to premium income (%) | | 16 | | | 15 | |

*(1) Source: Plan for Life Australian Retail & Wholesale Investments Market Share & Dynamics Report as at 30 June 2006*

*(2) Source: DEXX&R Life Analysis Reports as at 30 June 2006. Retail risk insurance includes term, trauma and disability insurance.*

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**Supplementary Performance Summary (includes ongoing and disposed operations - eg. includes Custom Fleet and MLC)**

| | Half Year to | | | Year to | | |
|---|---|---|---|---|---|---|
| **Cash earnings before significant items** | **Sep 06 $m** | **Mar 06 $m** | **Fav / (Unfav) Change on Mar 06 %** | **Sep 06 $m** | **Sep 05 $m** | **Fav / (Unfav) Change on Sep 05 %** |
| Australian Banking | | 990 | | | 1,836 | |
| Wealth Management Australia | | 174 | | | 403 | |
| Asia Banking and Wealth Management | | 29 | | | 29 | |
| Australia Region | | 1,193 | | | 2,268 | |

**Australian Banking**

***Performance Summary***

| | Half Year to | | | Year to | | |
|---|---|---|---|---|---|---|
| | **Sep 06 $m** | **Mar 06 $m** | **Fav / (Unfav) Change on Mar 06 %** | **Sep 06 $m** | **Sep 05 $m** | **Fav / (Unfav) Change on Sep 05 %** |
| Net interest income | | 2,315 | | | 3,807 | |
| Other operating income | | 1,082 | | | 2,636 | |
| **Total income** | | 3,397 | | | 6,443 | |
| Operating expenses | | (1,875) | | | (3,543) | |
| **Underlying profit** | | 1,522 | | | 2,900 | |
| Charge to provide for doubtful debts | | (115) | | | (257) | |
| **Cash earnings before tax** | | 1,407 | | | 2,643 | |
| Income tax expense | | (417) | | | (807) | |
| **Cash earnings before significant items** | | 990 | | | 1,836 | |

**Management Discussion & Analysis - UK Region**

**UK Region**

***Performance Summary - ongoing operations***

| | Half Year to | | Fav / (Unfav) Change on | Year to | | Fav / (Unfav) Change on |
|---|---|---|---|---|---|---|
| **Australian dollars** | **Sep 06 $m** | **Mar 06 $m** | **Mar 06 %** | **Sep 06 $m** | **Sep 05 $m** | **Sep 05 %** |
| Net interest income | | 889 | | | 1,621 | |
| Other operating income | | 516 | | | 1,034 | |
| **Total income** | | 1,405 | | | 2,655 | |
| Operating expenses | | (893) | | | (1,714) | |
| **Underlying profit** | | 512 | | | 941 | |
| Charge to provide for doubtful debts | | (152) | | | (209) | |
| **Cash earnings before tax** | | 360 | | | 732 | |
| Income tax expense | | (108) | | | (238) | |
| **Cash earnings before significant items** | | 252 | | | 494 | |

| **Pounds sterling** | **£m** | **£m** | **%** | **£m** | **£m** | **%** |
|---|---|---|---|---|---|---|
| Net interest income | | 377 | | | 671 | |
| Other operating income | | 219 | | | 427 | |
| **Total income** | | 596 | | | 1,098 | |
| Operating expenses | | (379) | | | (709) | |
| **Underlying profit** | | 217 | | | 389 | |
| Charge to provide for doubtful debts | | (65) | | | (88) | |
| **Cash earnings before tax** | | 152 | | | 301 | |
| Income tax expense | | (46) | | | (98) | |
| **Cash earnings before significant items** | | 106 | | | 203 | |

***Key Performance Measures - ongoing operations***

| | Half Year to | | Fav / (Unfav) Change on | Year to | | Fav / (Unfav) Change on |
|---|---|---|---|---|---|---|
| | Sep 06 $m | Mar 06 $m | Mar 06 % | Sep 06 $m | Sep 05 $m | Sep 05 % |
| **Performance & profitability** | | | | | | |
| Return on average assets (annualised) | | 0.92% | | | 1.02% | |
| Cost to income ratio | | 62.7% | | | 63.4% | |
| Cash earnings per average FTE (annualised) (£'000) | | 23 | | | 21 | |
| **Net interest income** | | | | | | |
| Net interest margin | | 3.68% | | | 3.83% | |
| Net interest spread [(1)] | | 3.04% | | | 3.42% | |
| **Average balance sheet (£bn)** | | | | | | |
| Gross loans and acceptances | | 19.5 | | | 16.4 | |
| Interest-earning assets | | 20.6 | | | 17.5 | |
| Retail deposits | | 12.4 | | | 11.3 | |

*(1) To reflect a change to the treatment of inter-company liabilities, the September 2005 full year net interest rate spread has been restated upwards by 15 basis points. There has been no impact to Group net interest spreads*

| | As at | | |
|---|---|---|---|
| | Sep 06 | Mar 06 | Sep 05 |
| **Full-time equivalent employees (FTE)** | | 9,094 | 9,326 |
| **Asset quality** | | | |
| Gross non-accrual loans (£m) | | 57 | 48 |
| Gross loans and acceptances (£bn) | | 21.1 | 18.5 |
| Gross non-accrual loans to gross loans and acceptances | | 0.27% | 0.25% |
| Specific provision to gross impaired assets | | 20.7% | 78.1% |
| **Financial advisers** | | | |
| Bank channels | | 114 | 115 |
| Aligned channels | | 52 | 43 |
| **Financial advisers (no.)** | | 166 | 158 |
| **Funds under management (£m)** | | 1,184 | 1,028 |

**Supplementary Performance Summary (includes ongoing and disposed operations - eg includes Custom Fleet and the Irish Banks)**

| | Half Year to | | Fav / (Unfav) Change on | Year to | | Fav / (Unfav) Change on |
|---|---|---|---|---|---|---|
| | Sep 06 | Mar 06 | Mar 06 | Sep 06 | Sep 05 | Sep 05 |
| ***Australian dollars*** | **$m** | **$m** | **%** | **$m** | **$m** | **%** |
| Net interest income | | 883 | | | 1,794 | |
| Other operating income | | 590 | | | 1,249 | |
| **Total income** | | 1,473 | | | 3,043 | |
| Operating expenses | | (954) | | | (2,033) | |
| **Underlying profit** | | 519 | | | 1,010 | |
| Charge to provide for doubtful debts | | (152) | | | (216) | |
| **Cash earnings before tax** | | 367 | | | 794 | |
| Income tax expense | | (110) | | | (258) | |
| **Cash earnings before significant items** | | 257 | | | 536 | |
| | | | | | | |
| ***Pounds sterling*** | **£m** | **£m** | **%** | **£m** | **£m** | **%** |
| Net interest income | | 374 | | | 741 | |
| Other operating income | | 250 | | | 517 | |
| **Total income** | | 624 | | | 1,258 | |
| Operating expenses | | (405) | | | (841) | |
| **Underlying profit** | | 219 | | | 417 | |
| Charge to provide for doubtful debts | | (65) | | | (90) | |
| **Cash earnings before tax** | | 154 | | | 327 | |
| Income tax expense | | (46) | | | (107) | |
| **Cash earnings before significant items** | | 108 | | | 220 | |

**Management Discussion & Analysis - New Zealand Region**

**New Zealand Region**

***Performance Summary - ongoing operations***

| | Half Year to | | Fav / (Unfav) Change on | Year to | | Fav / (Unfav) Change on |
|---|---|---|---|---|---|---|
| | Sep 06 | Mar 06 | Mar 06 | Sep 06 | Sep 05 | Sep 05 |
| ***Australian dollars*** | **$m** | **$m** | **%** | **$m** | **$m** | **%** |
| Net interest income | | 415 | | | 764 | |
| Other operating income | | 162 | | | 378 | |
| **Total income** | | 577 | | | 1,142 | |
| Operating expenses | | (313) | | | (645) | |
| **Underlying profit** | | 264 | | | 497 | |
| Charge to provide for doubtful debts | | (22) | | | (36) | |
| **Cash earnings before tax** | | 242 | | | 461 | |
| Income tax expense | | (78) | | | (150) | |
| **Cash earnings before significant items** | | 164 | | | 311 | |
| | | | | | | |
| ***New Zealand dollars*** | **NZ$m** | **NZ$m** | **%** | **NZ$m** | **NZ$m** | **%** |
| Net interest income | | 453 | | | 829 | |
| Other operating income | | 178 | | | 410 | |
| **Total income** | | 631 | | | 1,239 | |
| Operating expenses | | (341) | | | (699) | |
| **Underlying profit** | | 290 | | | 540 | |
| Charge to provide for doubtful debts | | (25) | | | (39) | |
| **Cash earnings before tax** | | 265 | | | 501 | |
| Income tax expense | | (86) | | | (163) | |
| **Cash earnings before significant items** | | 179 | | | 338 | |

***Key Performance Measures - ongoing operations***

| | Half Year to Sep 06 | Mar 06 | Fav / (Unfav) Change on Mar 06 % | Year to Sep 06 | Sep 05 | Fav / (Unfav) Change on Sep 05 % |
|---|---|---|---|---|---|---|
| **Performance & profitability** | | | | | | |
| Return on average assets (annualised) | | 1.02% | | | 1.07% | |
| Cost to income ratio | | 54.0% | | | 56.4% | |
| Cash earnings per average FTE (annualised) (NZ$'000) | | 80 | | | 76 | |
| **Net interest income** | | | | | | |
| Net interest margin [1] | | 2.64% | | | 2.67% | |
| Net interest spread [1] | | 2.30% | | | 2.31% | |
| **Average balance sheet (NZ$bn)** | | | | | | |
| Gross loans and acceptances | | 33.7 | | | 30.4 | |
| Interest-earning assets | | 34.4 | | | 31.1 | |
| Retail deposits | | 18.8 | | | 17.8 | |

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

| | 30 Sep 06 | As at 31 Mar 06 | 30 Sep 05 |
|---|---|---|---|
| **Full-time equivalent employees (FTE)** | | 4,510 | 4,525 |
| **Asset quality** | | | |
| Gross non-accrual loans (NZ$m) | | 70 | 106 |
| Gross loans and acceptances (NZ$bn) | | 34.6 | 32.4 |
| Gross non-accrual loans to gross loans and acceptances | | 0.20% | 0.33% |
| Specific provision to gross impaired assets | | 32.8% | 31.2% |
| | | | |
| **Market share (%)** [1] | | | |
| Housing | | 16.2 | 16.2 |
| Agribusiness | | 17.9 | 17.9 |
| Cards | | 30.6 | 30.5 |
| Retail deposits (personal & business) | | 18.0 | 19.1 |

*(1) Source: RBNZ*

**Supplementary Performance Summary (includes ongoing and disposed operations - eg includes Custom Fleet)**

| | Half Year to | | Fav / (Unfav) Change on | Year to | | Fav / (Unfav) Change on |
|---|---|---|---|---|---|---|
| | Sep 06 | Mar 06 | Mar 06 | Sep 06 | Sep 05 | Sep 05 |
| ***Australian dollars*** | **$m** | **$m** | **%** | **$m** | **$m** | **%** |
| Net interest income | | 401 | | | 739 | |
| Other operating income | | 249 | | | 552 | |
| **Total income** | | 650 | | | 1,291 | |
| Operating expenses | | (381) | | | (785) | |
| **Underlying profit** | | 269 | | | 506 | |
| Charge to provide for doubtful debts | | (22) | | | (38) | |
| **Cash earnings before tax** | | 247 | | | 468 | |
| Income tax expense | | (80) | | | (151) | |
| **Cash earnings before significant items** | | 167 | | | 317 | |
| | | | | | | |
| ***New Zealand dollars*** | **NZ$m** | **NZ$m** | **%** | **NZ$m** | **NZ$m** | **%** |
| Net interest income | | 438 | | | 802 | |
| Other operating income | | 273 | | | 598 | |
| **Total income** | | 711 | | | 1,400 | |
| Operating expenses | | (415) | | | (851) | |
| **Underlying profit** | | 296 | | | 549 | |
| Charge to provide for doubtful debts | | (25) | | | (41) | |
| **Cash earnings before tax** | | 271 | | | 508 | |
| Income tax expense | | (88) | | | (164) | |
| **Cash earnings before significant items** | | 183 | | | 344 | |

**Management Discussion & Analysis - nabCapital**

**nabCapital**

***Performance Summary***

| | Year to | | | Fav / (Unfav) Change on |
|---|---|---|---|---|
| | Sep 06 | Sep 05 | Sep 05 | Sep 05 Ex FX [1] |
| | $m | $m | % | % |
| Net interest income | | 502 | | |
| Other operating income | | 927 | | |
| **Total income** | | 1,429 | | |
| Operating expenses | | (742) | | |
| **Underlying profit** | | 687 | | |
| (Charge)/Write-back to provide for doubtful debts | | (24) | | |
| **Cash earnings before tax** | | 663 | | |
| Income tax expense | | (86) | | |
| **Cash earnings before significant items** | | 577 | | |

| | Half Year to | | | Fav / (Unfav) Change on |
|---|---|---|---|---|
| | Sep 06 | Mar 06 | Mar 06 | Mar 06 Ex FX [1] |
| | $m | $m | % | % |
| Net interest income | | 434 | | |
| Other operating income | | 294 | | |
| **Total income** | | 728 | | |
| Operating expenses | | (366) | | |
| **Underlying profit** | | 362 | | |
| (Charge)/Write-back to provide for doubtful debts | | 17 | | |
| **Cash earnings before tax** | | 379 | | |
| Income tax expense | | (93) | | |
| **Cash earnings before significant items** | | 286 | | |

[1] *Change expressed at constant exchange rates.*

***Key Performance Measures***

| | Half Year to | | Fav / (Unfav) Change on Mar 06 | Year to | | Fav / (Unfav) Change on Sep 05 |
|---|---|---|---|---|---|---|
| | Sep 06 | Mar 06 | % | Sep 06 | Sep 05 | % |
| **Performance & profitability** | | | | | | |
| Return on average Risk Weighted assets (annualised) [1] | | 0.89% | | | 0.78% | |
| Return on average assets (annualised) | | 0.37% | | | 0.36% | |
| Return on average external assets (annualised) | | 0.49% | | | 0.46% | |
| Cost to income ratio | | 50.3% | | | 51.9% | |
| Cash earnings per average FTE (annualised) ($'000) | | 301 | | | 292 | |
| | | | | | | |
| **Net interest income** | | | | | | |
| Net interest margin [2] | | 0.64% | | | 0.37% | |
| **Average balance sheet ($bn)** | | | | | 40.4 | |
| Core lending [3] | | 37.2 | | | 45.7 | |
| Gross loans and acceptances [4] | | 41.7 | | | 100.1 | |
| Interest-earning assets - external | | 97.1 | | | 36.5 | |
| Interest-earning assets - internal [5] | | 38.5 | | | 136.6 | |
| Interest-earning assets - total | | 135.6 | | | | |

| | | As at | | Fav / (Unfav) Change on | |
|---|---|---|---|---|---|
| | 30 Sep 06 | 31 Mar 06 | 30 Sep 05 | Mar 06 % | Sep 05 % |
| **Spot Balance sheet ($bn)** | | | | | |
| Interest earning assets - external | | 90.8 | 80.5 | | |
| Interest earning assets - internal [5] | | 39.7 | 32.8 | | |
| Interest earning assets - total | | 130.5 | 113.3 | | |
| | | | | | |
| Risk weighted assets [1] | | 58.8 | 69.3 | | |
| | | | | | |
| **Full-time equivalent employees (FTE)** | | 1,944 | 1,920 | | |
| **Asset quality** | | | | | |
| Gross non-accrual loans ($m) | | 331 | 434 | | |
| Gross loans and acceptances ($bn) | | 41.1 | 41.8 | | |
| Gross non-accrual loans to gross loans and acceptances | | 0.81% | 1.04% | | |
| Specific provision to gross impaired assets | | 31.7% | 29.4% | | |

*(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 half margin arising under AIFRS was an increase of 19 basis points.*

*(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.*

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**Management Discussion & Analysis - Group Funding and Corporate Centre**

**OTHER (GROUP FUNDING & CORPORATE CENTRE)**

***Performance Summary***

| | Half Year to | | | Year to | | |
|---|---|---|---|---|---|---|
| **Cash Earnings before significant items** | **Sep 06 $m** | **Mar 06 $m** | **Fav / (Unfav) Change on Mar 06 %** | **Sep 06 $m** | **Sep 05 $m** | **Fav / (Unfav) Change on Sep 05 %** |
| Group Funding | | 86 | | | 2 | |
| Corporate Centre | | (22) | | | (243) | |
| **Other** | | 64 | | | (241) | |

**Financial Report - Note 3: Revenue**

**3. REVENUE**

| | Half Year to | | Year to | |
|---|---|---|---|---|
| | **Sep 06 $m** | **Mar 06 $m** | **Sep 06 $m** | **Sep 05 $m** |
| **Gains less losses on financial instruments at fair value** | | | | |
| Trading income | | 227 | | 639 |
| Other financial instruments designated in hedge relationships | | (31) | | |
| Other fair value movements | | 7 | | |
| | | 203 | | 639 |

**Additional Information: Divisional Cash Earnings**

**DIVISIONAL CASH EARNINGS**

| Half year ended 30 September 2005 | Australia Region Banking $m | Australia Region WM $m | Asia $m | UK Region $m | NZ Region $m | nabCapital $m | Other[1] $m | Eliminations $m | Total Group $m | Disposed Operations $m | Total Ongoing $m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 1,965 | | 13 | 813 | 372 | 244 | 65 | | 3,472 | 47 | 3,519 |
| Net life insurance income excluding IoRE [2] | | 1,026 | 5 | | | | | | 1,031 | (5) | 1,026 |
| Investment earnings on shareholders retained profits & capital (IoRE) | | 72 | 8 | | 3 | | | | 83 | (8) | 75 |
| Other operating income | 1,360 | 330 | 10 | 631 | 260 | 423 | 81 | (108) | 2,987 | (375) | 2,612 |
| Net operating income | 3,325 | 1,428 | 36 | 1,444 | 635 | 667 | 146 | (108) | 7,573 | (341) | 7,232 |
| Operating expenses [3] | (1,890) | (354) | (21) | (967) | (367) | (372) | (230) | 108 | (4,093) | 308 | (3,785) |
| Underlying profit | 1,435 | 1,074 | 15 | 477 | 268 | 295 | (84) | | 3,480 | (33) | 3,447 |
| Charge to provide for doubtful debts | (127) | | | (126) | (26) | 24 | 2 | | (253) | 1 | (252) |
| Cash earnings before tax | 1,308 | 1,074 | 15 | 351 | 242 | 319 | (82) | | 3,227 | (32) | 3,195 |
| Income tax expense | (423) | (418) | 2 | (122) | (78) | (40) | 18 | | (1,061) | 7 | (1,054) |
| **Cash earnings before significant items, distributions and Minority Interest** | 885 | 656 | 17 | 229 | 164 | 279 | (64) | | 2,166 | (25) | 2,141 |
| Net profit - Minority Interest | | (454) | (2) | | | | | | (456) | 2 | (454) |
| **Cash earnings before significant items and distributions** | 885 | 202 | 15 | 229 | 164 | 279 | (64) | | 1,710 | (23) | 1,687 |
| Distributions | | | | | | | | | (109) | | (109) |
| **Cash earnings before significant items** | | | | | | | | | 1,601 | (23) | 1,578 |

*(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).*

**Additional Information: Divisional Cash Earnings**

| Half year ended 31 March 2005 | Australia Region Banking $m | Australia Region WM $m | Asia $m | UK Region $m | NZ Region $m | nabCapital $m | Other[1] $m | Elimina-tions $m | Total Group $m | Disposed Operations $m | Total Ongoing $m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 1,842 | 5 | 12 | 981 | 367 | 258 | 7 | | 3,472 | (141) | 3,331 |
| Net life insurance income excluding IoRE [2] | | 472 | 14 | | 9 | | | | 495 | (14) | 481 |
| Investment earnings on shareholders retained profits & capital (IoRE) | | 52 | 10 | | 1 | | | | 63 | (10) | 53 |
| Other operating income | 1,276 | 328 | 4 | 618 | 262 | 504 | 36 | (125) | 2,903 | (439) | 2,464 |
| Net operating income | 3,118 | 857 | 40 | 1,599 | 639 | 762 | 43 | (125) | 6,933 | (604) | 6,329 |
| Operating expenses [3] | (1,653) | (303) | (18) | (1,066) | (401) | (370) | (216) | 125 | (3,902) | 491 | (3,411) |
| Underlying profit | 1,465 | 554 | 22 | 533 | 238 | 392 | (173) | | 3,031 | (113) | 2,918 |
| Charge to provide for doubtful debts | (130) | | | (90) | (12) | (48) | (1) | | (281) | 8 | (273) |
| Cash earnings before tax | 1,335 | 554 | 22 | 443 | 226 | 344 | (174) | | 2,750 | (105) | 2,645 |
| Income tax expense | (384) | (206) | (1) | (136) | (73) | (46) | (3) | | (849) | 28 | (821) |
| **Cash earnings before significant items, distributions and Minority Interest** | 951 | 348 | 21 | 307 | 153 | 298 | (177) | | 1,901 | (77) | 1,824 |
| Net profit - Minority Interest | | (147) | (7) | | | | | | (154) | 7 | (147) |
| **Cash earnings before significant items and distributions** | 951 | 201 | 14 | 307 | 153 | 298 | (177) | | 1,747 | (70) | 1,677 |
| Distributions | | | | | | | | | (95) | | (95) |
| **Cash earnings before significant items** | | | | | | | | | 1,652 | (70) | 1,582 |

*(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).*

**Additional Information: Summary of Disposed Operations**

**SUMMARY OF DISPOSED OPERATIONS**

| Half year ended 30 September 2005 | Australia $m | Custom Fleet UK $m | NZ $m | MLC $m | Ireland Banking $m | UK Discretionary Investment Management $m | Total Disposed Operations $m |
|---|---|---|---|---|---|---|---|
| Net Interest Income | (28) | (7) | (13) | | | 1 | (47) |
| Net life insurance income excluding IoRE [1] | | | | 5 | | | 5 |
| Investment earnings on shareholders retained profits & capital (IoRE) | | | | 8 | | | 8 |
| Other Operating Income | 206 | 71 | 86 | 8 | | 4 | 375 |
| Net operating income | 178 | 64 | 73 | 21 | | 5 | 341 |
| Operating expenses [2] | (169) | (61) | (72) | (5) | | (1) | (308) |
| Underlying profit | 9 | 3 | 1 | 16 | | 4 | 33 |
| Charge to provide for doubtful debts | 1 | (1) | (1) | | | | (1) |
| Cash earnings before tax | 10 | 2 | | 16 | | 4 | 32 |
| Income tax expense | (6) | (1) | 1 | | | (1) | (7) |
| **Cash earnings before significant items, distributions and Minority Interest** | 4 | 1 | 1 | 16 | | 3 | 25 |
| Net profit - Minority Interest | | | | (2) | | | (2) |
| **Cash earnings before significant items and distributions** | 4 | 1 | 1 | 14 | | 3 | 23 |

| Half year ended 31 March 2005 | Australia $m | Custom Fleet UK $m | NZ $m | MLC $m | Ireland Banking $m | UK Discretionary Investment Management $m | Total Disposed Operations $m |
|---|---|---|---|---|---|---|---|
| Net Interest Income | (27) | (7) | (12) | 1 | 185 | 1 | 141 |
| Net life insurance income excluding IoRE [1] | | | | 14 | | | 14 |
| Investment earnings on shareholders retained profits & capital (IoRE) | | | | 10 | | | 10 |
| Other Operating Income | 209 | 61 | 88 | 2 | 74 | 5 | 439 |
| Net operating income | 182 | 54 | 76 | 27 | 259 | 6 | 604 |
| Operating expenses [2] | (156) | (52) | (68) | (10) | (198) | (7) | (491) |
| Underlying profit | 26 | 2 | 8 | 17 | 61 | (1) | 113 |
| Charge to provide for doubtful debts | (1) | | (1) | | (6) | | (8) |
| Cash earnings before tax | 25 | 2 | 7 | 17 | 55 | (1) | 105 |
| Income tax expense | (8) | | (2) | | (18) | | (28) |
| **Cash earnings before significant items, distributions and Minority Interest** | 17 | 2 | 5 | 17 | 37 | (1) | 77 |
| Net profit - Minority Interest | | | | (7) | | | (7) |
| **Cash earnings before significant items and distributions** | 17 | 2 | 5 | 10 | 37 | (1) | 70 |

*(1) 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).*

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

**SIGNATURE PAGE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

**NATIONAL AUSTRALIA BANK LIMITED**

Signature: **/s/ *Brendan T Case***
Name: Brendan T Case
Title: Associate *Company Secretary*

Date: 24 October 2006