NATIONAL AUSTRALIA BANK LTD
Form 6-K
May 16, 2006

FILE NO 1-9945

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

This Report on Form 6-K shall be deemed to be incorporated by reference into the Registration Statement on Forms S-8 (No. 333-103443) and Form F3 (No. 333-6632) of National Australia Bank Limited and to be part thereof from the date on which this Report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

Appendix 4D

National Australia Bank Limited

Half year consolidated report

For the six months ended 31 March 2006

National Australia Bank Limited ABN 12 004 044 937 (the Company)

A reference in this Appendix 4D to the Group is a reference to the Company and its controlled entities.

This half year consolidated report is given to Australian Stock Exchange Limited (ASX) under Listing Rule 4.2A.

This half year consolidated report is to be read in conjuction with the annual financial report 2005.

All currency amounts are expressed in Australian dollars unless otherwise stated.

References in this document to the March 2006 half year are references to the six months ended 31 March 2006.

Other six month periods are referred to in a corresponding manner.

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		8 June 2006

Net profit attributable to members of the Company has decreased 27.7% to $1,994 million for the six months ended 31 March 2006.

Performance has been impacted by a range of factors in the previous corresponding period including the net profit on the sale of Northern Bank Limited and National Irish Bank Limited and restructuring expenses.

The increase in revenue includes growth in interest income and investment revenue, partly offset by the proceeds from the sale of controlled entities in the prior corresponding period of $2,514 million.

For further details refer to the report of the directors on page 4.

National Australia Bank Limited

ABN 12 004 044 937

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REPORT OF THE DIRECTORS

The directors of National Australia Bank Limited (hereinafter referred to as the Company) present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the half year ended 31 March 2006

Directors

Directors in office at the date of this report are:

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

Board changes

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

Review of Operations and Group Results

Rounding of Amounts

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

Profit before Income Tax Expense

Group profit before income tax expense decreased 1.4% from the March 2005 half.

Net Profit attributable to members of the Company

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

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

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

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

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

restructuring costs of $248 million;

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

reversal of PfG restructuring provision of $6 million.

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

Net Interest Income

Net interest income increased 20.7% from the March 2005 half. The result reflects the favourable impact of the full adoption of AIFRS in the March 2006 half year. Excluding the impact of AIFRS, net interest income has increased 5.2% from the March 2005 half year.

Volumes by Division

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

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

(2) Change expressed at constant foreign exchange rates.

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

Average interest-earning assets increased $41.0 billion, or 12.7% on the September 2005 half. This was driven primarily by a $12.6 billion increase in loans and advances and the inclusion of $35.8 billion bill acceptances that are reported in the March 2006 period as interest earning assets under AIFRS.

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

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

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

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

Institutional Markets & Services average core lending decreased $2.3 billion or 5.8% on the September 2005 half mainly due to the deconsolidation of special purpose vehicles under AIFRS. Lending to higher yielding counter-parties as a result of new business initiatives has largely offset the planned reduction of low yielding assets.

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

Net Interest Margin

Group net interest margin increased 19 basis points during the half year from 2.12% to 2.31%.

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

Gains Less Losses on Financial Instruments at Fair Value

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

Other Operating Income

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

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

Revaluation losses on exchangeable capital units of $153 million.

Partly offset by:

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

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

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

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

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

Operating Expenses

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

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

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

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

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

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

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

Partly offset by:

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

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

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

Asset Quality

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

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

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

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

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

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

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

Increased speed to market with enhanced turnaround times; and

An overall improvement in customer experience.

Asset composition

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

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

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

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

* Operations excluding Institutional Markets & Services

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

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

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

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

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

Accruing loans 90 days past due

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

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

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

Non-accrual loans

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

Net Write Offs

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

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

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

Provisioning coverage

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

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

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

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

Retail portfolio

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

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

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

Taxation

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

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

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

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

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

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

Significant Items

Pensions revenue

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

Balance Sheet

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

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

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

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

Lending

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

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

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

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

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

In New Zealand, housing lending increased by 6.8% (excluding foreign exchange movements) from the September 2005 half, with market share remaining constant at March 2006, despite an intensively competitive New Zealand banking environment. Lending volumes grew during the half, driven by sound systems growth in fixed rate housing loans and the continued success of Bank of New Zealand s Unbeatable housing campaign.

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

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

Marketable Debt Securities

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

Life insurance business investments and life insurance policy liabilities

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

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

Deposits and other borrowings

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

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

Australia, primarily reflecting the Group s current strategy of reducing its reliance on short-term borrowings and lengthening its debt maturity profile.

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

Bonds, notes and subordinated debt

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

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

Capital Position

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

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

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

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

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

Capital Movements during the period

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

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

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

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

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

APRA s proposals on Tier 1 hybrid capital

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

Other Matters

Claim for compensation for foreign currency options trading losses

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

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

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

New ongoing employment arrangement for the Company s Group Chief Executive Officer John Stewart

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

Commission certifies new NAB Enterprise Agreement

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

UK staff support changes to UK pension schemes

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

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

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

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

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

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

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

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

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

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

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

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

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

Design and implementation of improved governance structures;

Validation of complex models;

Regular reconciliation of key data flows; and

Improvements to the corporate culture.

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

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

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

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

Other matters reported in 2005 Annual Financial Report now addressed

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

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

Reconciliation with US GAAP:

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

Auditor s independence declaration

A copy of the auditor s independence declaration as required by section 307C of the *Corporations Act 2001 (Cth)* is set out on the following page and forms part of this report.

Directors signatures

Signed in accordance with a resolution of the directors:

Michael A Chaney	**John M Stewart**
Chairman	Group Chief Executive Officer
11 May 2006	

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Auditor s Independence Declaration to the Directors of National Australia Bank Limited

In relation to our review of the financial report of National Australia Bank Limited for the half-year ended 31 March 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

SJ Aldersley
Partner
11 May 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

For the half year ended	Note	Mar 06 $m	Mar 05 $m
Interest income		**12,191**	10,230
Interest expense		**(7,999)**	(6,758)
Net interest income		**4,192**	3,472
Premium and related revenue		**460**	434
Investment revenue		**4,976**	2,812
Claims expense		**(262)**	(287)
Change in policy liabilities		**(3,891)**	(2,071)
Policy acquisition and maintenance expense		**(390)**	(365)
Investment management fees		**(19)**	(18)
Net life insurance income		**874**	505
Gains less losses on financial instruments at fair value	**3**	**203**	346
Other operating income	**3**	**2,146**	2,557
Significant revenue			
Pensions revenue	**3**	**333**	
Proceeds from the sale of controlled entities	**15(e)**		2,514
Total other income		**2,682**	5,417
Personnel expenses	**4**	**(1,920)**	(1,908)
Occupancy related expenses	**4**	**(262)**	(277)
General expenses	**4**	**(1,702)**	(1,717)
Charge to provide for doubtful debts	**9**	**(270)**	(281)
Significant expenses			
Foreign currency options trading losses			34
Restructuring provision			(356)
PfG restructuring provision			9
Cost of foreign controlled entity sold	**15(e)**		(1,253)
Total operating expenses		**(4,154)**	(5,749)
Profit before income tax expense		**3,594**	3,645
Income tax expense	**5**	**(1,341)**	(733)
Net profit		**2,253**	2,912
Net profit attributable to minority interest - Life insurance business		**(259)**	(154)
Net profit attributable to members of the Company		**1,994**	2,758
		cents	**cents**
Basic earnings per share		**118.8**	173.5
Diluted earnings per share		**117.7**	169.4

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	31 Mar 06 $m	As at 30 Sep 05 $m	31 Mar 05 $m
Assets				
Cash and liquid assets		**10,903**	8,441	6,941
Due from other banks		**21,880**	15,595	18,641
Trading derivatives		**16,188**	13,959	17,122
Trading securities		**11,440**	15,154	19,460
Investments - available for sale		**3,080**	3,860	3,484
Investments - held to maturity		**1,705**	7,466	8,666
Investments relating to life insurance business		**54,073**	49,783	43,329
Other financial assets at fair value		**19,387**		
Hedging derivatives		**166**		
Loans and advances	**8**	**266,458**	264,674	250,974
Due from customers on acceptances	**8**	**37,266**	27,627	21,567
Property, plant and equipment		**3,794**	3,829	3,818
Investments in associates and joint ventures		**15**	16	47
Goodwill and other intangible assets		**5,429**	5,458	5,436
Deferred tax assets		**1,662**	1,734	1,717
Other assets		**5,778**	5,002	5,078
Total assets		**459,224**	422,598	406,280
Liabilities				
Due to other banks		**38,964**	36,322	35,020
Trading derivatives		**14,246**	12,613	14,911
Other financial liabilities at fair value		**16,891**	1,487	1,730
Hedging derivatives		**587**		
Deposits and other borrowings	**13**	**206,607**	212,557	208,236
Liability on acceptances		**31,794**	27,627	21,567
Life insurance policy liabilities		**46,346**	42,123	38,494
Current tax liabilities		**209**	145	136
Deferred tax liabilities		**1,574**	1,226	1,101
Provisions		**1,612**	1,847	1,505
Bonds, notes and subordinated debt		**55,722**	41,490	39,610
Other debt issues		**1,681**	1,559	1,586
Defined benefit pension scheme liabilities		**571**	978	999
Managed fund units on issue		**6,111**		
Other liabilities		**10,236**	11,070	11,782
Total liabilities		**433,151**	391,044	376,677
Net assets		**26,073**	31,554	29,603
Equity				
Contributed equity	**14**	**11,920**	10,855	10,685
Reserves	**14**	**714**	814	826
Retained profits	**14**	**13,439**	13,661	13,985
Total equity (parent entity interest)		**26,073**	25,330	25,496
Minority interest in controlled entities Life insurance business			6,224	4,107
Total equity		**26,073**	31,554	29,603

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CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Half Year to	
	Mar 06	**Mar 05**
	$m	**$m**
Actuarial gains and losses from defined benefit pension plans	**56**	(68)
Cash flow hedges		
Gains/(losses) taken to equity	**15**	
Transferred to income statement for the period	**(23)**	
Exchange differences on translation of foreign operations	**290**	(351)
Realised gains and dividend income on treasury shares	**22**	10
Income tax on items taken directly to or transferred directly from equity	**1**	
Net income recognised directly in equity	**361**	(409)
Net profit for the period	**2,253**	2,912
Total net income recognised for the period	**2,614**	2,503
Attributable to:		
Members of the parent	**2,355**	2,349
Minority interest	**259**	154
Total net income recognised for the period	**2,614**	2,503

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the half year ended	Note	Mar 06 $m	Mar 05 $m
Cash flows from operating activities			
Interest received		**11,485**	10,301
Interest paid		**(7,293)**	(6,812)
Life insurance			
Premiums received		**3,794**	3,879
Investment and other revenue received		**747**	693
Policy payments		**(3,516)**	(3,299)
Fees and commissions paid		**(190)**	(176)
Net trading revenue received/(paid)		**2,100**	(812)
Other operating income received		**2,200**	2,366
Cash payments to employees and suppliers			
Personnel expenses paid		**(1,970)**	(1,878)
Other operating expenses paid		**(1,820)**	(2,273)
Goods and services tax paid		**(25)**	(23)
Cash payments for income taxes		**(826)**	(745)
Cash flows from operating activities before changes in operating assets and liabilities		**4,686**	1,221
Changes in operating assets and liabilities arising from cash flow movements			
Net placement of deposits with and withdrawal of deposits from supervisory central banks that are not part of cash equivalents		**59**	7
Net payments for and receipts from transactions in acceptances		**869**	
Net funds advanced to and receipts from customers for loans and advances		**(13,358)**	(17,118)
Net acceptance from and repayment of deposits and other borrowings		**(140)**	3,131
Movement in life insurance business investments			
Purchases		**(4,226)**	(6,887)
Proceeds from disposal		**4,216**	6,145
Net movement in other life insurance assets and liabilities		**(610)**	(161)
Net payments for and receipts from transactions in trading securities		**(1,296)**	4,807
Net payments for and receipts from trading derivatives		**(2,678)**	731
Net funds advanced to and receipts from other financial assets designated at fair value through profit and loss		**(138)**	
Net funds advanced to and receipts from other financial liabilities designated at fair value through profit and loss		**3,892**	888
Net decrease/(increase) in other assets		**(420)**	(935)
Net increase/(decrease) in other liabilities		**2,849**	893
Net cash provided by/(used in) operating activities	**15(a)**	**(6,295)**	(7,278)

For the half year ended	Note	Mar 2006	Mar 2005