NATIONAL AUSTRALIA BANK LTD
Form 6-K
May 15, 2007

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 2007

National Australia Bank Limited

ACN 004 044 937

(Registrant s Name)

Level 35

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 x 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 x

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

2007

HALF YEAR

RESULTS

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

Results for announcement to the market

Reporting period	**Previous corresponding period**
6 months ended 31 March 2007	6 months ended 31 March 2006

				31 March 2007 $m
Revenue from ordinary activities	up	8.5	% to	22,038
Profit after tax from ordinary activities attributable to members of the Company	up	7.1	% to	2,136
Net profit attributable to members of the Company	up	7.1	% to	2,136

Dividends

	Amount per share	**Franked amount per share**	
Interim dividend	87 cents	90	%
Record date for determining entitlements to the interim dividend		7 June 2007	

Net profit attributable to members of the Company has increased 7.1% to $2,136 million for the six months ended 31 March 2007.

Performance reflects a range of factors including good revenue growth and cost control in the current period, with the comparison to the previous corresponding period being impacted by one off income as a result of reforms made to the UK defined benefit funds.

The increase in revenue is primarily due to growth in interest income.

National Australia Bank Limited

ABN 12 004 044 937

TABLE OF CONTENTS

Section 1 - Media Release	
Section 2 - Selected Financial Data	1
Divisional Performance Summary	2
Group Key Performance Measures	3
Non-GAAP Financial Measures	4
Section 3 - Financial Review	5
Group Performance Highlights	6
Divisional Cash Earnings	7
Summary of Disposed Operations	10
Australia Region	11
- Australian Banking	13
- Wealth Management Australia	16
UK Region	22
New Zealand Region	28
nabCapital	32
Other (Group Funding & Corporate Centre)	37
Section 4 - Report of the Directors	38
Directors	39
Review of Operations and Group Results	39
Average Interest Earning Assets	41
Net Interest Margin	41
Asset Quality	42
Taxation	47
Balance Sheet	48
Capital Position	50
Other Matters	51
Corporate Governance	52
Auditor s Independence Declaration to the Directors	53
Section 5 - Financial Report	54
Consolidated Income Statement	55
Consolidated Balance Sheet	56
Consolidated Statement of Recognised Income and Expense	57
Consolidated Cash Flow Statement	58
Notes to the Financial Report	
1 Principal Accounting Policies	60
2 Segment Information	61
3 Income	62
4 Operating Expenses	63
5 Income Tax Expense	64
6 Dividends and Distributions	65
7 Net Tangible Assets	65
8 Loans, Advances & Acceptances	66
9 Doubtful Debts	69
10 Asset Quality	70
11 Deposits & Other Borrowings	72
12 Contributed Equity and Reserves	74
13 Notes to the Cash Flow Statement	77
14 Contingent Liabilities and Commitments	79
Directors declaration	81
Independent Review Report	82
Section 6 - Supplementary information	83

Sections 4 and 5 are extracts of the National Australia Bank Limited s half year consolidated financial report and directors report for the six months ended 31 March 2007 lodged with the Australian Securities Exchange as Appendix 4D on 10 May 2007

Group Corporate Affairs
500 Bourke Street, Melbourne
Victoria 3000
Australia

www.nabgroup.com

ABN 12 004 044 937

ASX Announcement

Thursday, 10 May 2007

National Australia Bank cash earnings up 22.8% to $2.2 billion

National Australia Bank today announced a 22.8% increase in cash earnings (ongoing operations) to $2,196 million up from $1,788 million in the half year to March 2006.

Net profit* increased by 7.1% from $1,994 million in the half year to March 2006 to $2,136 million for the half year to March 2007.

Net profit, excluding significant items, increased by 21.2% from $1,762 million for the half year to March 2006 to $2,136 million for the half year to March 2007.

This is a good all-round result, National Australia Bank Group Chief Executive Officer, John Stewart said today.

We increased revenue and lending, with flat operating costs and a stable net interest margin. This demonstrates our progress in improving all aspects of our business.

We have outlined the strategy for each business and these results show pleasing progress, although more remains to be done.

Return on equity improved to 16.9% up from 15.4% in the March 2006 half year.

The increase in shareholder return has been achieved while continuing to invest in all our businesses.

We have also worked to improve our culture and recruit and develop talented people at all levels of the National Australia Bank. This is a vital part of creating sustainable growth in shareholder value.

Asset quality remains sound. Areas being carefully managed include personal lending and credit cards in the UK. In Australia the rise in the provision for bad and doubtful debts reflected relative weakness in the New South Wales economy.

Increased Interim Dividend

Interim dividend is 87 cents, an increase of 4 cents on the 2006 interim dividend and is franked to 90%.

NAB remains well capitalised. During the half year the $500 million buy back announced last November was completed and we are part way through the additional $700 million announced at the annual general meeting.

---

*Net profit attributable to members of the Company.

Review of Operations

Group Performance Measures (HY 07 compared with HY 06)

- Return on average equity before significant items increased from 15.4% to 16.9%.
- Diluted cash earnings per share increased 16.9% from 114.5 cents to 133.8 cents.
- Total lending increased by 13.7% to $367 billion*.
- Operating expenses (ongoing operations) were flat at $3.6 billion.
- Net interest margin was 2.33% compared with 2.31% in March 2006.
- Gross impaired assets (% of total lending) were 0.29% compared with 0.31% in March 2006.

*Total gross loans, advances & acceptances.

Cash earnings by business unit (ongoing operations)

	Half Year to ($m) 31 March 2007	**31 March 2006**	**% Change**	**% Change (Excluding foreign exchange impact)**
Australia	1,377	1,120	+22.9	
United Kingdom	324	252	+28.6	+22.6
New Zealand	220	164	+34.1	# +39.7
nabCapital	343	286	+19.9	+19.6
Other##	69	93		
Distributions	(137)	(127)		
Total cash earnings	2,196	1,788	+22.8	

#Adjusting for fair value volatility and hedge ineffectiveness, the increase over the March 2006 half year is 11.2%

##Includes Group Funding, Corporate Centre and investment earnings on shareholders retained earnings (IoRE) for the Australian region.

Australia

(Ongoing operations)

Cash earnings from ongoing operations in Australia, excluding IoRE, increased by 22.9% to $1,377 million compared with the March 2006 half year.

The cash earnings of both Australian banking and wealth management showed strong improvement, particularly in the areas of business lending, retail deposits and investment sales.

Banking

Banking cash earnings increased by 22.6% to $1,194 million compared with March 2006.

Growth in banking total income was 10.1% compared with March 2006.

Careful management of product pricing and mix offset competitive pressures and resulted in stable margins for the half year. Net interest margin was 2.41% compared with 2.42% a year ago.

The focus on efficiency and productivity delivered a continued fall in banking operating expenses which were 3.1% lower at $1,659 million compared with the March 2006 half year.

The cost to income ratio fell from 52.9% in March 2006 to 46.9%.

We continue to invest in our people and network with new sales and business training for frontline staff, increased capability in mortgages and business lending and the development of new incentive programs.

A program to extend the ATM network by nearly 25% through the installation of 322 ATMs in Coles Express and Coles Group stores was announced during the half year.

Wealth Management

As a result of strong sales of both investments and insurance, Wealth Management cash earnings before IoRE increased by 26.2% to $183 million compared with the March 2006 half year.

Total net income increased 12.2%. This was driven by strong sales momentum from improved adviser productivity and higher cross selling through the nab network.

Expense growth was significantly less than the increase in the level of business activity.

Funds under management as at March 31 increased 13.1% to $102.4 billion and average annual inforce premiums rose by 12% to $742.5 million compared with the March 2006 half year.

United Kingdom

(Ongoing operations)

Our UK business has real momentum in both lending and retail deposits, firm cost control and a stabilisation in the charge for doubtful debts.

Cash earnings were up 22.6% to £130 million compared with the March 2006 half year.

The network of Financial Solutions Centres has been central to the improved performance with business lending volumes up 27.7% on the March 2006 half year and average retail deposit volumes up by 20.2%.

Continued focus on mortgage lending, primarily through third party distribution, resulted in a 23.8% increase in mortgage volumes.

Net interest margin fell from 3.68% to 3.16% as a result of the plan to move the product mix away from personal loans and credit cards to mortgage and business lending.

Operating expenses were reduced by 5.5% to £358 million compared with March 2006. The cost to income ratio fell from 62.7% in March 2006 to 58.6%.

The new Yorkshire teller system was implemented by the end of 2006.The program to converge both Yorkshire and Clydesdale onto a single integrated core banking platform was completed in recent weeks with the move to a new teller system for Clydesdale scheduled to be completed by the end of 2007.

New Zealand

(Ongoing operations)

Solid volume growth, sound asset quality and disciplined cost management combined with the introduction of new and innovative products continues to position our New Zealand business well in this highly competitive market.

Cash earnings increased 39.7% to NZ$250 million compared with the March 2006 half year.

However, when adjustment is made for the impact of fair value volatility and hedge ineffectiveness, the increase over the March 2006 half year reduces to 11.2%.

Average lending volumes increased 12.5% on the March 2006 half year, with mortgages up 12.9% and business lending up 14.1%. Retail deposits rose 9%.

Net interest margin fell from 2.64% to 2.51% due to intense competition in the housing and credit card markets.

Operating expenses increased by 1.5% in local currency largely due to increased wage costs which were partially offset by efficiency gains.

Product innovation included the recent launch of Total Money , a new concept in banking for the New Zealand market. With Total Money customers can either earn a better interest rate on all their accounts (pooling), or pay less interest on the variable portion of their home loan (offsetting) while only paying a set fee of $10 for up to ten accounts.

nabCapital

(Ongoing operations)

nabCapital performed strongly with cash earnings increasing to $343 million, up 19.9% compared with the March 2006 half year. This was achieved through a combination of developing sustainable income streams and efficiency improvements.

The originate-warehouse-distribute operating model provides the framework for nabCapital s key activities.

Income growth of 17.3% was well ahead of expense growth of 6.6% which largely related to higher personnel costs.

The cost to income ratio improved from 50.3% in March 2006 to 45.7% and the net interest margin was 0.74% compared with 0.64% in March 2006.

The return on risk weighted assets improved from 0.89% to 1.14% in the March 2007 half year.

Asset quality remains strong with 91.9% of exposures rated as investment grade equivalent (AAA to BBB-) at March 2007 and the ratio of the specific provision to gross impaired assets was 61.7% up from 31.7% in the March 2006 half year.

nabCapital has a three year strategic investment program to improve product capability and efficiency. The strategic investment agenda is supported by a cultural development initiative aimed at fostering a more collaborative, innovative and accountable workforce. This includes talent development and leadership behaviours programs.

For further information:

Media

Brandon Phillips
Group Manager, Media Relations
M 0419 369 058

Felicity Glennie-Holmes
Media Relations Manager
M 0412 673 038

Kerrina Lawrence
Media Relations Manager
M 0417 034 738

Investor Relations

Hany Messieh
Head of Investor Relations
M 0414 446 876

Lyndal Kennedy
Investor Relations Manager
M 0400 983 038

Disclaimer

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

Information - Forward-Looking Statements and Risk Factors in the Group s Annual Report on Form 20-F filed with the US Securities & Exchange Commission.

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2007

SELECTED FINANCIAL DATA

1

Divisional Performance Summary

DIVISIONAL PERFORMANCE SUMMARY

	Half Year to Mar 07 $m	Sep 06 $m	Mar 06 $m	Fav / (Unfav) Change on Sep 06 %	Mar 06 %
Cash earnings (1)					
Australian Banking	**1,194**	1,139	990	4.8	20.6
Wealth Management Australia	**183**	163	145	12.3	26.2
Asia Banking & Wealth Management		(4)	18	large	large
Australia Region	**1,377**	1,298	1,153	6.1	19.4
UK Region	**324**	323	257	0.3	26.1
New Zealand Region	**219**	208	165	5.3	32.7
nabCapital	**343**	332	286	3.3	19.9
Other (incl. Group Funding & Corporate Centre)	**48**	63	64	(23.8)	(25.0)
Cash earnings before distributions and IoRE (2)	**2,311**	2,224	1,925	3.9	20.1
Distributions	**(137)**	(127)	(127)	(7.9)	(7.9)
Cash earnings before IoRE	**2,174**	2,097	1,798	3.7	20.9
IoRE (after tax)	**22**	30	42	(26.7)	(47.6)
Cash earnings	**2,196**	2,127	1,840	3.2	19.3
Cash earnings from disposed operations	**-**	(117)	(52)	large	large
Cash earnings - ongoing operations	**2,196**	2,010	1,788	9.3	22.8
Reconciliation to net profit					
Cash earnings	**2,196**	2,127	1,840	3.2	19.3
Adjusted for non cash earnings items:					
Significant items after tax		15	270	large	large
Net profit attributable to minority interest	**665**	490	259	35.7	large
Distributions	**137**	127	127	(7.9)	(7.9)
Treasury shares after tax	**(92)**	(22)	(104)	large	(11.5)
IoRE discount rate variation after tax	**(22)**	(6)		large	large
Impairment of goodwill		5	(5)	large	large
Revaluation gains / (losses) on exchangeable capital units after tax	**(83)**	22	(134)	large	38
Net profit on sale of controlled entities		108		large	large
Fair value gain on economic hedge of the proceeds on sale of controlled entities		22		large	large
Net profit	**2,801**	2,888	2,253	(3.0)	24.3
Net profit attributable to minority interest	**(665)**	(490)	(259)	35.7	large
Net profit attributable to members of the Company	**2,136**	2,398	1,994	(10.9)	7.1
Distributions	**(137)**	(127)	(127)	(7.9)	(7.9)
Earnings attributable to ordinary shareholders	**1,999**	2,271	1,867	(12.0)	7.1

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

(2) IoRE represents investment earnings on shareholders retained profits and capital from life businesses net of capital funding costs.

2

Group Key Performance Measures

GROUP KEY PERFORMANCE MEASURES

	Note	Half Year to Mar 07		Sep 06		Mar 06	
Earnings per share (cents)							
Basic cash earnings per ordinary share	**Supp 6**	**135.3**		132.4		115.5	
Diluted cash earnings per ordinary share	**Supp 6**	**133.8**		130.9		114.5	
Basic earnings per ordinary share (1)	**Supp 6**	**125.2**		143.5		118.8	
Dividends per share (cents)	**6**	**87**		84		83	
Performance (2)							
Return on average equity before significant items		**16.9**	**%**	19.8	%	15.4	%
Cash earnings on average equity		**17.5**	**%**	17.5	%	16.3	%
Return on average assets before significant items		**0.80**	**%**	0.95	%	0.73	%
Cash earnings on average assets		**0.88**	**%**	0.89	%	0.82	%
Net interest income							
Net interest spread	**Supp 1**	**1.85**	**%**	1.93	%	1.82	%
Net interest margin	**Supp 1**	**2.33**	**%**	2.31	%	2.31	%
Profitability (before significant items)							
Cash earnings per average FTE ($ 000)		**113**		109		94	
Banking cost to income ratio		**50.3**	**%**	51.5	%	55.6	%

	Note	As at 31 Mar 07		30 Sep 06		31 Mar 06	
Capital							
Tier 1 ratio	**Supp 3**	**7.33**	**%**	7.35	%	8.05	%
Tier 2 ratio	**Supp 3**	**3.54**	**%**	3.88	%	3.66	%
Deductions	**Supp 3**	**(0.36**	**)%**	(0.42	)%	(0.98	)%
Total capital ratio	**Supp 3**	**10.51**	**%**	10.81	%	10.73	%
Adjusted common equity ratio	**Supp 3**	**5.46**	**%**	5.35	%	5.77	%
Assets ($bn)							
Gross loans and acceptances	**Supp 2**	**367**		347		322	
Risk-weighted assets	**Supp 3**	**330**		318		302	
Asset quality							
Gross impaired assets to gross loans and acceptances (3)	**10**	**0.29**	**%**	0.30	%	0.31	%
Net impaired assets to total equity (parent entity interest)	**10**	**3.0**	**%**	3.1	%	2.8	%
Doubtful debts charge to average risk weighted assets		**0.24**	**%**	0.21	%	0.18	%
Collective provision to total risk weighted assets (4)	**10**	**0.62**	**%**	0.62	%	0.60	%
Collective provision to credit risk weighted assets (4)	**10**	**0.63**	**%**	0.65	%	0.63	%
Collective provision plus general reserve for credit losses to credit risk weighted assets (4) (5)	**10**	**0.71**	**%**	0.71	%		
Specific provision to gross impaired assets (3)	**10**	**18.2**	**%**	17.4	%	25.8	%
Total provision to gross impaired assets (3) (4)	**10**	**210.7**	**%**	204.0	%	210.3	%
Total provision to gross loans and acceptances (4)	**10**	**0.62**	**%**	0.62	%	0.64	%
Other information							
Funds under management and administration ($bn)		**106**		97		96	
Assets under custody and administration ($bn)		**515**		457		442	
Full-time equivalent employees (no.)	**Supp 4**	**39,048**		38,433		39,298	

---

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

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

(3) *Impaired assets consist of retail loans (excluding credit card loans and portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue; non retail loans which are contractually past due 90 days and there is sufficient doubt about the ultimate collectibility of principal and interest and impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities when they become 180 days past due (if not written off) and loans where some concerns exist as to the ongoing ability of the borrowers to comply with the present loan repayment terms, are also classified as impaired loans.*

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

(5) *The general reserve for credit losses was established from 1 July 2006 and aligns the Group s coverage ratios with the APRA benchmark of 0.50% of total risk weighted credit risk assets. At 31 March 2007 the reserve was $192 million (30 September 2006 the reserve was $135 million).*

3

Non-GAAP Financial Measures

NON-GAAP FINANCIAL MEASURES

Cash earnings

Cash earnings is defined as follows:

Net profit

Less:

Significant items after tax

Net profit attributable to minority interests

Net profit attributable to minority interests   life businesses

Distributions

Treasury shares after tax

IoRE discount rate variation after tax

Revaluation gains/(losses) on exchangeable capital units after tax

Net profit/(loss) on sale of controlled entities

Fair value gains/losses on economic hedge of the proceeds on sale of controlled entities

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.

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:

- Significant items after tax   those items included on the face of the Income Statement when it is necessary to explain the elements of financial performance. Factors to consider include materiality and the nature and function of the components of income and expenses.

- Net profit attributable to minority interest   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

- Net profit attributable to minority interest - 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, Trust Preferred Securities II and National Capital Instruments, and is adjusted from net profit to reflect the amount of net profit that is attributable to ordinary shareholders

- Treasury shares after tax relates to the movement in treasury share assets (direct investments in National Australia Bank Limited) caused by the movement in the share price and/or volume

- IoRE discount rate variation after tax relates to the movement in Investment Earnings on Shareholders Retained Profits (IoRE) attributable to the impact of changes in long term discount rates. This adjustment has been made for the March 2007 and September 2006 halves only. It had an insignificant impact on the March 2006 half.

- Revaluation gains/(losses) on exchangeable capital units after tax 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

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

- Fair value 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.

- 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.

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2007

FINANCIAL REVIEW

5

Group Performance Highlights

Group Performance Highlights

Overview

The Group recorded cash earnings from ongoing operations (i.e. adjusting for disposed operations) for the half year ended 31 March 2007 of $2,196 million, 9.3% higher than the September 2006 half and 22.8% higher than the March 2006 half.

Movement on the September 2006 half

The Group s performance for the half reflected good revenue growth and well controlled costs.

Cash earnings of $2,196 million increased 9.3% on the ongoing September 2006 half year result of $2,010 million. Key items include:

- Total lending across the Group increased 5.7% to $367 billion *(1)*. In addition, focus on the continuing diversification of the Group s funding base resulted in a 1.1% growth in deposits*(2)* and an 8.8% growth in longer term wholesale funding, namely bonds, notes and subordinated debt.

- Growth has been delivered while at the same time maintaining the overall Group net interest margin, which increased 2 basis points to 2.33%. Good volume growth combined with margin control resulted in an increase of 5.7% in net interest income.

- Strong volume growth of 9.3% in funds under management and administration in a favourable economic environment.

- Operating costs decreased by 0.6% reflecting the benefits delivered from the restructuring programme along with productivity and efficiency initiatives. Investment has continued into compliance projects, infrastructure and the customer facing parts of the business.

- Further softening in the global economic environment, with asset quality metrics indicating some deterioration in specific consumer segments that are being actively monitored. The Group s asset quality remains sound overall and within expectations for this point in the economic cycle. The charge to provide for doubtful debts increased by 16.4% over the half, as a result of softening economic conditions and a reduction in the level of writebacks.

The resulting diluted cash earnings per share of 133.8 cents represents an increase of 2.9 cents (2.2%) on the September 2006 half.

The interim dividend has been increased to 87 cents per share and will be 90% franked. For non-resident shareholders of the Company, the unfranked portion of the dividend will be paid from the Company s conduit foreign income account (being income derived from the company s offshore businesses) and therefore will not be subject to Australian withholding tax.

Movement on the March 2006 half

Cash earnings of $2,196 million increased 22.8% on the ongoing March 2006 half year result of $1,788 million. Key items include:

- Total lending for the Group increased 13.7% to $367 billion*(1)* . In addition, focus on diversification of the Group s funding base has led to a 8.8% growth in deposits*(2)* and 26.9% growth in longer term wholesale funding, namely bonds, notes and subordinated debt.

- Growth has been delivered while at the same time maintaining the overall Group net interest margin, which increased 2 basis points to 2.33%. Good volume growth combined with margin control resulted in an increase of 12.8% in net interest income.

- Funds under management and administration grew 10.4% in a continuing favourable economic environment.

- Increased income from volatility relating to fair value movements and hedge ineffectiveness in the Group s banking book.

• Operating costs increasing by 0.2%, reflecting continued focus on costs and the benefits delivered from the restructuring programme along with productivity and efficiency initiatives. This contributed to a decrease in the banking cost to income ratio from 55.6% to 50.3%.

The resulting diluted cash earnings per share of 133.8 cents represents an increase of 19.3 cents (16.9%) on the March 2006 half.

---

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

(2) Includes deposits and other borrowings at cost and at fair value

6

Financial Review: Divisional Cash Earnings

DIVISIONAL CASH EARNINGS

Half year ended 31 March 2007	**Australia Region Banking $m**	**WM $m**	**Asia $m**	**UK Region $m**	**NZ Region $m**	**nabCapital $m**	**Other(1) $m**	**Eliminations $m**	**Total Group $m**
Net interest income	2,681	(6)	13	996	425	533	141		4,783
Net life insurance income including IoRE (2)		1,223			10				1,233
Other operating income	853	362	2	508	213	321	57	(58)	2,258
Net operating income	3,534	1,579	15	1,504	648	854	198	(58)	8,274
Operating expenses (3)	(1,659)	(297)	(15)	(892)	(296)	(390)	(152)	58	(3,643)
Underlying profit	1,875	1,282		612	352	464	46		4,631
Charge to provide for doubtful debts	(181)			(155)	(24)	(33)	3		(390)
Cash earnings before tax	1,694	1,282		457	328	431	49		4,241
Income tax expense	(500)	(413)		(133)	(108)	(88)	(1)		(1,243)
Cash earnings before distributions and minority interest	1,194	869		324	220	343	48		2,998
Net profit - minority interest		(665)							(665)
Distributions								(137)	(137)
Cash earnings	1,194	204		324	220	343	48	(137)	2,196
IoRE (after tax)		(21)			(1)				(22)
Cash earnings before IoRE	1,194	183		324	219	343	48	(137)	2,174

(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).

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

7

Half year ended 30 September 2006	Australia Region Banking $m	WM $m	Asia $m	UK Region $m	NZ Region $m	nabCapital $m	Other(1) $m	Eliminations $m	Total Group $m	Disposed Operations(4)	Total Ongoing