NATIONAL AUSTRALIA BANK LTD
Form 6-K
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

the Securities Exchange Act of 1934

For the month of November 2005

National Australia Bank Limited

ACN 004 044 937

(Registrant s Name)

Level 24

500 Bourke Street

MELBOURNE VICTORIA 3000

AUSTRALIA

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

Form 20-F ý Form 40-F o

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

Yes o No ý

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

National Australia Bank Limited

ABN 12 004 044 937

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Financial Highlights

Cash Earnings

Cash earnings before significant items decreased by 4.4% to $3.31 billion compared with the 2004 full year. However, cash earnings for the September 2005 half year, at $1.69 billion, were 4.6% higher than March 2005 half cash earnings.

Net Profit

Net profit before significant items increased by 11.1% for the full year to $4.37 billion, primarily due to a wealth management revaluation profit of $345 million.

Net profit after significant items, which included the profit on the sale of the Irish banks ($1.04 billion), the offsetting restructuring provision ($606 million) and TrUEPrS tax settlement cost ($97 million), increased by 30.1% to $4.13 billion.

Dividend

Final dividend has been maintained at 83 cents and will be 80% franked. Total dividend for the year is 166 cents and is also 80% franked.

Diluted cash earnings per share (Before significant items)

210.1 cents compared with 226 cents in the 2004 full year.

Cost to Income Ratio (Banking)

57.7% compared with 53.9 in the 2004 full year.

Net Interest Margin

2.20% compared with 2.35% in the 2004 full year.

Total Capital Ratio

10.45% compared with 10.58% at September 2004.

Return On Average Equity (Before significant items)

15.0% compared with 15.8% for the 2004 full year.

Return On Average Assets (Before significant items)

0.83%, unchanged compared with the 2004 full year.

Group Corporate Affairs

National Australia
Bank Limited
ABN 12004044937

500 Bourke Street
Melbourne
Victoria 3000
Australia

ASX Announcement

Wednesday, 9 November 2005

National Australia Bank recovery on track

National Australia Bank Managing Director and Group Chief Executive, John Stewart said the September 2005 full year results showed cash earnings continued to improve in the September half.

The full year results show the turnaround is on track but we still have much work to do.

Cash earnings for the full year fell 4.4% to $3.31 billion compared with $3.46 billion in the 2004 full year as we stabilised the business. However, second half cash earnings rose by 4.6% compared with the March 2005 half year as we started to regain momentum, he said.

The final dividend is unchanged at 83 cents and is 80% franked, making a full year dividend of 166 cents also 80% franked.

Income Growth

Total operating income increased by 6.3% to $13.86 billion.

We are half way through a three-year turnaround and income growth is another indication we are delivering on the promises we made to rebuild the National s businesses, Mr Stewart said.

The National s earnings growth is acceptable for where we are in the turnaround. I am pleased we have won market share at acceptable margins while maintaining asset quality.

Lending, Margins and Asset Quality

Total lending increased by 8.6% to $292 billion.

Asset quality remained stable with the ratio of non-accrual loans to total loans improving from 0.46% at September 2004 to 0.35% at September 2005.

Group net interest margin was 2.20% compared with 2.35% in 2004.

In Australia margin decline was in line with industry trends, falling from 2.65% to 2.51%.

Margin decline in the United Kingdom, excluding the Irish banks, was more pronounced, down from 4.16% to 3.84% due to the move to more competitive lending and deposit products.

Cost growth

Operating expenses for the year rose by 7.2% from $6.81 billion to $7.30 billion.

Cost growth reflects a combination of compliance programs, rectifying customer issues and investment in brand recognition.

As we move through the turnaround and complete compliance projects, cost growth is expected to be limited to the level of inflation, he said.

Net Profit and Significant Items

After significant items and a revaluation profit of $345 million for the wealth management operations net profit increased by 30.1% to $4.13 billion compared with $3.18 billion previously.

Significant items after tax for the 2005 full year net profit included:

- A profit of $1.04 billion on the sale of the Northern Bank and National Irish Bank in Ireland;
- An offsetting restructuring charge of $606 million; and
- Provision for settlement of the TrUEPrS tax dispute for $97 million.

Regional Business Commentary

Each of our regional businesses is at a different stage in its development. The management teams in each region are developing strategies and action plans to leverage our franchises in each region.

Australia

The Australian business is well advanced in being stabilised and is rebuilding momentum.

A single business was created around customers, with lines of business assuming end-to-end accountability for products and services and with streamlined support functions.

Market share gains have been made in the important housing and business lending sectors and a range of new products and services have been launched. Process and credit setting improvements have removed some of the impediments our bankers once faced when trying to fulfil customer needs.

Market share gains in Australian banking were achieved in the second half while the net interest margin fell only slightly. This volume increase coupled with careful margin management has driven healthy half year banking income growth of 6.1%. Asset quality remained strong across the entire portfolio, Mr Stewart said.

Cash earnings for Australian banking in the second half, excluding a number of one-off non-lending losses, improved by 3.8% compared to the first half.

For the full year, Australian banking and wealth management cash earnings were down 1.6% to $2.28 billion reflecting the after tax costs of non-lending losses due to over charging of annual fees on some financial packages ($63 million), over-collection of Bank Account Debits tax ($10 million) and over-charging of interest on fixed rate interest-only loans ($18 million).

The impact of the non-lending losses was offset by a 29.4% increase in cash earnings from wealth management due to solid growth in the investment business, improvement in the claims experience and strong investment earnings on retained profits and capital.

A significant achievement was the large increase in cross selling of MLC investment products by the bank financial planners which was up by more than 25% compared with 2004.

Careful management of costs we can control directly played an important role in the wealth management result. Staffing levels fell by 10% and the cost to premium income ratio fell from 18% to 15% in 2005.

For the whole Australian business, increased costs associated with restructuring, investment, compliance programs and rectifying customer issues will be a focus of the new management team, Mr Stewart said.

A provision of $409 million was taken during the year to cover the restructuring of the Australian banking and wealth management operations. This will produce $226 million of annual savings by 2007. Redundancies are expected to be approximately 2250 by September 2007, an increase of about 250 on previously announced redundancies.

United Kingdom

In local (UK) currency terms, the United Kingdom banking and wealth management operations announced cash earnings before tax of £297 million on a like for like basis. This was stable on the previous year.

The impact of currency movements and loss of the contribution of the Irish Banks following their sale part way through the year meant that cash earnings declined by 13.9% to $526 million, when measured on an unadjusted basis.

The UK has stabilised profits while conducting a major restructure to make the business more competitive, managing down margins towards market levels and investing in a major expansion program for future growth, Mr Stewart said.

To have delivered this result in a period of such enormous change is encouraging. This business is now seeing strong results from key areas of investment and we believe has generated the momentum needed to see sustained growth.

Gross loans and acceptances in local (UK) currency as at September 2005 were up 22.9% on September 2004 while third party distribution of mortgages has exceeded expectations with $2.3 billion gained in new mortgages through this sales channel alone.

The year has seen the UK management team implement the hard decisions that were needed to be efficient and competitive and to develop an offering that gives us an advantage against our competitors, he said.

We have continued the expansion of our integrated financial services business in the south of England, building a unique business that is already showing results, and are reconfiguring and revitalising our retail branch network across the UK.

We have made great progress in re-engineering processes, simplifying management structures and improving the efficiency of business operations. We have released a variety of new products in personal and business banking and invested in our brands, technology and compliance.

There is still a great deal to do to complete the turnaround and, while we won t be declaring victory until we see sustained improvements in income, we have the foundations for future growth and our business is turning the corner.

New Zealand

Cash earnings rose by 7.8% for the year to September. The improvement in cash earnings followed improvement in market share in housing, agribusiness and retail deposits.

The New Zealand result is particularly pleasing. We have consolidated on our successes of the last three years and have delivered a quality result, driven from strong performances in a number of key areas, Mr Stewart said.

The Bank of New Zealand is improving market share, business volumes and operating income despite a competitive market. Attention to improving customer service and products is paying off.

The Unbeatable fixed rate housing lending campaign was central to rising brand awareness and increasing market share, he said.

Initiatives to continue to improve customer service resulted in Bank of New Zealand receiving an industry award for its call centre service for two years in a row.

Institutional Markets & Services

Institutional Markets & Services cash earnings increased by 9.9% to $613 million compared with the previous year. During 2005 considerable effort was directed at continuing the remedial action program and improving the governance framework following the foreign currency option incident in 2004.

The Institutional Markets & Services result demonstrates that management attention has focussed on building sustainable income streams and improved return on equity, Mr Stewart said.

During the year the IMS Asia presence has been consolidated in Hong Kong, there has been a reduction in low-yielding risk weighted assets and a focus on leveraging the National franchise to cross-sell.

The impacts of restructuring and rebasing the business will continue to affect business performance.

Outlook

The National has moved well down the path to stabilising its businesses and earnings momentum is evident on the back of improving business volumes and market shares in selected market segments.

However, in our core markets, the domestic economic environment is expected to be more subdued for the next 12 months and competition is expected to increase in all areas of business, Mr Stewart said.

Global economic growth is forecast to be above 4% but this is driven by the United States, China and India with other economies recording below potential growth.

In our core economies slower domestic demand will act to slow credit growth moderately. Therefore in Australia and New Zealand both housing and business lending is expected to slow.

In the United Kingdom consumer spending has already significantly slowed and the labour market is softening with modest increases in unemployment. This will increase the challenge of growing our business in each region.

In these circumstances, our focus will be on rebuilding the businesses to ensure sustainable earnings growth over the longer term, Mr Stewart said.

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Group and Regional websites:

ASX Announcements and Group information (www.nabgroup.com)

Australian operations (www.national.com.au)

Clydesdale Bank (www.cbonline.co.uk)

Yorkshire Bank (www.ybonline.co.uk)

Bank of New Zealand (www.bnz.co.nz)

Institutional Markets & Services (www.nabmarkets.com)

Disclaimer

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

SECTION 2

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

FINANCIAL SUMMARY

REPORTING FORMAT

Reporting Structure

During 2005 the Group re-structured its business operating model to management along regional lines. To assist with the interpretation of the Group s results, earnings are reported under the following structure, reflecting the new business operating model and have been revised from the reporting structure used in the prior year:

Total Australia comprises Australian Banking and Wealth Management Australia;

Total UK comprises UK Banking and Wealth Management UK;

Total NZ comprises New Zealand Banking and Wealth Management New Zealand; and

Institutional Markets & Services (globally).

To further assist with the interpretation of the Group s results, information is also presented on the following basis, which isolates the Wealth Management components of the business from the Banking operations. This is consistent with the prior year:

Total Banking comprises:

Australian Banking;

UK Banking;

NZ Banking;

Institutional Markets & Services (globally); and

Other (Group Funding and Corporate Centre).

Wealth Management comprises:

Wealth Management Australia (including Asia);

Wealth Management UK; and

Wealth Management New Zealand.

Prior Period Comparatives

During the year the Group introduced a common chart of general ledger accounts across its business operations and subsidiaries globally. In preparation for the introduction of this global chart of accounts, an extensive and detailed Group-wide review of general ledger account classifications was undertaken. As a result changes have been made to the classification between certain categories in the Group balance sheet to more appropriately reflect the nature of specific products, as follows:

transfer of certain exposures from On-Demand & Short-Term Deposits to Due to Other Financial Institutions and Securities Sold Under Agreements to Repurchase totalling $3,357 million at 30 September 2004;

transfer of certain exposures from Due to Other Financial Institutions to On-Demand & Short-Term Deposits totalling $939 million at 30 September 2004;

transfer of certain loans from Overdrafts to Term Lending totalling $5,346 million at 30 September 2004; and

transfer of certain loans from Overdrafts to Market Rate Advances totalling $450 million at 30 September 2004.

Comparatives have also been adjusted following the finalisation of the sale of the Irish banks to correctly record the inter-company balances between the United Kingdom and Irish banks. These adjustments affect net interest margins and net interest spreads reported for the United Kingdom. The adjustments have no effect on previously reported Group profit or margins.

The nature of these reclassifications and corrections has been fully disclosed in the release to ASX dated 20 April 2005 and 24 October 2005 respectively. Please refer to the National s website at www.nabgroup.com for a copy of these announcements.

Cash Earnings

Dividends paid by the Group are based on after-tax cash earnings (excluding 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. Refer to the Non-GAAP financial measures section on page 111 for an explanation and page 4 for a reconciliation of cash earnings to net profit.

Diluted Cash Earnings per Share

Management use growth in diluted cash earnings per share (EPS) as a key indicator of performance as this takes full account of the impact of the exchangeable capital units (ExCaps) and provides a consistent basis for period on period comparison moving forward.

Under the terms of the ExCaps the National has the option to require the exchange of all, but not part, of the ExCaps at any time for 7 7/8% convertible non-cumulative preference shares of the National. Holders of the ExCaps or the convertible non-cumulative preference shares have the option to exchange their holding for ordinary shares of the National (or at the National s option, cash) at a specified date and the National also has the right to redeem, all or part of the convertible non-cumulative preference shares, under a special offer at any time after 19 March, 2007, with the prior consent of APRA.

A reconciliation of the calculation of diluted cash earnings per share appears in note 19.

DIVISIONAL PERFORMANCE SUMMARY (1)

	Note	Half Year to Sep 05 $m	Half Year to Mar 05 $m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Year to Sep 04 $m	Fav / (Unfav) Change on Sep 04 %
Cash earnings (2)							
Australian Banking	**1a**	910	951	(4.3)	**1,861**	1,993	(6.6)
Wealth Management Australia (3) (4)	**1a**	220	194	13.4	**414**	320	29.4
Total Australia		1,130	1,145	(1.3)	**2,275**	2,313	(1.6)
UK Banking	**1a**	215	266	(19.2)	**481**	594	(19.0)
Wealth Management UK	**1a**	14	31	(54.8)	**45**	17	large
Total UK		229	297	(22.9)	**526**	611	(13.9)
New Zealand Banking	**1a**	160	159	0.6	**319**	296	7.8
Wealth Management New Zealand	**1a**	8	4	large	**12**	11	9.1
Total New Zealand		168	163	3.1	**331**	307	7.8
Institutional Markets & Services (4)	**1a**	305	308	(1.0)	**613**	558	9.9
Other (incl. Group Funding & Corporate Centre)	**1a**	(31)	(200)	84.5	**(231)**	(141)	(63.8)
Cash earnings before significant items and distributions		1,801	1,713	5.1	**3,514**	3,648	(3.7)
Distributions		(109)	(95)	(14.7)	**(204)**	(187)	(9.1)
Cash earnings before significant items		1,692	1,618	4.6	**3,310**	3,461	(4.4)
Weighted av no. of ordinary shares (million)	**19**	1,563	1,555	(0.5)	**1,559**	1,515	(2.9)
Cash earnings per share before significant items (cents)	**19**	108.3	104.0	4.1	**212.3**	228.5	(7.1)
Diluted cash earnings per share before significant items (cents)		107.1	103.0	4.0	**210.1**	226.0	(7.0)
Reconciliation to net profit							
Cash earnings before significant items		1,692	1,618	4.6	**3,310**	3,461	(4.4)
Adjusted for:							
Significant items after tax	**15**	(450)	821	large	**371**	(384)	large
Cash earnings after significant items		1,242	2,439	(49.1)	**3,681**	3,077	19.6
Adjusted for:							
Net profit attributable to outside equity interest		456	154	large	**610**	374	(63.1)
Distributions		109	95	(14.7)	**204**	187	(9.1)
Wealth Management revaluation profit after tax		294	51	large	**345**	16	large
Goodwill amortisation		(48)	(50)	4.0	**(98)**	(103)	4.9
Net profit		2,053	2,689	(23.7)	**4,742**	3,551	33.5
Net profit attributable to outside equity interest		(456)	(154)	large	**(610)**	(374)	(63.1)
Net profit attributable to members of the Company		1,597	2,535	(37.0)	**4,132**	3,177	30.1
Distributions		(109)	(95)	(14.7)	**(204)**	(187)	(9.1)
Earnings attributable to ordinary shareholders		1,488	2,440	(39.0)	**3,928**	2,990	31.4

(1) Northern Bank and National Irish Bank were disposed on 28 February 2005.

(2) Cash earnings is a performance measure used by the management of the Group. Refer to Non-GAAP financial measures on page 111 for a complete discussion of cash earnings.

(3) Wealth Management Australia division includes Asian operations.

(4) Cash earnings after outside equity interest.

GROUP PERFORMANCE SUMMARY (1)

	Note	Half Year to Sep 05 $m	Half Year to Mar 05 $m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Year to Sep 04 $m	Fav / (Unfav) Change on Sep 04 %
Banking (2)							
Net interest income	**3**	3,527	3,549	(0.6)	**7,076**	7,184	(1.5)
Other operating income (2) (3)	**9**	2,175	2,029	7.2	**4,204**	4,024	4.5
Banking net operating income (2)		5,702	5,578	2.2	**11,280**	11,208	0.6
Wealth Management							
Net interest income	**3**	2	4	(50.0)	**6**	7	(14.3)
Net life insurance income ex IORE (4)	**8**	1,031	495	large	**1,526**	919	66.1
Investment earnings on shareholders retained profits & capital from life businesses (IORE)	**8**	83	63	31.7	**146**	93	57.0
Other operating income (3)	**9**	437	461	(5.2)	**898**	807	11.3
Total operating income		7,255	6,601	9.9	**13,856**	13,034	6.3
Banking operating expenses (2)	**10**	(3,287)	(3,165)	(3.9)	**(6,452)**	(5,978)	(7.9)
Wealth Management operating expenses (5)	**10**	(441)	(411)	(7.3)	**(852)**	(834)	(2.2)
Charge to provide for doubtful debts	**12**	(253)	(281)	10.0	**(534)**	(559)	4.5
Net operating income before tax		3,274	2,744	19.3	**6,018**	5,663	6.3
Banking income tax expense (2)	**14**	(603)	(648)	6.9	**(1,251)**	(1,362)	8.1
Wealth Management income tax expense	**14**	(414)	(229)	(80.8)	**(643)**	(279)	large
Cash earnings before significant items, distributions including outside equity interest		2,257	1,867	20.9	**4,124**	4,022	2.5
Wealth Management revaluation profit after tax	**1a**	294	51	large	**345**	16	large
Goodwill amortisation		(48)	(50)	4.0	**(98)**	(103)	4.9
Net profit before significant items		2,503	1,868	34.0	**4,371**	3,935	11.1
Significant items after tax	**15**	(450)	821	large	**371**	(384)	large
Net profit		2,053	2,689	(23.7)	**4,742**	3,551	33.5
Net profit attributable to outside equity interest							
Wealth Management		(456)	(154)	large	**(610)**	(365)	(67.1)
Institutional Markets & Services						(9)	large
Net profit attributable to members of the Company		1,597	2,535	(37.0)	**4,132**	3,177	30.1
Distributions		(109)	(95)	(14.7)	**(204)**	(187)	(9.1)
Earnings attributable to ordinary shareholders		1,488	2,440	(39.0)	**3,928**	2,990	31.4

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(1) Northern Bank and National Irish Bank were disposed on 28 February 2005.

(2) Banking refers to Total Banking adjusted for eliminations. Refer to note 1a for further details.

(3) Other operating income excludes net interest income, net life insurance income ex IORE, investment earnings on shareholders retained profits and capital from life businesses (IORE) and revaluation profit/(loss).

(4) 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 of the life insurance businesses (IORE)).

(5) Operating expenses excludes life insurance expenses incorporated within net life insurance income.

Refer to Note 1a Performance Summary by Division for a reconciliation of the Divisional results to the Group Performance Summary set out above. Note 1a also provides a reconciliation of Total Banking and Total Wealth Management results as set out above.

SUMMARY OF FINANCIAL POSITION (1)

	Note	30 Sep 05 $m	As at 31 Mar 05 $m	30 Sep 04 $m	Change on 31 Mar 05 %	Change on 30 Sep 04 %
Assets						
Cash and liquid assets		**8,430**	6,929	8,080	21.7	4.3
Due from other financial institutions		**15,477**	18,520	23,494	(16.4)	(34.1)
Due from customers on acceptances		**27,627**	21,567	16,344	28.1	69.0
Trading securities		**15,957**	19,771	24,248	(19.3)	(34.2)
Trading derivatives		**13,959**	17,122	17,939	(18.5)	(22.2)
Available for sale securities		**3,857**	3,474	4,610	11.0	(16.3)
Investment securities		**7,466**	8,666	11,513	(13.8)	(35.2)
Investments relating to life insurance business		**50,500**	43,917	41,013	15.0	23.1
Loans and advances		**260,053**	246,756	247,836	5.4	4.9
Shares in entities and other securities		**75**	146	158	(48.6)	(52.5)
Regulatory deposits		**118**	121	177	(2.5)	(33.3)
Property, plant and equipment		**1,974**	2,019	2,257	(2.2)	(12.5)
Income tax assets		**1,530**	1,460	1,367	4.8	11.9
Goodwill		**522**	571	632	(8.6)	(17.4)
Other assets		**12,043**	11,623	11,641	3.6	3.5
Total assets		**419,588**	402,662	411,309	4.2	2.0
Liabilities						
Due to other financial institutions		**36,322**	35,020	43,768	3.7	(17.0)
Liability on acceptances		**27,627**	21,567	16,344	28.1	69.0
Trading derivatives		**12,407**	14,911	16,150	(16.8)	(23.2)
Deposits and other borrowings	**7**	**209,079**	205,866	219,028	1.6	(4.5)
Life insurance policy liabilities		**42,123**	38,494	36,134	9.4	16.6
Income tax liabilities		**1,381**	1,243	1,178	11.1	17.2
Provisions		**1,823**	1,494	1,129	22.0	61.5
Bonds, notes and subordinated debt		**39,238**	36,536	32,573	7.4	20.5
Other debt issues		**1,559**	1,586	1,612	(1.7)	(3.3)
Other liabilities		**13,749**	13,944	13,627	(1.4)	0.9
Total liabilities		**385,308**	370,661	381,543	4.0	1.0
Net assets		**34,280**	32,001	29,766	7.1	15.2
Equity						
Ordinary shares		**7,552**	7,388	7,271	2.2	3.9
National Income Securities		**1,945**	1,945	1,945		
Trust Preferred Securities		**975**	975	975		
Trust Preferred Securities II		**1,014**	1,014			large
Contributed equity	**17**	**11,486**	11,322	10,191	1.4	12.7
Reserves	**17**	**667**	802	1,194	(16.8)	(44.1)
Retained profits	**17**	**15,903**	15,770	14,515	0.8	9.6
Total equity (parent entity interest)		**28,056**	27,894	25,900	0.6	8.3
Outside equity interest in controlled entities Wealth Management	**17**	**6,224**	4,107	3,866	51.5	61.0
Total equity		**34,280**	32,001	29,766	7.1	15.2

(1) Northern Bank and National Irish Bank were disposed on 28 February 2005.

GROUP KEY PERFORMANCE MEASURES (1)

	Note	Half Year to Sep 05	Half Year to Mar 05	Year to Sep 05	Year to Sep 04
Earnings per share (cents)					
Basic cash earnings per ordinary share before significant items	**19**	108.3	104.0	**212.3**	228.5
Diluted cash earnings per share before significant items	**19**	107.1	103.0	**210.1**	226.0
Basic cash earnings per ordinary share after significant items		79.5	156.8	**236.1**	203.1
Basic earnings per ordinary share after significant items (2)		95.2	156.9	**251.9**	197.3
Weighted average ordinary shares (no. million)	**19**	1,563	1,555	**1,559**	1,515
Weighted average diluted shares (no. million)	**19**	1,629	1,622	**1,626**	1,582
Dividends per share (cents)		83	83	**166**	166
Performance (3)					
Return on average equity before significant items		16.2%	14.0%	**15.0%**	15.8%
Cash earnings on average equity before significant items		14.0%	14.0%	**14.0%**	16.2%
Return on average assets before significant items		0.91%	0.76%	**0.83%**	0.83%
Net interest income					
Net interest spread	**4**	1.69%	1.74%	**1.71%**	1.94%
Net interest margin	**4**	2.20%	2.19%	**2.20%**	2.35%
Profitability (before significant items)					
Cash earnings per average FTE ($ 000)		86	76	**81**	80
Banking cost to income ratio (4)	**1b**	58.1%	57.4%	**57.7%**	53.9%

		As at 30 Sep 05	As at 31 Mar 05	As at 30 Sep 04
Capital				
Tier 1 ratio	**17**	**7.86%**	8.30%	7.34%
Tier 2 ratio	**17**	**3.60%**	4.12%	4.26%
Deductions	**17**	**(1.01)%**	(1.05)%	(1.02)%
Total capital ratio	**17**	**10.45%**	11.37%	10.58%
Adjusted common equity ratio	**17**	**5.49%**	5.84%	5.30%
Assets ($bn)				
Gross loans and acceptances		**292**	273	269
Risk-weighted assets	**17**	**290**	279	287
Asset quality				
Gross non-accrual loans to gross loans and acceptances	**13**	**0.35%**	0.41%	0.46%
Net impaired assets to total equity (parent entity interest)	**13**	**2.5%**	2.7%	3.5%
General provision to risk-weighted assets	**13**	**0.71%**	0.73%	0.74%
Specific provision to gross impaired assets	**13**	**34.9%**	34.9%	32.3%
General and specific provisions to gross impaired assets	**13**	**235.8%**	216.8%	198.1%
Other information				
		91	85	81

Funds under management and administration				
Assets under custody and administration		**410**	372	432
Full-time equivalent employees (no.)	**11**	**38,933**	39,961	43,517

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(1) *Northern Bank and National Irish Bank were disposed on 28 February 2005.*

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

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

(4) *Total Banking cost to income ratio is before eliminations (refer note 1b). Costs include total expenses excluding significant items, goodwill amortisation, the charge to provide for doubtful debts and interest expense. Income includes total revenue excluding significant items and net of interest expense. Refer to Non-GAAP financial measures for a complete discussion of the cost to income ratio on page 112.*

SECTION 3

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

GROUP PERFORMANCE OVERVIEW

8

OVERVIEW

Group performance

Year to 30 September 2005

Activity in the September 2005 year has focused on making the operational changes required to stabilise the Group s performance. This process is well advanced with focus now moving towards rebuilding the competitive position of each business and restoring the Group s profitability.

Cash earnings before significant items of $3,310 million are 4.4% lower than the September 2004 year result of $3,461 million. At constant exchange rates the year-on-year comparison is 4.3%.

The Group s performance was impacted by a range of factors:

sale of the Irish banks (refer page 10 for full details of the impact on earnings);

one-off costs notably the South Korea litigation, the Northern Bank robbery and reimbursements to customers of overcharged fees and taxes;

a deliberate change in strategy for the Institutional Markets and Services (IMS) business which has resulted in a reduction in low yielding assets unfavourably impacting cash earnings but improving return on assets and return on equity; and

continued pressure on costs, particularly due to one-off costs and regulatory and compliance projects including Basel, Sarbanes-Oxley and IFRS. Significant restructuring and investment plans have been developed across all of the Group s business units to address the cost pressures identified.

Business volumes and revenue are showing encouraging early signs of gathering momentum across all regions, albeit offset to a limited extent by margin compression in the first half of the year. In addition a strong result for Wealth Management in Australia reflects favourable investment markets.

Despite increased volumes, asset quality remains sound with reductions in the overall level of impaired assets and past due loans.

Further details are discussed below.

Excluding the contribution to the result from the Irish banks for September 2005 and 2004 and one-off costs, cash earnings before significant items on an ongoing basis increased by 3.7% year on year.

Cash earnings after significant items increased from $3,077 million in the September 2004 year, to $3,681 million in the September 2005 year. The prior year included an after-tax significant items loss of $384 million, compared to an after-tax significant items profit of $371 million in the

September 2005 year. The September 2005 year significant items consisted of:

net profit on the sale of Northern and National Irish Banks, after all disposal costs including taxation, of $1,043 million;

restructuring costs of $606 million (after-tax);

provision for settlement of a taxation dispute with the Australian Taxation Office (ATO) in respect of the TrUEPrS^{SM} capital raising transaction of $97 million (refer page 20 for further details);

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

reversal of 2002 restructuring provisions of $7 million (after-tax).

After including significant items, net profit attributable to members of the Company increased from $3,177 million in the September 2004 year to $4,132 million in the September 2005 year. This included a $345 million Wealth Management revaluation profit after tax compared with a profit of $16 million in the prior year, primarily reflecting improved investment returns.

The final dividend of 83 cents per share has been declared and this will be 80% franked. This results in a full year dividend of 166 cents per share, 80% franked.

Half year to 30 September 2005

The Group s underlying performance showed good signs of gathering momentum during the second half of the year across all businesses, other than IMS. Volumes have continued to increase in all regions at the same time as maintaining the overall Group net interest margin (2.20% at September 2005 as compared to 2.19% at March 2005). Cash earnings before significant items of $1,692 million increased 4.6% on the March 2005 half year result of $1,618 million. At constant exchange rates the half-on-half comparison is 5.1%.

Cash earnings after significant items of $1,242 million for the September 2005 half were 49.1% lower than the March 2005 half year. The September 2005 half included unfavourable significant items of $450 million (primarily related to restructuring costs), compared with a favourable March 2005 half of $821 million, due to the sale of the Irish banks.

Results excluding Irish Banks

On 28 February 2005 the sale of Northern Bank and National Irish Bank (the Irish Banks) to Danske Bank A/S was completed on terms consistent with the original sale announcement on 14 December 2004. This generated a net profit on sale after all disposal costs including taxation of $1,043 million. Adjustments have been made to set out what the September 2005 year results would have been had the Irish Banks been sold on 30 September 2004 as follows:

exclusion of net profit on sale;

exclusion of the Irish Banks reported profits for the five months up to the sale date of 28 February 2005;

inclusion of certain fixed UK head office expenses that can no longer be recharged to the Irish Banks and income recharges to be received by the UK for transitional services provided to the Irish Banks; and

inclusion of the funding benefit from the sale proceeds of $2,493 million calculated at an average rate of 5% per annum.

Refer to Significant Items on page 20 for further details.

The following table sets out a proforma Group cash earnings result excluding the Irish Banks for the September 2005 year.

		Adjust for				
	Group reported results (12 mths) $m	**Net profit on sale of Irish Banks $m**	**Irish Banks profit (5 mths) $m**	**Income & expense charges (5 mths) $m**	**Funding benefit (5 mths) $m**	**Ongoing results (12 mths) $m**
Net interest income	7,082		(197)		52	**6,937**
Net life insurance income	1,526					**1,526**
Investment earnings on shareholders retained profits & capital from life bus.	146					**146**
Other operating income	5,102		(82)	23		**5,043**
Net operating income	13,856		(279)	23	52	**13,652**
Operating expenses	(7,304)		203	(51)		**(7,152)**
Charge to provide for doubtful debts	(534)		6			**(528)**
Cash earnings before tax	6,018		(70)	(28)	52	**5,972**
Income tax expense:						
Net life insurance income & IORE	(640)					**(640)**
Other	(1,254)		22	8	(16)	**(1,240)**
Cash earnings before significant items, outside equity interest &	4,124		(48)	(20)	36	**4,092**

distributions						
Significant items after tax	371	(1,043)				**(672)**
Net profit outside equity interest	(610)					**(610)**
Distributions	(204)					**(204)**
Cash earnings after significant items	3,681	(1,043)	(48)	(20)	36	**2,606**

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RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

GROUP PROFITABILITY AND CAPITAL

PROFITABILITY

Net Operating Income Before Tax

Group net operating income before tax increased 6.3% from the September 2004 year, and 19.3% from the March 2005 half.

Net Interest Income

Banking net interest income decreased 1.5% from the September 2004 year and 0.6% from the March 2005 half. The result reflects declining margins in all regions and the impact of the sale of the Irish Banks on 28 February 2005, partly offset by underlying volume growth.

Volumes by Division

	Half Year to Sep 05 $bn	Mar 05 $bn	Fav/ (Unfav) Change on Mar 05 Ex FX %(2)	Year to Sep 05 $bn	Sep 04 $bn	Fav/ (Unfav) Change on Sep 04 Ex FX %(2)
Average interest-earning assets (1)						
Australian Banking	159.9	150.1	6.5	**155.0**	139.2	11.4
UK Banking	43.9	54.5	(17.1)	**49.2**	54.3	(7.4)
New Zealand Banking	33.2	31.1	7.1	**32.1**	27.5	12.7
Institutional Markets & Services	128.2	139.8	(7.0)	**133.8**	129.9	3.9
Other (3)	(45.3)	(50.6)	8.9	**(47.7)**	(44.4)	(7.5)
Group average interest-earning assets	319.9	324.9	(0.8)	**322.4**	306.5	5.6

(1) Interest-earning assets include 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 $15.9 billion, or 5.6% on the September 2004 year. This was driven primarily by a $15.6 billion increase in loans and advances. Adjusting for the Irish Banks, average interest earning assets increased $23.7 billion, or 8.5% on the September 2005 year.

On a divisional basis, the $15.6 billion increase in loans and advances on the September 2004 year is primarily driven by the Australian Banking business, and, on a product basis, reflects growth in the Group s housing book and improved business lending. Key factors contributing to this outcome were:

reflecting stabilisation of housing market share, Australian Banking experienced growth of $11.3 billion (12.6%) in housing lending on the September 2004 year. Non-housing lending grew $4.4 billion (10.4%) primarily fixed-rate interest-only term lending and leasing, which increased 18.1% and 11.0% respectively;

of the growth in New Zealand Banking s average interest-earning assets, $2.9 billion is due to growth in residential mortgages (up 22.9%, or 18.6% at constant exchange rates to $15.4 billion), reflecting market share improvements from 15.9% to 16.2%. Non-housing lending grew 15.3%, or 11.2% at constant exchange rates;

Excluding the Irish Banks and at constant exchange rates, average underlying housing loan balances in UK Banking increased 20.0%, reflecting new products and branding strategies, and the move into the third party distribution channel. Average underlying non-housing loan balances in the UK grew 10.2% at constant exchange rates, with growth primarily in variable-rate term lending; and

Institutional Markets & Services average loans and advances increased 1.4%, or 2.5% at constant exchange rates on the September 2004 year.

Average marketable debt securities grew $0.4 billion, or 1.0%, on the September 2004 year. Higher balances of Markets division assets reflecting business growth in the December 2004 quarter were reduced during the remainder of the 2005 year, following the Group s strategic decision to release capital invested in low yielding assets.

Refer to Note 5 for further details.

Net Interest Margin

Group net interest margin declined 15 basis points during the year from 2.35% to 2.20%, (compared to the March 2005 half, the net interest margin has increased 1 basis point from 2.19%). Drivers of the decline varied across the Group s businesses.

In analysing the divisional results, it should be noted that as part of the annual process for aligning the operating divisions economic capital usage with the Group s target capital position, capital allocations to the Group s banking divisions were reviewed with effect from 1 October 2004. This impacted the capital allocated to each division and also included an attribution of the interest cost of other forms of capital such as subordinated debt and hybrid equity instruments on a usage basis. The divisional impact on net interest income for the September 2005 year, which is neutral at the Group level, is summarised below:

Increase/(Decrease)	$m
Australian Banking	**76**
UK Banking	**16**
New Zealand Banking	**(36)**
Institutional Markets & Services	**20**
Group Funding	**(76)**
Group	

Including these effects, divisional net interest margin movements on the September 2004 year are summarised as follows:

Australian Banking s margin declined 14 basis points (19 basis points excluding the capital reallocation). This reflects ongoing competitive pressure on margins, the continuing shift in the balance sheet to lower-margin lending (primarily home loans and fixed rate term lending), lower-margin deposits (primarily term deposits), and an increase in wholesale funding;

UK Banking s margin declined 24 basis points (37 basis points excluding the capital reallocation (4bps) and the benefit of the proceeds from the sale of the Irish Banks (9bps)). In relation to UK Ongoing Operations, the underlying net interest margin declined 32 basis points. This reflects a continuing move to lower-margin lending (mainly housing and variable-rate term loans) as these products have been re-priced as part of the volume growth expansion strategy, reduced lending margins (primarily for fixed-rate personal loans, variable-rate mortgages and credit cards), an unfavourable deposit product mix, and an adverse result from interest rate management;

New Zealand Banking s margin declined 18 basis points (7 basis points excluding the capital reallocation). This has been driven by growth in lower-margin fixed rate products as customers prefer to lock in lower fixed rates in a rising interest rate environment, competitive pressure for lending products (particularly in cards and housing), and an increased reliance on wholesale funding, partly offset by favourable deposit margins and an increased contribution from interest rate management;

Institutional Markets & Services margin declined 6 basis points (8 basis points excluding the capital reallocation). This reflects reduced income generated in the Markets business due to the impact of a flatter yield curve environment, partly offset by the reversal of capitalised interest income on a non-accrual loan in the September 2004 year, and favourable changes to the structured finance and corporate loan portfolios; and

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

Net interest margin contribution to the movement in the Group net interest margin on the September 2004 year (excluding internal capital reallocation)

Net interest margin contribution to the movement in the Group net interest margin on the September 2006 year (e

As a result, on a weighted basis, the division having the greatest impact on the Group s 15 basis point margin decline was UK Banking, contributing 14 basis points of the decline on a weighted basis, with Institutional Markets & Services contributing 4 basis points, and Australian Banking contributing 3 basis points, partly offset by a 4 basis point increase from Group Funding and a 2 basis point increase from New Zealand Banking.

Net Life Insurance Income

The Group reports its results in accordance with Australian Accounting Standard AASB 1038 Life Insurance Business . AASB 1038 requires that the interests of policyholders in the statutory funds of the life insurance business be reported in the consolidated results.

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 and capital of the life insurance businesses). As the tax expense/benefit is attributable primarily to the policyholders, the movement in net life insurance income should be viewed on an after tax basis. In addition, net life insurance income includes investment revenue attributable to consolidated registered schemes with a corresponding increase in net profit attributable to outside equity interests. The life insurance funds of the life insurance companies conduct superannuation, investment and insurance-related businesses (ie. Protection business including Term & Accident, Critical Illness and Disability insurance and Traditional Whole of Life and Endowment).

	Half Year to		Fav/ (Unfav) Change on	Year to		Fav/ (Unfav) Change on
	Sep 05 $m	Mar 05 $m	Mar 05 %	Sep 05 $m	Sep 04 $m	Sep 04 %
Net life insurance income	1,031	495	large	**1,526**	919	66.1
Investment earnings on shareholders retained profits and capital (before tax) *see below*	83	63	31.7	**146**	93	57.0
Interest expense, income tax expense and outside equity interest	(912)	(360)	Large	**(1,272)**	(683)	(86.2)
Net profit of life insurance funds after outside equity interest	202	198	2.0	**400**	329	21.6

Net life insurance income after tax has increased 21.6% on the September 2004 year and increased 2.0% in the September 2005 half. This is primarily due to increased investment revenue reflecting the improved performance of global equity markets compared to the September 2004 year, partially offset by the corresponding increase in policy liabilities. Increased fee revenue due to higher average funds under management, and higher annual inforce premiums, was partly offset by the loss of transitional tax relief from 1 July 2005. The September 2004 year included the recognition of an unfavourable prior year adjustment of $50 million.

Investment Earnings on Shareholders Retained Profits and Capital of Life Businesses (IORE)

	Half Year to Sep 05 $m	Mar 05 $m	Fav/ (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Sep 04 $m	Fav/ (Unfav) Change on Sep 04 %
Investment earnings on shareholders retained profits and capital (before tax)	83	63	31.7	**146**	93	57.0
Income tax expense and outside equity interest	(15)	(15)		**(30)**	(22)	(36.4)
Investment earnings on shareholders retained profits and capital	68	48	41.7	**116**	71	63.4

Investment earnings generated on shareholders invested capital in the life insurance statutory funds for the year to September 2005 was $116 million (after-tax), in line with the strong performance of the major stock markets over the year. The September 2004 year was impacted by more subdued equity market returns, with the Asian operations particularly impacted by the significant volatility of the MSCI World Index.

Other Operating Income

Year to 30 September 2005

Total Banking other operating income increased by 4.3% (or 4.7% at constant exchange rates) on the September 2004 year to $4,343 million. Excluding the impact of the Irish Banks, other operating income grew $290 million or 7.3% which reflects the following factors:

Profit on UK property transactions of $51 million;

New income from Danske Bank A/S of $46 million for the provision of transitional services (with offsetting expense recorded in operating expenses);

Trading income increased by $96 million reflecting an improved trading environment throughout the year increasing activity in interest rate and exchange rate derivatives;

Loan fees from banking grew by $76 million reflecting solid bill fee growth in Australia and the impact of growth from introduction of the third party distribution channels and expansion of Integrated Financial Solutions centres in the UK;

Fees and commissions income grew $36 million driven by customer growth and activity in the master custody and cards businesses;

Foreign exchange income increased by $31 million resulting from funding activities undertaken during the September 2005 half; and

A change in accounting presentation in the cards and custody areas (which is offset by corresponding expense increases), increased income by $24 million.

Partly offset by:

Impact from sale of UK custodian business to Bank of New York in September 2004 of $29 million.

Wealth Management other operating income increased by $91 million (11.3%) to $898 million, reflecting higher management fee income. The September 2005 year was also favourably impacted by the receipt of a $39 million insurance recovery relating to National Australia Financial Management Limited (NAFiM) investor compensation payments ($27 million was received from the Group s captive-insurance company, with no impact at the Group level).

Half year to 30 September 2005

Total Banking other operating income increased by 5.8% (or 6.5% at constant exchange rates) on the March 2005 half to $2,233 million. Excluding the impact of the Irish Banks, other operating income grew $203 million or 10% which reflects the following factors:

Profit on UK property transactions of $51 million;

Income from Danske Bank A/S $36 million for the provision of transitional services (with offsetting expense recorded in operating expenses);

Loan fees from banking grew $35 million reflecting solid bill fee growth in Australian Banking the impact of growth from introduction of the Third Party distribution channels and expansion of Integrated Financial Solutions centres in the UK;

Foreign exchange income increased by, $37 million, resulting from funding activities undertaken during the September 2005 half;

Higher income reflecting customer growth and activity in the master custody and cards businesses, in addition to the introduction of new products and growth from electronic transaction fees, $22 million; and

A change in accounting presentation in the cards and custody areas (which is offset by corresponding expense increases), increased income by $16 million.

Partly offset by:

Trading income was down reflecting lower sales activity due to timing of significant deals and seasonal conditions in the Northern Hemisphere;

Wealth Management other operating income decreased by $24 million (5.2%) on the March 2005 half to $437 million. The September 2005 half was also unfavourably impacted due to amounts of $19 million in profit share income for creditor insurance in the UK, and $15 million in insurance recoveries received relating to NAFiM investor compensation payments being recorded in the March 2005 half.

Total Banking other operating income increased by 5.8% (or 6.5% at constant exchange rates) on the Ma h 2005 I

Operating Expenses

Year to 30 September 2005

Total Banking expenses grew 7.7% (or 8.1% at constant exchange rates) on the September 2004 year, to $6,591 million. Excluding the impact of the Irish Banks, banking expenses grew 13.6% to $6,391 million. In particular:

Total Banking expenses grew 7.7% (or 8.1% at constant exchange rates) on the September 2004 year, to $6,591 m

costs of $56 million associated with the Northern Bank robbery in December 2004;

costs of $49 million associated with the outcome of a legal action in South Korea;

an increase of $98 million in the charge to provide for non-lending losses, primarily driven by costs relating to fee refunds for the Choice package, BAD tax and fixed rate interest only loans;

insurance recoveries of $27 million payable to NAFiM from the Group s captive-insurance company (no impact at Group level);

higher superannuation costs of $23 million, due primarily to a superannuation contribution holiday in Australia reducing the September 2004 year pension fund expenses by $34 million;

higher occupancy costs of $56 million (10.3%) driven by the full occupation of the second Docklands building and a transfer from capital in progress balances after completion of a full review;

personnel expenses (excluding superannuation), growing $224 million (8.2%), reflecting higher salaries from the EBA increase on 1 January 2005 net of a reduction in average staff numbers, and higher performance-based remuneration in the September 2005 year;

higher fees and commissions and general expenses of $24 million as a result of a change in accounting presentation in the cards and custody areas (which is offset by corresponding income increases); and

higher general expenses of $46 million from the provision of transitional services to Danske Bank A/S.

Wealth Management operating expenses increased 2.2% on the September 2004 year to $852 million, reflecting a reduction in staff numbers and lower costs associated with strategic investment expenditure.

Half year to 30 September 2005

Total Banking expenses increased 3.0% (or 3.9% at constant exchange rates) on the March 2005 half year to $3,345 million. Excluding the impact of the Irish Banks, increased 9.8%, reflecting:

growth in personnel expenses (excluding superannuation) of $85 million (5.9%), due to growth in contractor costs mainly associated with compliance projects and higher performance-based remuneration in the September 2005 half;

an increase of $113 million in the charge to provide for non-lending losses, primarily driven by costs relating to fee refunds for the Choice package, BAD tax and fixed rate interest only loans;

a step-up in project related-spend, including regulatory and compliance projects;

costs of $7 million associated with the sponsorship of the 2006 Melbourne Commonwealth Games;

higher fees and commissions and general expenses of $16 million as a result of a change in accounting presentation in the cards and custody areas (which are offset by corresponding income increases); and

higher general expenses of $36 million from the provision of transitional services to Danske Bank A/S.

Partly offset by:

lower superannuation costs of $31 million, due primarily to a release of provisions held in the United Kingdom and New Zealand after actuarial reviews; and

one-off costs incurred in the March 2005 half of $125 million associated with the Northern Bank robbery, a legal action in South Korea, and insurance recoveries payable to NAFiM from the Group s captive insurance company;

Wealth Management operating expenses increased 7.3% on the March 2005 half to $441 million, reflecting higher volume-related expenses, partly offset by the impact of a reduction in staff numbers.

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Asset Quality

In the September 2005 year, the Group generated strong growth in its loan portfolio, (almost evenly split between Retail and Non-Retail activities), in a credit environment that remained benign. The improved performance was driven by:

The impact of bedding down the Group s recent restructure;

Streamlined credit assessment and approval processes including amendments to credit policy (eliminating non value adding bureaucracy), which enabled resources to be more effectively positioned to focus on client solutions and cross selling opportunities;

Continued reduction in the volume of non-accrual loans;

Continued improvement in the provisioning cover of impaired assets; and

Decreased level of net write offs.

These factors have combined to enable parts of the Group to grow at greater than system growth in both retail and non-retail activities whilst maintaining stable asset quality.

Asset composition

The volume of gross loans and acceptances (adjusted for the divestment of the Irish Banks) for the Group grew by 7% in the September 2005 half year to $292 billion (full year increase 14%). The increase during the September 2005 half was driven by a $10 billion growth in housing loans and growth in acceptances and term lending of $6 billion and $3 billion respectively.

Housing loans remain the largest product in the Group s total loan portfolio and increased by 1% to 48% during the September 2005 year. Australia banking experienced the strongest growth increasing its proportion of the Group s total loan portfolio from 64% in 2004 to 68% in 2005.

Trends in the ratings of non-retail exposures and security

The Group s asset quality remains stable. Although the proportion of investment grade equivalent (AAA to BBB-) volumes decreased slightly by 1% over the September 2005 half to 76%, the proportion remains 1% higher than the level at 30 September 2004.

The movement in the half-year was driven by a conscious decision by the Group to refocus its Institutional activity and reduce exposure to lower yielding risk weighted assets to improve return on capital, together with slight growth in the higher end of the sub-investment grade equivalent market (BB+ to BB).

The proportion of well secured facilities in the non-retail portfolio increased by 3 percentage points during the September 2005 half to 49% of the portfolio. This was largely the result of the refocused Institutional activity noted above. The proportion between September 2004 and March 2005 was relatively stable at

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46%. The Group considers a loan to be well secured where bank security is greater than 100% of the facility.

Accruing loans 90 days past due

The volume of past due facilities continued the first half trend decreasing by 7% to $819 million in the September 2005 half. The decrease was entirely attributable to the reduction in Australia, whereby the amount of 90 day past due non-housing loans fell by $56 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 also continued the first half trend decreasing by $93 million to $1,022 million. The majority of the reduction, $71 million, was in the United States, as a result of the exit of power and utility exposures. The reduction in the volume of non-accrual loans for the full year amounted to $208 million.

Provisioning coverage

The Group s coverage ratio (total provisions over impaired assets) increased by 19 points to 236% in the September 2005 half (September 2004: 198%). The main driver of the improvement was an 8.1% reduction in the volume of impaired assets to $1,027 million.

Total provisions (General & Specific) fell marginally over the September 2005 half by $2 million to $2,422 million, as a result of a $32 million reduction in specific provisions negating the $30 million increase in general provisions arising from the overall growth in the Group s loan portfolio.

The ratio of general provisions to risk-weighted assets, excluding housing, fell by 1 basis point over the September 2005 half to 0.99%.

Net write offs

The volume of the Group s net write offs continued the improved trend of the March 2005 half, falling by 9% to $193 million as a result of lower gross write offs in the United Kingdom ($25 million) offsetting small net increases in Australia ($6 million) and New Zealand ($4 million).

Net write offs for the September 2005 year, amounted to $404 million, a reduction of 33% over the prior year, benefiting from the continued benign credit environment and stronger asset prices, with the main impact benefiting the Australian corporate segment.

Retail portfolio

The retail portfolio grew strongly over the September 2005 half by 8% to $163 billion.

During that time, the volume of 90-day delinquent loans increased slightly, however the growth in the overall retail portfolio resulted in the delinquency rate remaining relatively stable at 0.57%.

Although there was a slight increase in the delinquency rate for products such as housing loans and credit cards; the gross 12-month rolling write off rate for the Group s retail portfolio improved from 0.29% to 0.28%. This has been assisted by growth in asset prices in key markets in recent years.

Taxation

Total Banking s effective tax rate on cash earnings before significant items has decreased marginally from 29.2% in the September 2004 year to 29.1%.

Exchangeable capital units capital raising

The Group announced in February 2004 and May 2005 that it had received amended assessments from the Australian Taxation Office (ATO) which seek to disallow interest deductions on exchangeable capital units (ExCaps) for the tax years 1997 to 2003 and deductions for certain issue costs for the years 1998 to 2001. The ATO assessments are for $298 million of primary tax and interest and penalties of $254 million (after-tax), a total of $552 million (after-tax). As previously advised, should the ATO also disallow issue costs claimed in 2002 and 2003, the further primary tax assessed would be approximately $2 million. Interest and penalties may also be imposed.

In accordance with ATO practice on disputed assessments, the Group has paid 50% of the amounts owing under the amended assessments. These payments have been recognised as an asset by the Group in its accounts, included within other assets, on the basis that the Group expects recovery of the amount paid to the ATO. Interest may accrue on the unpaid disputed amounts. The Group has not tax-effected interest paid on the ExCaps after 1 October 2003 whilst the tax treatment is in dispute. As a result, a permanent difference of $31 million has been recognised in determining income tax expense for the 2005 year.

The tax treatment of the ExCaps remains in dispute with the ATO. The Group has considered the implications of the recent decision of the full Federal Court in *Macquarie Finance Limited* v *Commissioner of Taxation.* This decision has reinforced the Group s confidence in the legal merits of its case. The Group disputes the amended assessments for the ExCaps and intends to pursue all necessary avenues of objection and appeal. Objections against the amended assessments have been lodged and no provision has been raised for this matter.

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The tax treatment of the ExCaps remains in dispute with the ATO. The Group has considered the implications of the

TrUEPrS^{SM} capital raising

The Group has reached an in principle heads of agreement with the ATO in respect of a settlement of amounts in dispute in respect of the TrUEPrS^{SM} capital raising transaction.

A provision of $96.5 million has been recognised as a significant item in the Group s profit result for the year ended 30 September 2005. The dispute had previously been disclosed. The total potential claim was approximately $210 million including accrued interest. In accordance with ATO practice on disputed assessments, the Group had previously paid to the ATO 50% of the amounts owing under relevant amended assessments. This amount (approximately $96 million) was recognised by the Group at the time as an asset in prior period financial statements. This amount has been written off reflecting the in principle agreement reached with the ATO.

TrUEPrS^{SM} is a service mark of Merrill Lynch & Co., Inc.

New Zealand structured finance transactions

The New Zealand Inland Revenue Department (IRD) is carrying out a review of certain structured finance transactions in the banking industry.

As part of this review, subsidiaries of the Group have received amended tax assessments for the 1998 and 1999 years from the IRD with respect to certain structured finance transactions. The amended assessments are for income tax of approximately NZ$47 million. Interest will be payable on this amount, and the possible application of penalties has yet to be considered by the IRD.

The IRD has also issued Notices of Proposed Adjustments in respect of these and similar structured finance transactions for the 2000, 2001 and 2002 years. These notices do not create a tax obligation for the National, but advise of the IRD s intention to issue amended assessments for those years.

The New Zealand Government introduced new legislation, effective 1 July 2005, which addresses their concerns with banks entering into these transactions. All of the structured finance transactions of the Group s subsidiaries that are the subject of the IRD s review were terminated by that date.

If the IRD issues amended assessments for all transactions for periods up to 30 June 2005, the maximum sum of primary tax, which the IRD might claim for all years is approximately NZ$416 million. In addition, as at 30 September 2005, interest of NZ$117 million (net of tax) will be payable.

The Group is confident that its position in relation to the application of the taxation law is correct and it is disputing the IRD s position with respect of these transactions. The National has obtained legal opinions that confirm that the transactions complied with New Zealand tax law. The transactions are similar to transactions undertaken by other New Zealand banks. The Group has commenced legal proceedings to challenge the IRD s assessments.

The financial effect of the unpaid balance of the amounts owing under the amended assessments has not been brought to account in the financial statements for the period to 30 September 2005.

Significant Items

Net profit on sale of Northern and National Irish Banks

On 28 February 2005 the sale of National Europe Holdings (Ireland) Limited (the UK holding company of Northern Bank and National Irish Bank) to Danske Bank A/S was completed on terms consistent with the original sale announcement on 14 December 2004. After post closing adjustments this generated a net profit on sale after all disposal costs including taxation of $1,043 million.

In accordance with terms of the sale agreement, the National has certain indemnification obligations and standard warranties that survive completion of the sale. The National is providing transitional services to Danske Bank A/S in respect of the Northern Bank and National Irish Bank operations to assist in the smooth transition of ownership of those businesses. These transitional services will be provided at cost and are expected to be in place for up to eighteen months from the date of sale.

Restructuring expenses

During the September 2005 year, the Group incurred restructuring expenses and provisions totalling $838 million. Details are set out below:

	Redundancies		Occupancy	Other	Total
	No.	$m	$m	$m	$m
Year to 30 September 2005					
Total Australia	2,248	198	54	157	**409**
Total UK	1,700	181	62	23	**266**
Total New Zealand	38	3	11		**14**
Institutional Market & Services	471	74	10	37	**121**
Other (including Corporate Centre)	205	28			**28**
Total Group	4,662	484	137	217	**838**

Australian restructuring

The restructuring expenses recognised during the year of $409m ($121m recognised at March 2005) include a provision as at 30 September 2005 of $178m that will be utilised through 2006 and 2007. The total redundancy costs of $198m are expected to deliver FTE reductions of 2,248 through efficiency improvements, de-layering of the organisational structure and refocusing the retail and business banking distribution strategy. Including the outsourcing of the cheque processing function (FTE reduction of 235) FTE numbers have reduced by 1,065 in 2005. The occupancy costs of $54m relates to surplus lease space. The $157m of other costs relates to the decommissioning and writing-off of technology systems, product and legal entity rationalisation and simplification, and staff and communications implementation costs.

UK restructuring

The charge for the UK of $266 million, is unchanged from that reported in the first half of the financial year. $68m has now been utilised with the remainder expecting to be utilised by the end of 2007. The restructuring expense will cover the costs of streamlining operations, that will lead to reductions in FTE s of 1,700 positions (718 achieved in 2005) and the reconfiguration of the distribution networks to meet the changing needs of customers.

Institutional Markets & Services restructuring

The key restructuring initiatives in IMS are focused on creating a competitive growth platform in its core markets whilst improving return on capital employed. The restructuring charge relates to the consolidation of the Asian businesses into a regional hub, the exiting of certain businesses in the US, the repositioning of the UK large and mid-size corporate banking segments, and the replacement and rationalisation of the technology platform supporting the markets business.

Of the $121 million restructuring cost, $56m has been incurred in 2005. The remaining $65 million provision is expected to be utilised through 2006 and 2007. Restructuring is expected to deliver reductions of 471 FTE s of which 167 have already exited the organisation.

New Zealand & Corporate Centre

The $14m restructuring charge in New Zealand relates to rationalisation of the current branch network and corporate office. The Corporate Centre charge of $28m predominantly relates to redundancies within head office.

Provision for TrUEPrS^{SM} dispute

Following the Group reaching an in principle heads of agreement with the ATO in respect of settlement of the TrUEPrS[SM] dispute, an amount of $96.5 million has been recognised as a significant item in the Group s profit result for the year ended 30 September 2005.

Reversal of provision in relation to foreign currency options trading loss

In January 2004, the National announced that it had identified losses relating to unauthorised trading in foreign currency options of $360 million before tax. Following a detailed review of the residual risk in the remaining portfolio, $34 million ($24 million after tax) was written back to profit as the reversal of a significant item in the September 2005 year.

Reversal of 2002 provision in relation to restructuring

During 2002, the Group recognised restructuring costs from the Positioning for Growth (PfG) initiatives. In the September 2005 year, excess provisions of $11 million ($7 million after tax) were written back to profit.

BALANCE SHEET & CAPITAL

Assets and Liabilities

Lending

	30 Sep 05 $m	As at 31 Mar 05 $m	30 Sep 04(1) $m	Fav/(Unfav) Change on Mar 05 Ex FX %	Sep 04 Ex FX %
Housing (net of securitisation)					
Australia	**105,419**	98,142	91,259	7.4	15.5
UK	**17,175**	15,289	14,716	18.1	27.1
New Zealand	**16,393**	15,399	14,328	7.5	17.7
Asia	**494**	617	610	(21.1)	(13.6)
Total housing	**139,481**	129,447	120,913	8.5	16.9
Term lending	**84,744**	81,560	78,819	5.5	10.3
Other lending	**40,379**	40,109	39,443	2.8	7.4
Bill acceptances	**27,627**	21,567	16,343	28.1	69.1
Total lending (gross loans & acceptances)	**292,231**	272,683	255,518	8.3	16.9

(1) Proforma information excludes lending assets of the Irish Banks, which were sold on 28 February 2005.

Housing lending (net of securitisation) has increased by 8.5% from the March 2005 half to $139.5 billion supported by continued strong residential mortgage markets across all regions.

In Australia, housing lending has experienced encouraging growth with market share stabilising at 14.2%. Increase in volumes reflects continued buoyant housing market with annualised system growth at September 2005 around 13.5%. Housing lending growth has mainly occurred within basic loans, including Homeside plain & simple, Redstar 100% offset loans and Redstar intro loans.

In the UK, housing lending has increased 18.1% reflecting growth across the 3rd party distribution channel (inception in May 2004), branch network and integrated financial solutions channel. Increasing housing loans is a target of volume growth expansion strategies and major increases have been in variable rate lending, particularly the highly promoted offset mortgages.

In New Zealand, housing lending grew 7.5% over the half, with market share remaining constant at 16.2% at September 2005. This performance was driven by strong growth in fixed rate housing loans due to solid systems growth and the Unbeatable housing campaign targeted at growing market share.

Business lending volumes have grown over the half, particularly in Australia and New Zealand, reflecting a combination of buoyant economic conditions and the easing of credit settings. In Australia, growth has primarily come from fixed rate interest only term lending (largely for investment housing) and the market rate facility (an attractive alternative to bill facilities for smaller borrowers). In New Zealand, the increase has been driven by strong growth in SME business lending and Agribusiness.

Bill acceptances have increased 28.1%, however, excluding the impact of the buy-back of the Company s-accepted bills, bill acceptance volumes have grown 8.9% over the half. Australian Banking bill acceptances have increased 12.9% as they 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 investment securities) decreased $4,631 million or 14.5% during the September 2005 half. The reduction in these securities follows the Group s strategic decision to release capital invested in low yielding assets so as to improve returns in the Institutional Markets & Services business. A review of the securities portfolio of National Custodian Services also resulted in a large portfolio of bank bills being released to the market.

Deposits and Other Borrowings

Total deposits and other borrowings increased 1.6% over the half.

Total deposits decreased $2,538 million or 1.3% during the September 2005 half. The decrease in total deposits reflects a reduction in certificates of deposit issued in Australia, which were used to fund the holdings of bank bills held by National Custodian Services (as noted above). Sound growth, however, was experienced in retail deposit volumes, particularly in Australia and the UK. In Australia, growth has been in business investment accounts and carded term deposits due to competitive pricing, 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 expansion of the integrated financial solutions channel across England.

Other borrowings have increased by $4,378 million (32.3%), reflecting an increase in the National Australia Funding Delaware commercial paper program. Commercial paper is seen as an economical source, in the 3-12 month range, to fund balance sheet growth as short-term and overnight funding is reduced in the US due to continued increases in the US Federal reserve rate.

Bonds, notes and subordinated debt

Bonds, notes and subordinated debt increased $2,702 million (7.4%) during the September 2005 half. The National has a number of funding programs available, and the increase reflects issues of the Group s Global medium-term note and debt issuance programs, undertaken to fund asset growth and re-finance of maturing short-term and long-term debt. The increase also reflects the Group s current strategy of lengthening the maturity profile of the Group s debt issues.

Capital Position

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

	Target ratio %	30 Sep 05 %	As at 31 Mar 05 %	30 Sep 04 %
ACE ratio	4.75 5.25	5.49	5.84	5.30
Tier 1 ratio	7.0 - 7.5	7.86	8.30	7.34
Total capital ratio	**10.0 -10.5**	**10.45**	**11.37**	**10.58**

	30 Sep 05 $m	As at 31 Mar 05 $m	30 Sep 04 $m
Risk-weighted assets credit risk	276,540	266,854	273,189
Risk-weighted assets market risk	13,293	12,294	13,616
Total risk-weighted assets	**289,833**	**279,148**	**286,805**

There has been no change to the National s target capital ranges during the 2005 year.

In addition to regulatory capital ratios, the National uses the adjusted common equity (ACE) ratio as a key capital target. It measures the capital available to support the banking operations, after deducting the

Group s investment in wealth management operations. As at 30 September 2005, the ACE ratio was 5.49% a decrease from 5.84% at 31 March 2005. *Refer to note 17 regarding the components of the ACE ratio.*

The Group s ACE and Tier 1 ratios increased during the year and are above the top end of our Group s stated target ranges at 30 September 2005. This principally reflects the sale of the Irish Banks, Northern Bank Limited and National Irish Bank Limited, which occurred on 28 February 2005. The reduction in the Group s capital ratios in the September 2005 half mainly reflects strong asset growth in our retail banking businesses, the deconsolidation of profits from the Wealth Management business and the impact of significant items relating to restructuring charges and the settlement of the tax dispute with the Australian Taxation Office in respect of the TrUEPrS[SM] capital raising transaction. The reduction in the total capital ratio also reflects the redemption of a USD700 million subordinated debt issue.

The initiative to reduce low return risk-weighted assets in the Institutional Markets & Services business resulted in a reduction in credit risk RWA s of approximately $6 billion in the half year to September 2005.

As directed by APRA, the National currently uses the standard method to calculate the market risk capital component of risk-weighted assets. During the half there was an increase of $999 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 30 September 2005 amounted to $3,217 million, up from $3,127 million at 31 March 2005. The effect of using the standard method to calculate the market risk component of risk-weighted assets was an increase of $10,076 million (compared to $9,167 million at 31 March 2005).

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

On 24 February 2005, APRA issued a discussion paper that outlines how APRA proposes to address the prudential implications of a number of specific AIFRS related changes. APRA s proposals have potential impacts for the capital position of the National and all the other Australian financial institutions. *Refer to page 102 for further details.*

APRA s proposals on Tier 1 hybrid capital

On 31 August 2005, APRA released a discussion paper outlining its proposed approach to Tier 1 hybrid capital. The proposals introduce more restrictive rules relating to the volume and type of instruments that qualify as Tier 1 capital and will have a potential impact on the composition of the capital base of the National and other Australian financial institutions. The National has submitted a detailed response to the discussion paper.

The APRA paper proposes a hybrid (or residual) Tier 1 limit of 25% of net Tier 1 capital. Previously the hybrid limit of 25% applied to Tier 1 before deductions and hybrids and could consist entirely of Innovative Tier 1 capital. Innovative Tier 1 capital includes any instrument which includes features such as an incentive for the issuer to call, e.g. a step-up in distribution rate, or is issued indirectly through a special purpose vehicle.

The new rules propose that hybrid Tier 1 capital will be classified into two categories being Innovative Tier 1, which will be limited to 15% of net Tier 1 capital, and a new category of Non-Innovative Tier 1 representing 10% of net Tier 1 capital. Non-Innovative Tier 1 capital is described by APRA as consisting of pure preference shares being non-cumulative irredeemable preference shares without innovative capital features .

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 will apply for entities that are materially affected by the proposed changes. In this case, APRA intends to grant up to a further two-year transition period, until 1 January 2010, in respect of innovative capital instruments in excess of the proposed limits as at the date of the discussion paper.

APRA proposes to introduce these rules from 1 July 2006, however the new limits will not apply until 1 January 200

DIVISIONAL PERFORMANCE ANALYSIS

TOTAL AUSTRALIA (1)

Summary

	Half Year to		Fav / (Unfav) Change on	Year to		Fav / (Unfav) Change on
	Sep 05 $m	Mar 05 $m	Mar 05 %	Sep 05 $m	Sep 04 $m	Sep 04 %
Cash earnings before significant items						
Australian Banking	910	951	(4.3)	**1,861**	1,993	(6.6)
Wealth Management Australia (1)	220	194	13.4	**414**	320	29.4
Total Australia	1,130	1,145	(1.3)	**2,275**	2,313	(1.6)

(1) Wealth Management Australia division includes Asian operations.

Financial performance highlights

The stabilisation of the businesses within the Australian region is well progressed, evidenced by market share growth in most key segments, strong income growth, stabilisation of margin decline, resolution of several critical compliance issues and substantial progress with a number of business efficiency initiatives.

Cash earnings for the September 2005 year were 1.6% below the September 2004 year, with the September 2005 half 1.3% below the March 2005 half. This headline result was clouded by non-lending losses in Banking of $91 million, and the loss of transitional tax relief in the Wealth Management Investments business of $15 million, while the September 2004 year result contained prior year negative adjustments of $50 million in Wealth Management. Excluding these items, cash earnings were up 0.8% for the year and exhibited strong growth of 6.7% in the September 2005 half.

The Australian Banking September 2005 year cash earnings were 6.6% down on the September 2004 year. Income growth was solid, reflecting growth in lending volumes, which in turn drove positive market share trends, offset by a contraction in the net interest margin. Operating expenses were higher, in part due to high non-lending losses, while a higher charge for doubtful debts due to volume growth contributed further to the decline in cash earnings. However, underlying asset quality trends in both retail and business banking were encouraging for the September 2005 half.

Wealth Management Australia s September 2005 year cash earnings grew 29.4% on the September 2004 year. Solid growth in the Investments business and strong investment earnings on shareholders retained profits and capital was partly offset by reduced profits from Insurance. Other factors impacting reported growth included the loss of transitional tax relief from 1 July 2005 in the Investments business and the negative adjustment to September 2004 year cash earnings.

Business developments

The program of work to transform the Australian business is continuing. The re-alignment of the organisational structure was completed in the March 2005 half, with Australian Banking and Wealth Management moving into a single, regional business centred around customers, products and services.

Significant work has been undertaken to improve governance processes in the Australian region. In particular, an Investment Subcommittee was established, comprising the Chief Financial Officer, Chief Information Officer and Head of Strategy from the Australian region, to apply more rigorous investment approval processes and ensure better ongoing measurement of returns from investment expenditure.

MLC purchased the minority interests in its Hong Kong business for $148 million in July 2005.

Key operational achievements for the year include:

a significant investment in the frontline telling platform to enable better customer service, expected to be completed by December 2005;

a significant improvement in the speed of decision making for business loans via targeted process initiatives;

enabling 950 bankers to quote and sell general insurance products via the roll out of a General Insurance point of sale capability to relationship and acquisition bankers;

launch of a significant suite of new banking products, including Smart Reward and Smart Junior accounts, to reward regular saving behaviour (March 2005); a business and housing Low Doc package for small business and self-employed customers (March 2005); Personal Project Loans, with access to an approved loan amount for 90 days via Visa card (July 2005); Business Plus, integrating transactional, short-term and long-term variable rate finance in one facility (August 2005); Business

Cash Maximiser, a high return, limited access account for businesses to park surplus cash (September 2005) and iSaver, a high interest, online savings account (September 2005);

a number of product developments across Wealth Management s MasterKey and MasterKey Custom platforms following the introduction of the Super Choice Legislation on 1 July 2005 and regulatory changes. This included the launch of a Term Allocated Pension product and a Non-Commutable Income Stream, providing increased flexibility for Australians in retirement;

launch of the MasterKey Investment Service, giving investors greater choice with access to Wealth Management s Manager of Managers investment options, as well as a broad range of investment options from well known Australian and international investment managers;

MLC Wealth Protection was named Insurance Company of the Year for the fourth consecutive year by Personal Investor Magazine Awards for Excellence in Financial Services 2005 . MLC s Personal Protection Portfolio, Income Protection, also won the Income Protection Product of the Year ; and

a move towards global equity strategies in Wealth Management, including the appointment of four new managers.

Commitment to the Community

Establishing the Asian Tsunami relief fund in December 2004, with Australian branches accepting over $10 million in donations from the public for World Vision. The National donated $1.1 million to a number of charities and was represented by over 1,200 people (900 staff plus friends and family) who worked at a call centre in Melbourne to record pledges for $6.4 million towards World Vision s Reach out to Asia telethon in January 2005.

Jointly winning the Banksia Award for environmental excellence in the category of Leadership in Sustainable Buildings for its innovative and environmentally sensitive Docklands building.

Furthering the development and awareness of micro credit through sharing our experience with a pilot low interest product for low income earners at a national conference on micro credit in connection with the United Nations Year of Micro Credit.

Announcing several major sponsorships, including official Partner of the Melbourne 2006 Commonwealth Games, a historic partnership with the Australian Football League, Lead Partner of The Australian Ballet and Major Sponsor of the National Education Program to promote ballet through educational initiatives across Australia.

The National s Volunteer awards, which saw 48 community organisations from around Australia share $350,000 in awards from the National.

Restructuring activity

A strong focus during the year was the restructure of the Banking and Wealth Management businesses and formation of an integrated Australian region. A $409 million restructuring charge was recognised as a significant item. This relates to a number of initiatives, including business efficiency (e.g. lending processes, commercial property and support functions), de-layering the organisational structure, decommissioning and writing off systems, and product and legal entity rationalisation and simplification.

Together, these restructuring initiatives generated $41 million in pre-tax profit in 2005.

Redundancies relating to restructuring activities accounted for a gross reduction in full-time equivalent employees of 1,124 in 2005 (including 59 from a previous restructuring program), of which 235 related to the outsourcing of day one cheque processing. In addition, a focus on productivity resulted in a further 550 FTE reduction, resulting in a gross reduction of 1,674 full-time equivalent employees in 2005.

This gross reduction has been partially offset by an investment in front line sales capability (particularly in business banking) (146), graduate recruitment (129) and an increase in project activity (273), leaving a net reduction of 992 full-time equivalent employees for the year.

Australian Banking

Performance Summary

	Half Year to Sep 05(2) $m	Mar 05 $m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Sep 04 $m	Fav / (Unfav) Change on Sep 04 %
Net interest income	1,995	1,888	5.7	**3,883**	3,701	4.9
Other operating income	1,154	1,081	6.8	**2,235**	2,122	5.3
Total income	3,149	2,969	6.1	**6,118**	5,823	5.1
Operating expenses	(1,730)	(1,479)	(17.0)	**(3,209)**	(2,771)	(15.8)
Underlying profit	1,419	1,490	(4.8)	**2,909**	3,052	(4.7)
Charge to provide for doubtful debts	(127)	(130)	2.3	**(257)**	(201)	(27.9)
Cash earnings before tax	1,292	1,360	(5.0)	**2,652**	2,851	(7.0)
Income tax expense	(382)	(409)	6.6	**(791)**	(858)	7.8
Cash earnings before significant items (1)	910	951	(4.3)	**1,861**	1,993	(6.6)

(1) Refer to Note 1a for a reconciliation of the Australian Banking result to Group net profit.

Key Performance Measures

	Half Year to Sep 05	Mar 05	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05	Sep 04	Fav / (Unfav) Change on Sep 04 %
Performance & profitability						
Return on average assets (annualised)	0.96%	1.07%		**1.01%**	1.23%	
Cost to income ratio	54.9%	49.8%		**52.5%**	47.6%	
Cash earnings per average FTE (annualised) ($ 000)	101	104		**102**	108	
Net interest income						
Net interest margin	2.49%	2.52%		**2.51%**	2.65%	
Net interest spread	2.32%	2.31%		**2.32%**	2.55%	
Average balance sheet ($bn)						
Gross loans and acceptances	183.3	169.2	8.3%	**176.2**	156.0	12.9%
Interest-earning assets	159.9	150.1	6.5%	**155.0**	139.2	11.4%
Retail deposits	76.0	74.1	2.6%	**75.1**	70.7	6.2%

	30 Sep 05	As at 31 Mar 05	30 Sep 04
Full-time equivalent employees (FTE)	**17,884**	18,372	18,382
Asset quality			
Gross non-accrual loans ($m)	**372**	362	428
Gross loans and acceptances ($bn)	**188.3**	173.9	162.2
Gross non-accrual loans to gross loans and acceptances	**0.20%**	0.21%	0.26%
Specific provision to gross impaired assets	**29.1%**	34.2%	29.7%
Market share (%) (1)			
Housing	**14.16**	14.05	14.01
Business (including Institutional Markets & Services)	**18.59**	18.33	18.49
Other Personal	**15.70**	15.93	16.35
Retail deposits (Personal & Business)	**15.11**	15.01	15.09

(1) Source: Reserve Bank of Australia (September 2005 Data). This data does not include bill acceptances within lending volumes.

Financial performance year to 30 September 2005

Cash earnings before significant items declined 6.6% on the prior year to $1,861 million.

During the year, several issues in respect of customer overcharging were identified. These included the overcharging of fees for the Choice Package product, interest on Fixed Rate Interest Only Loans (FRIOLs) and Personal Residential Fixed Rate Interest Only Loans (PRFRIOLs), and the over-collection of BAD tax. Pre-tax charges of $90 million, $26 million and $14 million respectively were recorded for these items. The estimate for Choice Package includes $52 million for overcharging, $14 million for interest, $18 million for remediation costs and $6 million reversal of current year fee income.

Excluding these items, underlying cash earnings declined 2.1% for the year.

Underlying profit fell 4.7% on the prior year (down 0.4% excluding the $130 million adverse pre-tax profit impact for non-lending losses), with the following factors influencing the result:

Net interest income increased $182 million, driven by continued strong growth in lending volumes following a first half initiative to speed processes, introduce streamlined products, restore some credit risk settings and a stronger focus on customer service. Retail deposit balances also increased following the launch of new transaction accounts (Smart) and high interest savings accounts (iSaver, Business Cash Maximiser).

Business lending market share has steadily improved over the year under RBA definitions (up 0.10 percentage points to 18.59%). Using APRA s definition of the banking system, which includes bill acceptances within lending volumes, market share in business lending increased from 21.6% to 24.3% (this is impacted by the Institutional Markets & Services strategy to reduce Bill Acceptances)

Housing lending market share (RBA definition) also increased (up 0.15 percentage points to 14.16%).

Share of other personal lending (RBA definition) fell over the full year (down 0.65 percentage points to 15.70%), but stabilised in the second half.

Market share in retail deposits (RBA definition) increased 0.02 percentage points over the year to 15.11%. Using APRA s definition, market share of household deposits declined 0.1 percentage points to 13.3%.

Net interest margin declined 14 basis points to 2.51%. This was primarily driven by product margin contraction (8 basis points), which was attributable to the flow-on impact of margin declines in 2004, with product margins holding throughout 2005. Other impacts included the increased reliance on wholesale funding, adverse changes in product mix and reduced income from balance sheet management activities arising from the more stable interest rate environment, offset by an increase in capital benefit due to a change in Group s internal capital allocation methodology.

Other operating income increased $113 million (5.3%) for the year, mainly driven by lending-related fee revenues (up $70 million net of a $6 million reimbursement for Choice Package fee over-charging) particularly in bill financing ($61 million), higher credit card fees and card issuer incentives (up $22 million), volume driven Custodian transaction fee income (up $13 million).

Operating expenses increased $438 million (15.8%) for the September 2005 year, or 11.3% when adjusted for the $124 million increase relating to the three large non-lending losses. This reflects:

An uplift in capabilities required to support the strategy of the business, with increased personnel costs ($76 million) reflecting an investment in people through higher variable performance rewards and incentives, higher occupancy costs ($31 million), including the impact of relocating to Docklands, and an increased investment in brand, including sponsorships.

A number of items impacting the comparability of expenses between the September 2005 and 2004 years ($37 million) including superannuation contribution holiday in 2004.

Project expenditure was $56 million higher for the September 2005 year, largely as a result of the high number of regulatory and compliance projects currently underway.

After adjusting for the above items, underlying expense growth was $148 million (5.3%). This includes an increase in personnel costs ($68 million) due to the impact of enterprise bargaining agreement changes, change in skill mix, superannuation and other salary increases, together with an increase in other costs, in part reflecting the increased activity and volumes within the business.

The above expense increases were partially offset by benefits flowing through from current-year restructuring initiatives ($23 million) and other productivity improvements ($37 million).

The cost to income ratio increased to 52.5% for 2005 (50.4% excluding the large non-lending losses).

The charge for doubtful debts increased by $56 million, largely attributable to a higher statistical provision charge. This was driven by the growth in lending outstandings, in particular business lending products. Credit quality remains sound, with the level of non-accrual loans falling over the September 2005 year. The

September 2004 year also included the positive impact of statistical provisioning write-backs in the Cards and Business portfolios.

Financial performance half year to 30 September 2005

Cash earnings before significant items in the September 2005 half declined 4.3% on the March 2005 half, impacted by provisions for non-lending losses relating to the over-charging of Choice Package home loan service fees ($63 million), over-collection of BAD tax ($3 million, with March 2005 half $7 million) and over-charging of penalty interest on FRIOL s/PFRIOL s ($18 million). Excluding these items, cash earnings grew by 3.8% in the September 2005 half.

Underlying profit was down 4.8% for the September 2005 half (up 2.6% excluding the $110 million increase in provisions for non-lending losses), influenced by the following factors:

Net interest income increased $107 million (5.7%), with strong growth in lending volumes driven by housing and business lending growth. Retail deposit balances have also increased for the half, driven by variable rate deposits following the introduction of new transaction and high yield savings products.

Business lending market share improved strongly over the half under RBA definitions (up 0.26 percentage points to 18.59%). Using APRA s definition of the banking system, which includes bill acceptances within lending volumes, market share in business lending increased from 22.9% to 24.3%.

Housing lending market share (RBA definition) also increased (up 0.11 percentage points to 14.16%).

Other personal lending market share (RBA definition) was down 0.23 percentage points to 15.70%.

Market share in retail deposits (RBA definition) increased 0.10 percentage points over the half to 15.11%. Using APRA s definition, market share of household deposits was flat for the half at 13.3%.

Net interest margin contracted 3 basis points to 2.49% for the half. This reflected stable product margins and a modest mix impact (2 basis points), while the increased reliance on wholesale funding was offset by a volume-driven increase in capital benefit.

Other operating income increased $73 million (6.8%), with lending-related fee revenues (up $31 million), particularly bill financing. Higher second half transactional, nominee and cards-based fee revenue (up $31 million) also contributed to the result, driven by buoyant market conditions and refreshed transaction account product offerings.

Operating expenses increased $251 million (17.0%), or 9.9% when adjusted for the $104 million increase relating to the three large non-lending losses. This reflects:

A continued uplift in capabilities required to support the strategy of the business, with increased personnel costs ($21 million) reflecting an investment in people through higher variable performance rewards and incentives, and an increased investment in brand.

A number of items impacting the comparability of expenses between periods ($42 million), including the transfer of employees into the Australian region and seasonal impacts.

After adjusting for the above items, underlying expense growth was $71 million (4.8%). This includes an increase in personnel costs ($39 million) including the impact of enterprise bargaining agreement changes, annual leave provisions and other salary increases, together with an increase in other costs, in part reflecting the increased activity and volumes within the business.

In addition to the above, project expenditure was $42 million higher, largely due to regulatory and compliance projects including Sarbanes Oxley, Basel and IFRS.

The above expense increases were partially offset by benefits flowing through from current-year restructuring initiatives ($23 million).

The cost to income ratio was 54.9% for the September half (51.2% after adjusting for the impact of large non-lending losses during the period).

The doubtful debt charge for the September 2005 half was broadly in line with the March 2005 half, reflecting continuing strong credit management of the growing lending portfolio. Credit quality indicators continued to improve during the September 2005 half, with non-accrual loans both in absolute terms and as a percentage of loans outstanding trending down.

Wealth Management Australia (1)

Performance Summary

	Half Year to Sep 05 $m	Mar 05 $m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Sep 04 $m	Fav / (Unfav) Change on Sep 04 %
Investments (2)	105	115	(8.7)	**220**	199	10.6
Insurance (3)	85	74	14.9	**159**	165	(3.6)
Other (including regulatory programs) (4)	(37)	(42)	11.9	**(79)**	(63)	(25.4)
Profit from operations (after tax)	153	147	4.1	**300**	301	(0.3)
Investment earnings on shareholders retained profits and capital from life businesses	67	47	42.6	**114**	69	65.2
Underlying operating profit after tax and outside equity interest	220	194	13.4	**414**	370	11.9
Prior year adjustments					(50)	large
Cash earnings before significant items (5)	220	194	13.4	**414**	320	29.4
Revaluation profit after tax	294	51	large	**345**	16	large
Net profit before significant items and after outside equity interest (5)	514	245	large	**759**	336	large

(1) Wealth Management Australia division includes Asian operations.
(2) Investments include funds management, funds administration and asset management.
(3) Insurance includes retail insurance (retail risk insurance encompassing term, trauma and disability insurance, traditional life insurance and general insurance agency) and group insurance.
(4) Other includes Financial Planning, other businesses and shareholders branches of the life companies and strategic investment expenditure. The costs of NAFiM investor compensation and enforceable undertakings are included in this line.
(5) Refer to Note 1a for a reconciliation of the Wealth Management Australia result to Group net profit.

Financial performance year to 30 September 2005

Cash earnings before significant items grew 29.4% to $414 million. Net profit before significant items and after outside equity interest for the year was $759 million. The result reflects solid growth in the Investments business despite the loss of transitional tax relief and strong investment earnings on shareholders retained profits and capital, which was offset by reduced profits in the Insurance business and increased regulatory compliance spend. The year to September 2004 was negatively impacted by prior year adjustments of $50 million.

The revaluation profit reflects the positive impact from strong investment earnings, ongoing expense control and changes in economic assumptions, partially offset by the impact of lower retail investment and corporate business margins.

Financial performance half year to 30 September 2005

Cash earnings before significant items grew 13.4% on the March 2005 half to $220 million, reflecting strong investment earnings on shareholders retained profits and capital due to the continued strength of major stock markets, increased profits in the Insurance business primarily due to improved claims experience, and lower regulatory compliance spend. The result was adversely impacted by lower profits in the Investments business following the loss of transitional tax relief ($15 million).

Key Performance Measures

	Half Year to Sep 05 $m	Mar 05 $m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Sep 04 $m	Fav / (Unfav) Change on Sep 04 %
Sales						
Retail	4,763	4,533	5.1	**9,296**	9,112	2.0
Wholesale	1,908	1,777	7.4	**3,685**	4,528	(18.6)
Investment sales Australia	6,671	6,310	5.7	**12,981**	13,640	(4.8)
Asia	23	25	(8.0)	**48**	48	
Total Investment sales	6,694	6,335	5.7	**13,029**	13,688	(4.8)
Retail risk	41	36	13.9	**77**	75	2.7
Group	21	20	5.0	**41**	41	
Other	20	19	5.4	**39**	30	30
Insurance sales Australia	82	75	9.3	**157**	146	7.5
Asia	27	28	(3.6)	**55**	59	(6.8)
Total Insurance sales	109	103	5.8	**212**	205	3.4
Debt sales	1,298	733	77.1	**2,031**	1,529	32.8

Year to 30 September 2005

MasterKey platform retail sales increased 16% over the prior year. This strong result was partially offset by the closure of the MLC Platinum Global Fund offering to new MLC Investment Trust and Unit Trust investors. The wholesale investments business experienced lower sales during the year, reflecting the lumpy nature of flows in this business.

Total Insurance sales increased by 3.4% primarily due to solid general insurance sales, the result of an increased focus on cross-sell initiatives in the Australian region. Notwithstanding the increasingly competitive market, retail risk sales have increased 2.7% over the prior year.

Debt sales increased by 32.8% on the prior year reflecting the progress towards a more integrated offer and the introduction of Margin Lending onto the MasterKey Investment Service platform. The profit from debt sales emerges in the Australian Banking result.

Half year to 30 September 2005

Seasonal variations in Retail, Debt and Insurance sales are caused by the end of the tax year and the Christmas/New Year period, resulting in comparably higher sales in the September 2005 half.

In addition, the MasterKey platform experienced strong sales above the seasonal variations during the September 2005 half. This result was partially offset by lower sales in Plum, reflecting the lumpy nature of flows in this business.

Debt sales increased by 77.1% on the March 2005 half, reflecting the progress towards a more integrated offer and the introduction of Margin Lending onto the MasterKey Investment Service platform.

	As at			Change on	
	30 Sep 05	31 Mar 05	30 Sep 04	Mar 05 %	Sep 04 %
Full-time equivalent employees (FTEs) (No.)	**4,252**	4,393	4,746	(3.2)	(10.4)
Financial advisers					
Bank channels (Australia)	**466**	476	460	(2.1)	1.3
Aligned channels					
Australia	**827**	858	848	(3.6)	(2.5)
Asia	**1,766**	1,573	1,586	12.3	11.3
Total aligned channels	**2,593**	2,431	2,434	6.7	6.5
Financial advisers (No.) (1)	**3,059**	2,907	2,894	5.2	5.7

(1) In addition to banking and aligned channels, Wealth Management Australia has relationships with over 3,000 External Financial Advisers in Australia at September 2005 (March 2005: 2,750, September 2004: 2,600).

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FTEs are 3.2% and 10.4% below March 2005 and September 2004 respectively, following initiatives to align expenses to business volumes and transition to the new regional operating model.

Continued strong competition in the market has impacted adviser numbers in Australia, however adviser productivity has improved over the year. A number of initiatives, such as the refreshed licensee offer and the adviser scholarship program, are underway to assist in the recruitment and retention of advisers. These initiatives have resulted in a significant pipeline of new advisers transitioning to our network. Financial adviser numbers in Asia have increased following active recruitment across the region.

Investments

	Half Year to Sep 05 $bn	Mar 05 $bn	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $bn	Sep 04 $bn	Fav / (Unfav) Change on Sep 04 %
Total funds under management and administration						
Spot	84.8	78.7	7.8	**84.8**	74.6	13.7
Average	80.8	77.7	4.0	**79.2**	70.2	12.8

	30 Jun 05	As at 31 Dec 04	30 Jun 04
Market share - Australia % (1)			
Total Master Funds (2)	**16.7**	17.4	17.8
Annual Master Funds inflows	**12.8**	12.8	13.3
Annual Master Funds outflows	**13.9**	14.7	15.9
Retail funds management (ex cash mgmt)(2)	**12.9**	13.2	13.3
Annual Retail inflows (ex cash mgmt)	**10.6**	10.3	10.5
Annual Retail outflows (ex cash mgmt)	**10.8**	11.1	11.4
Corporate Master Funds (2)	**17.1**	17.7	16.7
Net annual Corporate Master Funds flows	**26.6**	24.9	18.1

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

(2) Corporate Master Funds are a subset of Total Master Funds and Retail Funds Management.

Financial performance year to 30 September 2005

Investments profit from operations (after tax) increased 10.6%. The result was positively impacted by increased fee revenue following continued growth in funds under management and administration (FUM), with average FUM growing 12.8% over the year to September 2005. Partially offsetting this result was the impact of lower retail margins following changes to commission rates from 1 April 2005 ($6 million) and the loss of transitional tax relief on personal superannuation, business superannuation and allocated pension products written through the life companies from 1 July 2005 ($15 million). Additionally, the expected losses on a small portfolio of closed products which are loss making were brought to account ($5 million).

Wealth Management maintained the number one position in the target market of Master Fund FUM in Australia, with market share of 16.7% as at 30 June 2005. Gross annual Master Fund inflows of $9.0 billion were achieved, representing a market share of 12.8%, and ranking second in the industry. Retail FUM (ex cash management) market share was 12.9% ranking second in the industry as at 30 June 2005.

Wealth Management also maintained the number one ranking in Corporate Master Funds FUM, with market share of 17.1% as at 30 June 2005. Market share decreased from the prior period primarily due to a downward revision of the reported FUM in PLUM.

The cost to funds under management ratio for the Investments business* achieved 48 basis points as a result of increased funds under management and cost containment. This compares with 56 basis points for the year ended 30 September 2004.

Financial performance half year to 30 September 2005

Investments profit from operations (after tax) for the September 2005 half was impacted by lower retail margins following changes to commission rates from 1 April 2005 ($6 million) and the loss of transitional tax relief ($15 million). Additionally, the expected losses on a small portfolio of closed products which are loss making were brought to account during the September half ($5m). Partially offsetting this was profit from the member protected portfolio due to strong investment earnings, which only arises in the September half ($6 million), and the positive impact of increased fee revenue following the 4.0% growth in average FUM driven by the continued strong investment market conditions. The cost to funds under management ratio for the Investments business* was 49 basis points for the September 2005 half (March half 50 basis points).

**Excludes volume-related expenses.*

Year ended 30 September 2005

	Opening Balance Sep 04 $m	Inflows $m	Outflows $m	Investment Earnings $m	Other (2) $m	Closing Balance Sep 05 $m
Funds under management and administration (1)						
Platforms	44,668	8,889	(6,867)	8,516	(1,841)	**53,365**
Wholesale	17,176	3,683	(3,978)	2,535		**19,416**
Other Retail and Trustee	12,188	206	(1,716)	920	(224)	**11,374**
Australia	74,032	12,778	(12,561)	11,971	(2,065)	**84,155**
Asia	572	264	(83)	45	(134)	**664**
Total	74,604	13,042	(12,644)	12,016	(2,199)	**84,819**

Year ended 30 September 2004

	Opening Balance Sep 03 $m	Inflows $m	Outflows $m	Investment Earnings $m	Other (2) $m	Closing Balance Sep 04 $m
Funds under management and administration (1)						
Platforms	38,540	8,234	(6,413)	5,187	(880)	44,668
Wholesale	13,683	4,528	(2,454)	1,419		17,176
Other Retail and Trustee	14,002	200	(1,681)	806	(1,139)	12,188
Australia	66,225	12,962	(10,548)	7,412	(2,019)	74,032
Asia	516	265	(68)	27	(168)	572
Total	66,741	13,227	(10,616)	7,439	(2,187)	74,604

Half Year ended 30 September 2005

	Opening Balance Mar 05 $m	Inflows $m	Outflows $m	Investment Earnings $m	Other (2) $m	Closing Balance Sep 05 $m
Funds under management and administration (1)						
Platforms	48,463	4,688	(3,465)	5,100	(1,421)	53,365
Wholesale	18,196	1,830	(2,324)	1,714		19,416
Other Retail and Trustee	11,453	125	(842)	492	146	11,374
Australia	78,112	6,643	(6,631)	7,306	(1,275)	84,155
Asia	587	135	(42)	20	(36)	664
Total	78,699	6,778	(6,673)	7,326	(1,311)	84,819

Half Year ended 31 March 2005

	Opening Balance Sep 04	Inflows	Outflows	Investment Earnings	Other (2)	Closing Balance Mar 05

	$m	$m	$m	$m	$m	$m
Funds under management and administration (1)						
Platforms	44,668	4,201	(3,402)	3,416	(420)	48,463
Wholesale	17,176	1,853	(1,654)	821		18,196
Other Retail and Trustee	12,188	81	(874)	428	(370)	11,453
Australia	74,032	6,135	(5,930)	4,665	(790)	78,112
Asia	572	129	(41)	25	(98)	587
Total	74,604	6,264	(5,971)	4,690	(888)	78,699

(1) Balances have been restated to reflect the reclassification of PLUM from Wholesale to Platforms, and to reclassify products which have been closed to new business during the year from Platforms to Other Retail and Trustee.

(2) Other includes trust distributions and flows due to the sale/purchase of businesses.

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FUM of $84.8 billion at 30 September 2005 grew $10.2 billion or 13.7% from 30 September 2004, and by 7.8% from 31 March 2005, primarily due to strong investment earnings.

Platforms

Platform FUM comprises the MLC MasterKey offerings, MLC Investment Trust and PLUM. Platform net funds flows for the full year have been negatively impacted by the closure of product offerings to new MLC Investment Trust investors. Inflows into the MasterKey Investment Service, launched in March 2005 partially offset this result in the September 2005 half.

Wholesale

Solid inflows into JANA implemented consulting have been offset by lower net flows in the Capital National Alliance, reflecting the lumpy nature of flows in the wholesale business.

Other Retail & Trustee

Other Retail and Trustee consists of products that were closed to new business, funds under trusteeship and Traditional FUM. The outflows relate primarily to the closed National Investments products.

Asia

Underlying FUM growth of 25.6% has been partially offset by the impact of the strengthening Australian dollar against local currencies.

Insurance

	As at			Fav/(Unfav) Change on	
	Sep 05	Mar 05	Sep 04	Mar 05 %	Sep 04 %
Annual InForce Premiums ($m) (1)					
Retail risk insurance	**508.1**	484.7	464.9	4.8	9.3
Group insurance	**125.3**	123.0	110.7	1.9	13.2

	As at		
	30 Jun 05	31 Dec 04	30 Jun 04
Market share - Australia (%) (2)			
Retail risk insurance	**15.4**	15.2	15.1
New retail risk annual premiums	**11.4**	12.4	13.6

(1) *Annualised inforce premiums for Australia only. Inforce premiums for Asia are not shown in this table as they are Traditional in nature.*

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

Financial performance year to 30 September 2005

Insurance profit from operations showed solid underlying growth, driven by higher annual inforce premiums and favourable claims experience (particularly in the September half). However, the result was adversely impacted by the finalisation of prior years tax returns ($7 million) and the implementation of a more conservative capital strategy in the year to September 2004, which resulted in lower investment-related profits ($5 million). This saw headline profit from operations (after tax) 3.6% lower for the year to September 2005.

At 30 June 2005 Wealth Management Australia maintained the number one position for retail risk annual inforce premiums with market share of 15.4%, underpinned by retention of the existing book of business. An increasingly competitive market has resulted in a fall in market share of new retail risk annual premiums to 11.4% at 30 June 2005.

Growth in the inforce premium book and cost containment has resulted in a cost to premium income ratio for the year of 15% compared with 18% for the September 2004 year.

Financial performance half year to 30 September 2005

Insurance profit from operations (after-tax) increased by 14.9%, primarily due to improved claims experience in the individual lump sum and disability business. This was partially offset by finalisation of prior years tax returns.

The cost to premium income ratio for the September 2005 half of 15% compared to 16% in the March 2005 half.

	Year ended 30 September 2005			
	Opening Balance Sep 04 $m	**Sales/New Business $m**	**Lapses & other movements $m**	**Closing Balance Sep 05 $m**
Australia Full Year Inforce Premiums (1)				
Retail risk	464.9	79.2	(36.0)	**508.1**
Group risk	110.7	37.2	(22.6)	**125.3**
Total	575.6	116.4	(58.6)	**633.4**

	Year ended 30 September 2004			
	Opening Balance Sep 03 $m	**Sales/New Business $m**	**Lapses & other movements $m**	**Closing Balance Sep 04 $m**
Australia Full Year Inforce Premiums (1)				
Retail risk	416.9	76.8	(28.8)	464.9
Group risk	109.1	43.9	(42.3)	110.7
Total	526.0	120.7	(71.1)	575.6

	Half Year ended 30 September 2005			
	Opening Balance Mar 05 $m	**Sales/New Business $m**	**Lapses & other movements $m**	**Closing Balance Sep 05 $m**
Australia Half Year Inforce Premiums (1)				
Retail risk	484.7	42.2	(18.8)	508.1
Group risk	123.0	16.9	(14.6)	125.3
Total	607.7	59.1	(33.4)	633.4

	Half Year ended 31 March 2005			
	Opening Balance Sep 04 $m	**Sales/New Business $m**	**Lapses & other movements $m**	**Closing Balance Mar 05 $m**
Australia Half Year Inforce Premiums (1)				
Retail risk	464.9	37.0	(17.2)	484.7
Group risk	110.7	20.3	(8.0)	123.0
Total	575.6	57.3	(25.2)	607.7

(1) Inforce premiums for Asia are not shown in this table as they are Traditional in nature.

Other

Financial performance year to 30 September 2005

The loss on Other items for the year to September 2005 includes $20 million of strategic investment expenditure on the Amazon program (compared to $26 million in the year to September 2004). The September 2005 result was negatively impacted by increased spend on regulatory and compliance projects ($13 million) including enforceable undertakings, increased discretionary project expenditure ($13 million) and lower profits in the non-life businesses and shareholders branches of the life companies ($10 million). These negative items were partially offset by an insurance recovery relating to the NAFiM Investor Compensation payments ($27 million). The year to September 2004 was positively impacted by $13 million relating to the settlement of a legal claim and the finalisation of 2003 tax returns.

Financial performance half year to 30 September 2005

The loss on Other items for the September 2005 half includes $6 million of strategic investment expenditure on the Amazon program (compared to $14 million in the March 2005 half). The September 2005 half was positively impacted by lower spend on regulatory and compliance projects ($8 million). The insurance recovery relating to the NAFiM Investor Compensation payments received in the September 2005 half was $8 million (compared to $19 million in the March 2005 half).

Investment earnings on shareholders retained profits and capital from life businesses

	Half Year to Sep 05 $m	Mar 05 $m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Sep 04 $m	Fav / (Unfav) Change on Sep 04 %
Investment earnings on shareholders retained profits and capital from life business						
Investments	50	33	51.5	**83**	48	72.9
Insurance	17	14	21.4	**31**	21	47.6
Total	67	47	42.6	**114**	69	65.2

Shareholders capital is invested in fixed interest and cash (75%) with the remaining balance in equities, consistent with the investment profile of policyholder assets and regional regulatory requirements. The average asset balances of the life insurance statutory funds for the year was $1.7 billion.

Investment earnings generated on shareholders invested capital in the life insurance statutory funds for the year to September 2005 was $114 million, in line with the strong performance of the major stock markets over the year.

Prior year adjustments

Following a number of years of considerable change impacting the Wealth Management Group, a full review of tax processes and balances was launched during 2004. The outcomes of the review were the recognition of prior year negative adjustments for tax of $50 million in the year to September 2004. These adjustments were reflected within change in policy liabilities.

Following a number of years of considerable change impacting the Wealth Management Group, a full review of tax

Valuation and revaluation profit

The valuation represents the market value of the subsidiaries of the parent life company, National Australia Financial Management Limited (NAFiM). The Wealth Management entities in New Zealand and Europe have remained subsidiaries of NAFiM despite the reorganisation of the business along regional lines, and are therefore still included within the valuation. The valuation provided represents the combined value of the Group s debt and equity interests in the subsidiaries of NAFiM. The Group s debt interests principally relate to loans to Wealth Management Europe and New Zealand used to fund the acquisition of the existing life insurance and funds management businesses of National Australia Group Europe and Bank of New Zealand. The reconciliation between the market valuation below and the deduction for capital adequacy purposes is outlined in note 17.

Included within Wealth Management operations, but excluded from the valuation are businesses such as National Australia Trustees and NAFiM s own business. The valuation also excludes the value created from banking product sales through Wealth Management channels.

The valuation increased $549 million or 8.4% from $6,509 million at 30 September 2004 to $7,058 million at 30 September 2005. The underlying growth was 11.8% after removing the impacts of dividend payments ($149 million), transfer of franking credits ($42 million), and the impact of economic assumption changes. Values shown are directors market valuations. The valuations are based on Discounted Cash Flow (DCF) valuations prepared by Tillinghast, using, for the Australian and New Zealand entities, risk discount rates specified by the directors. The components comprising the change in value are summarised below:

NAFiM subsidiaries

Market value summary ($m)

	Net assets	Value of inforce business	Embedded value	Value of future new business	Market value
Market value at 30 September 2004	**1,605**	**2,411**	**4,016**	**2,493**	**6,509**
Operating profits after tax of NAFiM subsidiaries	418		418		418
Capital and other movements	(226)	22	(204)		(204)
Increase in shareholders net assets	**192**	**22**	**214**		**214**
Revaluation profit /(loss) components before tax:					
- Business assumptions & roll forward					
Roll forward of DCF		321	321		321
Change in assumptions & experience		114	114	(58)	56
- Tax consolidations transfer of franking credits to National Group		(42)	(42)		(42)
Revaluation profit before tax		**393**	**393**	**(58)**	**335**
Foreign exchange excess movements	**42**	**(42)**			
Market value at 30 September 2005	**1,839**	**2,784**	**4,623**	**2,435**	**7,058**
Tax benefit on revaluation profit		10	10		10
Revaluation profit after tax		**403**	**403**	**(58)**	**345**

Revaluation Profit

The revaluation profit before tax of $335 million represents the growth in market value after allowing for changes in shareholder net assets, and is driven by anticipated growth in market values utilising the assumptions adopted at the previous valuation ($321 million) and changes to assumptions at this valuation and/or experience since the prior valuation ($56 million).

The positive $56 million impact from change in assumptions and experience primarily reflects the positive impact from higher than expected investment earnings and ongoing expense control, which was offset partially by the impact of lower assumed margins for retail and corporate funds management products.

The Europe, Asian and New Zealand businesses had positive experience in local currency.

Entities held within the mark to market environment include operations in Australia, Europe, New Zealand and Asia. Distribution of value by both region and business segment are summarised below:

NAFiM subsidiaries

Market value summary ($m)

	Net assets	**Value of inforce business**	**Embedd -ed value**	**Value of future new business**	**At 30 Sep 05 Market value**	**At 30 Sep 04 Market value**
By region						
Australia	1,424	2,310	3,734	2,247	**5,981**	5,690
Europe	181	236	417	48	**465**	446
New Zealand	37	54	91	19	**110**	85
Asia	197	184	381	121	**502**	288
Market value at 30 September 2005	**1,839**	**2,784**	**4,623**	**2,435**	**7,058**	**6,509**
By business segment						
Investments	1,006	1,358	2,364	1,434	**3,798**	3,455
Insurance	868	1,481	2,349	963	**3,312**	2,998
Other	(35)	(55)	(90)	38	**(52)**	56
Market value at 30 September 2005	**1,839**	**2,784**	**4,623**	**2,435**	**7,058**	**6,509**

The buy-out of the Hong Kong minority interests was funded by debt, which is included in the Other segment. The corresponding increase in value from the buy-out is included in the Investments and Insurance segments.

Actuarial assumptions applied in the determination of market value

Actuarial assumptions applied in the determination of market values for significant Wealth Management businesses held within the mark to market environment are summarised as follows:

	September 2005			September 2004		
	New business multiplier(2)	Risk discount rate (%)	Franking credit assumptn (%)	New business multiplier	Risk discount rate (%)	Franking credit assumptn (%)
Assumptions applied in the determination of market value(1)						
Investments	8.7	10.9-12.0	70	8.9	11.0-12.1	70
Insurance	9.6	10.9	70	9.6	11.0	70
New Zealand	9.9	11.4-12.5	70	7.1	11.7-12.8	70
Hong Kong	9.0	12.0		9.0	12.0	

(1) *The bulk of the European valuation was performed on a consolidated basis. Where the European business valuations identified separate values of inforce business and future new business, approximate methods were used to derive the value of future business that did not involve new business multipliers. The risk discount rate used in the European valuations at 30 September 2005 was 10.0% (10.5% at 30 September 2004).*

(2) *New business multipliers are historical multipliers, and express the value of future business as a multiple of value derived from the most recent 12 months actual sales.*

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Management Discussion & Analysis Total UK

TOTAL UK

Summary (includes ongoing and disposed operations)

	Half Year to		Fav / (Unfav) Change on	Year to		Fav / (Unfav) Change on
	Sep 05 $m	Mar 05 $m	Mar 05 %	Sep 05 $m	Sep 04 $m	Sep 04 %
Cash earnings before significant items						
UK Banking	215	266	(19.2)	**481**	594	(19.0)
Wealth Management UK (1)	14	31	(54.8)	**45**	17	large
Total UK	229	297	(22.9)	**526**	611	(13.9)

(1) *Refer to page 45 for a detailed performance summary of the Total UK result and refer to note 1a for a reconciliation of UK Banking and Wealth Management UK s result to Group net profit.*

Financial performance highlights

The result reflects a business that has been investing in key areas to turn around a period of declining profits. In the ongoing operations a stable underlying profit position was supported by clear evidence of accelerating asset growth and growing business momentum.

Business developments

As at 30 September 2005 the UK operation comprised 425 branches, 78 Financial Solutions Centres and 923 ATMs providing financial solutions to over 2.6 million customers.

The National s UK Growth Program continues to create an efficient, differentiated business that delivers leading products, great service and sustainable shareholder value. The key achievements to date are:

32 financial solutions centres operational in the South East of England by 30 September 2005 adding £636million of lending volumes and £140million of deposit volumes to the balance sheet;

significant progress has been made with the roll out of the financial solutions concept into the heartland markets in the north of England and Scotland with centres operating to Integrated Financial Solutions (IFS) principles. Physical premises upgrades have been completed at Dundee, Doncaster and Bolton and further schemes will shortly complete at Edinburgh, Leicester, Dunfermline and Coventry. This is a two-year programme that will upgrade all 33 business banking centres. Good growth has been experienced over the year with £3.2billion of lending balances and £0.9billion of deposit balances added excluding the impact of the Irish banks sale;

the re-alignment of the Group s high street branch presence to reflect changing customer usage and needs, including the closure of 24 branches and the establishment of 57 flagship branches in key centres, which will also offer banking services to the micro-business segment;

third party distribution channel exceeded the target of gross mortgage advances of £800m by adding £989m completions by 30 September 2005. This expansion into the mortgage intermediary market has now led to over 300 relationships with many of the UK s leading brokers;

the provision of account access for Clydesdale Bank customers at any of the UK s 14,000 Post Offices;

to diversify the region s balance sheet funding options (in light of the new limits set by APS 222 and the tighter APRA imposed restrictions) the Clydesdale Bank Money Market Desk was opened on 4th April 2005. It has successfully launched a US$5bn Commercial Paper Programme that at the end of September had raised £0.5bn. Short term funding has been further improved by the addition of £0.8bn in Certificates of Deposit and a further £0.9bn from inter-bank deposits; and

Northern and National Irish Banks were sold on 28 February 2005 to Danske Bank A/S generating a net profit on sale after all disposal costs including taxation of A$1,043 million. The remaining UK operation will continue to provide certain support functions to Danske Bank A/S at an agreed cost for an 18 month transitional period from the date of sale.

Commitment to the Community

In the UK we have been involved in number of community activities, including:

Clydesdale Bank sponsorship of the Scottish Commonwealth Games team;

Yorkshire Bank sponsorship of Opera North and the Twenty20 Cup; and

Launch of a new charity partnership initiative with the British Heart Foundation, the UK s heart charity.

Restructuring Activity

Restructuring is underway with the reconfiguration of the distribution networks and streamlining of operations. These restructuring initiatives generated £21million in pre tax savings in September 2005 half.

Total UK (Banking & Wealth Management) Ongoing Operations

The following section considers the performance of the ongoing operations of Total UK. It is based on pro-forma information for both current and comparative periods, which has been calculated as Total UK, adjusting for the following:

excludes the contribution of the Irish Banks to the Total UK results (refer to Note 2a for a reconciliation of the Irish Banks results). The Irish Banks were sold on 28 February 2005;

excludes the UK custody business, the closure of which was fully provided for in the financial statements at September 2004; and

excludes National Australia Life Company Limited, which was sold on 31 December 2003.

A complete view of the Total UK operations is set out on page 45.

Performance Summary

	Half Year to Sep 05 £m	Half Year to Mar 05 £m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 £m	Year to Sep 04 £m	Fav / (Unfav) Change on Sep 04 %
Pounds sterling						
Net interest income	350	334	4.8	**684**	678	0.9
Other operating income (1)	222	183	21.3	**405**	342	18.4
Total income	572	517	10.6	**1,089**	1,020	6.8
Other operating expenses (1)	(374)	(330)	(13.3)	**(704)**	(641)	(9.8)
Underlying profit	198	187	5.9	**385**	379	1.6
Charge to provide for doubtful debts	(53)	(35)	(51.4)	**(88)**	(80)	(10.0)
Cash earnings before tax	145	152	(4.6)	**297**	299	(0.7)
Income tax expense	(50)	(46)	(8.7)	**(96)**	(87)	(10.3)
Cash earnings before significant items	95	106	(10.4)	**201**	212	(5.2)

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

Key Performance Measures

	Half Year to Sep 05	Half Year to Mar 05	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05	Year to Sep 04	Fav / (Unfav) Change on Sep 04 %
Performance & profitability						
Return on average assets (annualised)	0.80%	0.93%		**0.86%**	0.96%	
Cost to income ratio	65.4%	63.8%		**64.6%**	62.8%	
Cash earnings per average FTE (annualised) (£ 000)	20	21		**21**	21	
Net interest income						
Net interest margin	3.77%	3.91%		**3.84%**	4.16%	
Net interest spread	3.01%	3.53%		**3.27%**	3.87%	
Average balance sheet (£bn)						
Gross loans and acceptances	17.4	15.6	11.5	**16.5**	14.5	13.8
Interest-earning assets	18.5	17.1	8.2	**17.8**	16.3	9.2
Retail deposits	11.6	11.2	3.6	**11.4**	10.9	4.6

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Key Performance Measures

	As at 30 Sep 05	31 Mar 05	30 Sep 04
Full-time equivalent employees (FTE)	**9,480**	9,772	10,072
Asset quality			
Gross non-accrual loans (£m)	**48**	60	76
Gross loans and acceptances (£bn)	**18.8**	16.3	15.3
Gross non-accrual loans to gross loans and acceptances	**0.26%**	0.37%	0.49%
Specific provision to gross impaired assets	**78.6%**	56.0%	56.9%
Financial advisers			
Bank channels	**115**	112	118
Aligned channels	**43**	53	54
Financial advisers (no.)	**158**	165	172
Funds under management and administration (£m)	**1,623**	1,513	1,674

Financial performance of ongoing operations (in local currency) year to 30 September 2005

Cash earnings before significant items decreased 5.2% on the September 2004 year reflecting higher expenses and charges to provide for doubtful debts partially offset by an improved income position.

Underlying profit increased 1.6% on the September 2004 result driven by the following factors:

Net interest income has increased 0.9%, however excluding the benefit from the four month retention of the proceeds from the Irish bank sale of £19m, net interest income decreased 1.9%. Growing momentum from the Integrated Financial Solutions centres and Third Party Distribution has led to strong underlying volume growth with this being offset by the managed effects of margin contraction and a changing portfolio mix.

Average lending balances increased 13.8%, predominantly 11.2% from IFS and Third Party Distribution. The continuing focus on mortgage lending, consistent with the growth strategy, has resulted in growth of average mortgage balances of 19.9%; 8.4% from Integrated Financial Solutions Centres, 6.9% from the third party distribution channel, and 4.6% from the branch network.

Average Retail deposit balances grew 4.6% driven by pricing initiatives on existing products and the launch of Current Account Plus designed to attract new to bank customers.

Net interest margin has decreased 32 basis points from 4.16% to 3.84%. Excluding the benefit of the proceeds from the sale of the Irish Banks, held for four months, the underlying margin decline was 43 basis points. This decline reflects the shift to lower-margin products across the lending and deposit portfolios. Within Lending higher margin personal loans and credit cards have not experienced volume growth at a comparable rate due to the deliberately re-priced lower margin offerings, such as the Offset Mortgage and Residential Development Loans, targeted in the expansion strategy. Savings Accounts have been re-priced to attract liability growth and customers have moved to lower margin products.

Other operating income has increased 18.4% reflecting

an increase in origination fees of £12.1million driven by the volume growth of the Integrated Financial Solutions Centres and third party propositions;

higher annual management charges on Funds Under Management of £3.1 million driven by strengthening investment market performance in the current year;

the profit on property transactions of £21 million; and

new income from Danske Bank A/S of £19 million in respect of transitional services (offset by an increase in expenses).

Operating expenses have increased 9.8% driven by:

increase of £19 million due to costs associated with transitional services provided to Danske Bank A/S;

costs associated with the transformation of the business have grown by £50million including the costs of approximately 260 new staff in the Integrated Financial Solutions Centres, additional property associated costs, advertising and marketing costs, additional brokerage commission costs as a result of 4,810 more mortgage completions through the third party channel and a self sustaining incentive scheme aimed at rewarding strong income performance; and overhead costs previously internally charged to the Ireland operation of £24million, and targeted to be managed out the business over 18 months from the date of sale.

Partially offset by

Reduced expenditure on Front End Replacement and investment projects partly offset by increased spend on compliance (Sarbanes Oxley and Basel II) projects (net decrease £12 million); and

£21 million savings from the restructuring initiatives provided for in the March 2005 half. To date the initiatives have delivered a spot FTE reduction of 782.

The charge to provide for doubtful debts has increased 10% on September 2004. This was driven by the market deterioration in credit cards, the temporary downturn in the and personal lending books within the Yorkshire Bank brand over the last six months and additional statistical provision charges as a result of increased lending growth. This has been partially offset by lower provisioning resulting from attracting higher net worth customers from the Integrated Financial Solutions and the impacts of a re-rating and data cleanse exercise.

Financial performance of ongoing operations (in local currency)   half year to 30 September 2005

Cash earnings before significant items decreased 10.4% on the March 2005 half reflecting a higher income position offset by increased expenses and charges to provide for doubtful debts.

Underlying profit increased by 5.9% with the following factors driving the result:

Net interest income has increased 4.8%, however excluding the benefit of holding the proceeds from the Irish bank sale on deposit 3 months in the September 2005 half (£14.5 million) and for one month in the March 2005 half (£4.5 million), net interest income increased 1.8%. This increase again reflects the growing momentum of the Integrated Financial Solutions centres and third party distribution network with strong underlying volume growth again being partially offset by the managed effects of further margin contraction and changing portfolio mix.

Average lending volumes increased 11.5% on prior corresponding period (9.9% from Integrated Financial Solutions Centres and Third Party Distribution). The continuing focus on mortgage lending has resulted in growth of mortgage volumes of 11.5%; 4.2% from Integrated Financial Solutions and 6.4% from third party distribution.

Average Retail deposit volumes grew 3.6% driven by pricing initiatives on existing products and the launch of Current Account Plus designed to attract new to bank customers.

Net interest margin has decreased 14 basis points from 3.91% to 3.77%. Excluding the benefit of the proceeds from the sale of the Irish Banks, held for three months in the September 2005 half, the underlying margin decline was 25 basis points. This decline reflects the shift to lower-margin products across the portfolio. Within Lending higher margin personal loans and credit cards have not experienced volume growth at a comparable rate to the deliberately re-priced lower margin offerings. Savings accounts have been re-priced to attract liability growth and customers have moved to lower margin products.

Other operating income is 21.3% higher reflecting:

an increase in origination fees of £6.1 million driven by the growth of the IFS and third party propositions;

lower profit share income from creditor insurance of £8 million reflecting the fact that this income is traditionally received in the first half of the year;

the profit on property transactions of £21million; and

new income from Danske Bank A/S of £15 million for the provision of transitional services (offset by an increase in expenses).

Operating expenses have increased 13.3% driven by:

increase of £15 million due to costs associated with transitional services provided to Danske Bank A/S;

costs associated with the UK Growth Program have increased by £21 million including the recruitment and ongoing costs of 156 staff in the Integrated Financial Solutions Centres, additional property associated costs, advertising and marketing costs, additional brokerage commission costs as a result of more mortgage completions through the third party channel and a self sustaining incentive scheme aimed at rewarding strong income performance;

overhead costs previously internally charged to the Ireland operation of £16 million and are targeted to be managed out the business over 18 months from the date of sale; and additional investment spend in the second half (£7million) on integration and compliance investment.

Partially offset by:

£21 million savings from the restructuring initiatives provided for in the March 2005 half. To date the initiatives have delivered a gross FTE reduction of 782 (including 64 through natural attrition) mostly in the final quarter.

The charge to provide for doubtful debts has increased 51.4% (£18million) on the March 2005 half. This was driven by deterioration in the credit card market, the temporary downturn of the Yorkshire Bank personal lending book over the last six months and the additional statistical provision charges as a result of increased lending growth. This has been partially offset by lower provisioning from attracting higher quality customers from the Integrated Financial Solutions Centres and the impacts of a re-rating and data cleanse exercise.

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

Performance Summary Total UK (Banking & Wealth Management)

	Half Year to Sep 05 $m	Half Year to Mar 05 $m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Year to Sep 04 $m	Fav / (Unfav) Change on Sep 04 %
Australian dollars						
Net interest income	835	1,002	(16.7)	**1,837**	2,158	(14.9)
Other operating income	530	522	1.5	**1,052**	1,075	(2.1)
Total income	1,365	1,524	(10.4)	**2,889**	3,233	(10.6)
Other operating expenses	(894)	(1,006)	11.1	**(1,900)**	(2,138)	11.1
Underlying profit	471	518	(9.1)	**989**	1,095	(9.7)
Charge to provide for doubtful debts	(125)	(91)	(37.4)	**(216)**	(224)	3.6
Cash earnings before tax	346	427	(19.0)	**773**	871	(11.3)
Income tax expense	(117)	(130)	10.0	**(247)**	(260)	5.0
Cash earnings before significant items (1)	229	297	(22.9)	**526**	611	(13.9)

(1) Refer to Note 1a for a reconciliation of UK Banking and Wealth Management UK s result to Group net profit.

	Half Year to Sep 05 £m	Half Year to Mar 05 £m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 £m	Year to Sep 04 £m	Fav / (Unfav) Change on Sep 04 %
Pounds sterling						
Net interest income	350	409	(14.4)	**759**	874	(13.2)
Other operating income	222	214	3.7	**436**	435	0.2
Total income	572	623	(8.2)	**1,195**	1,309	(8.7)
Other operating expenses	(374)	(412)	9.2	**(786)**	(864)	9.0
Underlying profit	198	211	(6.2)	**409**	445	(8.1)
Charge to provide for doubtful debts	(53)	(37)	(43.2)	**(90)**	(91)	1.1
Cash earnings before tax	145	174	(16.7)	**319**	354	(9.9)
Income tax expense	(50)	(53)	5.7	**(103)**	(106)	2.8
Cash earnings before significant items	95	121	(21.5)	**216**	248	(12.9)

Key Performance Measures

	Half Year to Sep 05	Half Year to Mar 05	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05	Year to Sep 04	Fav / (Unfav) Change on Sep 04 %
Performance & profitability						
Return on average assets (annualised)	0.80%	0.85%		**0.83%**	0.88%	
Cost to income ratio	65.4%	66.1%		**65.8%**	66.0%	
Cash earnings per average FTE (annualised) (£ 000)	20	20		**20**	19	
Net interest income						
Net interest margin	3.77%	3.69%		**3.73%**	3.96%	
Net interest spread	3.01%	3.13%		**3.08%**	3.54%	
Average balance sheet (£bn)						
Gross loans and acceptances	17.4	19.2	9.4	**18.3**	19.5	(6.2)
Interest-earning assets	18.5	22.3	(17.0)	**20.4**	22.0	(7.3)
Retail deposits	11.6	15.0	(22.7)	**13.3**	15.4	(13.6)

	As at		
	30 Sep 05	**31 Mar 05**	**30 Sep 04**
Full-time equivalent employees (FTE)	**9,480**	9,772	12,865
Asset quality			
Gross non-accrual loans (£m)	**48**	60	109
Gross loans and acceptances (£bn)	**18.8**	16.3	20.4
Gross non-accrual loans to gross loans and acceptances	**0.26%**	0.37%	0.53%
Specific provision to gross impaired assets	**78.6%**	56.0%	46.0%
Financial advisers			
Bank channels	**115**	112	157
Aligned channels	**43**	53	64
Financial advisers (no.)	**158**	165	221
Funds under management and administration (£m)	**1,623**	1,513	1,674

TOTAL NEW ZEALAND

Summary

	Half Year to		Fav / (Unfav) Change on	Year to		Fav / (Unfav) Change on
	Sep 05 $m	Mar 05 $m	Mar 05 %	Sep 05 $m	Sep 04 $m	Sep 04 %
Cash earnings before significant items						
New Zealand Banking	160	159	0.6	**319**	296	7.8
Wealth Management New Zealand	8	4	large	**12**	11	9.1
Total New Zealand	168	163	3.1	**331**	307	7.8

Financial performance highlights

New Zealand s cash earnings growth has been driven by solid volume growth and market share gains in an intensely competitive banking environment. New Zealand, through its focus on a long-term strategy and measured re-investment in the franchise, is well positioned to continue market share gains across key segments and to drive sustainable earnings growth going forward.

Business developments

An increasing share in the key market segments of housing, youth and SME has been achieved throughout the year with the launch of new competitive products and a stepped up focus on sales. This has achieved further market share growth in the home loan segment. The September 2005 half has also seen the launch of a *Business First* suite of products specifically for the SME market.

The recent rise in brand awareness and preference continues with strong support for the latest Unbeatable housing campaign. The Any fixed rate, any big bank - WE LL BEAT IT or we ll give you $100 promotion has proved to be a great success.

Initiatives to deepen customer relationships through improved customer service has seen BNZ rated as the best customer service for a contact centre over 50 seats across all industries in New Zealand for two years running.

Commitment to the Community

Sponsorship of the New Zealand Commonwealth Games team for Melbourne 2006 as a Principal Partner and its motto together in pursuit of excellence reinforces the goal of being number one in the financial services market;

Principal charitable sponsorship, the Bank of New Zealand Kiwi Recovery Trust - a partnership between the Bank and the Department of Conservation, for the preservation of kiwis in the wild; and

The Bank of New Zealand Katherine Mansfield Awards for short story writing, enjoyed its most successful year yet. Now in its 56th year, the awards continue to attract the cream of New Zealand s writing talent.

Total New Zealand (Banking & Wealth Management)

Performance Summary

	Half Year to Sep 05 $m	Half Year to Mar 05 $m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Year to Sep 04 $m	Fav / (Unfav) Change on Sep 04 %
Australian dollars						
Net interest income	394	388	1.5	**782**	720	8.6
Other operating income	204	202	1.0	**406**	402	1.0
Total income	598	590	1.4	**1,188**	1,122	5.9
Other operating expenses	(327)	(337)	3.0	**(664)**	(633)	(4.9)
Underlying profit	271	253	7.1	**524**	489	7.2
Charge to provide for doubtful debts	(25)	(12)	large	**(37)**	(21)	(76.2)
Cash earnings before tax	246	241	2.1	**487**	468	4.1
Income tax expense	(78)	(78)		**(156)**	(161)	3.1
Cash earnings before significant items (1)	168	163	3.1	**331**	307	7.8

(1) Refer to Note 1a for a reconciliation of New Zealand Banking and Wealth Management New Zealand s result to Group net profit.

Performance Summary

	Half Year to Sep 05 $m	Mar 05 $m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Sep 04 $m	Fav / (Unfav) Change on Sep 04 %
New Zealand dollars						
Net interest income	428	420	1.9	**848**	810	4.7
Other operating income	222	219	1.4	**441**	453	(2.6)
Total income	650	639	1.7	**1,289**	1,263	2.1
Other operating expenses	(353)	(366)	3.6	**(719)**	(710)	(1.3)
Underlying profit	297	273	8.8	**570**	553	3.1
Charge to provide for doubtful debts	(28)	(13)	large	**(41)**	(24)	(70.8)
Cash earnings before tax	269	260	3.5	**529**	529	
Income tax expense	(85)	(84)	(1.2)	**(169)**	(181)	6.6
Cash earnings before significant items	184	176	4.5	**360**	348	3.4

Key Performance Measures

	Half Year to Sep 05	Half Year to Mar 05	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05	Year to Sep 04	Fav / (Unfav) Change on Sep 04 %
Performance & profitability						
Return on average assets (annualised)	0.98%	1.00%		**0.99%**	1.06%	
Cost to income ratio	54.3%	57.3%		**55.8%**	56.2%	
Cash earnings per average FTE (annualised) (NZ$ 000)	80	78		**79**	76	
Net interest income						
Net interest margin	2.37%	2.50%		**2.43%**	2.61%	
Net interest spread	2.07%	2.21%		**2.14%**	2.42%	
Average balance sheet (NZ$bn)						
Gross loans and acceptances	31.8	29.4	8.2	**30.6**	26.5	15.5
Interest-earning assets	36.1	33.7	7.1	**34.9**	30.9	12.9
Retail deposits	18.1	17.4	4.0	**17.8**	16.9	5.3

	As at 30 Sep 05	As at 31 Mar 05	As at 30 Sep 04
Full-time equivalent employees (FTE)	**4,645**	**4,549**	4,596
Asset quality			
Gross non-accrual loans (NZ$m)	**113**	**97**	93
Gross loans and acceptances (NZ$bn)	**32.5**	**30.3**	27.9
Gross non-accrual loans to gross loans and acceptances	**0.35** %	**0.32** %	0.33 %
Specific provision to gross impaired assets	**34.1** %	**27.1** %	24.6 %
Market share (%) (1)			
Housing	**16.2**	**16.2**	15.9
Agribusiness	**17.9**	**17.8**	17.5
Cards	**30.5**	**30.8**	30.5
Retail deposits (personal & business)	**19.1**	**18.7**	18.3

(1) Source: RBNZ

Financial performance (in local currency) year to 30 September 2005

Cash earnings before significant items increased 3.4% on the September 2004 year. This was a particularly pleasing result given that BNZ grew market share in key segments in what was an intense period of competition in the New Zealand banking environment. Another outstanding achievement given the competition was overall loan growth of 16%. Margins did however continue to decline in the sector as customers preferred to fix future interest rates given the two official cash rate rises in the current year and an expectation of more to come.

Underlying profit increased 3.1% on the September 2004 year as a result of the following factors:

Net interest income grew 4.7% (9.5% excluding the negative impact of an internal change in capital allocation) reflecting strong volume growth in housing, business lending and retail deposits offset by downward pressure on the net interest margin.

Lending volumes have experienced one of the strongest periods of growth led by housing at 18%. This reflects the continuing success of the home loan strategy led by its high profile Unbeatable campaigns. Business lending grew 15% and Retail Deposits grew 7% over the prior year.

The decline in the net interest margin by 18 basis points to 2.43% included an 11 basis point decline due to a change in capital allocation (offset in Group Funding with no impact on total Group margin). The remaining 7 basis point decline was due to heightened competition combined with a change in product mix as customers continued to move to lower margin fixed rate products in a low, but rising interest rate environment.

Other operating income declined 2.6% with the continued focus on making the customer proposition attractive in order to drive sustainable and longer-term relationships. The program of ensuring customer awareness of its best priced offerings saw customers continue to change their banking arrangements to more cost effective channels and products. A strong increase in volume related fees largely offset this decline.

Operating expenses increased 1.3% following the re-investment in the franchise for its people, processes and infrastructure. Higher personnel costs due to annual remuneration reviews, technology and compliance projects, and increased spend on brand and network. The long-term re-investment has seen BNZ receive numerous service awards for its Customer Contact Centres and gains in customer satisfaction in recent times.

Overall asset quality remains sound with the ratio of gross non-accrual loans to gross loans and acceptances up by 2bp to 0.35%. The increase in the charge for doubtful debts during the year relates to a single large exposure.

Financial performance (in local currency)   half year to 30 September 2005

Cash earnings before significant items increased by 4.5% on the March 2005 half, reflecting solid volume growth and lower expenses offset by increased charges to provide for doubtful debts.

Underlying profit increased 8.8% on the March 2005 half as a result of a number of factors:

Net interest income grew by 1.9% reflecting double digit volume growth (annualised) in housing, business lending and retail deposits partly offset by a decline in margins as customers continued to lock in fixed rates. Housing volume growth continued the momentum generated by the Unbeatable campaigns while Business Lending volume growth increased as customers continued to invest in their businesses. Retail deposits volumes have benefited from targeted campaigns in the current half.

Net interest margin declined 13 basis points from 2.50% to 2.37% due to a lower benefit from deposit margins in the September half. Deposits margins benefited from the 50 basis point increase in the Official Cash Rate in the March 2005 half. Lending margins continue to be impacted by competitive pressures and change in product mix.

Other operating income has remained relatively flat, as growth in volume driven fees has been offset by simplified fees structures and a trend by customers to move to lower cost channels.

Operating expenses decreased 3.6% mainly as a result of continued focus on expenses and timing of personnel and project costs.

The ratio of gross non-accrual loans to gross loans and acceptances has increased 3 basis points to 0.35% since the March 2005 half year. Overall asset quality remains sound despite additional provision charges in the September 2005 half relating to a single exposure.

INSTITUTIONAL MARKETS & SERVICES

Institutional Markets & Services (IMS) comprises Markets, Corporate Loan Portfolio, Structured Products, Credit Products, Financial Institutions Group and a Support Services unit.

IMS is transitioning from a relationship management business model aimed at the Corporate and Financial Institutions segments, to a product specialist/product management business model aimed at providing products across the Group s client base. With the exception of Financial Institutions, the client relationships served by IMS are maintained within the regional structures across the Group. IMS operates through an international network of offices in Australia, UK, New Zealand, the Americas and Asia.

As reported at March 2005 half year, a detailed review of the IMS operating model, regional footprint and strategic alignment has been undertaken during the year. During the September half, IMS has implemented a program to lift return on equity and grow cash earnings through:

Consolidation of the Asian footprint, including establishing a business hub in Hong Kong and the exit of IMS activities in Seoul, Singapore, Tokyo and Malaysia;

Exiting from non-core businesses in the Americas (Energy and Utilities, Real Estate, Public Finance and Structured Finance);

Reduction of low yielding Risk Weighted Assets, increased capital velocity and operating from a lower capital base going forward; and

Leveraging the NAB franchise to increase cross-sell of Markets products and increase Project Finance and Structured Products lines.

Business developments

IMS has made considerable progress in enhancing risk systems and procedures in accordance with the remedial actions specified by APRA and the ASIC enforceable undertakings. A key outcome was the re-opening in May 2005 of the foreign currency options trading desk. IMS progress to date includes:

Completion of IMS specific ASIC enforceable undertaking work;

Continued focus on proactive management of Regulatory Compliance issues, including APRA remediation; and

Transformation of compliance behaviour.

IMS has experienced some early successes as part of the transformation of the business, and has been recognised externally as follows:

Ranked No.1 as mandated arranger of Australasian Project Finance loans for the first half of 2005, as adjudged by Dealogic Project Finance Review (July 2005); and

Ranked No.1 in Australian Loan Syndications for the six months to 30 June 2005, as reported by Thomson Financial, Second Quarter 2005.

Commitment to the Community

IMS community investment programs include community partnerships, charitable giving and financial support. Staff are supported and encouraged to volunteer their skills and expertise in the community.

Some of the specific IMS initiatives are as follows:

In Australia, continued support of the Financial Markets Foundation for Children - an organisation dedicated to supporting medical research into children s diseases;

In the UK, sponsorship of the Australia Film Festival in London, development of a bespoke program for the central London community involving children attending workshops on animated film and donation of computer hardware to local schools; and

In the US, involvement in the organising of the annual spring benefit for the Yorkville Common Pantry - an organisation that is the largest, non-sectarian, neighbourhood based provider of emergency food in New York City.

Restructuring Activity

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

Restructuring activities have resulted in a gross reduction of 167 full time equivalent employees in the 2005 year. This has partially been offset by staff to support the increased investment in the risk control framework and new business growth.

Performance Summary

	Year to		Fav/(Unfav) Change on	
	Sep 05	**Sep 04**	**Sep 04**	**Sep 04 Ex FX(1)**
	$m	**$m**	**%**	**%**
Net interest income	**543**	618	(12.1)	(11.2)
Other operating income	**919**	866	6.1	6.6
Total income	**1,462**	1,484	(1.5)	(0.8)
Operating expenses	**(735)**	(705)	(4.3)	(5.4)
Underlying profit	**727**	779	(6.7)	(6.4)
Charge to provide for doubtful debts	**(24)**	(113)	78.8	79.6
Cash earnings before tax	**703**	666	5.6	6.0
Income tax expense	**(90)**	(99)	9.1	9.1
Cash earnings before significant items	**613**	567	8.1	8.6
Net profit attributable to outside equity interest		(9)	large	large
Cash earnings before significant items and after outside equity interest (2)	**613**	558	9.9	10.4

	Half Year to		Fav/(Unfav) Change on	
	Sep 05	**Mar 05**	**Mar 05**	**Mar 05 Ex FX(1)**
	$m	**$m**	**%**	**%**
Net interest income	262	281	(6.8)	(5.7)
Other operating income	433	486	(10.9)	(10.5)
Total income	695	767	(9.4)	(8.7)
Operating expenses	(369)	(366)	(0.8)	(1.6)
Underlying profit	326	401	(18.7)	(18.2)
Charge to provide for doubtful debts	24	(48)	large	large
Cash earnings before tax	350	353	(0.8)	
Income tax expense	(45)	(45)		
Cash earnings before significant items	305	308	(1.0)	
Net profit attributable to outside equity interest				
Cash earnings before significant items and after outside equity interest (2)	305	308	(1.0)	

(1) Change expressed at constant exchange rates.

(2) Refer to Note 1a for a reconciliation of Institutional Markets & Services result to Group net profit.

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Key Performance Measures

	Half Year to Sep 05	Half Year to Mar 05	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05	Year to Sep 04	Fav / (Unfav) Change on Sep 04 %
Performance & profitability						
Return on average Risk Weighted Assets (3) (annualised)	0.87%	0.81%		**0.85%**	0.73%	
Return on average assets (annualised)	0.40%	0.37%		**0.39%**	0.35%	
Cost to income ratio	53.1%	47.7%		**50.3%**	47.5%	
Cash earnings per average FTE (annualised) ($ 000) (4)	301	298		**300**	280	
Net interest income						
Net interest margin	0.41%	0.40%		**0.41%**	0.47%	
Average balance sheet ($bn)						
Core lending	37.6	40.6	(7.4)	**38.9**	38.4	1.3
Gross loans and acceptances (5)	41.6	45.4	(8.4)	**43.6**	43.9	(0.7)
Interest-earning assets external	94.6	101.4	(6.7)	**98.0**	96.8	1.2
Interest-earning assets internal (6)	33.6	38.4	(12.5)	**35.8**	33.1	8.2
Interest-earning assets total	128.2	139.8	(8.3)	**133.8**	129.9	3.0

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

(4) Cash earnings before significant items and after outside equity interest.

(5) Gross loans and acceptances equate to core lending, non-accrual loans and bill acceptances.

(6) Internal interest-earning assets include funding of the Group s operations.

Key Performance Measures

	30 Sep 05	As at 31 Mar 05	30 Sep 04	Fav / (Unfav) Change on Mar 05 %	Fav / (Unfav) Change on Sep 04 %
Spot Balance sheet ($bn)					
Interest-earning assets external	**78.0**	84.9	100.9	(8.1)	(22.7)
Interest-earning assets internal (5)	**32.3**	35.4	35.5	(8.8)	(9.0)
Interest-earning assets total	**110.3**	120.3	136.4	(8.3)	(19.1)
Full-time equivalent employees (FTE)	**1,993**	2,066	2,073		
Asset quality					
Gross non-accrual loans ($m)	**435**	501	423		
Gross loans and acceptances ($bn)	**38.9**	43.4	45.0		
Gross non-accrual loans to gross loans and acceptances	**1.12%**	1.15%	0.94%		
Specific provision to gross impaired assets	**29.5%**	31.7%	29.0%		

Financial performance year to 30 September 2005

Cash earnings before significant items and after outside equity interests of $613m increased by 9.9% on the prior year. The financial performance for the 2004 year was dominated by the impact of the currency options incident, a reduced risk profile, and the diversion of senior staff to addressing remediation actions. During 2005 whilst considerable effort has been applied to remedial actions and an improved control framework, management focus has returned to building a portfolio of businesses which will deliver sustainable client income streams and improved return on equity.

As part of this program, IMS has undergone significant rebasing of its businesses in Asia and the Americas and is transforming to a lower capital base business by reducing capital in low yielding risk weighted assets, increasing capital velocity and the number of product lines to improve the level of cross sales into the NAB franchise. In addition, earnings were impacted by $14m due to the sale of the Irish banks in March 2005. The movement in exchange rates has not significantly impacted the IMS business in the current reporting period.

Underlying profit decreased 6.7% on the September 2004 year as a result of the following factors:

Total income was in line with the prior year (1.5% lower), with net interest income down by 12.1% and other operating income higher by 6.1%. The key movements were due to:

Markets net interest income globally was negatively impacted by rising US interest rates during 2005. Partially offsetting this was an increase in net interest income in Credit Products as the September 2004 year included a reversal of capitalised interest of $38m on a large project finance exposure which was classified as a non-accrual loan.

Other operating income was higher largely due to an improved performance from Markets in Australia arising from a strong client appetite for Interest Rate products and new business initiatives in Credit Products. Partially offsetting this performance was reduced Structured Products income due to legislative changes in Europe and lower fee income from the Corporate Loan Portfolio following the strategy to exit low yielding assets.

Expenses increased 4.3% due to increased staffing costs reflecting the full year impact of the investment in creating an enhanced control environment in 2004 and EBA salary increases in 2005. However on a spot basis, the number of full-time equivalent employees has reduced by 3.9% reflecting the transformation initiatives which have been undertaken in IMS including the rebasing of the Asian and US operations.

Average external interest-earning assets have increased by $1.2 billion (1.2%) on the September 2004 full year average mainly as a result of an increase in average Markets assets and an increase in average core lending assets with customers switching from bill acceptances. Total average gross loans and acceptances reduced marginally (0.7% lower) for the year. However, on a spot basis, external interest-earning assets are down by $22.9 billion (22.7%), following the strategic decision to release capital invested in low yielding assets to improve returns in the IMS business, and as a result of legislative changes in Europe reducing the level of Structured Finance assets.

Return on average Risk Weighted Assets has improved 12 basis points to 0.85%. The increase is due to the combination of higher earnings and a reduction in capital deployed in the business of $565m (14.5%) (based off the mid point of the ACE target range) arising from strategy to exit low yielding risk weighted assets.

The underlying net interest margin on lending products for IMS has remained stable for the year. The reported net interest margin incorporates interest and assets associated with the Group s funding activities and this has reduced by 6 basis points to 0.41% for the year to September 2005. This is primarily due to lower net interest income generated by the Markets area that was impacted by rising US interest rates.

The lower charge to provide for bad and doubtful debts (78.8% lower) reflects a high level of specific provisions taken on historical exposures in 2004, with current year statistical provision write-backs mainly due to the strategy to reduce low yielding assets to improve return on equity. Improvements in the credit quality of IMS assets have also contributed.

Asset quality remains strong, with the level of exposures rated as investment grade or above improving from 92.7% at 30 September 2004 to 94.1% at 30 September 2005. This result is in line with the reduced charge for doubtful debts in 2005. The level of gross non-accrual loans to gross loans and acceptances has deteriorated from 0.94% at 30 September 2004 to 1.12%, mainly due to the reduction in gross loans and acceptances (13.6% lower) following the strategic decision to release capital invested in low yielding assets. The specific provision coverage to gross impaired assets has marginally improved 0.5 percentage points to 29.5%.

Financial performance half year to 30 September 2005

Cash earnings before significant items and after outside equity interests of $305 million decreased by 1.0% on the March 2005 half. However, after excluding the earnings from the Irish banks that were sold in the March 2005 half year, cash earnings increased by 0.7% on the prior half year. The result was driven by the following factors:

Underlying profit decreased 18.7% on the March 2005 half as a result of the following factors:

Total income was 9.4% lower than the prior half year, with net interest income down by 6.8% and other operating income lower by 10.9%. This was largely due to the impact in the September 2005 half of strategies employed to improve return on equity across all IMS product portfolios, including rebasing of the Asia and US operations, sale of the Irish banks, legislative changes in Europe reducing Structured Finance activity, and lower Markets income which was impacted by rising US interest rates.

Expenses increased by 0.8% primarily due to higher deal related costs and expenses related to governance projects.

Return on average Risk Weighted Assets improved 6 basis points to 0.87% due to the ongoing focus of releasing low yielding risk weighted assets resulting in a reduction of capital deployed in IMS of $320m (8.7%) (based off the mid point of the ACE target range).

Average external interest-earning assets reduced by $6.8 billion (6.7%) mainly driven by the strategic decision to release capital invested in low yielding assets to improve returns in the IMS business, and as a result of legislative changes in Europe reducing the level of Structured Finance assets. This also explains the reduction in Gross loans and acceptances of $3.8 billion (8.4%) and a similar reduction on a spot basis.

The lower charge to provide for bad and doubtful debts in the September half (150.0% lower), reflects favourable re-ratings to prior period specific charges for exposures in Australia, Europe and Americas. Reduced statistical provision charges due to the exiting of low yielding assets arising from the strategy to improve return on equity also contributed.

Asset quality remains strong, however the level of exposures rated as investment grade has marginally reduced from 94.8% at March 2005 to 94.1% at September 2005 due to the strategic decision to exit low yielding assets which are typically investment grade. The level of non-accrual loans has reduced by $66 million (13.2% lower) with the sale of certain US energy and utilities exposures. This was also the main driver of the reduction of 2.2 percentage points (to 29.5%) in the coverage ratio of specific provisions to gross impaired assets.

OTHER (GROUP FUNDING & CORPORATE CENTRE)

Performance Summary

	Half Year to Sep 05 $m	Mar 05 $m	Fav / (Unfav) Change on Mar 05 $m	Year to Sep 05 $m	Sep 04 $m	Fav / (Unfav) Change on Sep 04 $m
Cash earnings before significant items						
Group Funding	33	(56)	89	**(23)**	(65)	42
Corporate Centre	(64)	(144)	80	**(208)**	(76)	(132)
Other (1)	(31)	(200)	169	**(231)**	(141)	(90)

(1) Refer to Note 1a for a reconciliation of Other (including Group Funding & Corporate Centre) to Group net profit.

Group Funding

Group Funding acts as the central vehicle for movements of capital and structural funding to support the Group s operations. This minimises the earnings distortion to the operating divisions and enhances the comparability of divisional performance over time.

Financial performance year to 30 September 2005

Group Funding s deficit reduced in the September 2005 year by $42 million primarily due to:

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

Increased interest income earned on surplus group funds;

Increased income resulting from management and administration fees following the securitisation of mortgage assets earlier this year; partly offset by

A higher capital benefit paid to operating divisions as a result of higher economic capital being attributed to those divisions resulting from a change in capital allocation (offset in the operating divisions no impact on Group results).

Financial performance half year to 30 September 2005

Group Funding made a $33 million contribution in the September 2005 half compared with a $56 million deficit in the March 2005 half. The increase of $89 million is primarily due to:

- Increase in interest income received from other Group companies in respect of funding;
- Interest income earned on surplus group funds; and
- Income resulting from funding activities undertaken during the September 2005 half.

Corporate Centre

Corporate Centre comprises the following non-operating units - Finance and Risk Management (including Nautilus Insurance), People & Culture and Group Development (which incorporates previous functions such as Technology, Office of the CEO, Corporate Affairs and Business Development).

Financial performance year to 30 September 2005

Corporate Centre s deficit for the September 2005 year is $208 million compared with a $76 million deficit reported in the September 2004 year. The $132 million increase is primarily due to:

costs of $49 million associated with a Northern Bank robbery in December 2004 (note an additional $7 million has been recognised in the Total UK Regional results);

costs associated with the outcome of a legal action in South Korea awarded against the National of $49 million;

self-insurance costs payable to NAFIM $19 million (after tax); and

increased costs, primarily in Finance and Risk Management, around Basel, SOX and IFRS, and the creation of new functions and activities to address regulatory and structural changes.

Financial performance half year to 30 September 2005

Corporate Centre s deficit for the half year of $64 million compares with the $144 million deficit reported for the March 2005 half year. The decrease of $80 million is primarily due to:

the non occurrence of the costs incurred in the March 2005 half in Nautilus Insurance in respect of the Northern Bank robbery and the South Korea legal action, as described above;

the non occurrence of the costs incurred in the March 2005 half for self-insurance costs payable to NAFIM on insurance recoveries of $19 million (after-tax), as described above; partly offset by

a larger proportion of the yearly short term incentive accrual recorded in the September 2005 half year than was recorded in the March 2005 half.

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

DETAILED FINANCIAL INFORMATION

The following section does not purport to be a set of financial statements. For

the Group s financial statements refer to the Appendix 4E filed with the ASX.

Detailed Financial Information - Note 1a: Performance Summary by Division

1a. PERFORMANCE SUMMARY BY DIVISION

Year to 30 September 2005	**Note**	**Aust $m**	**Banking UK $m**	**NZ $m**	**IMS $m**	**Other(1) $m**	**Total Banking $m**	**Wealth Management (WM) Aust $m**	**UK $m**	**NZ $m**	**Total WM $m**	**Elimina-tions(2) $m**	**Total Group $m**
Net interest income	**3**	3,883	1,827	779	543	44	7,076	(7)	10	3	6		7,082
Net life insurance income ex IORE (3)	**8**							1,517		9	1,526		1,526
Investment earnings on shareholders retained profits & capital (IORE)	**8**							142		4	146		146
Other operating income (4)	**9**	2,235	891	355	919	(57)	4,343	635	242	21	898	(139)	5,102
Net operating income		6,118	2,718	1,134	1,462	(13)	11,419	2,287	252	37	2,576	(139)	13,856
Operating expenses (5)	**10**	(3,209)	(1,788)	(621)	(735)	(238)	(6,591)	(633)	(193)	(26)	(852)	139	(7,304)
Underlying profit		2,909	930	513	727	(251)	4,828	1,654	59	11	1,724		6,552
Charge to provide for doubtful debts	**12**	(257)	(216)	(37)	(24)		(534)						(534)
Cash earnings before tax		2,652	714	476	703	(251)	4,294	1,654	59	11	1,724		6,018
Income tax expense:													
Net life insurance income & IORE	**8**							(641)		1	(640)		(640)
Other	**14**	(791)	(233)	(157)	(90)	20	(1,251)	11	(14)		(3)		(1,254)
Cash earnings before significant items, distributions and outside equity interest		1,861	481	319	613	(231)	3,043	1,024	45	12	1,081		4,124
WM revaluation profit after tax								345			345		345
Goodwill amortisation			(60)	(7)		(31)	(98)						(98)
Net profit/(loss) before significant items		1,861	421	312	613	(262)	2,945	1,369	45	12	1,426		4,371
Significant items after tax	**15**	(246)	863	(10)	(76)	(103)	428	(38)	(19)		(57)		371
Net profit/(loss)		1,615	1,284	302	537	(365)	3,373	1,331	26	12	1,369		4,742
Net profit - outside equity interest								(610)			(610)		(610)
Net profit/(loss) attributable to members of the Company		1,615	1,284	302	537	(365)	3,373	721	26	12	759		4,132
Distributions													(204)
Earnings attributable to ordinary shareholders													3,928

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

(2) *Elimination of inter-divisional income and expenses (eg. revenue sharing arrangements between divisions).*

(3) 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 of the life insurance businesses).

(4) Other operating income excludes the net interest income, net life insurance income, investment earnings on shareholders retained profits & capital of the life insurance businesses and revaluation profit/(loss).

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

Year to 30 September 2004	**Note**	**Banking Aust $m**	**UK $m**	**NZ $m**	**IMS $m**	**Other(1) $m**	**Total Banking $m**	**Wealth Management (WM) Aust $m**	**UK $m**	**NZ $m**	**Total WM $m**	**Elimina-tions(2) $m**	**Total Group $m**
Net interest income	**3**	3,701	2,150	719	618	(4)	7,184	(2)	8	1	7		7,191
Net life insurance income ex IORE (3)	**8**							913	1	5	919		919
Investment earnings on shareholders retained profits & capital (IORE)	**8**							90	1	2	93		93
Other operating income (4)	**9**	2,122	887	354	866	(64)	4,165	528	255	24	807	(141)	4,831
Net operating income		5,823	3,037	1,073	1,484	(68)	11,349	1,529	265	32	1,826	(141)	13,034
Operating expenses (5)	**10**	(2,771)	(1,958)	(595)	(705)	(90)	(6,119)	(564)	(249)	(21)	(834)	141	(6,812)
Underlying profit		3,052	1,079	478	779	(158)	5,230	965	16	11	992		6,222
Charge to provide for doubtful debts	**12**	(201)	(224)	(21)	(113)		(559)						(559)
Cash earnings before tax		2,851	855	457	666	(158)	4,671	965	16	11	992		5,663
Income tax expense:													
Net life insurance income & IORE	**8**							(303)		2	(301)		(301)
Other	**14**	(858)	(261)	(161)	(99)	17	(1,362)	23	1	(2)	22		(1,340)
Cash earnings before significant items, distributions and outside equity interest		1,993	594	296	567	(141)	3,309	685	17	11	713		4,022
WM revaluation profit after tax								16			16		16
Goodwill amortisation			(62)	(10)		(31)	(103)						(103)
Net profit/(loss) before significant items		1,993	532	286	567	(172)	3,206	701	17	11	729		3,935
Significant items after tax	**15**	(123)	(85)	(46)	(292)	217	(329)	(12)	(43)		(55)		(384)
Net profit/(loss)		1,870	447	240	275	45	2,877	689	(26)	11	674		3,551
Net profit - outside equity interest					(9)		(9)	(365)			(365)		(374)
Net profit/(loss) attributable to members of the Company		1,870	447	240	266	45	2,868	324	(26)	11	309		3,177
Distributions													(187)
Earnings attributable to ordinary shareholders													2,990

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

(2) Elimination of inter-divisional income and expenses (eg. revenue sharing arrangements between divisions).

(3) 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 of the life insurance businesses).

(4) Other operating income excludes the net interest income, net life insurance income, investment earnings on shareholders retained profits & capital of the life insurance businesses and revaluation profit/(loss).

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

Half Year to 30 September 2005	**Note**	**Banking Aust $m**	**UK $m**	**NZ $m**	**IMS $m**	**Other(1) $m**	**Total Banking $m**	**Wealth Management (WM) Aust $m**	**UK $m**	**NZ $m**	**Total WM $m**	**Elimina-tions(2) $m**	**Total Group $m**
Net interest income	**3**	1,995	830	392	262	48	3,527	(5)	5	2	2		3,529
Net life insurance income ex IORE (3)	**8**							1,031			1,031		1,031
Investment earnings on shareholders retained profits & capital (IORE)	**8**							80		3	83		83
Other operating income (4)	**9**	1,154	462	177	433	7	2,233	323	104	10	437	(58)	2,612
Net operating income		3,149	1,292	569	695	55	5,760	1,429	109	15	1,553	(58)	7,255
Operating expenses (5)	**10**	(1,730)	(836)	(306)	(369)	(104)	(3,345)	(340)	(94)	(7)	(441)	58	(3,728)
Underlying profit		1,419	456	263	326	(49)	2,415	1,089	15	8	1,112		3,527
Charge to provide for doubtful debts	**12**	(127)	(125)	(25)	24		(253)						(253)
Cash earnings before tax		1,292	331	238	350	(49)	2,162	1,089	15	8	1,112		3,274
Income tax expense:													
Net life insurance income & IORE	**8**							(449)		1	(448)		(448)
Other	**14**	(382)	(116)	(78)	(45)	18	(603)	36	(1)	(1)	34		(569)
Cash earnings before significant items, distributions and outside equity interest		910	215	160	305	(31)	1,559	676	14	8	698		2,257
WM revaluation profit after tax								294			294		294
Goodwill amortisation			(29)	(3)		(16)	(48)						(48)
Net profit/(loss) before significant items		910	186	157	305	(47)	1,511	970	14	8	992		2,503
Significant items after tax	**15**	(180)	(39)	(9)	(93)	(97)	(418)	(22)	(10)		(32)		(450)
Net profit/(loss)		730	147	148	212	(144)	1,093	948	4	8	960		2,053
Net profit - outside equity interest								(456)			(456)		(456)
Net profit/(loss) attributable to members of the Company		730	147	148	212	(144)	1,093	492	4	8	504		1,597
Distributions													(109)
Earnings attributable to ordinary shareholders													1,488

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

(2) Elimination of inter-divisional income and expenses (eg. revenue sharing arrangements between divisions).

(3) 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 of the life insurance businesses).

(4) Other operating income excludes the net interest income, net life insurance income, investment earnings on shareholders retained profits & capital of the life insurance businesses and revaluation profit/(loss).

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

Half Year to 31 March 2005	Note	Aust $m	Banking UK $m	NZ $m	IMS $m	Other(1) $m	Total Banking $m	Wealth Management (WM) Aust $m	UK $m	NZ $m	Total WM $m	Elimina-tions(2) $m	Total Group $m
Net interest income	**3**	1,888	997	387	281	(4)	3,549	(2)	5	1	4		3,553
Net life insurance income ex IORE (3)	**8**							486		9	495		495
Investment earnings on shareholders retained profits & capital (IORE)	**8**							62		1	63		63
Other operating income (4)	**9**	1,081	429	178	486	(64)	2,110	312	138	11	461	(81)	2,490
Net operating income		2,969	1,426	565	767	(68)	5,659	858	143	22	1,023	(81)	6,601
Operating expenses (5)	**10**	(1,479)	(952)	(315)	(366)	(134)	(3,246)	(293)	(99)	(19)	(411)	81	(3,576)
Underlying profit		1,490	474	250	401	(202)	2,413	565	44	3	612		3,025
Charge to provide for doubtful debts	**12**	(130)	(91)	(12)	(48)		(281)						(281)
Cash earnings before tax		1,360	383	238	353	(202)	2,132	565	44	3	612		2,744
Income tax expense:													
Net life insurance income & IORE	**8**							(192)			(192)		(192)
Other	**14**	(409)	(117)	(79)	(45)	2	(648)	(25)	(13)	1	(37)		(685)
Cash earnings before significant items, distributions and outside equity interest		951	266	159	308	(200)	1,484	348	31	4	383		1,867
WM revaluation profit after tax								51			51		51
Goodwill amortisation			(31)	(4)		(15)	(50)						(50)
Net profit/(loss) before significant items		951	235	155	308	(215)	1,434	399	31	4	434		1,868
Significant items after tax	**15**	(66)	902	(1)	17	(6)	846	(16)	(9)		(25)		821
Net profit/(loss)		885	1,137	154	325	(221)	2,280	383	22	4	409		2,689
Net profit - outside equity interest								(154)			(154)		(154)
Net profit/(loss) attributable to members of the Company		885	1,137	154	325	(221)	2,280	229	22	4	255		2,535
Distributions													(95)
Earnings attributable to ordinary shareholders													2,440

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

(2) Elimination of inter-divisional income and expenses (eg. revenue sharing arrangements between divisions).

(3) 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 of the life insurance businesses).

(4) Other operating income excludes the net interest income, net life insurance income, investment earnings on shareholders retained profits & capital of the life insurance businesses and revaluation profit/(loss).

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

Detailed Financial Information - Note 1b: Performance Summary for Total Banking

1b. PERFORMANCE SUMMARY FOR TOTAL BANKING

Total Banking includes the Banking operations within Total Australia, Total UK and Total New Zealand, as well as Institutional Markets & Services, and Other (including Group Funding and Corporate Centre). It excludes the Wealth Management operations within Total Australia, Total UK and Total New Zealand.

	Year to		Fav / (Unfav) Change on Sep 04	
	Sep 05 $m	Sep 04 $m	%	Ex FX (1) %
Comparison to September 2004 full year				
Net interest income	**7,076**	7,184	(1.5)	(1.4)
Other operating income (2)	**4,343**	4,165	4.3	4.7
Total income	**11,419**	11,349	0.6	0.8
Other operating expenses (2)	**(6,591)**	(6,119)	(7.7)	(8.1)
Underlying profit	**4,828**	5,230	(7.7)	(7.7)
Charge to provide for doubtful debts	**(534)**	(559)	4.5	3.4
Cash earnings before tax	**4,294**	4,671	(8.1)	(8.2)
Income tax expense	**(1,251)**	(1,362)	8.1	8.2
Cash earnings before significant items and outside equity interest	**3,043**	3,309	(8.0)	(8.2)
Net profit attributable to outside equity interest		(9)	large	large
Cash earnings before significant items (3)	**3,043**	3,300	(7.8)	(7.9)

	Half Year to		Fav / (Unfav) Change on Mar 05	
	Sep 05 $m	Mar 05 $m	%	Ex FX (1) %
Comparison to March 2005 half year				
Net interest income	3,527	3,549	(0.6)	
Other operating income (2)	2,233	2,110	5.8	6.5
Total income	5,760	5,659	1.8	2.4
Other operating expenses (2)	(3,345)	(3,246)	(3.0)	(3.9)
Underlying profit	2,415	2,413	0.1	0.5
Charge to provide for doubtful debts	(253)	(281)	10.0	8.9
Cash earnings before tax	2,162	2,132	1.4	1.7
Income tax expense	(603)	(648)	6.9	6.5
Cash earnings before significant items and outside equity interest	1,559	1,484	5.1	5.3
Net profit attributable to outside equity interest				
Cash earnings before significant items (3)	1,559	1,484	5.1	5.3

Key Performance Measures

	Half Year to		Year to	
	Sep 05	Mar 05	Sep 05	Sep 04
Performance & profitability				
Cost to income ratio	58.1%	57.4%	**57.7%**	53.9%

(1) Change expressed at constant exchange rates.

(2) Total Banking is before inter-divisional eliminations.

(3) Refer to Note 1a for a reconciliation of Total Banking to Group net profit and a reconciliation of Total Banking to the Divisional Performance Summary.

Detailed Financial Information - Note 1c: Performance Summary for Total Banking excluding Irish Banks

1c. PERFORMANCE SUMMARY FOR TOTAL BANKING EXCLUDING IRISH BANKS

	Year to						Fav / (Unfav)	
		Sep 05			Sep 04		Change on Sep 04	
	Total Banking $m	Total Irish Banks (3) $m	Total Banking ex Irish Banks $m	Total Banking $m	Total Irish Banks (3) $m	Total Banking ex Irish Banks $m	Total Banking %	Total Banking ex Irish Banks %
Comparison to September 2004 full year								
Net interest income	7,076	(197)	**6,879**	7,184	(505)	6,679	(1.5)	3.0
Other operating income (1)	4,343	(80)	**4,263**	4,165	(192)	3,973	4.3	7.3
Total income	11,419	(277)	**11,142**	11,349	(697)	10,652	0.6	4.6
Other operating expenses (1)	(6,591)	200	**(6,391)**	(6,119)	494	(5,625)	(7.7)	(13.6)
Underlying profit	4,828	(77)	**4,751**	5,230	(203)	5,027	(7.7)	(5.5)
Charge to provide for doubtful debts	(534)	6	**(528)**	(559)	17	(542)	4.5	2.6
Cash earnings before tax	4,294	(71)	**4,223**	4,671	(186)	4,485	(8.1)	(5.8)
Income tax expense	(1,251)	22	**(1,229)**	(1,362)	57	(1,305)	8.1	5.8
Cash earnings before significant items and outside equity interest	3,043	(49)	**2,994**	3,309	(129)	3,180	(8.0)	(5.8)
Net profit attributable to outside equity interest				(9)		(9)	large	large
Cash earnings before significant items (2)	3,043	(49)	**2,994**	3,300	(129)	3,171	(7.8)	(5.6)

	Half Year to						Fav / (Unfav)	
		Sep 05			Mar 05		Change on Mar 05	
	Total Banking $m	Total Irish Banks (3) $m	Total Banking ex Irish Banks $m	Total Banking $m	Total Irish Banks (3) $m	Total Banking ex Irish Banks $m	Total Banking %	Total Banking ex Irish Banks %
Comparison to March 2005 half year								
Net interest income	3,527		3,527	3,549	(197)	3,352	(0.6)	5.2
Other operating income (1)	2,233		2,233	2,110	(80)	2,030	5.8	10.0
Total income	5,760		5,760	5,659	(277)	5,382	1.8	7.0
Other operating expenses (1)	(3,345)		(3,345)	(3,246)	200	(3,046)	(3.0)	(9.8)
Underlying profit	2,415		2,415	2,413	(77)	2,336	0.1	3.4
Charge to provide for doubtful debts	(253)		(253)	(281)	6	(275)	10.0	8.0
Cash earnings before tax	2,162		2,162	2,132	(71)	2,061	1.4	4.9
Income tax expense	(603)		(603)	(648)	22	(626)	6.9	3.7
Cash earnings before significant items and outside equity interest	1,559		1,559	1,484	(49)	1,435	5.1	8.6
Net profit attributable to outside equity interest								
Cash earnings before significant items (2)	1,559		1,559	1,484	(49)	1,435	5.1	8.6

(1) *Total Banking is before inter-divisional eliminations.*

(2) *Refer to Note 1a for a reconciliation of Total Banking to Group net profit and a reconciliation of Total Banking to the Divisional Performance Summary.*

(3) *Refer to Note 2a for a reconciliation to the divisional breakdown of Irish Banks.*

Detailed Financial Information - Note 2a: Irish Banks - Divisional Breakdown of Irish Banks

2a. IRISH BANKS - DIVISIONAL BREAKDOWN OF IRISH BANKS

	Five Months to Feb 05				**Half Year to Sep 04**				**Half year to Mar 04**			
	UK (1) $m	**IMS $m**	**Other $m**	**Total Irish Banks $m**	**UK (1) $m**	**IMS $m**	**Other $m**	**Total Irish Banks $m**	**UK (1) $m**	**IMS $m**	**Other $m**	**Total Irish Banks $m**
Banking												
Net interest income	185	4	8	197	253	4	9	266	225	6	8	239
Other operating income	72	8		80	88	10		98	83	11		94
Banking net operating income	257	12	8	277	341	14	9	364	308	17	8	333
Wealth Management (WM)												
Net interest income									1			1
Other operating income	2			2	6			6	5			5
Net operating income	259	12	8	279	347	14	9	370	314	17	8	339
Banking operating expenses	(195)	(5)		(200)	(255)	(6)		(261)	(228)	(5)		(233)
Wealth Management operating expenses	(3)			(3)	(7)			(7)	(6)			(6)
Charge to provide for doubtful debts	(6)			(6)	(9)			(9)	(15)	7		(8)
Cash earnings before tax	55	7	8	70	76	8	9	93	65	19	8	92
Income tax expense:												
Other	(18)	(2)	(2)	(22)	(21)	(3)	(2)	(26)	(24)	(5)	(2)	(31)
Cash earnings before significant items, distributions and outside equity interest	37	5	6	48	55	5	7	67	41	14	6	61
WM revaluation profit/(loss) after tax												
Goodwill amortisation (2)												
Net profit before significant items	37	5	6	48	55	5	7	67	41	14	6	61
Significant items after tax												
Net profit	37	5	6	48	55	5	7	67	41	14	6	61
Net profit - outside equity interest												
Net profit attributable to members of the Company	37	5	6	48	55	5	7	67	41	14	6	61
Distributions												
Earnings attributable to ordinary shareholders	37	5	6	48	55	5	7	67	41	14	6	61

(1) Refers to the Total UK operating division, including UK Banking and Wealth Management UK.

(2) Goodwill amortisation of $2 million (September 2004 half: $2 million and March 2004 half: $2 million) is included in the Group results.

Detailed Financial Information - Note 2b: Summary of Assets and Liabilities ex Irish Banks

2b. SUMMARY OF ASSETS AND LIABILITIES EXCLUDING THE IRISH BANKS

	Note	Group Reported 30 Sep 05 $m	As at 30 Sep 04 $m	Irish Banks(1) 30 Sep 04 $m	Group Proforma 30 Sep 04 $m	Change on Group Proforma Sep 04 %
Assets						
Cash and liquid assets		**8,430**	8,080	1,104	6,976	20.8
Due from other financial institutions		**15,477**	23,494	1,159	22,335	(30.7)
Due from customers on acceptances		**27,627**	16,344	1	16,343	69.0
Trading securities		**15,957**	24,248		24,248	(34.2)
Trading derivatives		**13,959**	17,939		17,939	(22.2)
Available for sale securities		**3,857**	4,610	1	4,609	(16.3)
Investment securities		**7,466**	11,513	514	10,999	(32.1)
Investments relating to life insurance business		**50,500**	41,013		41,013	23.1
Loans and advances	**(i)**	**260,053**	247,836	13,082	234,754	10.8
Shares in entities and other securities		**75**	158		158	(52.5)
Regulatory deposits		**118**	177	36	141	(16.3)
Property, plant and equipment		**1,974**	2,257	219	2,038	(3.1)
Income tax assets		**1,530**	1,367	26	1,341	14.1
Goodwill		**522**	632	13	619	(15.7)
Other assets		**12,043**	11,641	219	11,422	5.4
Total assets		**419,588**	411,309	16,374	394,935	6.2
Liabilities						
Due to other financial institutions		**36,322**	43,768	1,774	41,994	(13.5)
Liability on acceptances		**27,627**	16,344	1	16,343	69.0
Trading derivatives		**12,407**	16,150	9	16,141	(23.1)
Deposits and other borrowings	**(ii)**	**209,079**	219,028	12,184	206,844	1.1
Life insurance policy liabilities		**42,123**	36,134		36,134	16.6
Income tax liabilities		**1,381**	1,178	24	1,154	19.7
Provisions		**1,823**	1,129	77	1,052	73.3
Bonds, notes and subordinated debt		**39,238**	32,573		32,573	20.5
Other debt issues		**1,559**	1,612		1,612	(3.3)
Other liabilities		**13,749**	13,627	1,203	12,424	10.7
Total liabilities		**385,308**	381,543	15,272	366,271	5.2
Net assets		**34,280**	29,766	1,102		

(1) Represents the consolidated net assets of Northern Bank Limited and National Irish Bank Limited (the Irish Banks), plus goodwill attributed to the consolidation of those entities at 30 September 2004.

Detailed Financial Information - 2b: Summary of Assets and Liabilities ex Irish Banks

(i) Loans and advances

	As at				Change on
	Group Reported		Irish Banks	Group Proforma	Group Proforma
	30 Sep 05	30 Sep 04	30 Sep 04	30 Sep 04	Sep 04
	$m	$m	$m	$m	%
Housing	**139,481**	125,773	4,860	120,913	15.4
Term lending	**84,744**	84,236	5,417	78,819	7.5
Overdrafts	**12,302**	12,967	2,131	10,836	13.5
Leasing	**15,926**	16,027	539	15,488	2.8
Credit cards	**6,769**	6,876	255	6,621	2.2
Other	**5,382**	6,499	1	6,498	(17.2)
Total gross loans and advances	**264,604**	252,378	13,203	239,175	10.6
Less: Unearned income	**(2,133)**	(2,024)	(9)	(2,015)	5.9
Provisions for doubtful debts	**(2,418)**	(2,518)	(112)	(2,406)	0.5
Total net loans and advances	**260,053**	247,836	13,082	234,754	10.8

(ii) Deposits and other borrowings

Deposits not bearing interest	**10,981**	13,516	2,700	10,816	1.5
On-demand and short-term deposits	**84,702**	83,114	5,713	77,401	9.4
Certificates of deposit	**26,769**	34,130		34,130	(21.6)
Term deposits	**63,575**	66,212	3,769	62,443	1.8
Total deposits	**186,027**	196,972	12,182	184,790	0.7
Securities sold under agreements to repurchase	**5,108**	2,809		2,809	81.8
Borrowings	**17,944**	19,247	2	19,245	(6.8)
Total deposits and other borrowings	**209,079**	219,028	12,184	206,844	1.1

Detailed Financial Information - Note 3: Net Interest Income

3. NET INTEREST INCOME

	Note	Half Year to Sep 05 $m	Half Year to Mar 05 $m	Fav / (Unfav) Change on Mar 05 %	Year to Sep 05 $m	Year to Sep 04 $m	Fav / (Unfav) Change on Sep 04 %
Group							
Interest income							
Loans to customers		9,122	8,704	4.8	**17,826**	15,879	12.3
Other		1,629	1,417	15.0	**3,046**	2,771	9.9
Total interest income	**9**	10,751	10,121	6.2	**20,872**	18,650	11.9
Interest expense							
Deposits and other borrowings		(5,369)	(5,032)	(6.7)	**(10,401)**	(8,672)	(19.9)
Other		(1,853)	(1,536)	(20.6)	**(3,389)**	(2,787)	(21.6)
Total interest expense	**10**	(7,222)	(6,568)	(10.0)	**(13,790)**	(11,459)	(20.3)
Net interest income		3,529	3,553	(0.7)	**7,082**	7,191	(1.5)
By Division							
Australian Banking		1,995	1,888	5.7	**3,883**	3,701	4.9
UK Banking		830	997	(16.8)	**1,827**	2,150	(15.0)
New Zealand Banking		392	387	1.3	**779**	719	8.3
Institutional Markets & Services		262	281	(6.8)	**543**	618	(12.1)
Other (incl. Group Funding & Corporate Centre)		48	(4)	large	**44**	(4)	large
Total Banking		3,527	3,549	(0.6)	**7,076**	7,184	(1.5)
Wealth Management		2	4	(50.0)	**6**	7	(14.3)
Net interest income		3,529	3,553	(0.7)	**7,082**	7,191	(1.5)

Detailed Financial Information - Note 4: Net Interest Margins & Spreads

4. NET INTEREST MARGINS & SPREADS

	Half Year to		Fav / (Unfav) Change on	Year to		Fav / (Unfav) Change on
	Sep 05 %	Mar 05 %	Mar 05 basis pts	Sep 05 %	Sep 04 %	Sep 04 basis pts
Group						
Gross interest spread (1)	1.71	1.75	(0.04)	**1.73**	1.96	(0.23)
Interest forgone on impaired assets	(0.02)	(0.01)	(0.01)	**(0.02)**	(0.02)	
Net interest spread (2)	1.69	1.74	(0.05)	**1.71**	1.94	(0.23)
Benefit of net free liabilities, provisions and equity	0.51	0.45	0.06	**0.49**	0.41	0.08
Net interest margin (3)	2.20	2.19	0.01	**2.20**	2.35	(0.15)

By Region