

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 May 2007

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 ☒ Form 40-F ☐

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 ☐ No ☒

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

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This Report on Form 6-K shall be deemed to be incorporated by reference in the prospectus included in the Registration Statement on Form F-3 (No. 333-6632) of National Australia Bank Limited and to be part thereof from the date on which this Report, is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

Appendix 4D

National Australia Bank Limited

Half year consolidated report

For the six months ended 31 March 2007

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

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

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

This half year consolidated report is to be read in conjunction with the annual financial report 2006.

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

References in this document to the March 2007 half year are references to the six months ended 31 March 2007.

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

Results for announcement to the market

Reporting period

Previous corresponding period

6 months ended 31 March 2007

6 months ended 31 March 2006

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

Dividends

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

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

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

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

National Australia Bank Limited

ABN 12 004 044 937

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REPORT OF THE DIRECTORS

The directors of National Australia Bank Limited (hereinafter referred to as the Company) present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the half year ended 31 March 2007.

In this report, the period commencing 1 October 2006 and ending 31 March 2007 is referred to as the March 2007 half and other half year periods are referred to in a corresponding manner.

The directors of the Company have a significant responsibility with respect to the integrity of external reporting. This involves reviewing and monitoring, with the assistance of the Audit Committee and management, the processes, controls and procedures which are in place to maintain the integrity of the Group's financial statements. Further details of the role of the Board of Directors and its Committees can be found in the Corporate Governance section of the Group's 2006 Annual Financial Report or on the Group's website www.nabgroup.com

Directors

Directors in office at the date of this report are:

Michael A Chaney
Chairman since September 2005 and Director since December 2004

Patricia A Cross
Director since December 2005

Peter JB Duncan
Director since November 2001

Ahmed Fahour
Director since October 2004

Daniel T Gilbert
Director since September 2004

Thomas (Kerry) McDonald
Director since December 2005

Paul J Rizzo
Director since September 2004

Jillian S Segal
Director since September 2004

John M Stewart
Director since August 2003. Managing Director and Group Chief Executive Officer since February 2004

John G Thorn
Director since October 2003

Geoffrey A Tomlinson
Director since March 2000

Michael J Ullmer
Director since October 2004

G Malcolm Williamson
Director since May 2004

Rounding of Amounts

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

Review of Operations and Group Results

Profit before Income Tax Expense

Group profit before income tax expense increased 9.5% to \$4,032 million from the September 2006 half, and increased 12.2% from the March 2006 half.

Net Profit attributable to members of the Company

Financial performance movement on September 2006 half

Net profit attributable to members of the Company of \$2,136 million for the half year ended 31 March 2007, decreased \$262 million or 10.9% compared with the half year ended 30 September 2006. This result was largely impacted by the one-off items set out below. Taking these items into account, net profit improved during the March 2007 half.

The September 2006 half year result included the impacts of the accounting profit after tax of \$171 million on the sale of the Group's Custom Fleet business, accounting loss after tax of \$63 million on the sale of the

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Group's MLC Asia businesses and \$117 million earnings up to their dates of sale of 31 July 2006 and 8 May 2006 respectively.

The above performance included:

- **Net interest income** increased by \$289 million or 6.4%. This reflects lending and deposit growth and the maintenance of the overall Group net interest margin, which increased 2 basis points to 2.33%.
- **Net life insurance income** increased by \$557 million reflecting strong equity market conditions globally, particularly Australian equity markets.
- **Gains less losses on financial instruments at fair value** decreased by \$11 million or 4.1% mainly due to reduced trading income from securities and derivatives of \$44 million, offset by a \$35 million increase in net fair value movements of assets and liabilities at fair value and the derivatives matched against them, plus the impact of hedge ineffectiveness.
- **Other operating income** decreased by \$348 million or 15.3% to \$1,925 million. Excluding the impact of the disposed entities from the September 2006 half, other operating income decreased by \$102 million or 5.0% primarily reflecting:
 - decreases in: *Profit on sale of property, plant and equipment and other assets* of \$26 million and *Investment management fees* of \$25 million and increased losses on *Revaluation of exchangeable capital units* of \$107 million; offset by
 - an increase in *Fees and commissions* of \$88 million.
- **Operating expenses** decreased by \$52 million or 1.4% to \$3,643 million. Including the ongoing costs of the Group's defined benefit pension plans in the September 2006 half (refer to note 3) operating expenses decreased by \$66 million or 1.8%. Excluding the impact of disposed operations from the September 2006 half, operating expenses were held broadly flat, decreasing by \$18 million or 0.5%. This is driven by:
 - decreases in: *Other general expenses* of \$58 million, *Professional fees* of \$44 million, and *Fees and commissions expense* of \$10 million due to cost control and efficiency initiatives;
 - decreased *Depreciation on leased vehicle assets* of \$33 million due to cessation of depreciation on assets classified as held for sale; offset by
 - an increase in *Personnel expenses* of \$165 million (8.5% growth), driven by EBA increases, an increase in the number of staff and higher performance based remuneration.
- **Charge to provide for doubtful debts** increased by \$54 million or 16.1% to \$390 million. The increase was primarily due to deterioration identified in specific consumer segments in Australia, volume growth and a reduction in the level of write backs.

Financial performance movement on March 2006 half

Net profit attributable to members of the Company of \$2,136 million for the half year ended 31 March 2007, increased by \$142 million or 7.1% compared with the half year ended 31 March 2006.

The March 2006 half year result included one off income of \$270 million after tax in respect of past service revenue arising out of reform made to the UK defined benefit pension fund, offset by an on-going expense of the Group's UK defined benefit plans of \$38 million after tax.

Excluding these items net profit for the half year ended 31 March 2007 increased \$374 million or 21.2% compared with the half year ended 31 March 2006.

The above performance included:

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- **Net interest income** increased by \$591 million or 14.1%. This reflects lending and deposit growth and the maintenance of the overall Group net interest margin, which increased by 2 basis points to 2.33%.
- **Net life insurance income** increased by \$226 million or 25.9% reflecting strong equity market conditions globally, particularly Australian equity markets.
- **Gains less losses on financial instruments at fair value** increased by \$54 million or 26.6% mainly due to higher net fair value movements of assets and liabilities at fair value and the derivatives matched against them, plus the increased hedge ineffectiveness of \$161 million, offset by reduced trading income from securities and derivatives of \$114 million.
- **Other operating income** decreased by \$221 million or 10.3% to \$1,925 million. Excluding the impact of the disposed entities from the March 2006 half, other operating income increased by \$158 million or 8.9% primarily reflecting:
 - increases in: *Investment management fees* of \$55 million from wealth management activities and *Loan fees from banking* of \$41 million, and reduced losses on *Revaluation of exchangeable capital units* of \$77 million; offset by
 - a decrease in and *Fees and commissions* of \$10 million.

- **Operating expenses** decreased by \$241 million or 6.2% to \$3,643 million. Including the ongoing costs of the Group's defined benefit plans of \$54 million (refer to note 3), operating expenses fell \$295 million or 7.5%. Excluding the impact of disposed operations, operating expenses increased \$4 million or 0.1% reflecting:
- increased *Personnel expenses* of \$157 million (8.0% growth) as a result of increases in performance based remuneration and EBA related increases; offset by
- decreases in: *Charge to provide for operational risk event losses* of \$71 million, *Other general expenses* of \$34 million and *Depreciation on leased vehicle assets* of \$34 million.
- **Charge to provide for doubtful debts** increased by \$120 million or 44.4% to \$390 million. The increase was primarily due to the deterioration identified in specific consumer segments in Australia and the United Kingdom from the March 2006 half, and a return to normal provisioning levels.

Average Interest Earning Assets

Volumes by Division

Average interest-earning assets including disposed operations	Half year to		Fav/ (Unfav) Change on Sep 06		
	Mar 07	Sep 06	Mar 06	%	Ex FX % (1)
	\$m	\$m	\$m		
Australian Banking	222,826	209,078	194,533	6.6	6.6
UK Region	63,283	55,260	48,312	14.5	10.9
New Zealand Region	34,032	31,893	31,525	6.7	6.1
nabCapital	145,348	140,707	135,613	3.3	2.5
Other (2)	(53,268)	(49,676)	(45,863)	(7.2)	(3.5)
Group average interest-earning assets	412,221	387,262	364,120	6.4	6.1

(1) Change expressed at constant foreign exchange rates.

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

Average interest-earning assets increased \$24,959 million, or 6.4% on the September 2006 half year. This was driven primarily by a \$22,741 million increase in loans and advances and \$4,480 million in bill acceptances.

Adjusting for disposed operations, average interest-earning assets increased \$25,141 million, or 6.5% on the September 2006 half year. Key factors contributing to this outcome were:

- Australian Banking average business lending increased 10.7% on the September 2006 half year, whilst growth in mortgage volumes slowed to 3.1%, particularly in the broker channel;
- Average housing loans in UK Region increased 9.3% at constant exchange rates on the September 2006 half year, largely driven by the growing momentum of the Financial Solutions Centres and the continued growth of the Third Party Distribution channel. Average business lending volumes grew 12.6% at constant exchange rates, whilst credit cards and personal loans declined 1.3% over the half;
- In New Zealand's intensely competitive market, average mortgage and business lending increased by 6.0% and 6.2% respectively, at constant exchange rates on the September 2006 half year; and
- nabCapital's average core lending (which includes loans at amortised cost and fair value) increased 4.2% on the September 2006 half year due to the growth in origination activity in higher yielding businesses.

Bill acceptances increased \$4,480 million, or 11.2% as business customers continued to favour this product due to favourable pricing and flexibility.

Net Interest Margin

Group net interest margin increased 2 basis points to 2.33% on both the September 2006 and March 2006 half years.

Excluding disposed operations in previous periods, Group net interest margin remains flat on the both the September 2006 and March 2006 half years.

Segment net interest margin movements on the September 2006 half year, on an ongoing basis are summarised as follows:

- Australian Banking margin increased by 2 basis points, with higher deposit margins due to pricing, offset by lending margin contraction and portfolio mix impacts (mainly deposits);

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- UK Region margin declined by 25 basis points and reflects the planned shift from higher margin credit card and personal lending to lower margin products;
- NZ Region margin remained steady over the half. The benefit of the recent 25 basis points rise in the Official Cash Rate on deposit margins has been offset by lower lending product margins and an increased reliance on wholesale funding;
- nabCapital's margin increased by 3 basis points due to increased lending to higher yielding businesses and was partly offset by lower income in Markets as a result of the Group's reduced level of short term funding requirements; and
- Group Funding's net interest income has remained flat compared to the September 2006 half, with increased capital returns offset by increased capital benefit distributed to regions.

As a result, on a weighted basis, the key contributors to the Group's 2 basis point net interest margin increase were Australian and New Zealand Regions due to strong volume growth at steady margins in the March 2007 half year and the sale of Custom Fleet in the September 2006 half year, offsetting the managed reduction of UK Region margins.

Asset Quality

Summary

- Sound lending growth continues, broadly in line with system growth over the period.
- Underwriting standards have been maintained with themed credit portfolio reviews & portfolio stress testing being undertaken in each region on an ongoing basis.
- Globally, softer economic conditions that emerged in the September 2006 half are continuing.
- Increased delinquencies in the Australian region in home loans and personal credit continue to be actively managed. UK region personal credit delinquencies have stabilised in the face of industry wide bankruptcies during the period.
- The level of business lending specific provision charge, while increasing continues to remain at cyclically low levels with no new nabCapital specific provisions charges in the March 2007 half.
- Bad and Doubtful Debt charge has increased by 16.1% on the September 2006 half. This is the result of softening economic conditions and a reduction in the level of write backs in the current half. The total charge is within expectations for this point in the credit cycle.
- The Australian agribusiness portfolio remains robust despite the continuing drought. The sector represents a small proportion (3.3%) of gross loans & acceptances and is generally well secured.

Growth and Asset composition

The volume of gross loans and acceptances for the Group grew by 5.7% in the March 2007 half to \$366,502 million (13.7% year on year). Sound growth was recorded in all regions.

Growth in the Australian region is reflective of initiatives undertaken during the financial year ended 30 September 2006 in Business & Private banking. Market share leadership in the business segment is being maintained (Source: RBA Financial Aggregates/NAB data as at March 2007). Growth in Australian region housing loans has lagged system, the result of a slowing broker channel and subdued growth in NSW.

Growth in UK region business lending, in local currency terms, was 1.3 times business credit system growth over the past 12 months. The integrated Financial Services distribution strategy continues to produce strong volume growth, particularly in the business credit segments.

Growth in the New Zealand region was predominantly in housing and agribusiness sectors, with business growth showing signs of a recovery late in 2006.

Against the background of this growth, softening economic conditions have seen an increase in counterparties requiring specialised review. A comprehensive portfolio review undertaken during the March 2007 half confirmed that acceptable file management and early detection of troubled loans continues to occur, with no systemic issues evident at this time.

The Group lending portfolio composition for the March 2007 half remained in line with the September 2006 financial year end position.

Trends in the ratings of non-retail exposures and security

As foreshadowed in the September 2006 profit announcement released to the Australian Securities Exchange on 3 November 2006, the Bank has commenced measuring its loan portfolio based upon Expected Loss methodology, as part of enhancements relating to the implementation of the Basel II Capital Accord. This methodology takes into account not only the probability of default, but also exposure at default and loss given default. To support this approach, new models for customer risk score (probability of default) and security (loss given default) were launched in the Australian region during the 3 months to 31 December 2006. Each model provides increased granularity with the customer risk score moving from 16 to 25 grades and security from 4 to 10 grades. The models will be progressively implemented in the other business segments during 2007.

Based upon Expected Loss methodology, the volume of non-retail investment grade equivalent (AAA to BBB-) exposures in the Australian region is 66.6%. This is in line with pre-release model testing and analysis and management expectations.

The volume of non-retail investment grade equivalent (AAA to BBB-) exposures in the UK, New Zealand and nabCapital regions collectively declined by 2.2% to 78.8%, largely within nabCapital. This reduction is in line with nabCapital's business strategy of targeting higher yielding assets.

The Group makes accounting adjustments to equate to the expected loss methodology in order to comply with accounting standards.

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

The proportion of non-retail portfolio well-secured facilities during the March 2007 half decreased by 1.2% to 49.0%. The majority of this reduction occurred in the Australian region business lending portfolio and is in accordance with the Australian region's credit setting strategy. The portfolio structure continues to be closely monitored with some increases in facilities warranting specific review.

Non Impaired Assets 90 days past due

Non impaired 90 days past due facilities consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.

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The proportion of 90 days past due loans to gross loans and acceptances in the March 2007 half deteriorated by 2 basis points to 0.24% when compared to the September 2006 half, in part driven by seasonal factors and softening economic conditions in NSW. The result is a 6 basis point improvement to the March 2006 half. The volume of 90 days past due loans rose by \$101 million to \$865 million in the March 2007 half (\$963 million in the March 2006 half).

Impaired Assets

Impaired assets consist of retail loans (excluding credit card loans and portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue; non retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest; and impaired off-balance sheet credit exposures where current

circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities when they become 180 days past due, and loans where some concerns exist as to the ongoing ability of the borrowers to comply with the present loan repayment terms, are classified as impaired assets.

The ratio of gross impaired assets to gross loans and acceptances remained relatively stable, at 0.29% compared to 0.30% in the September 2006 half (0.31% in the March 2006 half).

Gross impaired assets increased \$14 million in the March 2007 half to \$1,071 million (\$984 million in the March 2006 half). Excluding the impact of the exit of one large nabCapital exposure, gross impaired assets increased by \$202 million during the March 2007 half year. The increases were in the Australian region (\$141 million, predominantly well secured), attributable to economic conditions being experienced in NSW; the UK region (\$42 million), the movement being in line with longer run average impaired asset ratios; and New Zealand region (\$24 million), with a single well secured exposure contributing to the majority of the increase. There were no new impaired assets added in nabCapital during the current half year.

The combined level of 90 days past due and impaired assets to gross loans and acceptances has remained stable over the March 2007 half at 0.53% (0.60% in the March 2006 half).

The ratio of 90+ day delinquencies (i.e. 90 days past due and impaired retail assets) to total retail lending increased to 0.72% in the March 2007 half from 0.62% in the September 2006 half (0.63% in the March 2006 half).

Home loan delinquencies together with unsecured personal credit delinquencies in the Australian region reflect continued softening economic conditions (particularly NSW), contributing to higher 90+ day delinquencies. This position is being actively managed through improved collections processes and comprehensive portfolio reviews that commenced in the latter half of the year to 30 September 2006.

Unsecured personal credit delinquencies in the UK region have stabilised in the face of high industry wide bankruptcies. This reflects enhancements to arrears management and changes to customer scorecards (scorecards are a decision model incorporating algorithms that calculates a customer risk score, the outcome of which is used in the credit assessment process).

The gross 12-month rolling write off rate for the Group's retail portfolio increased slightly (one basis point) to 0.32% compared to the year ended 30 September 2006. The write off rate for housing remains negligible.

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Bad & Doubtful Debt Charge

The total charge for bad and doubtful debts grew by \$54 million (16.1%) to \$390m when compared to the September 2006 half.

The majority of the total charge for the March 2007 half relates to the retail credit portfolios, which is consistent with the experience in the September 2006 half.

Growth in the charge is the result of softening economic conditions and a reduction in the level of write backs in the March 2007 half. The total charge is within expectations for this point in the credit cycle.

Consistent with the year to 30 September 2006, the charge for the Group remains at historically low levels.

The increase in the specific provision charge reflects lower write backs in the business portfolio and none in nabCapital.

The increase in the collective provision charge over the March 2007 half reflects strong business credit growth across the Group, together with deteriorating trends within the Australian retail banking segment. New Zealand region charge levels are relatively flat on the September 2006 half.

UK region charge levels have improved with lower collective provisions in the personal loan and cards portfolios offsetting growth in the collective provision charge relating to the increase in business lending volumes.

nabCapital collective provision charge growth of \$23 million mainly relates to increased exposures primarily in UK and Australia.

Net Write Offs

The proportion of net write offs to gross loans and acceptances decreased by 1 basis point (\$51 million) over the March 2007 half to 0.08%. The levels of net write offs continue to be at acceptable levels for this point in the economic cycle.

The majority of the net write offs during the March 2007 half occurred in the Australian and the UK regions – unsecured personal credit segment. Enhanced arrears management activities that commenced in the second half of the financial year ended 30 September 2006 continue to be reviewed and refined.

Provisioning coverage

The Group's specific provision to gross impaired asset coverage for the March 2007 half improved 80 basis points to 18.2%. Total provision coverage of impaired assets also improved from 204.0% to 210.7%.

The movement of both ratios was influenced by the exit of a large exposure without specific provision in the March 2007 half, partly offset by the growth in impaired assets.

The majority of growth in impaired assets in the Australian region has been confined to NSW. Typically these assets have been well secured housing and business loans, with only small specific provisions recorded against them.

The UK region experienced small increases in impaired assets across a broad range of customers, similarly these assets typically are well secured and require only small specific provisions.

The Group's ratio of collective provisions to credit risk weighted assets is 0.63% and has remained stable in the March 2007 half (0.65% in the September 2006 half).

Taxation

Total income tax expense for the March 2007 half of \$1,231 million, was \$438 million or 55.2% higher than the September 2006 half, however was \$110 million or 8.2% lower than the March 2006 half. This reflects movements in the taxation expense attributable to the statutory funds of the life insurance business.

The effective income tax rate excluding statutory funds attributable to the life insurance business for the March 2007 half of 29.9% compares to 28.7% for the September 2006 half and 31.2% for the March 2006 half.

There were no significant tax items during the 2006 year or during the current half that has affected the Group's effective income tax rate excluding statutory funds attributable to the life insurance business.

The higher income tax expense for the March 2007 half compared to the September 2006 half reflects higher operating profits before tax in all of the Group's business segments and increased tax expense attributable to the statutory funds of the life insurance business. The income tax expense arising in the statutory funds of the life insurance business for the current half amounted to \$387 million compared to an income tax benefit of \$102 million during the September 2006 half. This is mainly due to increased policyholder tax expense reflecting growth in policyholder investment earnings in the March 2007 half

compared to the September 2006 half. The quantum of income tax expense attributable to the statutory funds of the life insurance business is also impacted by Wealth Management products and activities, to which a wide range of tax rates are applied.

The lower income tax expense for the March 2007 half compared to the March 2006 half was also as a result of the significant variability that occurs in the policyholder tax expense that is included in the Group's total tax expense.

For details of the Group's contingent tax liabilities refer to note 14 of the Financial Report.

Balance Sheet

Total assets at 31 March 2007 increased to \$508,835 million from \$484,785 million at 30 September 2006 and \$459,213 million at 31 March 2006. Excluding the impact of exchange rate movements, total assets grew \$27,861 million or 5.8% during the March 2007 half.

The increase in total assets during the half was mainly driven by the growth in loans and advances (including loans accounted for at fair value), customer acceptances and life insurance business investments.

Total liabilities at 31 March 2007 increased to \$479,268 million from \$456,813 million at 30 September 2006 and \$433,151 million at 31 March 2006. Excluding the impact of exchange rate movements, total liabilities grew \$25,228 million or 5.6% during the March 2007 half.

The increase in total liabilities during the March 2007 half was mainly driven by the growth in deposits and other borrowings (including deposits accounted for at fair value), liability on acceptances, life policy liabilities and bonds, notes and subordinated debt.

Total equity at 31 March 2007 increased to \$29,567 million from \$27,972 million at 30 September 2006 and \$26,062 million at 31 March 2006. The increase in total equity during the March 2007 half was primarily driven by the conversion of exchangeable capital units to ordinary shares amounting to \$1,331 million, partly offset by the share buy back of \$654 million, as well as an increase in retained profits amounting to \$798 million, reflecting the net profit for the period less dividends and distributions paid during the half.

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

Lending

	As at 31 Mar 07 \$m	30 Sep 06 \$m	31 Mar 06 \$m	Fav/(Unfav) Change on Sep 06 Ex FX %	Mar 06 Ex FX %
Housing					
Australia	134,237	129,423	123,860	3.7	8.4
UK	24,785	23,976	20,891	6.5	19.0
New Zealand	19,273	17,818	16,431	6.9	13.3
Asia	665	545	502	31.7	49.4
Total housing	178,960	171,762	161,684	4.5	10.4
Term lending (1)	95,077	88,477	80,663	8.4	17.6
Other lending (1)	46,513	44,724	42,805	5.7	9.3
Bill acceptances	45,952	41,726	37,266	10.1	23.3
Total lending (gross loans & acceptances)	366,502	346,689	322,418	6.3	13.5

(1) Includes loans accounted for at fair value of \$17,832 million as at 31 March 2007, \$16,774 million as at 30 September 2006 and \$14,396 million as at 31 March 2006. On the balance sheet, these amounts are included within other financial assets at fair value.

Housing lending has increased by \$7,198 million or 4.5% (excluding foreign exchange movements) from the September 2006 half and by \$17,276 million or 10.4% (excluding foreign exchange movements) from the March 2006 half. This increase primarily reflects continued growth in residential mortgage lending across all business segments.

In Australia, housing lending increased by 3.7% from the September 2006 half and by 8.4% from the March 2006 half, reflecting the relative weakness of the New South Wales economy and a reduction in the amount of business through third party channels. The housing lending growth reflects both variable rate products (including 100% offset accounts) as well as fixed rate-lending products as borrowers lock in interest rates during a rising interest rate environment.

In the UK, housing lending increased by 6.5% (excluding foreign exchange movements) from the September 2006 half and by 19.0% (excluding foreign exchange movements) from the March 2006 half, reflecting continued growth and maturity across the Financial Solution Centres (with the opening, upgrading and relocation of more centres over the past 12 months), strong growth in the third party distribution channel and the branch network. The UK is continuing to successfully implement its strategy of increasing housing lending and other targeted volume growth expansion strategies, with significant growth in variable rate lending, particularly the highly promoted offset mortgages product offerings.

In New Zealand, housing lending increased by 6.9% (excluding foreign exchange movements) from the September 2006 half and by 13.3% (excluding foreign exchange movements) from the March 2006 half. Although operating in an intensively competitive New Zealand banking environment, lending volumes grew during the March 2007 half. This was driven by sound systems growth in fixed rate housing loans as borrowers lock in interest rates during a rising interest rate environment, and the continued success of Bank of New Zealand's targeted home loan strategy, and other pricing initiatives and promotional campaigns.

Term lending has increased by \$6,600 million or 8.4% (excluding foreign exchange movements) from the September 2006 half and by \$14,414 million or 17.6% (excluding foreign exchange movements) from the March 2006 half. Term lending volumes have grown in the Group's business segments during the year, reflecting a combination of continued strong economic conditions in all business segments, good lending growth in Australia, continued growth and maturity in the UK across the Financial Solution Centres and New Zealand's core strength in business banking.

Bill acceptances increased by \$4,226 million or 10.1% from the September 2006 half and by \$8,686 million or 23.3% from the March 2006 half year. Excluding acceptances repurchased by the Company, volumes have grown 11.1% over the half as bill acceptances continue to be a product favoured by business customers due to favourable pricing and flexibility.

Marketable Debt Securities

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Marketable debt securities (trading, available for sale and held to maturity investments) amounted to \$16,870 million at 31 March 2007 and have remained relatively consistent with the balances at 30 September 2006 and 31 March 2006, of \$16,621 million and \$16,225 million respectively.

Life insurance business investments and life policy liabilities

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Life insurance business investments increased by \$4,272 million or 7.8% during the March 2007 half to \$59,056 million from \$54,784 million at 30 September 2006 and by \$4,983 million or 9.2% from \$54,073 million at 31 March 2006. The continued increase during the March 2007 half in life insurance business investments primarily reflects continued strong equity market conditions in relevant markets, particularly Australian equity markets, as well as growth in funds under management.

The increase in life insurance business investments was largely offset by an increase in life policy liabilities as the movement in investment assets primarily reflects returns made on policyholder contributions to the investment linked businesses. As a result, life policy liabilities have increased by \$3,905 million or 8.4% to \$50,380 million from \$46,475 million at 30 September 2006 and by \$4,034 million or 8.7% from \$46,346 million at 31 March 2006.

Deposits and other borrowings

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Total deposits and other borrowings (including deposits and other borrowings at fair value) increased by \$2,544 million or 2.1% (excluding foreign exchange movements) during the March 2007 half to \$235,443 million from \$232,899 million at 30 September 2006 and by \$19,137 million or 9.4% (excluding foreign exchange movements) from \$216,306 million at 31 March 2006.

Total deposits (including deposits at fair value) increased by \$5,998 million or 3.9% (excluding foreign exchange movements) during the March 2007 half to \$213,743 million from \$207,745 million at 30 September 2006 and by \$23,438 million or 12.6% (excluding foreign exchange movements) from \$190,305 million at 31 March 2006.

This continued increase reflects sound growth in retail deposit volumes (i.e. on-demand and short-term deposits) in all business segments, as well as term deposit growth in Australia, UK and New Zealand. In Australia, growth has resulted from the continued success of the Business Cash Maximiser and iSaver products that were introduced in late 2005. Growth in the UK region was primarily in retail and term deposits; this resulted from the continued expansion and maturity of the Financial Solutions Centres across South East England, and improved sales focus and pricing initiatives. The increase in on-demand and short-term deposits and term deposits has been partly offset by a decrease in certificates of deposits and

borrowings (mainly in Australia), primarily reflecting the Group's strategy of reducing its reliance on wholesale borrowings and lengthening its debt maturity profile.

Bonds, notes and subordinated debt

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Bonds, notes and subordinated debt increased by \$5,732 million or 8.8% during the March 2007 half to \$70,738 million from \$65,006 million at 30 September 2006 and by \$15,016 or 26.9% from \$55,722 million at 31 March 2006. The continued increase during the year substantially reflects the issuance undertaken to fund asset growth and strengthen the balance sheet structure. This is achieved through utilising various debt issuance programs available to the Group.

Clydesdale Bank PLC and Bank of New Zealand have continued to issue debt under the Group's US\$75 billion global medium term program. Issuing by these entities in their own name, unguaranteed by National Australia Bank Limited, has continued to increase the Group's access to a diverse and liquid investor base within the global capital markets.

Capital Position

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

	Target Ratio (1) %	As at 31 Mar 07 %	30 Sep 06 %	31 Mar 06 %
ACE ratio	4.25 - 5.0	5.46	5.35	5.77
Tier 1 ratio	6.25 - 7.0	7.33	7.35	8.05
Total capital ratio	10.0 -10.5	10.51	10.81	10.73

	As at 31 Mar 07 \$m	30 Sep 06 \$m	31 Mar 06 \$m
Risk-weighted assets credit risk	327,027	304,771	288,350
Risk-weighted assets market risk(2)	3,430	13,552	13,474
Total risk-weighted assets	330,457	318,323	301,824

(1) The target ACE and Tier 1 capital ratios were revised during the second half of 2006. The previous targets were ACE of 4.75% to 5.25% and Tier 1 of 7.0% to 7.5%.

(2) APRA re-accredited the Group's internal method to calculate the market risk component of risk-weighted assets during the March 2007 half.

Capital movements during the period

The Group's ACE and Tier 1 ratios remain above the top end of the target ranges. The marginal decrease in the Tier 1 ratio reflected the growth in credit risk weighted assets and the impact of the on-market share buyback, offset by exchangeable capital unit (EXCAP) conversions and the return to the internal method to calculate the market risk component of risk-weighted assets. The increase in the ACE ratio reflects lower total capital deductions which do not impact Tier 1 capital. The total capital ratio was supported by subordinated debt issuance of approximately \$0.5 billion by Clydesdale Bank PLC during the March 2007 half.

During the March 2007 half year the Group purchased \$164 million shares on-market to neutralise the capital impact of shares issued under the dividend reinvestment plan and various employee share plans. It is intended to repeat this capital neutralisation strategy in the September 2007 half.

In addition, the Group successfully completed a \$500 million on-market share buy-back during the March 2007 half and extended the buy-back by \$700 million. Overall, 16.3 million shares were bought back by 31 March 2007 at an average price of \$40.18, resulting in a reduction in ordinary equity of \$654 million. The remaining \$546 million is expected to be bought back in the September 2007 half.

During the March 2007 half, APRA closed the remaining remedial actions associated with the foreign exchange options trading issue. Therefore, APRA approved the return to the use of the internal method to calculate the market risk component of risk-weighted assets from 1 January 2007.

The conversion of ExCaps into ordinary shares during the March 2007 half, increased the ACE and Tier 1 ratios by \$658 million. This brought the total ExCaps conversions at 31 March 2007 to \$1,255 million.

Other Matters

Change to credit rating

During the March 2007 half the Group's long term credit rating was raised by Standard & Poor's to AA from AA- with short-term ratings affirmed at A-1+.

Statement of position regarding Office of Fair Trading (OFT) investigation

In the United Kingdom the OFT intends to conduct an enquiry into the pricing of current accounts. The timescales for this investigation are currently uncertain and there is a possibility that it may result in wider consumer claims being received by the United Kingdom banking industry as a whole.

New York Stock Exchange delisting and US Securities and Exchange Commission deregistration

On 10 May 2007, the Group notified the New York Stock Exchange (NYSE) of its intention to withdraw the listing of its American Depositary Shares, evidenced by American Depositary Receipts, and the underlying ordinary shares from the NYSE.

This is another step in the Group's simplification programme and continues the Group's review of foreign listings and follows the delisting from the London Stock Exchange and Tokyo Stock Exchange during the 2006 calendar year, as well as reducing administrative burdens and costs.

On 5 April 2007, the US Securities and Exchange Commission (SEC) published final rules that will make it easier for foreign companies, such as the National, to terminate their SEC registration. These rules will become effective on 4 June 2007. The Group proposes to deregister from the SEC once those rules become effective.

Conversion of Exchangeable Capital Units

Following the 10-year anniversary of the issue of the ExCaps, the Group announced a final redemption date of 26 March 2007. ExCaps converted by unitholders have been or will be redeemed through the issue of ordinary shares throughout the 10-year period. Any unconverted units were redeemed with cash by the Group at a rate of US\$25.4648, being capital of US\$25 plus interest.

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

Consistent with recommendations 4.1 and 7.2 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations, the Group Chief Executive Officer and the Group Chief Financial Officer, have provided the Board with a written statement that the accompanying Financial Report for the period ended 31 March 2007 represents a true and fair view, in all material respects, of the Company's financial condition and operational results as at 31 March 2007 and its financial performance for the half year ended 31 March 2007. The statement also confirms that the Financial Report has been prepared in accordance with relevant accounting standards and the Corporations Act 2001 (Cth), and is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Auditor's independence declaration

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

Directors' signatures

Signed in accordance with a resolution of the directors:

Michael A Chaney

Chairman

10 May 2007

John M Stewart

Group Chief Executive Officer

•Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

•Tel 61 3 9288 8000
Fax 61 3 8650 7777

GPO Box 67
Melbourne VIC 3001

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

In relation to our review of the half year financial report of National Australia Bank Limited for the half year ended 31 March 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

SJ Aldersley

Partner

Melbourne

10 May 2007

Liability limited by a scheme approved under
Professional Standards Legislation.

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CONSOLIDATED INCOME STATEMENT

	Note	Half Year to Mar 07 \$m	Sep 06 \$m	Mar 06 \$m
Interest income		14,590	13,362	12,191
Interest expense		(9,807)	(8,868)	(7,999)
Net interest income		4,783	4,494	4,192
Premium and related revenue		383	427	460
Investment revenue		4,883	1,399	4,976
Claims expense		(234)	(303)	(262)
Change in policy liabilities		(3,530)	(565)	(3,891)
Policy acquisition and maintenance expense		(392)	(401)	(390)
Investment management expense		(10)	(14)	(19)
Net life insurance income		1,100	543	874
Gains less losses on financial instruments at fair value	3	257	268	203
Other operating income	3	1,925	2,273	2,146
Net profit from the sale of controlled entities			196	
Significant revenue				
Pensions revenue/(expenses)	3		(14)	333
Net profit from the sale of National Europe Holdings (Ireland) Limited			15	
Total other income		2,182	2,738	2,682
Personnel expenses	4	(2,115)	(1,949)	(1,920)
Occupancy-related expenses	4	(253)	(261)	(262)
General expenses	4	(1,275)	(1,485)	(1,702)
Charge to provide for doubtful debts	9	(390)	(336)	(270)
Net loss from the sale of controlled entities			(63)	
Total operating expenses		(4,033)	(4,094)	(4,154)
Profit before income tax expense		4,032	3,681	3,594
Income tax expense	5	(1,231)	(793)	(1,341)
Net profit		2,801	2,888	2,253
Net profit attributable to minority interest		(665)	(490)	(259)
Net profit attributable to members of the Company		2,136	2,398	1,994
		cents	cents	cents
Basic earnings per share (cents)		125.2	143.5	118.8
Diluted earnings per share (cents)		124.6	140.4	118.4

CONSOLIDATED BALANCE SHEET

	Note	As at 31 Mar 07 \$m	30 Sep 06 \$m	31 Mar 06 \$m
Assets				
Cash and liquid assets		13,761	12,768	10,903
Due from other banks		20,608	24,372	21,880
Trading derivatives		15,615	13,384	16,188
Trading securities		12,826	13,740	11,440
Investments - available for sale		2,134	1,493	3,080
Investments - held to maturity		1,910	1,388	1,705
Investments relating to life insurance business		59,056	54,784	54,073
Other financial assets at fair value		23,103	22,123	19,387
Hedging derivatives		728	480	166
Loans and advances	8	298,226	283,777	266,442
Due from customers on acceptances	8	45,952	41,726	37,266
Property, plant and equipment		1,888	1,877	3,794
Investments in joint venture entities				15
Goodwill and other intangible assets		5,268	5,203	5,429
Deferred tax assets		1,433	1,631	1,667
Other assets		6,327	6,039	5,778
Total assets		508,835	484,785	459,213
Liabilities				
Due to other banks		38,262	37,489	38,964
Trading derivatives		15,125	12,008	14,246
Other financial liabilities at fair value		21,566	17,680	16,891
Hedging derivatives		468	333	587
Deposits and other borrowings	11	222,456	222,277	206,607
Liability on acceptances		35,678	32,114	31,794
Life policy liabilities		50,380	46,475	46,346
Current tax liabilities		572	532	209
Provisions		1,291	1,618	1,612
Bonds, notes and subordinated debt		70,738	65,006	55,722
Other debt issues		971	2,274	1,681
Defined benefit pension scheme liabilities		39	313	571
Managed fund units on issue		7,875	7,249	6,111
Deferred tax liabilities		1,701	1,490	1,574
Other liabilities		12,146	9,955	10,236
Total liabilities		479,268	456,813	433,151
Net assets		29,567	27,972	26,062
Equity				
Contributed equity	12	12,916	12,279	11,897
Reserves	12	1,061	1,064	714
Retained profits	12	15,259	14,461	13,451
Total equity (parent entity interest)		29,236	27,804	26,062
Minority interest in controlled entities		331	168	
Total equity		29,567	27,972	26,062

CONSOLIDATED RECOGNISED INCOME AND EXPENSE STATEMENT

	Note	Half Year to 31 Mar 07 \$m	30 Sep 06 \$m	31 Mar 06 \$m
Actuarial gains and losses from defined benefit pension plans	12	271	151	56
Cash flow hedges				
Gains/(losses) taken to equity	12	62	62	15
Transferred to income statement	12	5	25	(23)
Revaluation of land and buildings	12		11	
Exchange differences on translation of foreign operations	12	(258)	67	290
Income tax on items taken directly to or transferred directly from equity		(109)	(73)	1
Net income recognised directly in equity		(29)	243	339
Net profit		2,801	2,888	2,253
Total net income recognised		2,772	3,131	2,592
Attributable to:				
Members of the parent		2,107	2,641	2,333
Minority interest		665	490	259
Total net income recognised		2,772	3,131	2,592
Effect of change in accounting policy (1)				
Net decrease in retained profits				(893)
Net decrease in reserves				(420)
Effect of change in accounting policy				(1,313)

(1) This represents the impact of the initial adoption of AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 4 *Insurance Contracts* at 1 October 2005.

CONSOLIDATED CASH FLOW STATEMENT

For the half year ended	Note	Mar 07 \$m	Sep 06 \$m	Mar 06 \$m
Cash flows from operating activities				
Interest received		14,713	13,016	11,485
Interest paid		(9,752)	(7,939)	(7,293)
Dividends received		6	16	
Life insurance				
Premiums received		3,875	4,075	3,794
Investment and other revenue received		2,015	1,101	747
Policy payments		(3,325)	(3,792)	(3,516)
Fees and commissions paid		(216)	(206)	(190)
Net trading revenue received/(paid)		(1,020)	(355)	2,100
Other operating income received		2,421	3,340	2,200
Cash payments to employees and suppliers				
Personnel expenses paid		(2,106)	(1,846)	(1,970)
Other operating expenses paid		(1,865)	(2,315)	(1,820)
Goods and services tax paid		30	(76)	(25)
Cash payments for income taxes		(542)	(1,114)	(826)
Cash flows from operating activities before changes in operating assets and liabilities		4,234	3,905	4,686
Changes in operating assets and liabilities arising from cash flow movements				
Net placement of deposits with and withdrawal of deposits from supervisory central banks that are not part of cash equivalents		33	(60)	59
Net payments for and receipts from transactions in acceptances		(663)	(4,140)	869
Net funds advanced to and receipts from customers for loans and advances		(16,413)	(16,779)	(13,358)
Net acceptance from and repayment of deposits and other borrowings		2,665	14,769	(140)
Net movement in life insurance business investments		(4,272)	(1,481)	(10)
Net movement in other life insurance assets and liabilities		(538)	204	(610)
Net payments for and receipts from transactions in treasury bills and other eligible bills held for trading and not part of cash equivalents		161	(223)	
Net payments for and receipts from transactions in trading securities		1,053	(2,507)	(1,296)
Net payments for and receipts from trading derivatives		2,194	1,171	(2,678)
Net funds advanced to and receipts from other financial assets at fair value		(1,411)	(2,500)	(138)
Net funds advanced to and receipts from other financial liabilities at fair value		4,039	3,037	3,892
Net decrease/(increase) in other assets		924	867	(420)
Net (decrease)/increase in other liabilities		2,091	(209)	2,849
Net cash provided by/(used in) operating activities	13(a)	(5,903)	(3,946)	(6,295)

For the half year ended	Note	Mar 07 \$m	Sep 06 \$m	Mar 06 \$m
Cash flows from investing activities				
Movement in investments - available for sale				
Purchases		(9,733)	(8,985)	(9,719)
Proceeds from disposal		22	245	1,109
Proceeds on maturity		9,323	10,287	9,590
Movement in investments - held to maturity				
Purchases		(8,651)	(13,809)	(3,047)
Proceeds on maturity and disposal		8,214	13,092	4,626
Proceeds from sale of controlled entities, net of cash disposed and costs to sell	13(e)		1,018	2
Purchase of property, plant, equipment and software		(333)	(547)	(753)
Proceeds from sale of property, plant, equipment and software, net of costs		46	398	357
Net cash used in investing activities		(1,112)	1,699	2,165
Cash flows from financing activities				
Repayments of bonds, notes and subordinated debt		(8,118)	(6,479)	(1,858)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		13,915	13,953	14,575
Proceeds from issue of ordinary shares, net of costs		30	17	25
Net proceeds from issue of National Capital Instruments, net of costs			1,076	
Payments for buy back of ordinary shares		(654)		
Dividends and distributions paid		(1,431)	(1,153)	(1,402)
Net cash provided by financing activities		3,742	7,414	11,340
Net increase/(decrease) in cash and cash equivalents		(3,273)	5,167	7,210
Cash and cash equivalents at beginning of period		(306)	(5,594)	(12,459)
Effects of exchange rate changes on balance of cash held in foreign currencies		261	121	(345)
Cash and cash equivalents at end of period	13(b)	(3,318)	(306)	(5,594)

1. PRINCIPAL ACCOUNTING POLICIES

This report is a general purpose financial report for the interim half year reporting period ended 31 March 2007 which has been prepared in accordance with the ASX listing rules, the *Corporations Act 2001* (Cth) and AASB 134, *Interim Financial Reporting*.

This interim financial report does not contain all disclosures of the type normally found within a full annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report. As a result, this report should be read in conjunction with the annual financial report for the year ended 30 September 2006.

This interim financial report complies with current Australian Accounting Standards, which consist of Australian equivalents to International Financial Reporting Standards (AIFRS) as it relates to interim financial reports. It has been prepared on a basis of accounting policies consistent with those applied in the 30 September 2006 annual financial report.

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Assumptions made at each balance sheet date are based on best estimates at that date. Although the Group has internal control systems in place to ensure that such estimates are reliably measured, actual amounts may differ from those estimated. It is not anticipated that such differences would be material.

The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements required by the relevant accounting standards.

Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

2. SEGMENT INFORMATION

For the purposes of segment information, a business/primary operating segment is defined as a component of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in assessing performance. The Group results are based on the business segments as reviewed separately by the chief operating decision maker, the Group Chief Executive Officer, as well as other members of senior management.

The Group's business is organised into four operating segments, which are managed along regional lines: Australia Region, United Kingdom Region and New Zealand Region, which include banking and wealth management products; as well as nabCapital (which is managed globally). nabCapital is a global division with its key lines of business comprising Institutional Banking, Corporate Finance, Global Markets and Structuring and Investments. The Group's Other business segment includes Corporate Centre, Group Funding, and other unallocated items which are not considered to be separate reportable operating segments.

Revenues, expenses and tax directly associated with each business segment are included in determining their result. Transactions between business segments are based on agreed recharges between segments operating within the same country and are at arm's length between segments operating in different countries.

Business Segments

	Australia Region \$m	UK Region \$m	NZ Region \$m	nabCapital \$m	Other \$m	Inter- segment eliminations \$m	Total Group \$m
Half year ended 31 March 2007							
Segment Revenue (1)	9,219	1,504	656	854	56	(58)	12,231
Segment Result	1,376	332	220	343	(135)		2,136
Half year ended 30 September 2006	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Segment Revenue (1)	5,665	1,518	649	735	576	(85)	9,058
Segment Result	1,322	374	222	299	181		2,398
Half year ended 31 March 2006	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Segment Revenue (1)	9,244	1,814	651	774	(86)	(87)	12,310
Segment Result	1,193	494	167	319	(179)		1,994

(1) Includes net interest income, total other income, premium and related revenue and investment revenue from net life insurance income.

3. INCOME

	Half Year to Mar 07 \$m	Sep 06 \$m	Mar 06 \$m
Gains less losses on financial instruments at fair value			
Trading securities	(7)	10	46
Trading derivatives			
Trading purposes	120	147	181
Risk management purposes (1) (2)	109	20	(14)
Assets, liabilities and derivatives designated in hedge relationships (2)	76	88	(31)
Assets and liabilities designated at fair value (2)	(41)	1	28
Other		2	(7)
	257	268	203
Other operating income			
Dividend revenue	6	15	1
Profit on sale of property, plant and equipment and other assets	4	28	5
Loan fees from banking	440	434	399
Money transfer fees	294	284	280
Foreign exchange income/(expense)	7	5	19
Fees and commissions	785	697	795
Fleet management fees	9	63	85
Rentals received on leased vehicle assets	77	276	378
Investment management fees	234	259	179
Revaluation gains/(losses) on exchangeable capital units	(76)	31	(153)
Other income	145	181	158
	1,925	2,273	2,146
Significant pensions revenue			
Current service cost		(45)	(66)
Interest cost		(113)	(118)
Expected return on assets		144	130
Past service gain			387
Significant pensions revenue (3)		(14)	333

(1) These trading derivatives are used to match asset and liabilities designated at fair value.

(2) The sum of these three line items represents the net fair value movement of assets and liabilities designated at fair value and the derivatives matched against these assets and liabilities plus the impact of hedge ineffectiveness of designated hedging relationships.

(3) Significant pensions revenue consists of the items identified above. The Group regards the current service cost, interest cost and expected return on assets as ongoing operating expenses by nature. The past service gain is considered to be of a non-recurring nature.

4. OPERATING EXPENSES

	Half Year to Mar 07 \$m	Sep 06 \$m	Mar 06 \$m
Personnel expenses			
Salaries and related on costs	1,668	1,526	1,560
Equity-based compensation	122	81	62
Superannuation (1)	103	93	77
Other	222	249	221
	2,115	1,949	1,920
Occupancy-related expenses			
Operating lease rental expense	172	174	171
Other expenses	81	87	91
	253	261	262
General expenses			
Advertising and marketing	106	118	103
Charge to provide for operational risk event losses (2)	19	30	90
Communications, postage and stationery	182	177	179
Depreciation and amortisation	222	235	199
Depreciation on leased vehicle assets (3)	27	60	279
Fees and commission expense	93	104	93
Computer equipment and software	118	118	123
Operating lease rental expense	32	44	45
Professional fees	183	227	200
Travel	42	43	39
Freight and cartage	42	42	38
Insurance	14	11	18
Data communication and processing charges	44	42	51
Impairment of goodwill		(5)	5
Other	151	239	240
	1,275	1,485	1,702
Total	3,643	3,695	3,884

(1) Superannuation expenses for the half year to 31 March 2007 includes defined benefit pension costs. These costs for the half years to 31 March 2006 and 30 September 2006 have been treated as significant items and are disclosed in note 3.

(2) Operational risk event losses in the March 2006 half year includes \$53m in costs relating to fee refunds for Choice package, BAD tax and fixed rate interest only loans.

(3) Depreciation on leased vehicle assets owned by the Group's Custom Fleet business ceased from 1 April 2006 following the business being designated as held for sale. The Custom Fleet business was subsequently sold on 31 July 2006. Depreciation on leased vehicle assets owned by the Group's Commercial Fleet business ceased on 1 October 2006 following the business being designated as held for sale.

5. INCOME TAX EXPENSE

Group	Half Year to Mar 07 \$m	Sep 06 \$m	Mar 06 \$m
Profit before income tax expense			
Australia	2,991	2,607	2,295
Overseas	1,041	1,074	1,299
Deduct profit before income tax expense attributable to the life insurance statutory funds and their controlled trusts	(1,208)	(561)	(976)
Total profit excluding that attributable to the statutory funds of the life insurance business, before income tax expense	2,824	3,120	2,618
Prima facie income tax at 30%	847	936	785
Add/(deduct): Tax effect of amounts not deductible/(assessable)			
Dividend income adjustments	(2)	(3)	(9)
Non-allowable impairment loss on goodwill		(2)	2
Assessable foreign income	5		2
Non-allowable depreciation on buildings	3	3	3
Deferred tax assets not recognised/(recognised)		4	(1)
Under/(over) provision in prior years	(13)	(9)	1
Foreign tax rate differences	20	18	16
Non-assessable branch income	(26)	(19)	(27)
Profit on sale of controlled entities		(19)	
Elimination of treasury shares	20	9	21
Non-allowable expenses - exchangeable capital units	30		27
Interest expense on exchangeable capital units	2	8	12
Other	(42)	(31)	(14)
Total income tax expense on profit excluding that attributable to the statutory funds of the life insurance business	844	895	818
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business	387	(102)	523
Total income tax expense	1,231	793	1,341
Effective tax rate, excluding statutory funds attributable to the life insurance business	29.9 %	28.7 %	31.2 %

6. DIVIDENDS AND DISTRIBUTIONS

	Amount per share cents	Franked amount per share %	Conduit foreign income per share %	Total amount \$m
Dividends on ordinary shares				
Interim dividend declared in respect of the six months ended 31 March 2007	87	90	10	1,419

The record date for determining entitlements to the 2007 interim dividend is 7 June 2007.

The interim dividend has been declared by the directors of the Company and is payable on 12 July 2007.

Final dividend paid in respect of the year ended 30 September 2006	84	90	10	1,370
Interim dividend paid in respect of the six months ended 31 March 2006	83	80	20	1,334
Total dividends paid or payable in respect of the year ended 30 September 2006	167			2,704

	31 Mar 07 Amount per security \$	Total amount \$m	30 Sep 06 Amount per security \$	Total amount \$m	31 Mar 06 Amount per security \$	Total amount \$m
Distributions on other equity instruments						
National Income Securities						
Distributions for the six months ended	3.80	76	3.50	70	3.45	69
Trust Preferred Securities						
Distributions for the six months ended	65.00	26	65.00	26	75.00	30
Trust Preferred Securities II						
Distributions for the six months ended	33.75	27	38.75	31	35.00	28
National Capital Instruments						
Distributions for the six months ended	1,000.00	8				
Total distributions		137		127		127

Dividend and distribution plans

The dividend is paid in cash or part of a dividend plan. Cash dividends are paid by way of:

- a) cash or cash equivalents; and
- b) direct credit.

Dividend plans in operation are:

- a) Dividend Reinvestment Plan;
- b) Bonus Share Plan; and
- c) United Kingdom Dividend Plan (this enables a UK domiciled shareholder to receive either a dividend in British Pounds Sterling or shares via the UK Dividend Plan).

The last date for receipt of election notices for the dividend plans is 7 June 2007, 5pm (Melbourne time).

7. NET TANGIBLE ASSETS

Currency of presentation

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	As at 31 Mar 07	30 Sep 06	31 Mar 06
Net tangible assets per ordinary share (\$)	12.03	11.35	10.41

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8. LOANS, ADVANCES & ACCEPTANCES

	As at 31 Mar 07 \$m	30 Sep 06 \$m	31 Mar 06 \$m
Gross loans & advances at amortised cost (1)	302,718	288,189	270,756
Unearned income and deferred fee income	(2,380)	(2,391)	(2,315)
Provision for doubtful debts	(2,112)	(2,021)	(1,999)
Net loans & advances	298,226	283,777	266,442
Securitised loans (2)	6,551	4,771	2,110

(1) Excludes loans accounted for at fair value which are included within Other financial assets at fair value on the balance sheet. These amounts are included in the analysis below.

(2) Securitised loans are included within the balance of Net loans & advances.

By product & geographic location	Australia \$m	Europe \$m	New Zealand \$m	United States \$m	Asia \$m	Total Group \$m
As at 31 March 2007						
Housing lending	134,237	24,785	19,273		665	178,960
Term lending	42,983	32,329	16,817	1,824	1,124	95,077
Overdrafts	5,852	8,483	1,766		2	16,103
Leasing	11,744	5,598			8	17,350
Credit cards	4,861	1,408	1,097			7,366
Other	4,320	1,066	84		46	5,516
Fair value adjustment		156	22			178
Gross loans & advances	203,997	73,825	39,059	1,824	1,845	320,550
Acceptances	45,939	13				45,952
Total gross loans, advances & acceptances	249,936	73,838	39,059	1,824	1,845	366,502
Gross loans & advances						
Loans at amortised cost	203,997	67,839	27,213	1,824	1,845	302,718
Loans at fair value		5,986	11,846			17,832
Gross loans & advances	203,997	73,825	39,059	1,824	1,845	320,550

By product & geographic location	Australia \$m	Europe \$m	New Zealand \$m	United States \$m	Asia \$m	Total Group \$m
As at 30 September 2006						
Housing lending	129,423	23,976	17,818		545	171,762
Term lending	39,232	29,696	16,376	1,815	1,358	88,477
Overdrafts	5,517	8,472	1,481			15,470
Leasing	11,184	5,747	10		12	16,953
Credit cards	4,647	1,539	1,135			7,321
Other	3,874	702	92		31	4,699
Fair value adjustment		227	54			281
Gross loans & advances	193,877	70,359	36,966	1,815	1,946	304,963
Acceptances	41,714	12				41,726
Total gross loans, advances & acceptances	235,591	70,371	36,966	1,815	1,946	346,689
Gross loans & advances						
Loans at amortised cost	193,877	64,994	25,557	1,815	1,946	288,189
Loans at fair value		5,365	11,409			16,774
Gross loans & advances	193,877	70,359	36,966	1,815	1,946	304,963
As at 31 March 2006						
Housing lending	123,860	20,891	16,431		502	161,684
Term lending	36,036	26,042	15,049	2,497	1,039	80,663
Overdrafts	5,580	7,133	1,463			14,176
Leasing	10,647	6,204	22		15	16,888
Credit cards	4,434	1,513	1,047			6,994
Other	3,891	453	73		32	4,449
Fair value adjustment		223	75			298
Gross loans & advances	184,448	62,459	34,160	2,497	1,588	285,152
Acceptances	37,251	15				37,266
Total gross loans, advances & acceptances	221,699	62,474	34,160	2,497	1,588	322,418
Gross loans & advances						
Loans at amortised cost	184,448	57,702	24,521	2,497	1,588	270,756
Loans at fair value		4,757	9,639			14,396
Gross loans & advances	184,448	62,459	34,160	2,497	1,588	285,152

Movement from 30 September 2006 excluding foreign exchange	Increase / (Decrease) from 30 Sep 06					Total %
	Australia %	Europe %	New Zealand %	United States %	Asia %	
Housing	3.7	6.5	6.9		31.7	4.5
Term lending	9.6	11.9	1.3	8.5	(10.7)	8.4
Overdrafts	6.1	3.2	17.8			5.7
Leasing	5.0	0.4	large		(27.3)	3.4
Credit cards	4.6	(5.8)	(4.4)			1.1
Other	11.5	56.5	(8.7)		43.8	17.8
Total gross loans and advances	5.2	8.1	4.4	8.5	2.2	5.8

Movement from 31 March 2006 excluding foreign exchange	Increase / (Decrease) from 31 Mar 06					Total %
	Australia %	Europe %	New Zealand %	United States %	Asia %	
Housing	8.4	19.0	13.3		49.4	10.4
Term lending	19.3	24.1	7.5	(17.6)	22.0	17.6
Overdrafts	4.9	19.3	16.6			13.4
Leasing	10.3	(9.5)	large		(38.5)	2.9
Credit cards	9.6	(6.6)	1.2			4.8
Other	11.0	large	10.5		43.8	24.0
Total gross loans and advances	10.6	18.6	10.4	(17.6)	30.8	12.2

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9. DOUBTFUL DEBTS

	Half Year to		
	Mar 07	Sep 06	Mar 06
Total charge for doubtful debts by geographic location (1)	\$m	\$m	\$m
Australia	192	158	106
Europe	175	156	136
New Zealand	23	23	23
United States	1		7
Asia	(1)	(1)	(2)
Total charge to provide for doubtful debts	390	336	270

Movement in provisions for doubtful debts

	Half Year to Mar 07			Half Year to Sep 06		
	Specific \$m	Collective \$m	Total \$m	Specific \$m	Collective \$m	Total \$m
Opening balance	184	1,838	2,022	254	1,746	2,000
Transfer to/(from) specific/collective provision	285	(285)		267	(267)	
Bad debts recovered	91		91	125		125
Bad debts written off	(367)		(367)	(452)		(452)
Charge to income statement		390	390		336	336
Disposal of controlled entities				(7)	(1)	(8)
Foreign currency translation and other adjustments	2	(25)	(23)	(3)	24	21
Total provisions for doubtful debts(1) (2)	195	1,918	2,113	184	1,838	2,022

	Half Year to Mar 07			Half Year to Mar 06		
	Specific \$m	Collective \$m	Total \$m	Specific \$m	Collective \$m	Total \$m
Opening balance	184	1,838	2,022	281	1,649	1,930
Transfer to/(from) specific/collective provision	285	(285)		203	(203)	
Bad debts recovered	91		91	105		105
Bad debts written off	(367)		(367)	(330)		(330)
Charge to income statement		390	390		270	270
Foreign currency translation and other adjustments	2	(25)	(23)	(5)	30	25
Total provisions for doubtful debts (1) (2)	195	1,918	2,113	254	1,746	2,000

(1) As at 31 March 2007 the amounts included within loans recorded at fair value and trading derivatives are \$144 million (30 September 2006 year \$134 million; 31 March 2006 \$120 million).

(2) Specific provision includes amounts for off balance sheet credit exposures, amounting to \$1 million at 31 March 2007 (30 September 2006 \$1 million, 31 March 2006 \$1 million).

10. ASSET QUALITY

**As at
31 Mar 07**