NATIONAL AUSTRALIA BANK LTD Form 6-K May 24, 2006

**FILE NO 1-9945** 

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

# FORM 6-K

### REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the month of May 2006

# **National Australia Bank Limited**

ACN 004 044 937

(Registrant s Name)

Level 24

500 Bourke Street

**MELBOURNE VICTORIA 3000** 

AUSTRALIA

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

### Edgar Filing: NATIONAL AUSTRALIA BANK LTD - Form 6-K

Form 20-F ý	Form 40-F <sub>O</sub>

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

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### SIGNATURE PAGE

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

Date: 11 May 2006

### NATIONAL AUSTRALIA BANK LIMITED

Signature: /s/ Michaela J Healey

Name: Michaela J Healey Title: *Company Secretary* 





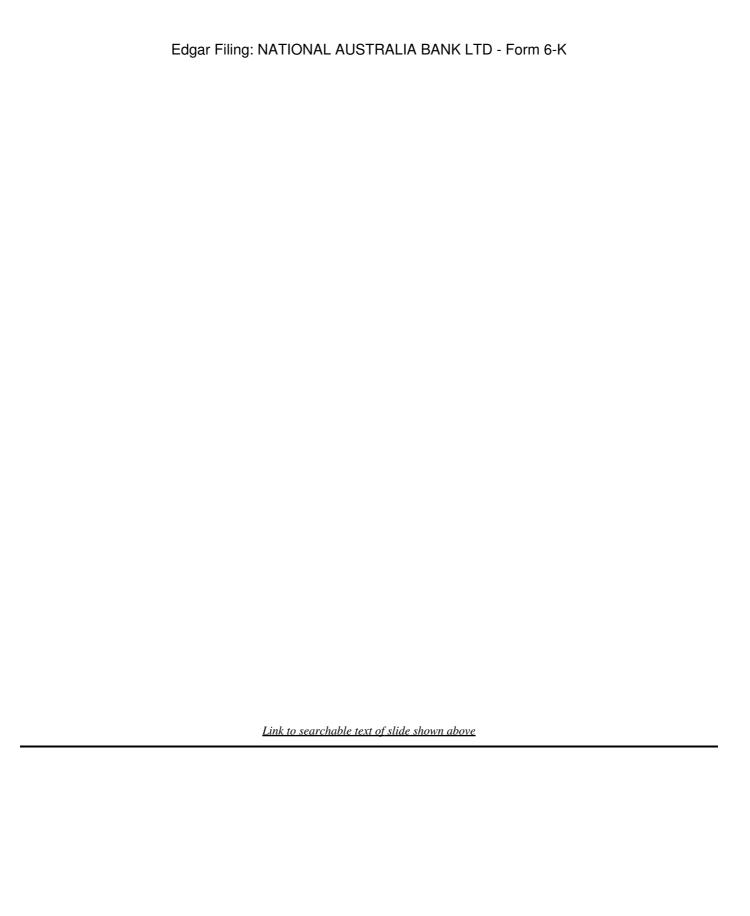






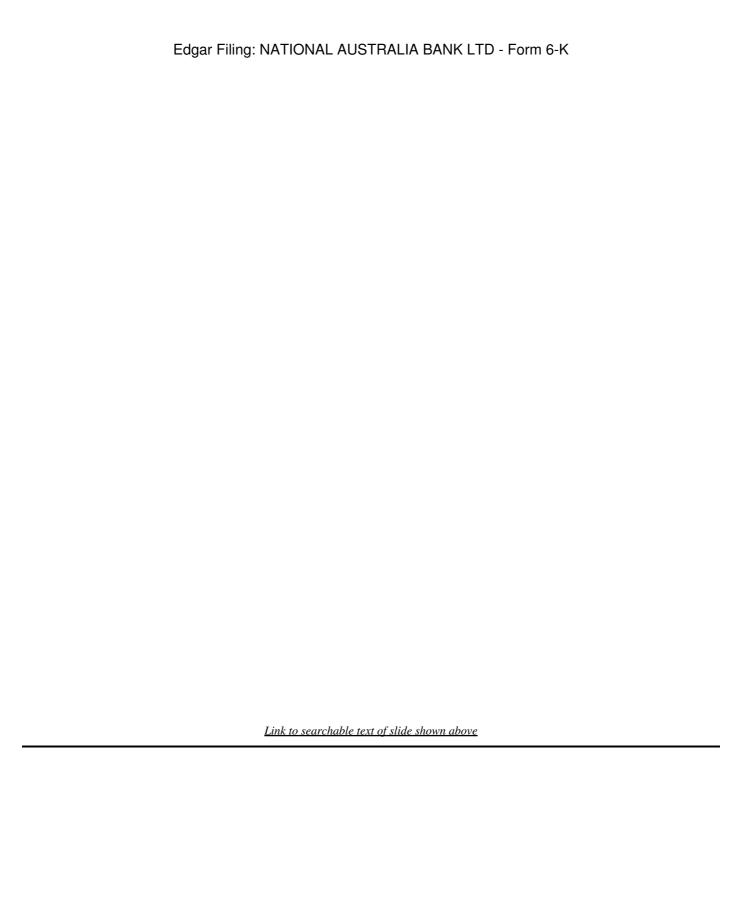




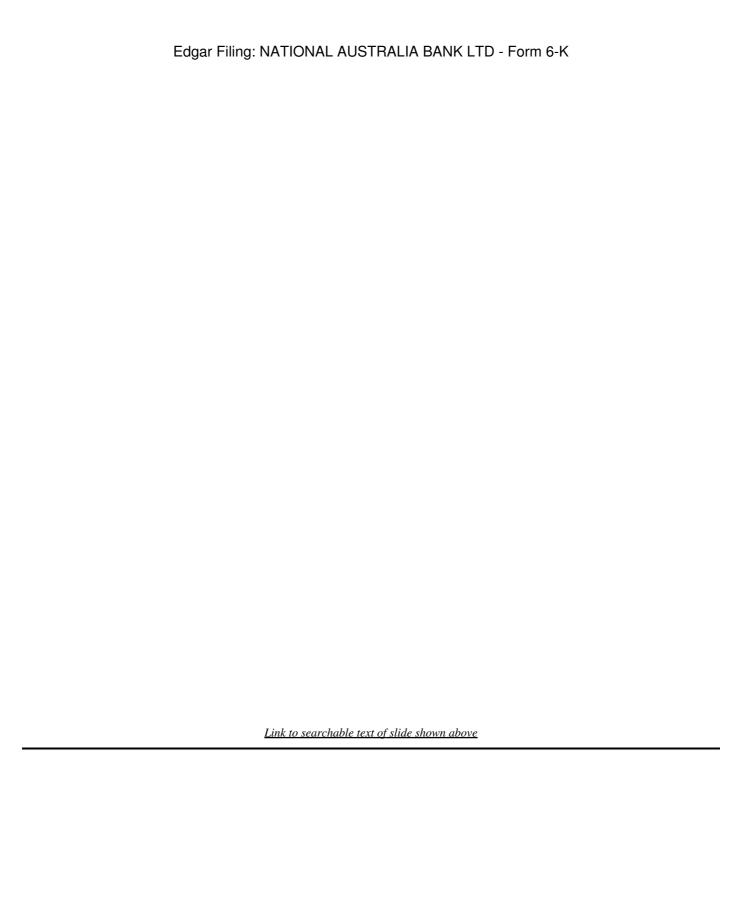


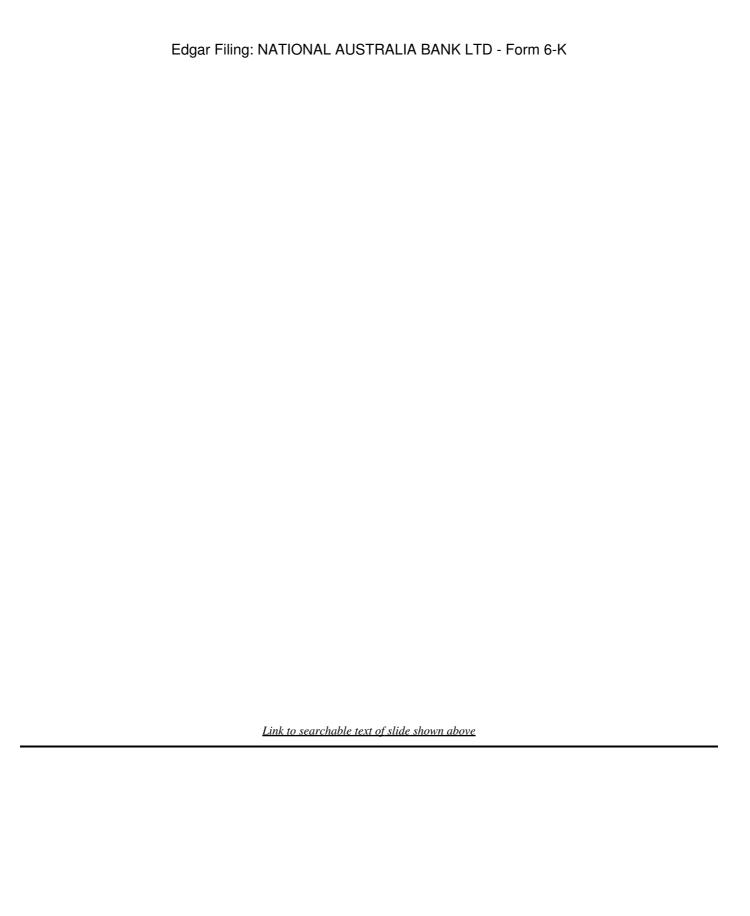












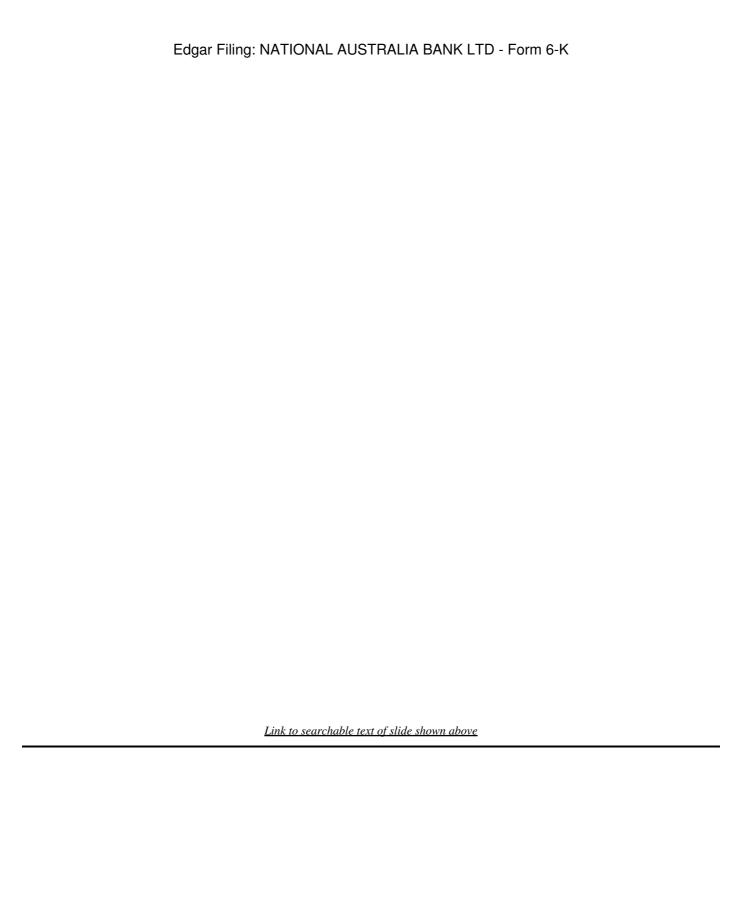






















































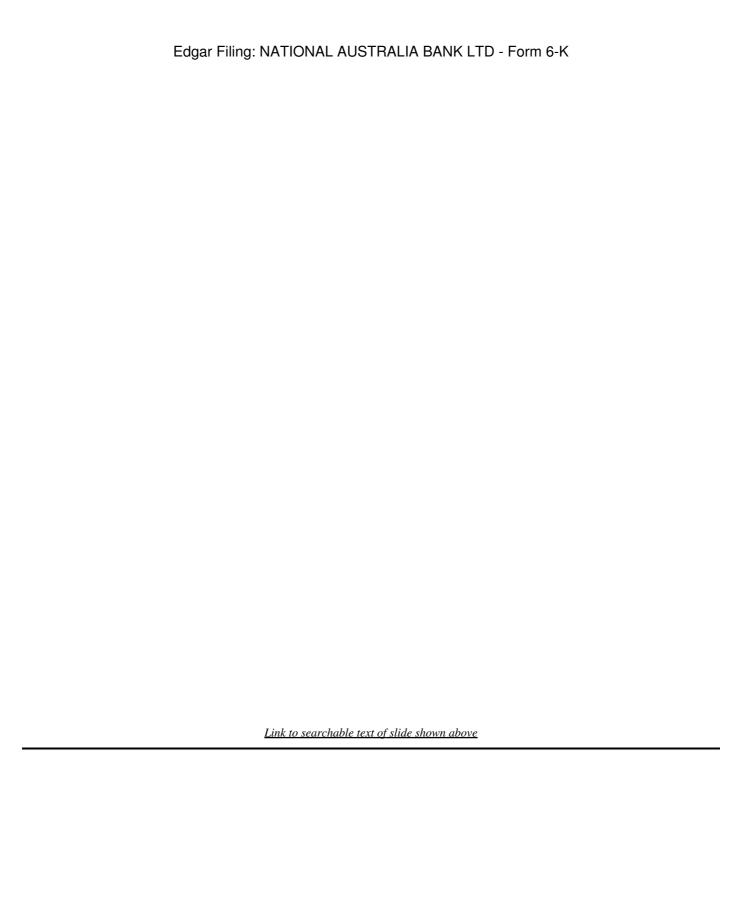




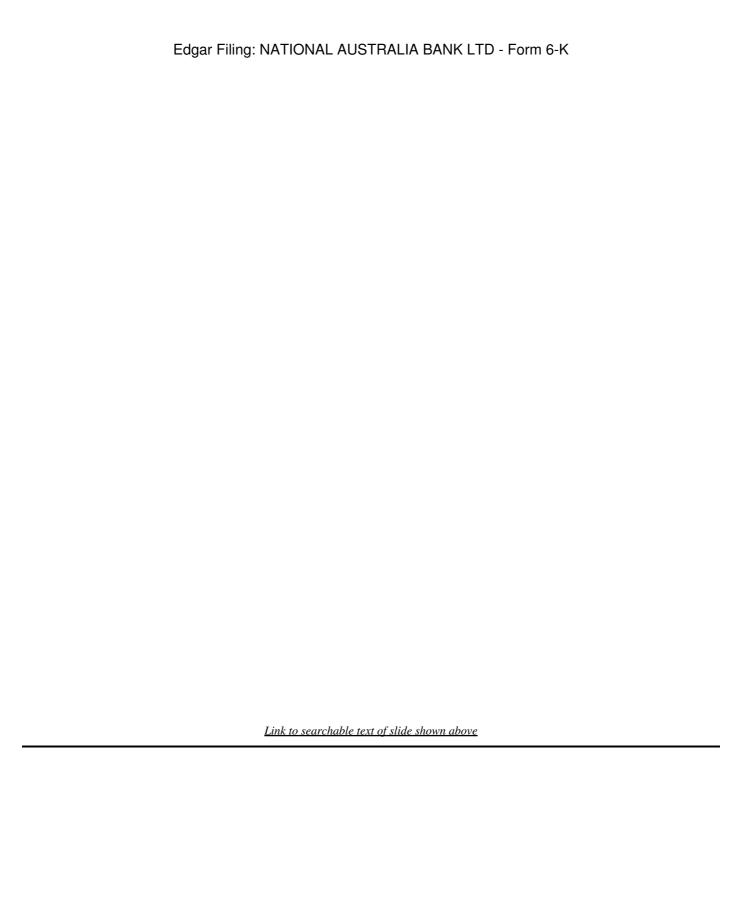










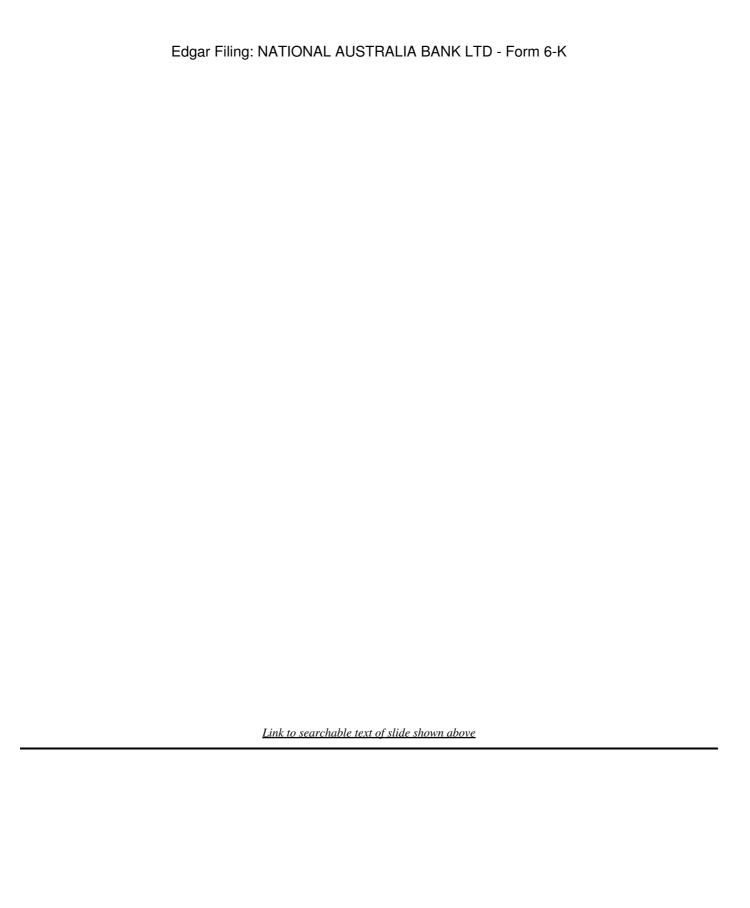


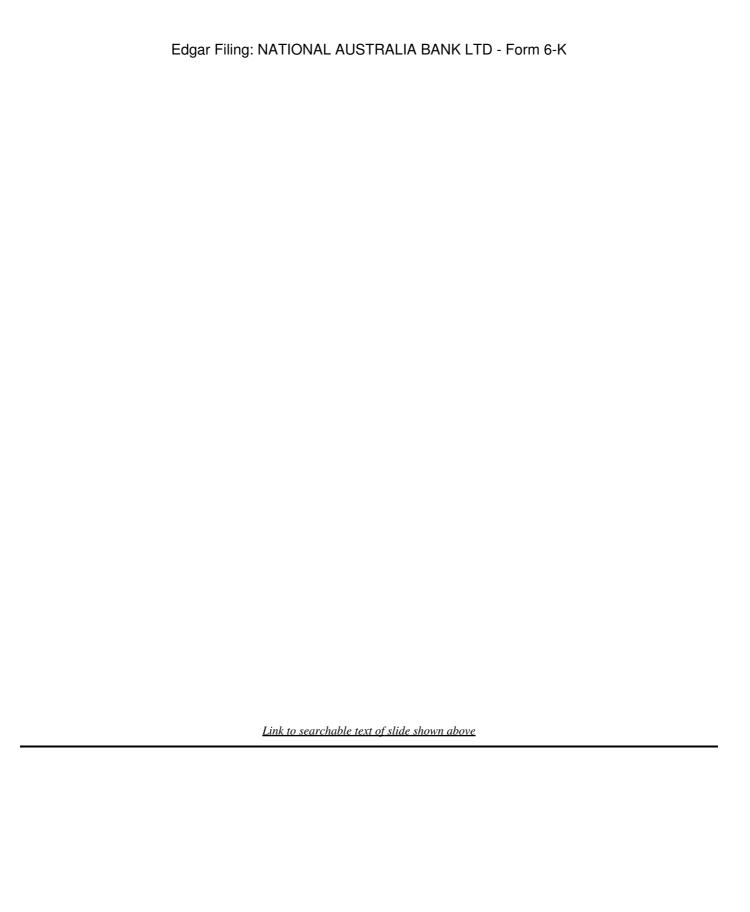


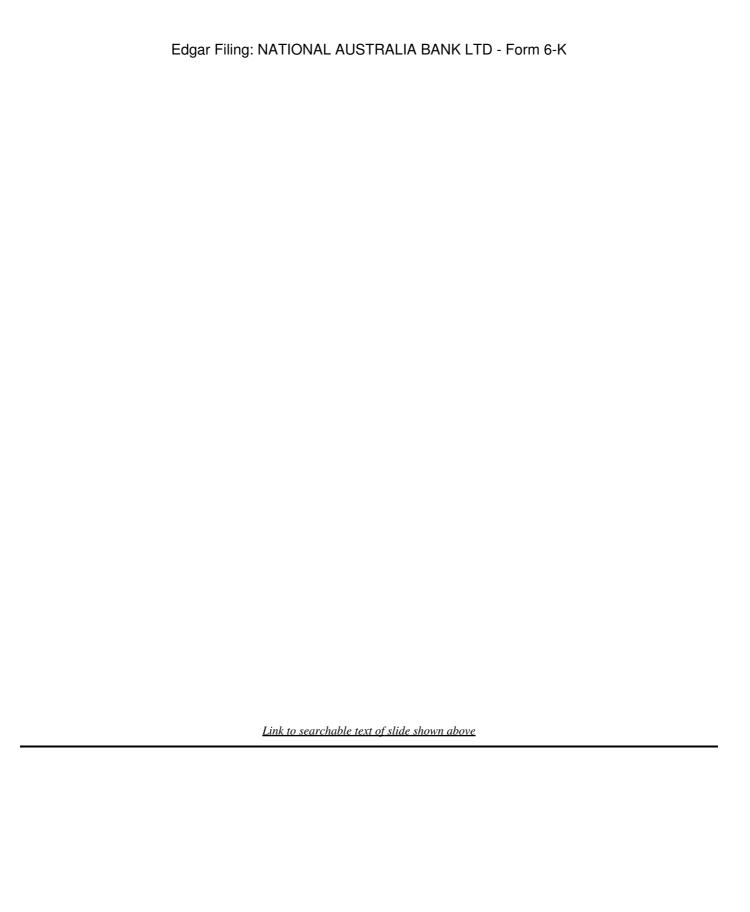


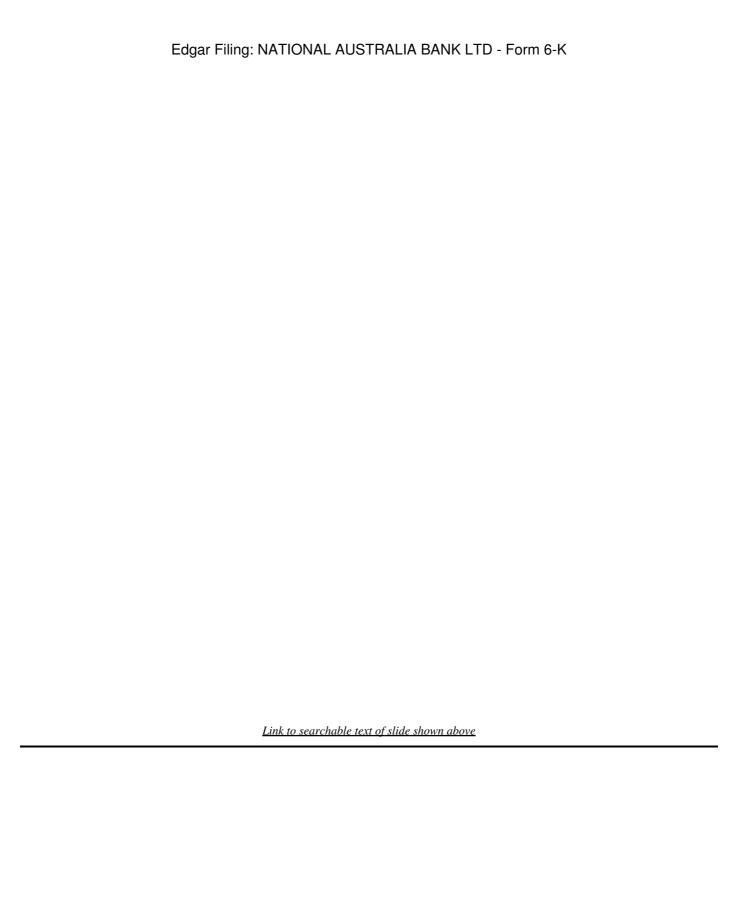


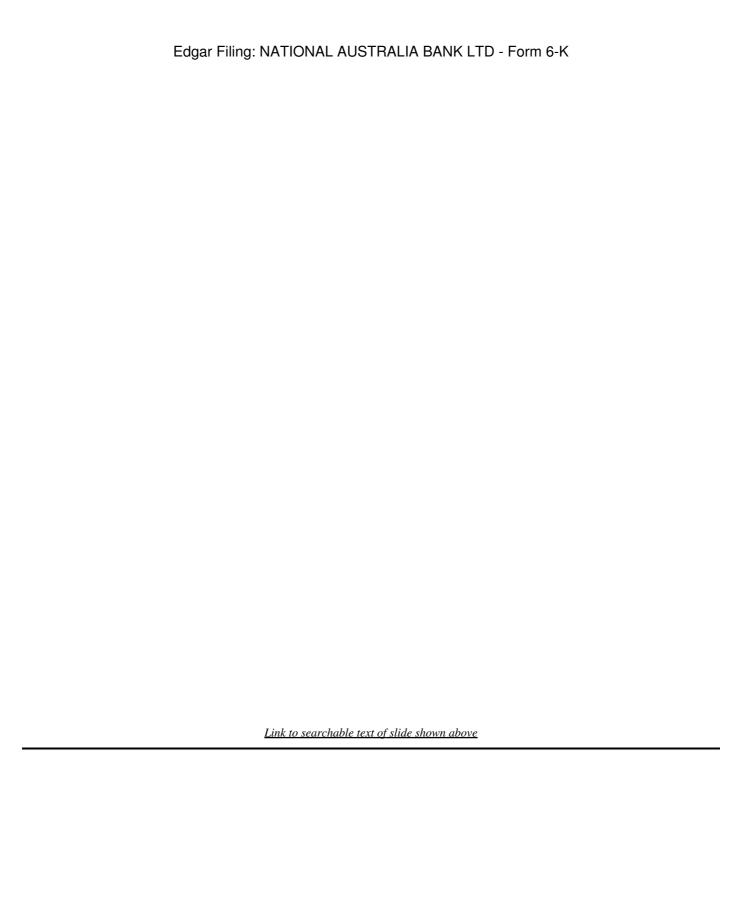


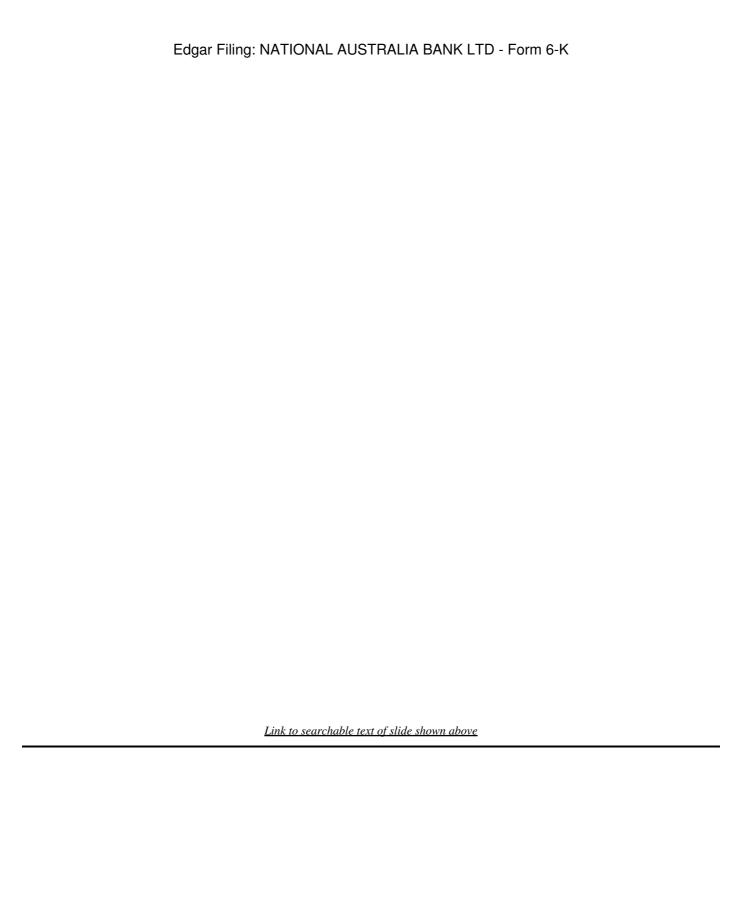


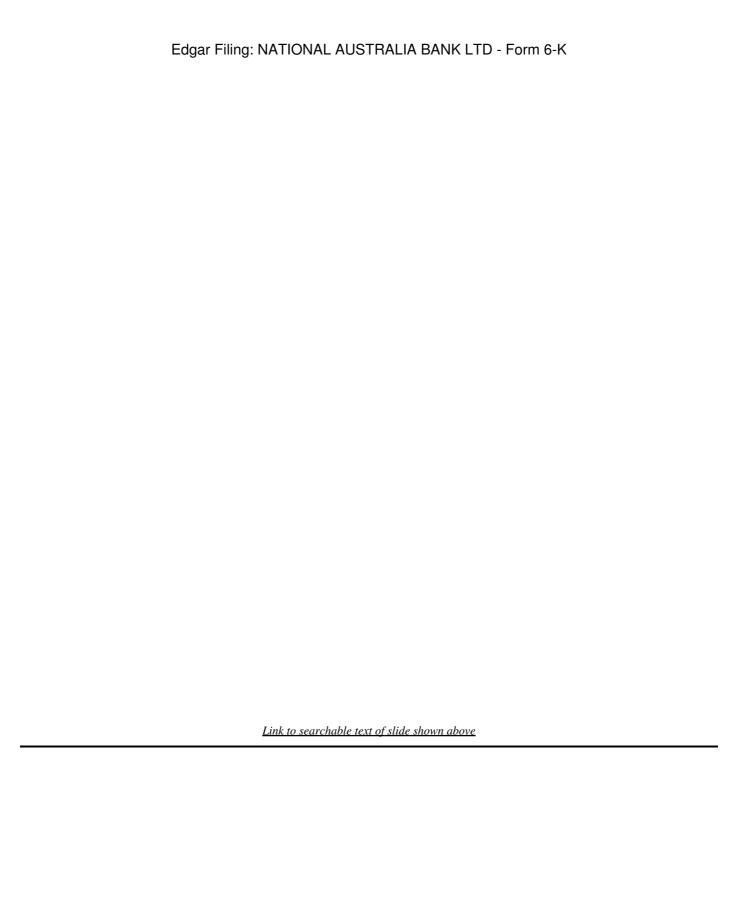






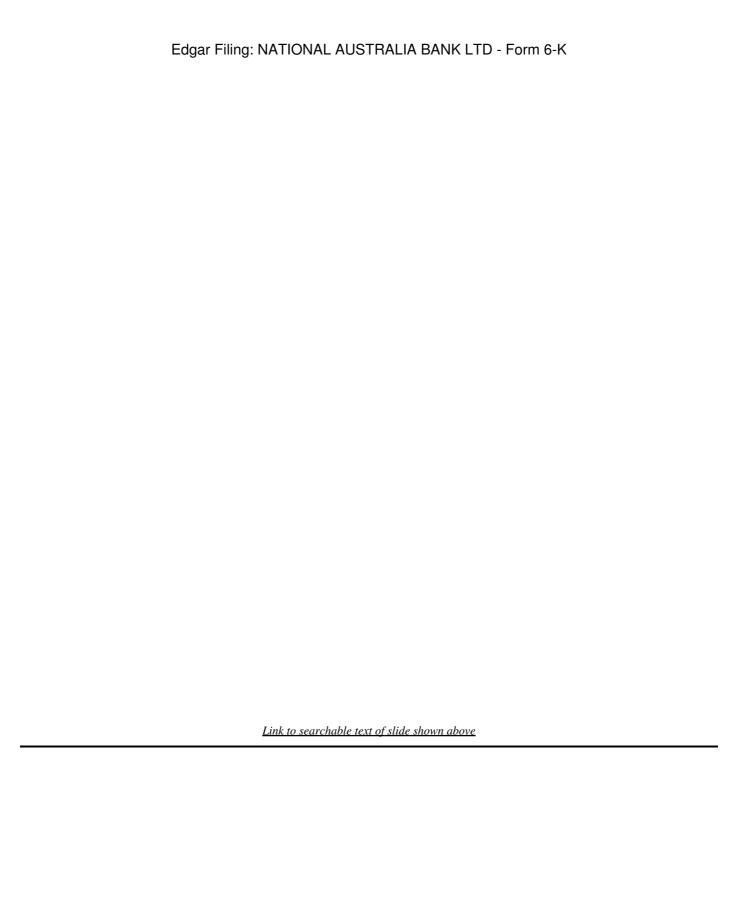


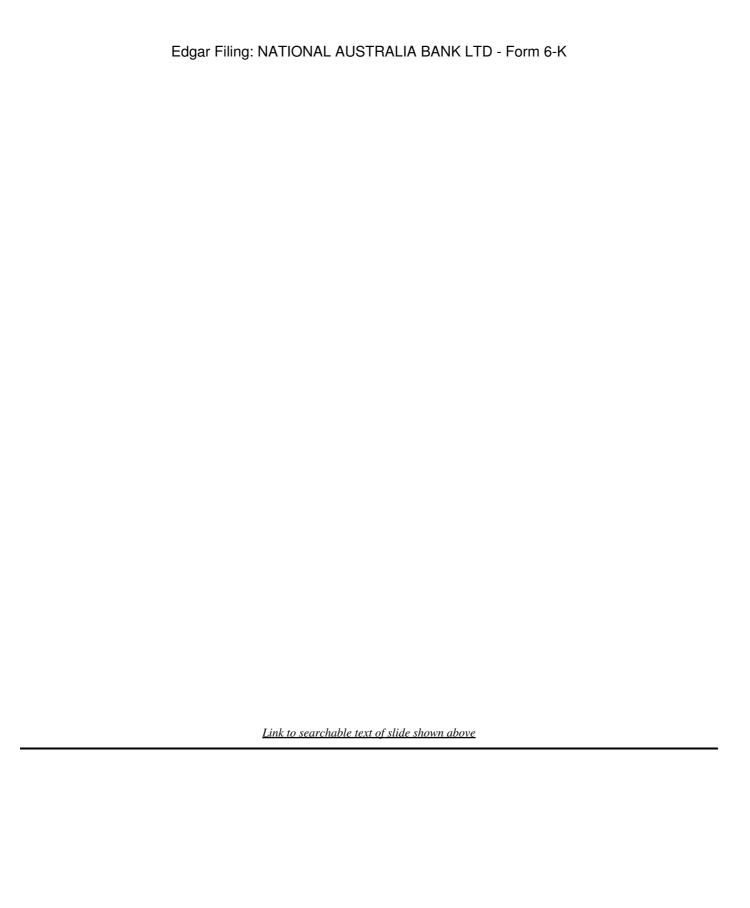
















































# Searchable text section of graphics shown above

HALF YEAR RESULTS 06 [LOGO]

John Stewart Michael Ullmer

Group Chief Executive Officer Director, Finance & Risk & Group CFO

11 May, 2006

[LOGO]

#### Agenda

Introduction John Stewart

Group Results & Outlook Michael Ullmer

Company Update John Stewart

Questions and Answers

Group highlights	
Good Progress in fixing the businesses	
Good Momentum in Businesses	
Costs contained	
Good asset quality	
Effective Portfolio Management	
Cash earnings up 11.4% on March 2005 half	
Cash earnings on average equity* 17.4%	
Doing what we said we would do	
before significant items	
a	
3	•

## Focus on the fundamentals is delivering

**Culture and People** 

Regulatory & Compliance

**Simplicity** 

**Revenue Growth** 

# All APRA culture requirements closed

Culture driven from the top review cultural norms and clearly articulate the expected standard of behaviour	þ
These standards be built into the organisational and HR systems	þ
Codes of conduct and disciplinary procedures be vigorously enforced	þ
Reinforce policies to support whistle-blowing	þ
Review incentive arrangements to remove potential conflicts of interest on Risk Management staff	þ

Momentum back in all businesses
Cash earnings before significant items
[CHART]
Cash earnings up 11.4% to \$1,840m (on an AIFRS basis from the March 2005 half)
Cash earnings up 14.9% to \$1,840m (on an AIFRS basis from the September 2005 half)
Dividend maintained at 83 cents per share (80% franked)
6

Agenda

Introduction John Stewart

Group Results & Outlook Michael Ullmer

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Questions and Answers

# **Group Scorecard**

Complex agenda progressing on a number of fronts
Core underlying profit up 14.9% over prior period up 15.1% over prior corresponding period
Improved financial disciplines reshaping business portfolio
Successful implementation of strategic change
Financial highlights strong volume growth, good margin control, costs maintained within guidance
Restructuring on track but more to be done
Asset quality sound
Adequate capital to absorb AIFRS impacts
8

#### **Group Performance**

	Mar 06	Sep 05	Mar 05	Core+ C	hange
	HY \$m	ĤY \$m	HY \$m	Sep 05 HY %	Mar 05 HY %
Net Interest Income	4,198	3,472	3,270	5.4	11.9
Other Operating Income	2,233	2,673	2,527	3.4	9.3
Net Operating Income	6,431	6,145	5,797	4.5	10.8
Operating Expenses	(3,637)	(3,739)	(3,396)	2.2	(7.7)
Core Underlying Profit <sup>^</sup>	2,794	2,406	2,401	14.9	15.1
Wealth Management Australia as reported*	174	202	201	23.9	16.9
Cash earnings as reported*	1,840	1,601	1,652	14.9	11.4
Diluted cash earnings per share (cents)*	114.5	101.4	105.0		
Cash earnings on average equity*	17.4%	14.9%	16.0%		
Return on average assets	0.73%	0.70%	0.74%		
Net interest margin	2.31%	2.14%	2.12%		

<sup>^</sup> Excludes Wealth Management Australia and Irish Banks (in Mar 05 half)

<sup>\*</sup> Cash earnings before significant items

<sup>+</sup> Excludes impact of AASB 139/132/4 and for Wealth Management Australia removes impact of IORE, transitional tax relief and AIFRS

#### Restructuring activities and cost saves

A further 670 redundancies in the half

program 50% complete Group wide

Occupancy rationalisation accelerating with good progress in the UK

program 40% complete Group wide

Other restructuring, including asset write downs, well advanced

program 80% complete Group wide

On target for cumulative annualised restructuring benefits in 2006 of \$290 million

70% of estimated total

# March 2006 half cash earnings by division

				% Cha	nge on Mar 05
	Mar 06 HY \$m	Sep 05 HY \$m	Mar 05 HY \$m	Sep 05 HY	HY Ongoing^
Total Australia*	1,192	1,099	1,180	8.5	1.0
Total UK	257	229	307	12.2	(4.8)
Total New Zealand	167	164	153	1.8	9.2
Institutional Markets & Services	286	279	298	2.5	(2.4)
Other (incl Group Funding & Corporate Centre)	65	(61)	(191)	large	large
Distributions	(127)	(109)	(95)	(16.5)	(33.7)
Cash earnings before significant items	1,840	1,601	1,652	14.9	14.7

<sup>\*</sup> Includes Asia

<sup>^</sup> Excludes Irish Banks

#### Australian Region core\* growth up 14.1% on Sep 2005 half

	Reported Half year to		Core* Change	
	Mar 06 \$m	Sep 05 \$m	Sep 05 HY %	Mar 05 HY %
Australian Banking				
Net interest income	2,299	1,958	2.3	8.1
Other operating income	1,083	1,351	1.9	8.3
Total income	3,382	3,309	2.1	8.2
Operating expenses	(1,861)	(1,875)	0.4	(13.8)
Underlying banking profit	1,521	1,434	5.4	2.0
Charge to provide for doubtful debts	(115)	(127)		
Wealth Management cash earnings	174	202	23.9	16.9
Reported Australian region cash earnings	1,192	1,099	8.5	1.0
- core growth			14.1	4.7

#### Franchise scorecard\*

Number of customers

Revenue per customer

ROA

Profit/FTE

Cost/Income Ratio

Number of FTEs

Avg CRS quality

Margins (incl. acceptances)

**Customer Satisfaction** 

<sup>\*</sup> Excludes impact of AASB 139/132/4 and for Wealth Management Australia removes impact of IORE, transitional tax relief and AIFRS

# Wealth Management core\* underlying performance

				% Grov	vth
	March 2006 \$m	Sept 2005 \$m	March 2005 \$m	Sept 2005	Mar 2005
Gross Revenue	977	951	902	2.7	8.3
Volume Expenses	(442)	(417)	(396)	(5.9)	(11.6)
Operating Costs	(335)	(348)	(311)	3.7	(7.7)
				•••	1.50
WM Australia core underlying performance	145	117	124	23.9	16.9
IORE AIFRS Basis	29				
IORE AGAAP Basis		60	41		
Other AIFRS Adjustments		10	12		
Impact of transitional tax		15	24		
Reported WM Cash Earnings	174	202	201	(13.9)	(13.4)

<sup>\*</sup> Excludes impact of IORE, transitional tax relief and AIFRS

## Core\* change in UK underlying profit up $4.0\,\%$ on the September 2005 half

	Reported Half year to		Core* Change	
	Mar 06 £m	Sep 05 £m	Sep 05 HY %	Mar 05 HY %
Net interest income	374	341	1.8	6.8
Other operating income	250	264	2.7	22.1
Total income	624	605	2.1	13.0
Operating expenses	(405)	(406)	(1.2)	(16.4)
Underlying profit	219	199	4.0	6.7
Charge to provide for doubtful debts	(65)	(53)		
Reported UK cash earnings	108	95	13.7	(1.8)

Reported UK cash earnings
Franchise scorecard*
Number of customers
Revenue per customer
ROA
Profit/FTE
Cost/Income Ratio
Number of FTEs
Avg CRS quality
Margins

**Customer Satisfaction** 

<sup>\*</sup> Excludes impact of AASB 139/132/4 and Irish Banks (in March 2005 half)

#### Core\* change in New Zealand underlying profit up 7.2% on the September 2005 half

	Reported Half year to		Core* Change	
	Mar 06 NZ\$m	Sep 05 NZ\$m	Sep 05 HY %	Mar 05 HY %
Net interest income	438	405	5.4	7.6
Other operating income	273	299	0.7	0.7
Total income	711	704	3.4	4.6
Total expenses	(415)	(412)	(0.7)	5.5
Underlying profit	296	292	7.2	21.8
	(25)	(20)		
Charge to provide for doubtful debts	(25)	(28)		
Reported NZ Cash earnings	183	180	1.7	11.6

#### Franchise scorecard\*

Number of customers

Revenue per customer

ROA

Profit/FTE

Cost/Income Ratio

Number of FTEs

Avg CRS quality

Margins

**Customer Satisfaction** 

<sup>\*</sup> Excludes impact of AASB 139/132/4

#### Institutional Markets & Services cash earnings up 2.5 % on the September 2005 half

	Reporte Half year	Core* Change		
	Mar 06 \$m	Sep 05 \$m	Sep 05 HY%	Mar 05 HY %
Net interest income	434	244	20.9	14.3
Other operating income	294	423	3.5	(13.1)
Total income	728	667	9.9	(3.8)
Operating expenses	(366)	(372)	1.6	1.1
Underlying profit	362	295	24.4	(6.4)
Bⅅ write back	17	24		
Income tax expense	(93)	(40)		
Reported cash earnings	286	279	2.5	(4.0)

<sup>\*</sup> Excludes impact of AASB 139/132/4

Reported Total Income up 9.1%

[CHART]

[CHART]

<sup>+</sup> Annualised return based on cash earnings for the half and calculated using the Internal Model and excluding Irish Banks

<sup>^</sup> On a product basis

HALF YEAR RESULTS 06 [LOGO]

# **Asset Quality**

Portfolio remains sound with write-off levels and key quality indicators stable
Total Net Write-offs to Risk-Weighted Assets
[CHART]
Half Yearly Net Write-Offs by Geography
[CHART]
Institutional/Corporate and Business Customer Rating Distribution*
* External Ratings Equivalent
[CHART]
Institutional/Corporate and Business % of well secured lending
[CHART]
18

	Non-accrua	l volumes fall	slight increase	in 90+	delinquency r	ate
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Gross Non-Accrual Loans

[CHART]

19

90+ Delinquency and Gross 12 Month Rolling Write Off Rates for Total Personal Lending

[CHART]

Proportion of 90 day past due loans to gross loans and acceptances by Geography

[CHART]

	4 •	•	
Provision	ratio	romaine	COLLING
1 1 0 7 151011	ıauv	ı cınanıs	Svunu

Coverage Ratio\*

[CHART]

Coverage ratio includes Irish Banks up to 30 September 2004

<sup>\*</sup> Impaired Assets identified per APRA definition.

Asset quality	transition	tο	<b>AIFRS</b>
Asset duality	เกลเเรเนอน	w	AILVO

Drivers of provision charge under AGAAP
Expected loss over term to maturity
Loss applied to committed facility
Drivers of provision charge under AIFRS
Observable evidence of impairment
Loss applied against drawn amount
\$91 million impact on capital adequacy as AGAAP applies until 1 July 2006
21

### **Regulatory environment**

### Basel II

Parallel run on track; showing a decline in RWA s

On track for submissions to RBNZ in July 2006 and FSA in September 2006

### **Report Into Irregular Currency Options Trading**

11 requirements open, of which 5 have been submitted to APRA for review

All culture requirements now closed by APRA

Aiming to lodge our application for a return to the internal model by the end of the year

### SOX

SOX operating model successfully embedded in the business

Targeting SOX 404 compliance at September 2006

Disciplined Approach to Funding
[CHART]
Improving retail deposit growth
[CHART]
Diversity of wholesale funding
[CHART]
Reduced reliance upon short-term wholesale funding

Capital summary	
Gaining more clarity on AIFRS impacts	
Some significant issues outstanding	
Capital base adequate to absorb AIFRS changes	
24	

### Capital position remains strong

[CHART]

Surplus provides flexibility to cater for capital impact of AIFRS, 1 July 2006

Continued focus on improving ROE and internal capital allocation

	Current Target Ranges	31 Mar 06
Targets	(%)	Actual
ACE/RWA	4.75 5.25	5.77
Tier 1	7.00 7.50	8.05
Total Regulatory	10.00 10.50	10.73
•		

### AIFRS impact on regulatory capital is significant

Estimated Tier 1 Impacts (\$ bn)	Mar 06	30 September 2005 Previously reported	Comments
UK defined benefit schemes	(0.6)	(1.0)	Pension reforms
Prepaid pension asset	(0.6)	(0.6)	
WM value-in force, at acquisition	(1.5)	(1.5)	
WM historical adjustment re NAFiM	(0.2)	(0.2)	
Revenue recognition -effective yield		(0.3)	APRA change
Credit provisioning	0.2	0.2	
Hedging		0.1	
Capitalised Software	(0.6)		APRA change
Other	(0.3)	(0.3)	
Total	(3.6)	(3.6)	

Awaiting final APRA AIFRS standards position above is therefore not final

AIFRS effective for capital 1 July 2006 - transitional relief is available until 1 January 2008

Interim	dividend	of 83	cents	franked	to 80%
111161 1111	uiviuciiu	01 03	Cents.	ii aiintu	10 00 /0

[CHART]

### Disposals announced during first half

Business	Announced	Price
MLC Life Hong Kong / Indonesia	21 Feb 06	A\$575m
BNZ Investment Management	30 Nov 05	Not disclosed
UK Discretionary Investment Management*	16 Jan 06	A\$13m
Custom Fleet <sup>^</sup>	5 May 06	A\$550m
	•	

<sup>\*</sup> Price quoted is based on estimate of PCS clients agreeing to transfer to Tilney Investment Management

Mar 2006 HY profit stream \$56m

ACE Capital released \$950m

Tier 1 Capital released \$780m

<sup>^</sup> Subject to regulatory approval

# **Key Takeouts** Revenue momentum maintained Cost contained within guidance on track Asset quality maintained Implemented a comprehensive term funding program Reshaping business portfolio, and redeployment of capital Issues to contend with: earnings impact of businesses sold some slowing of credit growth impact of Basel II roll out reduced earnings from IMS balance sheet cost of funding initiative Systems and infrastructure development

### Agenda

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Company Update John Stewart

Questions and Answers

Low underlying Australian region cost growth	creating room for investments
Region 1H06 operating costs	
[CHART]	
Source: Internal	
	31

### Revenue drivers moving in right direction

Excellent growth in business

### NAB volume growth

YoY percentage change

[CHART]

### Note: Source and Time periods

- ~ NAB(RBA Financial System Aggregates definitions) 2006 data based on 30/9/05-31/3/06 annualised
- ^ NAB(APRA Monthly Banking Statistics definitions) 31/3/04-30/9/04 annualised; 30/9/05-31/3/06 annualised
- \* DEXX&R: 2006 data based on 30/9/05 31/12/05 annualised
- \*\* Plan for Life: 2006 data based on 30/9/05 31/12/05 annualised

Market share gains

### Change in market share, Mar 05 Mar 06

Basis points

		Market rank*	NAB volume (\$ b)
Business lending (inc bills)^	150	1	86.3#
Total lending	51	2	213.1
Retail/household deposits	19	3	37.4
Business deposits	14	1	51.5
Individual risk	11	1	0.5
Housing lending (inc securitisn)	2	2	104.6
Retail funds (exc cash mgt)	1	2	52.3
Credit cards	-120	4	4.2

<sup>\*</sup> NAB/APRA Monthly Banking Statistics (Mar 06 data). Ranking among the authorised banks

NAB/APRA Monthly Banking Statistics (Mar 06 data). Plan for Life Retail Funds exe Cash Mgt data and DEXX&R data as at Dec 2005, market share movement from Mar 2005 to Dec 2005. Note that Plan For Life and DEXX&R data is available on a quarterly basis only

- ^ APRA definition of Bills excludes Bank Held Bills
- # Includes Institutional Markets and Services

Limited margin impact

[CHART]

### Australian bank net interest margin

Net Interest Margin (incl. acceptances)

Source: Internal

Non-retail asset quality remaining high

	Sep 04	Sep 05	Mar 06
Customer rating system*	6.0	5.9	5.8
Proportion of loans secured	76.5%	76.2%	74.1%

\* CRS: 1=lowest risk; 16=highest risk

Source: Internal excludes housing and personal loans

### Significant improvement in customer satisfaction

MFI customer satisfaction, March 2006

Percentage

	% of each institutions MFI Customers who are satisfied*	Monthly change (Feb 06 Mar 06)	Quarter change (Dec 05 Mar 06)	Half year change (Sep 05 Mar 06)	Annual change (Mar 05 Mar 06)
Major bank 1	78	-0.5	0.4	1.1	1.7
NAB	72	1.5	2.5	4.5	3.6
Major bank 2	72	-0.5	-2.0	0.2	-0.3
Major bank 4	65	-0.4	0.2	0.4	-0.9
Average of 4					
major banks	70	-0.2	0.1	1.1	0.4
Total market^	75	-0.1	0.1	0.5	0.2

<sup>\*</sup> Satisfaction is based on customers who answered very or fairly satisfied, for customers aged 14+(rounded figures).

All time periods relate to a 6 month average.

Source: Customer Satisfaction Roy Morgan Research

<sup>^</sup> Total Market includes Banks, Building Societies and Credit Unions

Australian Region	
NAB Wins Australian Bank of the Year	
	Bank of the Year
	[GRAPHIC]
	34

### Wealth Management - strongly positioned

### **Current Share of New Current Australian Market Share Business Market Share** Market **Product** (%) Rank Share (%) Rank Retail (exCMT) 12.9 2 9.3 3 MasterFunds 2 16 1 11 20 2 **Corporate Super** 1 15 **Total Individual** 15 1 12

Source:

Retail (ex CMT)Plan for Life QDF Report Dec 2005

Masterfunds (Marketer View): Plan for Life Market Share & Dynamics Dec 2005

Corporate Super: Plan for Life Market & Dynamics Dec 2005

Total Individual Insurance: DEXX&R Life Analysis Dec 2005

New Zealand		
Consistent strategy in a highly competitive market		
[GRAPHIC]		
Consistent execution of strategy		
Profitable market share focus		
Delivery of quality result		
J		
	Better	Better
	Value	Service
	Better Innovation	Better Attitude
	36	

**Institutional Markets & Services** 

Strong demand and speedy execution is delivering results			
[GRAPHIC]			
Stabilised and building the business			
Increased earnings on lower capital base			
Strong sales performance and favourable trading conditions			
Accelerated execution of new business initiatives			
Broader product range for new capital pools			
Driving efficiency			
37			

United	Kingdo	m
<b>2002</b> S	Strategy	<b>Themes</b>

2004

CB YB NIB

One efficient business

Integration of systems

Convergence of processes

# **United Kingdom Strategy for Differentiation**

	2004
CB NB	YB NIB
Do what we	e do, but do it bet
One efficie	ent GB business
Do what we	e do, but do it bet
Differentia	ted GB business
Playing	a different game
	39

Over the last six months				
Completed branch rationalisation				
Roll out of IFS				
Expanded third party				
Migrated to Danske platform				
40				

Corporate Centre
Emphasis on clear accountability for decisions and outcomes
Corporate Centre to focus on:
Value creation
Target/ expectation setting and sign off of proposed strategies
Performance monitoring
Validation and oversight required to provide assurance required for financial and risk governance
Capital and balance sheet management
Merger and acquisitions
41

Economic environm	ent		
Gathering moment	um in our	key m	arkets

Global economy continues to expand despite higher oil prices

Economic activity strengthening both domestically and globally, New Zealand to remain subdued

Credit growth to moderate in Australia and New Zealand. UK to stabilise at current levels

### NAB Group Planning & Development Approach Strategic & Operational Planning

	Group Strategies	Objectives	Focus of Group Planning & Development
STRATEGIC & OPERATIONAL PLANNING	1 Increasing performance of current businesses	Ensure current businesses are positioned to deliver against realistic performance targets	Develop a common and robust approach to strategic & operational planning across all operations
PORTFOLIO MANAGEMENT	2 Effectively managing the portfolio	Set the strategic direction by agreeing the connected logic across the portfolio moving forward Make portfolio moves to: Address known concerns with the portfolio; Create sustainable competitive advantage by proactively targeting opportunities; or Block key strategic threats	Agree portfolio priorities for the Group
GROUP DEVELOPMENT	3 Fostering Innovation	Identifying and effectively delivering new growth opportunities	Create an environment for innovation
		43	

<b>Businesses stabilised</b>		
Good momentum in	all	businesses

[CHART]

### NAB Group Planning & Development Approach

### Portfolio Management

	Group Strategies	Objectives	Focus of Group Planning & Development
STRATEGIC & OPERATIONAL PLANNING	1 Increasing performance of current businesses	Ensure current businesses are positioned to deliver against realistic performance targets	Develop a common and robust approach to strategic & operational planning across all operations
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GROUP DEVELOPMENT	3 Fostering Innovation	Identifying and effectively delivering new growth opportunities	Create an environment for innovation
		45	

### NAB Group Planning & Development Approach

### **Group Development**

	Group Strategies	Objectives	Focus of Group Planning & Development
STRATEGIC & OPERATIONAL PLANNING	1 Increasing performance of current businesses	Ensure current businesses are positioned to deliver against realistic performance targets	Develop a common and robust approach to strategic & operational planning across all operations
PORTFOLIO MANAGEMENT	2 Effectively managing the portfolio	Set the strategic direction by agreeing the connected logic across the portfolio moving forward Make portfolio moves to: Address known concerns with the portfolio; Create sustainable competitive advantage by proactively targeting opportunities; or Block key strategic threats	Agree portfolio priorities for the Group
GROUP DEVELOPMENT	3 Fostering Innovation	Identifying and effectively delivering new growth opportunities	Create an environment for innovation
		46	

# **NAB Group Planning & Development Approach Change in focus**

	Group Strategies	Objectives	Focus of Group Planning & Development
STRATEGIC & OPERATIONAL PLANNING	1 Increasing performance of current businesses	Ensure current businesses are positioned to deliver against realistic performance targets	Develop a common and robust approach to strategic & operational planning across all operations
DODTEOLIO	- TDCC -: 1		
PORTFOLIO MANAGEMENT	2 Effectively managing the portfolio	Set the strategic direction by agreeing the connected logic across the portfolio moving forward Make portfolio moves to: Address known concerns with the portfolio; Create sustainable competitive advantage by proactively targeting opportunities; or Block key strategic threats	Agree portfolio priorities for the Group
GROUP DEVELOPMENT	3 Fostering Innovation	Identifying and effectively delivering new growth opportunities	Create an environment for innovation

Top 100 senior executive s focus shifting from fixing to performance to development

Summary		
Good progress in rebuilding the businesses;		
Considerable value creation potential;		
But further work still to do;		
Importantly, we have done what we said we would do, and		
Will continue to do		
48		

### Agenda

Introduction John Stewart

Group Results & Outlook Michael Ullmer

Company Update John Stewart

**Questions and Answers** 

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HALF YEAR [LOGO]
RESULTS 06

## **Group Performance**

Core* income growth
Net Interest Income - \$m
[CHART]
Other Operating Income^ - \$m
[CHART]
* Excluding AIFRS
^ Excluding net life Insurance income, revaluation losses on Excaps and significant items
52

### Net interest margin up 17 bps on the September 2005 half

	Sep 05 HY NIM	NIN Char AIFRS		Mar 06 HY NIM	AIEA Mar 06 HY \$Bn	% of Grou AIEA Sep 05 HY Mar	•	Impact on Group NIM
Australian Banking	2.46%	(11bps)	2bps	2.37%	194.5	49%	54%	6bps
UK Banking	3.73%	27bps	(36bps)	3.64%	48.3	13%	13%	(2bps)
New Zealand Banking	2.48%	5bps	1bps	2.54%	31.5	9%	9%	(1bp)
Institutional Markets & Services	0.37%	19bps	8bps	0.64%	135.6	41%	37%	9bps
Other	(0.46)%	(14bps)	(20bps)	(0.80)%		(12)%	(13)%	·
Group Impact	2.14%			2.31%	364.1	100%	100%	17bps

Australian banking movement has been calculated based on adjusting for bills in the current period

	Australian Banking (quarterly average)	
	[CHART]	
	UK Banking* (quarterly average)	
	[CHART]	
	NZ Banking (quarterly average)	
	[CHART]	
Excludes Irish Banks		
	54	

Expenses*	across the grou	p declined 3.9%	during the half

[CHART]		

<sup>\*</sup> Expenses are on cash earnings basis and include \$54 million ongoing costs of the UK defined benefit plans and exclude \$5 million impairment of goodwill

<sup>+</sup> Includes productivity as well as restructuring benefits

HALF YEAR [LOGO]
RESULTS 06

# **Divisional Performance AIFRS Impacts**

# Impact of AIFRS\* on Australian Banking Result

	Net Interest Income	
	[CHART]	
	Other Operating Income	
	[CHART]	
	Other Operating Expenses	
	[CHART]	
* AASB 139 and 132 impacts only		
	57	

### Impact of AIFRS\* on Total UK^ Result

Net Interest Income
[CHART]
Other Operating Income
[CHART]
Other Operating Expenses
[CHART]
AASB 139 and 132 impacts only
Ongoing operations
58

Impact of AIFRS* on Total NZ Re	esult	
	Net Interest Income	
	[CHART]	
	Other Operating Income	
	[CHART]	
* AASB 139 and 132 impacts only		

Impact of AIFRS* on Institutional Markets & Services Result
Net Interest Income
[CHART]
Other Operating Income
[CHART]
* AASB 139 and 132 impacts only

HALF YEAR RESULTS 06 [LOGO]

# **Divisional Performance Margins**

Australian banking net interest margin down 9bps on the September 2005 half	
[CHART]	
Acceptances reclassification impact calculated by restating prior period	
62	

### Australian banking net interest margin down 13bps on the March 2005 half

[CHART]

UK banking net interest margin down 9bps on the September 2005 half	UK	banking	net	interest	margin	down	9bps o	n the	Septemb	er 2005	half
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[CHART]

UK banking* net interest margin down 21bps on the March 2005 half							
[CHART]							
* Ongoing operations, excludes Irish Banks.							

New	Zealand	banking net	interest	margin u	o 6bps on	the Se	ptember 2005 h	alf

[CHART]

New Zealand banking net interest margin down 13bps on the March 2005 half

[CHART]

HALF YEAR RESULTS 06 [LOGO]

# **Divisional Performance Other Information**

### Australian Banking: market share

Market share	Mar 06	Sep 05	Mar 05	Sep 04	Mar 04	Rank at Mar 06*
Business Lending (incl Bills^)+	24.4%	24.3%	22.9%	21.6%	22.0%	#1
Housing (incl Securitisation)	16.6%	16.7%	16.6%	16.5%	17.0%	#2
Credit Cards	15.1%	15.4%	16.3%	16.7%	17.8%	#4
Other Personal Lending	24.7%	25.7%	25.9%	25.8%	26.2%	#1
Business Deposits	26.8%	26.5%	26.6%	27.7%	27.7%	#1
Household Deposits	13.5%	13.3%	13.3%	13.4%	13.6%	#3

<sup>+</sup> Includes Institutional Markets & Services

Source: APRA Monthly Banking Statistics / National (March 2006)

<sup>^</sup> Excludes Bank Held Bills

<sup>\*</sup> Ranking among authorised banks

Wealth Management Australia	market share
	Masterfund market share plus flows
	[CHART]
	Insurance - Retail Risk Market Share
	[CHART]
Source: Plan for Life Australian Retail & Analysis Reports as at 31 December 2005	Wholesale Investments Market Share & Dynamics Report as at 31 December 2005 DEXX&R Life 5

Wealth Management Australia	inflows and attrition
Share of annual inflows	
	(CITA DITI)
	[CHART]
Attrition rate	
	[CHART]
Source: Plan for Life Australian Retail &	Wholesale Investments Market Share & Dynamics Report as at 31 December 2005
	71

### **Australian Housing metrics**

#### **Low Doc Loans**

\$1.7bn outstanding

LVR capped at 60% (without LMI)

#### **Inner City Apartments**

\$2.4bn outstanding

90 days past due improving

#### **Origination source - Flows**

	Mar 05	Sep 05	Mar 06
Proprietory	72%	70%	72%
Introducer	10%	12%	12%
Broker	18%	18%	16%

Housing Segmentation - Australia					
Majority of growth attributable to owner occupied housing.					
Housing portfolio segmentation for Australia September 2005					
[CHART]					
Housing portfolio segmentation for Australia March 2006					
[CHART]					
Note: Introduction of new datamart enables split between owner and investor inner city to be more accurately identified					
73					

HALF YEAR RESULTS 06 [LOGO]

# Capital

### Core capital movement

**Movement in ACE ratio** 

[CHART]

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# **Other Matters**

#### **Taxation**

	Potential Amount in Dispute	Status	Amount Provided	
ExCaps capital raising	A\$552 million(1)	In dispute	\$	Nil
NZ structured finance transactions	NZ\$548 million(2)	In dispute	\$	Nil
MLC reinsurance transaction	A\$54 million(3)	Under review	\$	Nil

ExCaps remains in dispute \$12 million tax effect on interest not claimed in half year results.

NZ structured finance transactions remain in dispute underlying transactions all terminated in 2005.

MLC reinsurance transaction - Group currently preparing response to ATO position paper. Group believes that based on work to date the position adopted is correct under tax law. Amended assessments have not been issued.

- (1) Includes primary tax, penalties and interest (net of tax)
- (2) Includes primary tax and interest (net of tax); any penalties have not been determined at this time
- (3) Includes primary tax only; any interest and penalties have not been determined at this time.

HALF YEAR RESULTS 06 [LOGO]

# **Economic Outlook**

The following slides contain forward looking statements. Refer to disclaimer on page 82

# Global economy strong and only marginally weaker in $2006\,$

Global Forecasts - Annual Growth %					
[CHART]					
Global growth strong					
Growth underpinned by US, China and India					
Inflationary concerns remain					
Upward bias on rate rises					
European growth to remain sluggish					
79					

	•	41	
Econ	omic	OUIT	look

Economic outlook differs across key markets: But overall reasonable

GDP picking up in Australia and the UK in 2006, but slower in New Zealand,

In 2006 we expect GDP growth of 3 ¼ % in Australia, 2 ¼ % in UK, but only 1 ¼ % in New Zealand. In 2007 GDP, in both Australia and the UK, is expected to marginally strengthen but little improvement is expected in New Zealand.

Overall credit growth in 2006 across our key markets much the same as in 2005 (around 13 %) but the mix somewhat changed with business credit stronger than personal and household credit. Moderately slower credit growth in 2007 (to around 10 ½ %) - mainly due to moderately weaker demand in Australia (and especially business).

Underlying inflation expected to move higher in Australia and to remain high in New Zealand for some time. UK outlook little changed. Rates expected to begin to fall in late 2006 in New Zealand (given weak economic outlook) but to remain unchanged in the UK.

In Australia, rates likely to be on hold following RBA s recent moves - but risks clearly still up. Outcomes very data dependent and will need to reflect no acceleration in wages and the eventuation of an expected slowing in domestic demand over 2006/07 (following the re-acceleration in early 2006).

#### Macro risks to outlook estimates

Geo politics - Both political, oil & trade tensions overhang the outlook.

**New Zealand** s Economic Outlook is hard to read with significant volatility in the currency and rate expectations. That could well continue.

In Australia, New Zealand and UK household leverage high household gearing, leaves some consumers vulnerable to higher interest rates and or an unexpected loss of jobs. For Australia (and to a lesser extent the UK) the risks probably relate more to higher than expected interest rates. For New Zealand the risks revolve more about delays to rate cuts in an environment of still overvalued house prices and below trend growth.

**Commodity prices** are very high and providing a significant boost to Australian incomes and equity markets. Our forecasts involve only moderate further upside in 2006 followed by a moderate correction in 2007. Extreme movements in either direction could considerably complicate policy responses and economic outcomes in Australia.

Oil prices have remained stubbornly high. Those effects have to some extent been masked by wealth effects: including equity markets (Australia) and house prices (NZ and the USA). Further hikes in oil could bring about powerful global headwinds to growth especially if wealth effects wain faster than expected

**Bird flu** Likely to be contained, albeit watch for human pandemic.

#### Disclaimer

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