

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

DETAILED FINANCIAL INFORMATION

The following section does not purport to be a set of financial statements. For the Group's financial statements refer to the Appendix 4E filed with the ASX.

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1a. PERFORMANCE SUMMARY BY DIVISION

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

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

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

⁽³⁾ Net life insurance income is the profit before tax of the life insurance and investment businesses of the statutory funds of the life insurance companies of the Group (excluding net interest income and investment earnings on shareholders retained profits & capital of the life insurance businesses).

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

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

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

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

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

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

⁽³⁾ Net life insurance income is the profit before tax of the life insurance and investment businesses of the statutory funds of the life insurance companies of the Group (excluding net interest income and investment earnings on shareholders retained profits & capital of the life insurance businesses).

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

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

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

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

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

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

⁽³⁾ Net life insurance income is the profit before tax of the life insurance and investment businesses of the statutory funds of the life insurance companies of the Group (excluding net interest income and investment earnings on shareholders retained profits & capital of the life insurance businesses).

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

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

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

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

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

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

⁽³⁾ Net life insurance income is the profit before tax of the life insurance and investment businesses of the statutory funds of the life insurance companies of the Group (excluding net interest income and investment earnings on shareholders retained profits & capital of the life insurance businesses).

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

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

1b. PERFORMANCE SUMMARY FOR TOTAL BANKING

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

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

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

Key Performance Measures

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

⁽¹⁾ Change expressed at constant exchange rates.

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

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

1c. PERFORMANCE SUMMARY FOR TOTAL BANKING EXCLUDING IRISH BANKS

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

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

⁽¹⁾ Total Banking is before inter-divisional eliminations.⁽²⁾ Refer to Note 1a for a reconciliation of Total Banking to Group net profit and a reconciliation of Total Banking to the Divisional Performance Summary.⁽³⁾ Refer to Note 2a for a reconciliation to the divisional breakdown of Irish Banks.

2a. IRISH BANKS - DIVISIONAL BREAKDOWN OF IRISH BANKS

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

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

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

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

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

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

(i) Loans and advances

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

(ii) Deposits and other borrowings

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

3. NET INTEREST INCOME

Group	Note	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
		Sep 05	Mar 05	Change on Mar 05	Sep 05	Sep 04	Change on Sep 04
		\$m	\$m	%	\$m	\$m	%
Interest income							
Loans to customers		9,122	8,704	4.8	17,826	15,879	12.3
Other		1,629	1,417	15.0	3,046	2,771	9.9
Total interest income	9	10,751	10,121	6.2	20,872	18,650	11.9
Interest expense							
Deposits and other borrowings		(5,369)	(5,032)	(6.7)	(10,401)	(8,672)	(19.9)
Other		(1,853)	(1,536)	(20.6)	(3,389)	(2,787)	(21.6)
Total interest expense	10	(7,222)	(6,568)	(10.0)	(13,790)	(11,459)	(20.3)
Net interest income		3,529	3,553	(0.7)	7,082	7,191	(1.5)

By Division

Australian Banking		1,995	1,888	5.7	3,883	3,701	4.9
UK Banking		830	997	(16.8)	1,827	2,150	(15.0)
New Zealand Banking		392	387	1.3	779	719	8.3
Institutional Markets & Services		262	281	(6.8)	543	618	(12.1)
Other (incl. Group Funding & Corporate Centre)		48	(4)	large	44	(4)	large
Total Banking		3,527	3,549	(0.6)	7,076	7,184	(1.5)
Wealth Management		2	4	(50.0)	6	7	(14.3)
Net interest income		3,529	3,553	(0.7)	7,082	7,191	(1.5)

4. NET INTEREST MARGINS & SPREADS

Group	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
	Sep 05	Mar 05	Change on Mar 05	Sep 05	Sep 04	Change on Sep 04
	%	%	basis pts	%	%	basis pts
Gross interest spread ⁽¹⁾	1.71	1.75	(0.04)	1.73	1.96	(0.23)
Interest forgone on impaired assets	(0.02)	(0.01)	(0.01)	(0.02)	(0.02)	-
Net interest spread ⁽²⁾	1.69	1.74	(0.05)	1.71	1.94	(0.23)
Benefit of net free liabilities, provisions and equity	0.51	0.45	0.06	0.49	0.41	0.08
Net interest margin ⁽³⁾	2.20	2.19	0.01	2.20	2.35	(0.15)
By Region						
Australia ⁽⁴⁾						
Gross interest spread ⁽¹⁾	1.76	1.74	0.02	1.75	1.89	(0.14)
Interest forgone on impaired assets	(0.02)	(0.02)	-	(0.02)	(0.02)	-
Net interest spread ⁽²⁾	1.74	1.72	0.02	1.73	1.87	(0.14)
Benefit of net free liabilities, provisions and equity	0.41	0.39	0.02	0.40	0.34	0.06
Net interest margin ⁽³⁾	2.15	2.11	0.04	2.13	2.21	(0.08)
Europe ⁽⁴⁾						
Gross interest spread ⁽¹⁾	1.77	1.85	(0.08)	1.82	1.97	(0.15)
Interest forgone on impaired assets	-	(0.01)	0.01	(0.01)	(0.01)	-
Net interest spread ⁽²⁾	1.77	1.84	(0.07)	1.81	1.96	(0.15)
Benefit of net free liabilities, provisions and equity	0.93	0.66	0.27	0.78	0.57	0.21
Net interest margin ⁽³⁾	2.70	2.50	0.20	2.59	2.53	0.06
Other International ⁽⁴⁾						
Gross interest spread ⁽¹⁾	1.42	1.61	(0.19)	1.52	1.85	(0.33)
Interest forgone on impaired assets	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)
Net interest spread ⁽²⁾	1.40	1.60	(0.20)	1.50	1.84	(0.34)
Benefit of net free liabilities, provisions and equity	0.09	0.04	0.05	0.06	(0.06)	0.12
Net interest margin ⁽³⁾	1.49	1.64	(0.15)	1.56	1.78	(0.22)

⁽¹⁾ Gross interest spread represents the difference between the average interest rate earned (inclusive of interest forgone on impaired assets) and the average interest rate incurred on funds.

⁽²⁾ Net interest spread represents the difference between the average interest rate earned and the average interest rate incurred on funds.

⁽³⁾ Net interest margin is net interest income as a percentage of average interest-earning assets.

⁽⁴⁾ Australia, Europe and Other International include intragroup cross border loans/borrowings and associated interest.

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

Reconciliation of divisional margins to Group margin	Interest earning assets (\$bn) ⁽¹⁾						Net interest income (\$m)					
	Year to Sep 05		Year to Sep 04		Variance		Year to Sep 05		Year to Sep 04		Variance	
	\$bn	Mix %	\$bn	Mix %	\$bn	%	\$m	Mix %	\$m	Mix %	\$m	%
Australian Banking	155.0	48	139.2	46	15.8	11	3,883	55	3,701	51	182	5
UK Banking	49.2	15	54.3	18	(5.1)	(9)	1,827	26	2,150	30	(323)	(15)
New Zealand Banking	32.1	10	27.5	9	4.6	17	779	11	719	10	60	8
Institutional Markets & Services	133.8	42	129.9	42	3.9	3	543	7	618	9	(75)	(12)
Other ⁽²⁾	(47.7)	(15)	(44.4)	(15)	(3.3)	(7)	50	1	3	-	47	large
Group	322.4	100	306.5	100	15.9	5	7,082	100	7,191	100	(109)	(2)

Reconciliation of divisional margins to Group margin (cont'd)	Net interest margin			Contribution to Group margin ⁽³⁾		
	Sep 05	Sep 04	Variance	Sep 05	Sep 04	Variance
Australian Banking	2.51%	2.65%	(14bp)	1.20%	1.21%	(1bp)
UK Banking	3.72%	3.96%	(24bp)	0.57%	0.70%	(13bp)
New Zealand Banking	2.43%	2.61%	(18bp)	0.24%	0.24%	-
Institutional Markets & Services	0.41%	0.47%	(6bp)	0.17%	0.20%	(3bp)
Other ⁽²⁾	(0.10%)	0.00%	(10bp)	0.02%	0.00%	2bp
Group				2.20%	2.35%	(15bp)

⁽¹⁾ Interest-earning assets include intercompany balances.

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

⁽³⁾ Divisional net interest margin multiplied by % share of Group average interest-earning assets.

5. AVERAGE BALANCE SHEET & RELATED INTEREST

The following tables set forth the major categories of interest-earning assets and interest-bearing liabilities, together with their respective interest rates earned or paid by the Group. Averages are predominantly daily averages. Interest income figures include interest income on non-accruing loans to the extent cash payments have been received. Amounts classified as Other International represent interest-earning assets or interest-bearing liabilities of the controlled entities and overseas branches, excluding Europe. Non-accrual loans are included within interest-earning assets within loans and advances.

Average assets and interest income

	Year ended Sep 05			Year ended Sep 04		
	Average		Average	Average		Average
	balance	Interest	rate	balance	Interest	rate
	\$m	\$m	%	\$m	\$m	%
Interest-earning assets						
Due from other financial institutions						
<i>Australia</i>	8,524	393	4.61	7,801	336	4.31
<i>Europe</i>	12,084	434	3.59	14,111	414	2.93
<i>Other International</i>	2,384	88	3.69	2,272	48	2.11
Regulatory deposits						
<i>Europe</i>	106	1	0.94	160	2	1.25
<i>Other International</i>	63	-	-	68	-	-
Marketable debt securities						
<i>Australia</i>	19,460	1,074	5.52	21,276	1,152	5.41
<i>Europe</i>	9,450	396	4.19	8,561	352	4.11
<i>Other International</i>	7,389	294	3.98	6,111	174	2.85
Loans and advances - housing						
<i>Australia</i>	98,202	6,590	6.71	88,545	5,805	6.56
<i>Europe</i>	17,513	1,003	5.73	17,819	939	5.27
<i>Other International</i>	16,057	1,153	7.18	13,185	892	6.77
Loans and advances - non-housing ⁽¹⁾						
<i>Australia</i>	59,554	4,655	7.82	54,557	4,147	7.60
<i>Europe</i>	41,902	2,732	6.52	43,893	2,651	6.04
<i>Other International</i>	22,944	1,693	7.38	22,536	1,445	6.41
Other interest-earning assets ⁽²⁾						
<i>Australia</i>	1,112	88	n/a	892	118	n/a
<i>Europe</i>	2,710	87	n/a	3,044	87	n/a
<i>Other International</i>	2,939	191	n/a	1,669	88	n/a
Intragroup loans ⁽³⁾						
<i>Europe</i>	1,100	130	11.82	7,963	290	3.64
<i>Other International</i>	6,119	44	0.72	7,659	125	1.63
Average interest-earning assets and interest income incl. intragroup loans by:						
<i>Australia</i>	186,852	12,800	6.85	173,071	11,558	6.68
<i>Europe</i>	84,865	4,783	5.64	95,551	4,735	4.96
<i>Other International</i>	57,895	3,463	5.98	53,500	2,772	5.18
Total average interest-earning assets and interest income incl. intragroup loans	329,612	21,046	6.39	322,122	19,065	5.92

Detailed Financial Information - Note 5: Average Balance Sheet & Related Interest

Average assets and interest income

	Year ended Sep 05			Year ended Sep 04		
	Average	Interest	Average	Average	Interest	Average
	balance		rate	balance		rate
	\$m	\$m	%	\$m	\$m	%
Intragroup loans eliminations	(7,219)	(174)	2.41	(15,622)	(415)	2.66
Total average interest-earning assets by:						
Australia	186,852	12,800	6.85	173,071	11,558	6.68
Europe	83,765	4,653	5.55	87,588	4,445	5.07
Other International	51,776	3,419	6.60	45,841	2,647	5.77
Total average interest-earning assets	322,393	20,872	6.47	306,500	18,650	6.08
Non-interest-earning assets						
Investments relating to life insurance business ⁽⁴⁾						
Australia	43,701			34,809		
Europe	-			61		
Other International	705			248		
Acceptances						
Australia	20,873			18,257		
Europe	44			50		
Other International	17			2		
Property, plant and equipment						
Australia	1,155			1,343		
Europe	841			716		
Other International	152			103		
Other assets						
Australia	22,384			24,915		
Europe	11,575			15,418		
Other International	5,502			5,848		
Total average non-interest-earning assets by:						
Australia	88,113			79,324		
Europe	12,460			16,245		
Other International	6,376			6,201		
Total average non-interest-earning assets	106,949			101,770		
Provision for doubtful debts						
Australia	(1,434)			(1,190)		
Europe	(772)			(810)		
Other International	(249)			(264)		
Total average assets by:						
Australia	273,531			251,205		
Europe	95,453			103,023		
Other International	57,903			51,778		
Total average assets	426,887			406,006		
Percentage of total average assets applicable to international operations	35.9%			38.1%		

Detailed Financial Information - Note 5: Average Balance Sheet & Related Interest

Average liabilities and interest expense

	Year ended Sep 05			Year ended Sep 04		
	Average		Average	Average		Average
	balance	Interest	rate	balance	Interest	rate
	\$m	\$m	%	\$m	\$m	%
Interest-bearing liabilities						
Term deposits and certificates of deposit ⁽⁵⁾						
<i>Australia</i>	52,812	2,804	5.31	46,076	2,330	5.06
<i>Europe</i>	23,014	1,013	4.40	27,608	917	3.32
<i>Other International</i>	23,851	1,260	5.28	23,114	900	3.89
Savings (short-term) deposits						
<i>Australia</i>	8,257	425	5.15	8,079	371	4.59
<i>Europe</i>	11,182	294	2.63	13,332	274	2.06
<i>Other International</i>	3,775	176	4.66	3,707	122	3.29
Other on-demand deposits ^{(6) (7)}						
<i>Australia</i>	39,180	1,336	3.41	37,025	1,116	3.01
<i>Europe</i>	12,636	248	1.96	13,763	229	1.66
<i>Other International</i>	7,894	171	2.17	7,305	112	1.53
Government and Official Institutions						
<i>Australia</i>	506	12	2.37	907	41	4.52
<i>Other International</i>	642	15	2.34	1,175	13	1.11
Due to other financial institutions ^{(6) (7)}						
<i>Australia</i>	14,091	685	4.86	12,897	612	4.75
<i>Europe</i>	19,089	784	4.11	20,537	770	3.75
<i>Other International</i>	10,704	311	2.91	12,131	205	1.69
Short-term borrowings ^{(6) (8)}						
<i>Australia</i>	14,151	504	3.56	13,613	438	3.22
<i>Europe</i>	645	19	2.95	669	16	2.39
<i>Other International</i>	8,948	254	2.84	5,818	74	1.27
Long-term borrowings						
<i>Australia</i>	35,697	1,427	4.00	26,051	1,013	3.89
<i>Other International</i>	1,185	67	5.65	1,208	64	5.30
Other interest-bearing liabilities ^{(2) (8)}						
<i>Australia</i>	30	1,441	n/a	95	1,385	n/a
<i>Europe</i>	7	124	n/a	7	4	n/a
<i>Other International</i>	86	305	n/a	76	330	n/a
Loan Capital						
<i>Australia</i>	329	13	3.95	344	15	4.36
<i>Europe</i>	976	102	10.45	1,305	108	8.28
Intragroup loans ⁽³⁾						
<i>Australia</i>	7,219	174	2.41	15,622	415	2.66
Average interest-bearing liabilities and interest expense incl. intragroup loans by:						
<i>Australia</i>	172,272	8,821	5.12	160,709	7,736	4.81
<i>Europe</i>	67,549	2,584	3.83	77,221	2,318	3.00
<i>Other International</i>	57,085	2,559	4.48	54,534	1,820	3.34
Total average interest-bearing liabilities and interest expense incl. intragroup loans	296,906	13,964	4.70	292,464	11,874	4.06

Detailed Financial Information - Note 5: Average Balance Sheet & Related Interest

Average liabilities and interest expense

	Year ended Sep 05			Year ended Sep 04		
	Average	Interest	Average	Average	Interest	Average
	balance		rate	balance		rate
	\$m	\$m	%	\$m	\$m	%
Intragroup loans eliminations	(7,219)	(174)	2.41	(15,622)	(415)	2.66
Total average interest-bearing liabilities and interest expense by:						
<i>Australia</i>	165,053	8,647	5.24	145,087	7,321	5.05
<i>Europe</i>	67,549	2,584	3.83	77,221	2,318	3.00
<i>Other International</i>	57,085	2,559	4.48	54,534	1,820	3.34
Total average interest-bearing liabilities and interest expense	289,687	13,790	4.76	276,842	11,459	4.14
Non-interest-bearing liabilities						
Deposits not bearing interest						
<i>Australia</i>	6,416			5,936		
<i>Europe</i>	4,084			5,858		
<i>Other International</i>	1,009			1,102		
Liability on acceptances						
<i>Australia</i>	20,873			18,257		
<i>Europe</i>	44			50		
<i>Other International</i>	17			2		
Life insurance policy liabilities ⁽⁴⁾						
<i>Australia</i>	38,135			33,014		
<i>Europe</i>	-			40		
<i>Other International</i>	503			364		
Other liabilities						
<i>Australia</i>	16,459			15,369		
<i>Europe</i>	13,718			16,865		
<i>Other International</i>	4,571			4,505		
Total average non-interest-bearing liabilities by:						
<i>Australia</i>	81,883			72,576		
<i>Europe</i>	17,846			22,813		
<i>Other International</i>	6,100			5,973		
Total average non-interest-bearing liabilities	105,829			101,362		

Detailed Financial Information - Note 5: Average Balance Sheet & Related Interest

Equity

	Year ended Sep 05			Year ended Sep 04		
	Average		Average	Average		Average
	balance	Interest	rate	balance	Interest	rate
	\$m	\$m	%	\$m	\$m	%
Equity						
Ordinary shares	7,396			6,305		
Preference share capital	-			227		
Trust Preferred Securities	975			975		
Trust Preferred Securities II	531			-		
National Income Securities	1,945			1,945		
Contributed equity	10,847			9,452		
Reserves	874			1,079		
Retained profits	15,369			13,957		
Parent entity interest	27,090			24,488		
Outside equity interest in controlled entities	4,281			3,314		
Equity	31,371			27,802		
Total liabilities and equity	426,887			406,006		
Percentage of total average liabilities applicable to international operations	37.6%			42.4%		

⁽¹⁾ Includes non-accrual loans.

⁽²⁾ Includes interest on derivatives and escrow deposits.

⁽³⁾ The calculations for Australia, Europe and Other International include intragroup cross border loans/borrowings and associated interest.

⁽⁴⁾ Included within investments relating to life insurance business are interest-earning debt securities. The interest earned from these securities is reported in life insurance income, and has therefore been treated as non-interest earning for the purposes of this note. The assets and liabilities held in the statutory funds of the Group's Australian life insurance business are subject to the restrictions of the Life Insurance Act 1995.

⁽⁵⁾ The sum of term deposits and certificates of deposit equate to time deposits.

⁽⁶⁾ A change has been made to the classification of certain exposures from Other On-Demand Deposits to Due to Other Financial Institutions and Short-Term Borrowings. To ensure consistent classification with notes to the spot balance sheet, an amount of \$3,860 million was reclassified from Other On-Demand Deposits to Due to Other Financial Institutions \$2,781 million and Short-Term Borrowings \$1,079 million for the 2004 year. Associated interest expense was also reclassified.

⁽⁷⁾ A change has been made to the classification of certain exposures from Due to Other Financial Institutions to Other On-Demand Deposits. To ensure consistent classification with notes to the spot balance sheet, an amount of \$2,980 million was reclassified from Due to Other Financial Institutions to Other On-Demand Deposits for the 2004 year. Associated interest expense was also reclassified.

⁽⁸⁾ Certain interest expenses have been reclassified from short-term borrowings to other interest-bearing liabilities. As a result, an amount of \$154 million has been reclassified for the 2004 year.

6. GROSS LOANS & ADVANCES

By region	As at			Change on	
	30 Sep 05 \$m	31 Mar 05 \$m	30 Sep 04 \$m	Mar 05 %	Sep 04 %
Australia	170,761	157,994	148,407	8.1	15.1
Europe	55,165	53,981	66,010	2.2	(16.4)
New Zealand	34,723	33,326	32,098	4.2	8.2
United States	2,241	2,758	2,522	(18.7)	(11.1)
Asia	1,714	3,057	3,341	(43.9)	(48.7)
Total gross loans and advances	264,604	251,116	252,378	5.4	4.8
Securitised loans	1,919	2,317	2,788	(17.2)	(31.2)

By product					
Housing	139,481	129,447	125,773	7.8	10.9
Term lending	84,744	81,560	84,236	3.9	0.6
Overdrafts	12,302	11,210	12,967	9.7	(5.1)
Leasing	15,926	15,127	16,027	5.3	(0.6)
Credit cards	6,769	6,821	6,876	(0.8)	(1.6)
Other	5,382	6,951	6,499	(22.6)	(17.2)
Total gross loans and advances	264,604	251,116	252,378	5.4	4.8

Refer to note 2(b)(i) for details of loans and advances at 30 September 2004 included in the tables above, that are attributable to the Irish Banks, which were disposed on 28 February 2005.

By product & region	As at 30 Sep 05					
	Australia \$m	Europe \$m	New Zealand \$m	United States \$m	Asia \$m	Total \$m
Housing	105,419	17,175	16,393	-	494	139,481
Term lending	43,113	22,675	15,572	2,241	1,143	84,744
Overdrafts	5,036	5,809	1,457	-	-	12,302
Leasing	9,508	6,372	29	-	17	15,926
Credit cards	4,194	1,524	1,051	-	-	6,769
Other	3,491	1,610	221	-	60	5,382
Total gross loans and advances	170,761	55,165	34,723	2,241	1,714	264,604

Detailed Financial Information - Note 6: Gross Loans & Advances

Movement from 31 March 2005 excluding foreign exchange	Increase / (Decrease) from 31 Mar 05					
	Australia %	Europe %	New Zealand %	United States %	Asia %	Total %
Housing	7.4	18.1	7.5	-	(21.1)	8.5
Term lending	8.5	5.0	9.2	(19.9)	(42.5)	5.5
Overdrafts	9.0	16.1	11.0	-	-	12.5
Leasing	9.2	5.0	38.1	-	(19.0)	7.5
Credit cards	(0.5)	3.9	(0.5)	-	-	0.5
Other	34.6	(39.7)	(80.4)	-	(85.4)	(20.8)
Total gross loans and advances	8.1	7.5	5.1	(19.9)	(43.7)	6.6

Movement from 30 September 2004 excluding foreign exchange	Increase / (Decrease) from 30 Sep 04					
	Australia %	Europe ⁽¹⁾ %	New Zealand %	United States %	Asia %	Total ⁽¹⁾ %
Housing	15.5	27.1	17.7	-	(13.6)	16.9
Term lending	13.5	9.4	14.6	(5.3)	(47.8)	10.3
Overdrafts	13.4	33.8	30.0	-	-	24.2
Leasing	16.5	(4.6)	26.1	-	(29.2)	6.9
Credit cards	4.1	4.0	8.7	-	-	4.8
Other	37.3	(9.2)	(86.1)	-	(86.5)	(15.3)
Total gross loans and advances	15.1	13.7	11.2	(5.3)	(46.9)	13.2

⁽¹⁾ Excludes National Irish Bank Limited and Northern Bank Limited.

Detailed Financial Information - Note 6: Gross Loans & Acceptances

By Division	Australian Banking \$m	UK Banking ⁽¹⁾ \$m	NZ Banking \$m	IM&S \$m	WM \$m	Other ⁽²⁾ \$m	Total Group \$m
As at 30 September 2005							
Housing lending	107,338	17,175	16,361	526	-	(1,919)	139,481
Non-housing lending	50,216	26,158	13,253	35,043	120	333	125,123
Total gross loans and advances	157,554	43,333	29,614	35,569	120	(1,586)	264,604
Acceptances	30,782	15	-	3,287	-	(6,457)	27,627
Total gross loans and acceptances	188,336	43,348	29,614	38,856	120	(8,043)	292,231
As at 31 March 2005							
Housing lending	100,459	15,289	15,371	645	-	(2,317)	129,447
Non-housing lending	46,141	24,347	12,403	38,744	92	(58)	121,669
Total gross loans and advances	146,600	39,636	27,774	39,389	92	(2,375)	251,116
Acceptances	27,261	46	23	3,969	-	(9,732)	21,567
Total gross loans and acceptances	173,861	39,682	27,797	43,358	92	(12,107)	272,683
As at 30 September 2004							
Housing lending	94,047	19,576	14,299	639	-	(2,788)	125,773
Non-housing lending	43,368	31,739	11,840	39,656	87	(85)	126,605
Total gross loans and advances	137,415	51,315	26,139	40,295	87	(2,873)	252,378
Acceptances	24,787	59	18	4,738	-	(13,258)	16,344
Total gross loans and acceptances	162,202	51,374	26,157	45,033	87	(16,131)	268,722

⁽¹⁾ Included within housing lending at 30 September 2004 was \$4,860 million in relation to National Irish Bank Limited and Northern Bank Limited. Included within non-housing lending at 30 September 2004 was \$8,343 million in relation to National Irish Bank Limited and Northern Bank Limited.

⁽²⁾ Other housing lending includes securitised loans. Other non-housing lending includes Group Funding, Corporate Centre and intra-group elimination entries. Other acceptances includes NAB-issued acceptances bought back by NAB.

7. DEPOSITS & OTHER BORROWINGS

By region	As at			Change on	
	30 Sep 05 \$m	31 Mar 05 \$m	30 Sep 04 \$m	Mar 05 %	Sep 04 %
Australia	118,826	121,610	116,287	(2.3)	2.2
Europe	46,648	44,545	62,133	4.7	(24.9)
New Zealand	26,172	25,896	25,643	1.1	2.1
United States	13,390	8,021	11,287	66.9	18.6
Asia	4,043	5,794	3,678	(30.2)	9.9
Total deposits and other borrowings	209,079	205,866	219,028	1.6	(4.5)

By product	As at			Change on	
	30 Sep 05 \$m	31 Mar 05 \$m	30 Sep 04 \$m	Mar 05 %	Sep 04 %
Deposits not bearing interest	10,981	10,538	13,516	4.2	(18.8)
On-demand and short-term deposits	84,702	81,279	83,114	4.2	1.9
Certificates of deposit	26,769	34,469	34,130	(22.3)	(21.6)
Term deposits	63,575	62,279	66,212	2.1	(4.0)
Total deposits	186,027	188,565	196,972	(1.3)	(5.6)
Securities sold under agreements to repurchase	5,108	3,735	2,809	36.8	81.8
Borrowings	17,944	13,566	19,247	32.3	(6.8)
Total deposits and other borrowings	209,079	205,866	219,028	1.6	(4.5)

Refer to note 2(b)(ii) for details of deposits and other borrowings at 30 September 2004 included in the tables above, that are attributable to the Irish Banks, which were disposed on 28 February 2005.

By product & region	As at 30 Sep 05					
	Australia \$m	Europe \$m	New Zealand \$m	United States \$m	Asia \$m	Total \$m
Deposits not bearing interest	6,544	3,248	595	592	2	10,981
On-demand and short-term deposits	51,694	22,529	7,485	2,247	747	84,702
Certificates of deposit	13,934	8,936	3,424	475	-	26,769
Term deposits	34,065	10,061	13,092	3,063	3,294	63,575
Total deposits	106,237	44,774	24,596	6,377	4,043	186,027
Securities sold under agreements to repurchase	2,429	1,874	-	805	-	5,108
Borrowings	10,160	-	1,576	6,208	-	17,944
Total deposits and other borrowings	118,826	46,648	26,172	13,390	4,043	209,079

Detailed Financial Information - Note 7: Deposits & Other Borrowings

Movement from 31 March 2005 excluding foreign exchange	Increase / (Decrease) from 31 Mar 05					
	Australia %	Europe %	New Zealand %	United States %	Asia %	Total %
Deposits not bearing interest	5.4	2.9	15.1	19.4	-	5.8
On-demand and short-term deposits	9.2	10.1	(1.2)	(11.8)	(67.5)	5.6
Certificates of deposit	(38.2)	13.7	8.9	-	-	(21.4)
Term deposits	3.9	10.3	6.2	(22.7)	(7.9)	2.9
Total deposits	(2.5)	10.3	4.4	(14.8)	(31.2)	(0.2)
Securities sold under agreements to repurchase	21.5	33.7	-	large	-	40.1
Borrowings	(5.1)	large	(24.0)	large	-	32.4
Total deposits and other borrowings	(2.3)	10.1	2.1	64.6	(31.2)	2.7

Movement from 30 September 2004 excluding foreign exchange	Increase / (Decrease) from 30 Sep 04					
	Australia %	Europe ⁽¹⁾ %	New Zealand %	United States %	Asia %	Total ⁽¹⁾ %
Deposits not bearing interest	8.2	(1.8)	(0.5)	14.7	large	4.9
On-demand and short-term deposits	13.0	9.7	5.7	26.2	large	12.6
Certificates of deposit	(28.0)	(12.2)	10.6	-	-	(19.1)
Term deposits	6.3	(4.2)	10.6	1.4	(1.3)	4.6
Total deposits	2.9	0.6	8.8	10.1	17.1	3.6
Securities sold under agreements to repurchase	42.9	86.3	-	large	-	87.9
Borrowings	(10.8)	large	(31.8)	29.7	-	(4.7)
Total deposits and other borrowings	2.2	1.7	5.0	26.4	17.1	4.0

⁽¹⁾ Excludes National Irish Bank Limited and Northern Bank Limited.

8. NET LIFE INSURANCE INCOME

	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
	Sep 05	Mar 05	Change on Mar 05	Sep 05	Sep 04	Change on Sep 04
	\$m	\$m	%	\$m	\$m	%
Premium and related revenue	472	434	8.8	906	1,005	(9.9)
Investment revenue ⁽¹⁾	4,750	2,802	69.5	7,552	4,749	59.0
Life insurance income excluding IORE	5,222	3,236	61.4	8,458	5,754	47.0
Claims expense	(303)	(287)	(5.6)	(590)	(702)	16.0
Change in policy liabilities	(3,499)	(2,071)	(69.0)	(5,570)	(3,368)	(65.4)
Policy acquisition and maintenance expense	(374)	(365)	(2.5)	(739)	(723)	(2.2)
Investment management fees	(15)	(18)	16.7	(33)	(42)	21.4
Life insurance expenses	(4,191)	(2,741)	(52.9)	(6,932)	(4,835)	(43.4)
Net life insurance income excluding IORE	1,031	495	large	1,526	919	66.1
Investment earnings on shareholders' retained profits & capital from life businesses (IORE)	83	63	31.7	146	93	57.0
Net life insurance income	1,114	558	99.6	1,672	1,012	65.2
Interest expense - life insurance funds	(8)	(14)	42.9	(22)	(17)	(29.4)
Profit of life insurance funds before income tax	1,106	544	large	1,650	995	65.8
Income tax expense - life insurance funds	(448)	(192)	large	(640)	(301)	large
Net profit of life insurance funds before outside equity interest	658	352	86.9	1,010	694	45.5
Net profit attributable to outside equity interest	(456)	(154)	large	(610)	(365)	(67.1)
Net profit of life insurance funds after outside equity interest	202	198	2.0	400	329	21.6

⁽¹⁾ Investment revenue excluding investment earnings on shareholders' retained profits and capital from life businesses.

Sources of Operating Profit from Life Companies life insurance funds

Life company - planned profit margins	138	139	(0.7)	277	251	10.4
Life company - experience profit	1	11	(90.9)	12	7	71.4
Capitalised Losses	(5)	-	large	(5)	-	large
Life company operating margins ⁽²⁾	134	150	(10.7)	284	258	10.1
Investment earnings on shareholders' retained profits and capital from life businesses after tax ⁽³⁾	68	48	41.7	116	71	63.4
Net profit of life insurance funds after outside equity interest	202	198	2.0	400	329	21.6

⁽²⁾ Reflects operating profit of all business written through life insurance funds, irrespective of the business type (investment or insurance).

⁽³⁾ Investment earnings on shareholders' retained profits and capital from life businesses after outside equity interest.

Net life insurance income is the profit before tax excluding net interest income of the life insurance and investments businesses of the life insurance funds of the life insurance companies of the Group.

9. REVENUE

	Note	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
		Sep 05	Mar 05	Change on	Sep 05	Sep 04	Change on
		\$m	\$m	Mar 05 %	\$m	\$m	Sep 04 %
Interest income	3	10,751	10,121	6.2	20,872	18,650	11.9
Investment earnings on shareholders' retained profits & capital from life businesses (IORE)	8	83	63	31.7	146	93	57.0
Investment revenue ⁽¹⁾	8	4,750	2,802	69.5	7,552	4,749	59.0
Total investment revenue		4,833	2,865	68.7	7,698	4,842	59.0
Premium and related revenue	8	472	434	8.8	906	1,005	(9.9)
Life insurance income		5,305	3,299	60.8	8,604	5,847	47.2
Wealth Management other operating income		437	461	(5.2)	898	807	11.3
Revaluation profit/(loss)		281	54	large	335	(137)	large
Wealth Management total income ⁽²⁾		718	515	39.4	1,233	670	84.0
Total Banking other operating income							
Dividends received		1	-	large	1	23	(95.7)
Profit on sale of property, plant and equipment and other assets		53	5	large	58	14	large
Loan fees from banking		764	742	3.0	1,506	1,447	4.1
Money transfer fees		451	479	(5.8)	930	983	(5.4)
Trading income (before significant items)		319	337	(5.3)	656	575	14.1
Foreign exchange income		33	(4)	large	29	(2)	large
Fees and commissions ⁽³⁾		384	366	4.9	750	738	1.6
Fleet service fees ⁽³⁾		75	73	2.7	148	131	13.0
Other income		153	112	36.6	265	256	3.5
Total Banking other operating income		2,233	2,110	5.8	4,343	4,165	4.3
Eliminations		(58)	(81)	28.4	(139)	(141)	1.4
Banking other operating income net of eliminations		2,175	2,029	7.2	4,204	4,024	4.5
Total revenue before significant items		18,949	15,964	18.7	34,913	29,191	19.6
Significant revenue							
Proceeds from the sale of controlled entities	15	(21)	2,514	large	2,493	-	large
Proceeds from the sale of strategic shareholdings	15	-	-	-	-	993	large
Total revenue from ordinary activities		18,928	18,478	2.4	37,406	30,184	23.9

⁽¹⁾ Investment revenue excluding investment earnings on shareholders retained profits and capital from life businesses.

⁽²⁾ Wealth Management total income excludes life insurance income. Refer to note 8 for further details.

⁽³⁾ A change has been made to the classification of certain fees from Fees and Commissions to Fleet Service Fees. Comparative information has been reclassified for the September 2004 year of \$23 million.

Other operating income (before revaluation profit/(loss) and significant income) by Division

	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
	Sep 05	Mar 05	Change on Mar 05	Sep 05	Sep 04	Change on Sep 04
	\$m	\$m	%	\$m	\$m	%
Australian Banking	1,154	1,081	6.8	2,235	2,122	5.3
UK Banking	462	429	7.7	891	887	0.5
New Zealand Banking	177	178	(0.6)	355	354	0.3
Institutional Markets & Services	433	486	(10.9)	919	866	6.1
Other (incl. Group Funding & Corporate Centre)	7	(64)	large	(57)	(64)	10.9
Total Banking	2,233	2,110	5.8	4,343	4,165	4.3
Wealth Management	437	461	(5.2)	898	807	11.3
Eliminations	(58)	(81)	28.4	(139)	(141)	1.4
Other operating income	2,612	2,490	4.9	5,102	4,831	5.6

10. EXPENSES

	Note	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
		Sep 05	Mar 05	Change on Mar 05	Sep 05	Sep 04	Change on Sep 04
		\$m	\$m	%	\$m	\$m	%
Interest expense	3	7,222	6,568	(10.0)	13,790	11,459	(20.3)
Claims expense		303	287	(5.6)	590	702	16.0
Change in policy liabilities		3,499	2,071	(69.0)	5,570	3,368	(65.4)
Policy acquisition and maintenance expense		374	365	(2.5)	739	723	(2.2)
Investment management fees		15	18	16.7	33	42	21.4
Life insurance expenses	8	4,191	2,741	(52.9)	6,932	4,835	(43.4)
Wealth Management other operating expenses ⁽¹⁾		441	411	(7.3)	852	834	(2.2)
Total Banking other operating expenses							
Personnel expenses							
Salaries and related on costs		1,362	1,356	(0.4)	2,718	2,601	(4.5)
Superannuation		123	163	24.5	286	276	(3.6)
Other		170	152	(11.8)	322	304	(5.9)
		1,655	1,671	1.0	3,326	3,181	(4.6)
Occupancy expenses							
Rental on operating leases ⁽²⁾		140	149	6.0	289	283	(2.1)
Depreciation and amortisation		40	42	4.8	82	68	(20.6)
Other ⁽²⁾		121	125	3.2	246	236	(4.2)
		301	316	4.7	617	587	(5.1)
General expenses							
Advertising and marketing		93	103	9.7	196	216	9.3
Non-lending losses ⁽³⁾		139	28	large	167	77	large
Communications, postage and stationery		174	182	4.4	356	381	6.6
Depreciation and amortisation		155	163	4.9	318	333	4.5
Fees and commissions		77	53	(45.3)	130	102	(27.5)
Computer equipment and software		117	119	1.7	236	260	9.2
Rental on operating leases		45	44	(2.3)	89	72	(23.6)
Professional fees		196	138	(42.0)	334	324	(3.1)
Travel		30	26	(15.4)	56	64	12.5
Freight and cartage		37	38	2.6	75	77	2.6
Motor vehicle expenses		23	22	(4.5)	45	41	(9.8)
Insurance		15	18	16.7	33	38	13.2
Operational (bank & bureau) charges		32	37	13.5	69	78	11.5
Other expenses ⁽⁴⁾		256	288	11.1	544	288	(88.9)
		1,389	1,259	(10.3)	2,648	2,351	(12.6)
Total Banking other operating expenses		3,345	3,246	(3.0)	6,591	6,119	(7.7)
Eliminations		(58)	(81)	28.4	(139)	(141)	1.4
Banking other operating expenses net of eliminations		3,287	3,165	(3.9)	6,452	5,978	(7.9)
Other operating expenses		3,728	3,576	(4.3)	7,304	6,812	(7.2)
Total operating expenses before significant items, goodwill and charge to provide for doubtful debts		15,141	12,885	(17.5)	28,026	23,106	(21.3)

⁽¹⁾ Wealth Management other operating expenses excludes life insurance expenses. Refer to note 8 for further details.

⁽²⁾ A change has been made to the classification of certain expenses from Other Occupancy Expenses to Rental on Operating Leases. Comparative information has been reclassified for the September 2004 year of \$20 million.

⁽³⁾ Non lending losses in the September 2005 year include costs relating to fee refunds for Choice package (\$81m), BAD tax (\$14m) and fixed rate interest only loans (\$26m).

⁽⁴⁾ Other expenses in the September 2005 year and March 2005 half year include self-insurance costs relating to the Northern Bank robbery (\$49 million), the South Korea legal action (\$49 million) and NAFIM investor compensation (\$27 million), which is offset in Wealth Management other operating income.

Detailed Financial Information - Note 10: Expenses

	Note	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
		Sep 05	Mar 05	Change on Mar 05	Sep 05	Sep 04	Change on Sep 04
		\$m	\$m	%	\$m	\$m	%
Significant expenses							
Cost of sale of strategic shareholdings	15	-	-	-	-	678	large
Foreign currency options trading losses	15	-	(34)	large	(34)	360	large
Reversal of HomeSide non-lending loss provision	15	-	-	-	-	(64)	large
Write-down of impaired application software	15	-	-	-	-	409	large
Restructuring provision	15	435	403	(7.9)	838	-	-
PfG Restructuring provision	15	(2)	(9)	(77.8)	(11)	-	-
Cost of controlled entities sold	15	(40)	1,456	large	1,416	-	-
Total significant expenses		393	1,816	78.4	2,209	1,383	(59.7)
Total operating expenses before goodwill and charge to provide for doubtful debts		15,534	14,701	(5.7)	30,235	24,489	(23.5)
Amortisation of goodwill		48	50	4.0	98	103	4.9
Charge to provide for doubtful debts - ordinary	12	253	281	10.0	534	559	4.5
Charge to provide for doubtful debts - significant	15	-	-	-	-	292	large
Total operating expenses after significant items		15,835	15,032	(5.3)	30,867	25,443	(21.3)

Operating expenses (before goodwill, significant expenses and charge to provide for doubtful debts) by Division

	Note	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
		Sep 05	Mar 05	Change on Mar 05	Sep 05	Sep 04	Change on Sep 04
		\$m	\$m	%	\$m	\$m	%
Australian Banking		1,730	1,479	(17.0)	3,209	2,771	(15.8)
UK Banking		836	952	12.2	1,788	1,958	8.7
New Zealand Banking		306	315	2.9	621	595	(4.4)
Institutional Markets & Services		369	366	(0.8)	735	705	(4.3)
Other (incl. Group Funding & Corporate Centre)		104	134	22.4	238	90	large
Total Banking		3,345	3,246	(3.0)	6,591	6,119	(7.7)
Wealth Management		441	411	(7.3)	852	834	(2.2)
Eliminations		(58)	(81)	28.4	(139)	(141)	1.4
Other operating expenses		3,728	3,576	(4.3)	7,304	6,812	(7.2)

Restructuring expenses

During 2005 the Group recognised restructuring costs of \$838 million (\$606 million after tax) resulting from activities related to the restructure from its business operating model to management along regional lines.

	Redundancies	Occu-	Other	Total
		pancy		
	\$m	\$m	\$m	\$m
Total 2005 expenditure/provision	484	137	217	838
Expenditure in 2005 year	(191)	(8)	(182)	(381)
Provision balance as at 30 September 2005	293	129	35	457

Capitalisation of Software Costs

	As at		
	30 Sep 05	31 Mar 05	30 Sep 04
	\$m	\$m	\$m
Capitalised application software on the balance sheet	614	654	655

11. FULL TIME EQUIVALENT EMPLOYEES ⁽¹⁾

By Region	As at			Change on	
	30 Sep 05	31 Mar 05	30 Sep 04	Mar 05	Sep 04
	No.	No.	No.	%	%
Australia	23,554	24,249	24,567	(2.9)	(4.1)
Europe ⁽²⁾	9,868	10,180	13,324	(3.1)	(25.9)
New Zealand	4,814	4,724	4,766	1.9	1.0
United States	114	119	141	(4.2)	(19.1)
Asia	583	689	719	(15.4)	(18.9)
Total full time equivalent employees (FTEs) ⁽²⁾	38,933	39,961	43,517	(2.6)	(10.5)

By Division					
Australian Banking	17,884	18,372	18,382	(2.7)	(2.7)
Wealth Management Australia	4,252	4,393	4,746	(3.2)	(10.4)
Total Australia	22,136	22,765	23,128	(2.8)	(4.3)
Total UK	9,480	9,772	12,865	(3.0)	(26.3)
Total New Zealand	4,645	4,549	4,596	2.1	1.1
Institutional Markets & Services	1,993	2,066	2,073	(3.5)	(3.9)
Other (incl. Group Funding & Corporate Centre)	679	809	855	(16.1)	(20.6)
Total full time equivalent employees (FTEs)	38,933	39,961	43,517	(2.6)	(10.5)

Average half year FTEs	39,395	42,591	43,515	(7.5)	(9.5)
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⁽¹⁾ Full-time equivalent staff include part-time staff (pro-rated) and non-payroll FTEs (ie. contractors).

⁽²⁾ Includes 2,712 FTEs at 30 September 2004 in relation to the Irish Banks, which were disposed on 28 February 2005.

12. DOUBTFUL DEBTS

Total charge for doubtful debts by Region	Half Year to		Fav / (Unfav) Change on	Year to		Fav / (Unfav) Change on
	Sep 05	Mar 05	Mar 05	Sep 05	Sep 04	Sep 04
	\$m	\$m	%	\$m	\$m	%
Australia	122	198	38.4	320	244	(31.1)
Europe	108	74	(45.9)	182	275	33.8
New Zealand	26	8	large	34	20	(70.0)
United States	3	4	25.0	7	19	63.2
Asia	(6)	(3)	large	(9)	1	large
Total charge to provide for doubtful debts before significant items	253	281	10.0	534	559	4.5
Significant charge to provide for doubtful debts						
Revision of accounting estimate	-	-	-	-	292	large
Total charge to provide for doubtful debts	253	281	10.0	534	851	37.3

Total charge for doubtful debts by Division

Australian Banking	127	130	2.3	257	201	(27.9)
UK Banking	125	91	(37.4)	216	224	3.6
New Zealand Banking	25	12	large	37	21	(76.2)
Institutional Markets & Services	(24)	48	large	24	113	78.8
Total charge to provide for doubtful debts	253	281	10.0	534	559	4.5

Movement in provisions for doubtful debts

	Year to Sep 05			Year to Sep 04		
	Specific	General	Total	Specific	General	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Opening balance	412	2,116	2,528	463	1,793	2,256
Transfer to/(from) specific/general provision	422	(422)	-	553	(553)	-
Bad debts recovered	195	-	195	199	-	199
Bad debts written off	(599)	-	(599)	(804)	-	(804)
Charge to profit and loss - ordinary	-	534	534	-	559	559
Charge to profit and loss - significant	-	-	-	-	292	292
Provision of controlled entities sold	(21)	(92)	(113)	-	-	-
Foreign currency translation and other adjustments ⁽¹⁾	(51)	(72)	(123)	1	25	26
Total provisions for doubtful debts	358	2,064	2,422	412	2,116	2,528

⁽¹⁾ In 2005, this includes a \$41 million reduction in the specific provision for doubtful debts that arose on the sale of certain loans during the year.

	Half Year to Sep 05			Half Year to Mar 05		
	Specific	General	Total	Specific	General	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Opening balance	390	2,034	2,424	412	2,116	2,528
Transfer to/(from) specific/general provision	184	(184)	-	238	(238)	-
Bad debts recovered	107	-	107	88	-	88
Bad debts written off	(300)	-	(300)	(299)	-	(299)
Charge to profit and loss - ordinary	-	253	253	-	281	281
Charge to profit and loss - significant	-	-	-	-	-	-
Provision of controlled entities sold	-	-	-	(21)	(92)	(113)
Foreign currency translation and other adjustments	(23)	(39)	(62)	(28)	(33)	(61)
Total provisions for doubtful debts	358	2,064	2,422	390	2,034	2,424

13. ASSET QUALITY

Summary of impaired assets	As at			Change on	
	30 Sep 05 \$m	31 Mar 05 \$m	30 Sep 04 \$m	Mar 05 %	Sep 04 %
Gross non-accrual loans ⁽¹⁾	1,022	1,115	1,230	(8.3)	(16.9)
Gross restructured loans	5	1	41	large	(87.8)
Gross assets acquired through security enforcement	-	2	5	large	large
Gross impaired assets ⁽¹⁾	1,027	1,118	1,276	(8.1)	(19.5)
Less: Specific provisions - non-accrual loans	(316)	(353)	(375)	(10.5)	(15.7)
Net impaired assets ⁽¹⁾	711	765	901	(7.1)	(21.1)

Total impaired assets by region	As at 30 Sep 05		As at 31 Mar 05		As at 30 Sep 04	
	Gross \$m	Net \$m	Gross \$m	Net \$m	Gross \$m	Net \$m
Australia	761	560	757	525	700	536
Europe ⁽¹⁾	137	69	172	103	333	174
New Zealand	103	70	89	67	87	68
United States	25	12	98	69	155	123
Asia	1	-	2	1	1	-
Total impaired assets ⁽¹⁾	1,027	711	1,118	765	1,276	901

⁽¹⁾ Includes gross non-accrual loans relating to the Irish Banks, which were disposed on 28 February 2005, of \$84 million (net: \$69 million) at 30 September 2004.

Movement in gross impaired assets	Australia	Europe	New Zealand	United States	Asia	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 31 March 2004	770	347	37	277	3	1,434
New	173	118	62	90	-	443
Written off	(188)	(52)	(14)	-	-	(254)
Returned to performing or repaid	(55)	(96)	(5)	(224)	(3)	(383)
Foreign currency translation adjustments	-	16	7	12	1	36
Balance at 30 September 2004	700	333	87	155	1	1,276
New	283	44	25	2	1	355
Written off	(63)	(52)	(2)	(1)	-	(118)
Returned to performing or repaid	(163)	(60)	(19)	(47)	-	(289)
Impaired assets of controlled entities sold ⁽²⁾	-	(84)	-	-	-	(84)
Foreign currency translation adjustments	-	(9)	(2)	(11)	-	(22)
Balance at 31 March 2005	757	172	89	98	2	1,118
New	204	99	35	1	-	339
Written off	(143)	(43)	(4)	(1)	(1)	(192)
Returned to performing or repaid	(57)	(83)	(16)	(74)	-	(230)
Foreign currency translation adjustments	-	(8)	(1)	1	-	(8)
Gross impaired assets at 30 September 2005	761	137	103	25	1	1,027

⁽²⁾ Impaired assets of the Irish Banks, which were disposed on 28 February 2005.

Gross non-accrual loans to gross loans & acceptances - by region	As at		
	30 Sep 05 %	31 Mar 05 %	30 Sep 04 %
Australia	0.38	0.42	0.43
Europe	0.25	0.32	0.50
New Zealand	0.30	0.27	0.27
United States	1.12	3.48	4.32
Asia	0.06	0.07	0.03
Total gross non-accrual loans to gross loans & acceptances	0.35	0.41	0.46

Group provisioning coverage ratios

Net impaired assets to total equity ⁽¹⁾	2.5	2.7	3.5
Net impaired assets to total equity plus general provision ⁽¹⁾	2.4	2.6	3.2
Specific provision to gross impaired assets	34.9	34.9	32.3
General and specific provisions to gross impaired assets	235.8	216.8	198.1
General provision to risk-weighted assets	0.71	0.73	0.74

⁽¹⁾ Total parent entity interest in equity.

The amounts below are not classified as impaired assets and therefore are not included in the summary on the previous page.

Accruing loans 90 days past - by region ^{(2) (3) (4)}	As at			Change on	
	30 Sep 05 \$m	31 Mar 05 \$m	30 Sep 04 \$m	Mar 05 %	Sep 04 %
Australia	671	734	796	(8.6)	(15.7)
Europe ⁽³⁾	123	124	68	(0.8)	80.9
New Zealand	25	22	26	13.6	(3.8)
Asia	-	4	2	large	large
Total 90 day past due loans ^{(2) (3) (4)}	819	884	892	(7.4)	(8.2)

⁽²⁾ During the September 2004 half year the Group revised its data collection procedures for establishing its 90 day past due exposures. This process now includes loans that are identified by the internal categories 'watch' or 'substandard' and are in arrears 90 days or more.

⁽³⁾ Includes 90 days past due loans relating to the Irish Banks, which were disposed on 28 February 2005, of \$3 million at 30 September 2004.

⁽⁴⁾ Accruing loans 90 days past due includes gross portfolio-managed facilities past due 90 to 180 days.

14. INCOME TAX RECONCILIATION

Group	Half Year to		Year to	
	Sep 05	Mar 05	Sep 05	Sep 04
	\$m	\$m	\$m	\$m
Profit from ordinary activities before income tax expense				
Australia	2,332	1,903	4,235	3,269
Overseas	761	1,543	2,304	1,472
Add/deduct: (Profit)/loss from ordinary activities before income tax expense attributable to the life insurance statutory funds and their controlled trusts	(1,106)	(544)	(1,650)	(995)
Total profit from ordinary activities excluding that attributable to the statutory funds of the life insurance business, before income tax expense	1,987	2,902	4,889	3,746
Prima facie income tax at 30%	596	871	1,467	1,124
Add/(deduct) tax effect of permanent differences:				
Assessable foreign income	5	3	8	26
Rebate of tax on dividends, interest etc	(13)	(16)	(29)	(43)
Foreign tax rate differences	25	11	36	1
Amortisation of goodwill	14	15	29	31
Future income tax benefits not recognised/(recognised)	(45)	35	(10)	7
Under/(over) provision in prior year	(32)	3	(29)	(9)
Interest expense on exchangeable capital units	15	16	31	33
Non-assessable branch income	(27)	(17)	(44)	(36)
Profit on sale of strategic shareholdings	-	-	-	(95)
Reversal of HomeSide non-lending loss provision	-	-	-	(19)
Write-down of impaired application software	-	-	-	22
Reset tax values on entering tax consolidation-Wealth Management ⁽¹⁾	-	-	-	(150)
Wealth Management revaluation (gain)/loss	(97)	(13)	(110)	38
Profit on sale of Irish Banks	43	(332)	(289)	-
Provision in respect of tax dispute on TrUEPrS SM	97	-	97	-
Other	11	(11)	-	(41)
Total income tax expense on profit from ordinary activities excluding that attributable to the statutory funds of the life insurance business	592	565	1,157	889
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business	448	192	640	301
Total income tax expense	1,040	757	1,797	1,190
Effective tax rate excluding statutory funds attributable to the life insurance business	29.8%	19.5%	23.7%	23.7%
By Division				
Australian Banking	382	409	791	858
UK Banking	116	117	233	261
New Zealand Banking	78	79	157	161
Institutional Markets & Services	45	45	90	99
Other (incl. Group Funding & Corporate Centre)	(18)	(2)	(20)	(17)
Total Banking	603	648	1,251	1,362
Wealth Management				
Cash earnings				
Net life insurance income & IORE	448	192	640	301
Other	(34)	37	3	(22)
Revaluation profit/(loss) - ordinary	(13)	3	(10)	(3)
Revaluation profit/(loss) - tax consolidations ⁽¹⁾	-	-	-	(150)
Total income tax expense before significant items	1,004	880	1,884	1,488
Significant items	36	(123)	(87)	(298)
Total income tax expense	1,040	757	1,797	1,190

⁽¹⁾ Income tax benefit that arose due to the National's election to consolidate for Australian income tax purposes.

Detailed Financial Information - Note 14: Income Tax Reconciliation

	Half Year to		Year to	
	Sep 05 \$m	Mar 05 \$m	Sep 05 \$m	Sep 04 \$m
Wealth Management operations				
Cash earnings before significant items before income tax				
Australia	1,071	549	1,620	937
Overseas	41	63	104	55
Add/deduct: (Profit)/loss from ordinary activities before income tax expense attributable to the life insurance statutory funds and their controlled trusts	(1,106)	(544)	(1,650)	(995)
Total profit from ordinary activities excluding that attributable to the statutory funds of the life insurance business, before income tax expense	6	68	74	(3)
Prima facie income tax at 30%	2	20	22	(1)
Add/(deduct) tax effect of permanent differences:				
Under/(over) provision in prior year	2	2	4	(8)
Other	(38)	15	(23)	(13)
Total income tax expense/(benefit) on operating profit excl. that attributable to the statutory funds of the life insurance business	(34)	37	3	(22)
Income tax attributable to the statutory funds of the life insurance business	448	192	640	301
Total income tax expense/(benefit) attributable to cash earnings before significant items	414	229	643	279
Effective tax rate excluding statutory funds attributable to the life insurance business	large	54.4%	4.1%	large
Banking operations				
Cash earnings before significant items before income tax				
Australia	1,331	1,351	2,682	2,890
Overseas	831	781	1,612	1,781
Total cash earnings before income tax	2,162	2,132	4,294	4,671
Prima facie income tax at 30%	648	640	1,288	1,402
Add/(deduct) tax effect of permanent differences:				
Assessable foreign income	4	3	7	26
Rebate of tax on dividends, interest etc	(13)	(16)	(29)	(43)
Foreign tax rate differences	25	11	36	1
Distributions outside the Group	-	-	-	(5)
Non-assessable branch income	(27)	(17)	(44)	(36)
Future income tax benefits not recognised/(recognised)	(11)	26	15	-
Under/(over) provision in prior year	(34)	1	(33)	(1)
Interest expense on exchangeable capital units	15	16	31	33
Other	(4)	(16)	(20)	(15)
Total income tax expense on cash earnings before significant items	603	648	1,251	1,362
Effective tax rate	27.9%	30.4%	29.1%	29.2%

15. SIGNIFICANT ITEMS

	Half Year to		Year to	
	Sep 05	Mar 05	Sep 05	Sep 04
	\$m	\$m	\$m	\$m
Disposal of Irish Banks				
Proceeds from the sale of controlled entities	(21)	2,514	2,493	-
Cost of controlled entities sold	40	(1,456)	(1,416)	-
Profit on sale of controlled entities	19	1,058	1,077	-
Income tax (expense)/benefit	(49)	15	(34)	-
Net profit on sale of controlled entities ⁽¹⁾	(30)	1,073	1,043	-
Restructuring expenses				
Restructuring expenses	(435)	(403)	(838)	-
Income tax benefit	111	121	232	-
Net restructuring expenses ⁽¹⁾	(324)	(282)	(606)	-
Provision in respect of tax dispute on TrUEPrsSM				
Income tax expense ⁽¹⁾	(97)	-	(97)	-
Foreign currency options trading losses				
Foreign currency options trading losses	-	34	34	(360)
Income tax (expense)/benefit	-	(10)	(10)	108
Net foreign currency options trading losses ⁽¹⁾	-	24	24	(252)
PfG Restructuring provision				
Reversal of PfG restructuring provision	2	9	11	-
Income tax expense	(1)	(3)	(4)	-
Net reversal of PfG restructuring provision ⁽¹⁾	1	6	7	-
Disposal of strategic shareholdings				
Proceeds from the sale of strategic shareholdings	-	-	-	993
Cost of sale of strategic shareholdings	-	-	-	(678)
Net profit on sale of strategic shareholdings	-	-	-	315
Cost of foreign controlled entities sold - revision of accounting estimate				
Reversal of HomeSide non-lending loss provision	-	-	-	64
Write-down of impaired application software				
Integrated Systems Implementation (ISI)	-	-	-	(200)
Wealth Management Europe - Endeavour	-	-	-	(60)
Other	-	-	-	(149)
Write-down of impaired application software	-	-	-	(409)
Income tax benefit	-	-	-	102
Net write-down of impaired application software	-	-	-	(307)
Charge to provide for doubtful debts - revision of accounting estimate				
Charge to provide for doubtful debts	-	-	-	(292)
Income tax benefit	-	-	-	88
Net charge to provide for doubtful debts	-	-	-	(204)
Significant items after tax	(450)	821	371	(384)

⁽¹⁾ Refer to page 20 for further discussion.

16. EXCHANGE RATES

Exchange rates

	Statement of Financial Performance				Statement of Financial Position		
	Average Half Year to		Average Year to		Spot as at		
	Sep 05	Mar 05	Sep 05	Sep 04	30 Sep 05	31 Mar 05	30 Sep 04
British Pounds	0.4198	0.4085	0.4141	0.4055	0.4326	0.4114	0.3973
Euros	0.6165	0.5883	0.6024	0.5970	0.6329	0.5974	0.5799
United States Dollars	0.7642	0.7667	0.7654	0.7265	0.7617	0.7726	0.7149
New Zealand Dollars	1.0863	1.0831	1.0847	1.1254	1.0991	1.0883	1.0682

Impact on Statement of Financial Performance of exchange rate movements

Year to September 2005 since September 2004 Favourable/(unfavourable)	Europe	New Zealand	United States	Asia	Total
	\$m	\$m	\$m	\$m	\$m
Net interest income	(41)	31	(8)	(1)	(19)
Other operating income	(20)	16	(4)	(6)	(14)
Other operating expenses	39	(24)	5	2	22
Charge to provide for doubtful debts	4	(1)	-	-	3
Income tax expense	5	(5)	-	-	-
Cash earnings before significant items, distributions and outside equity interest	(13)	17	(7)	(5)	(8)

Half Year to September 2005 since March 2005 Favourable/(unfavourable)	Europe	New Zealand	United States	Asia	Total
	\$m	\$m	\$m	\$m	\$m
Net interest income	(28)	(1)	-	-	(29)
Other operating income	(14)	(1)	-	1	(14)
Other operating expenses	27	1	-	-	28
Charge to provide for doubtful debts	3	-	-	-	3
Income tax expense	3	-	-	-	3
Cash earnings before significant items, distributions and outside equity interest	(9)	(1)	-	1	(9)

Impact on Statement of Financial Position of exchange rate movements

Since 30 September 2004 increase/(decrease)	Europe \$m	New Zealand \$m	United States \$m	Asia \$m	Total \$m
Housing	(1,602)	(402)	-	(38)	(2,042)
Term lending	(1,812)	(393)	(155)	(63)	(2,423)
Overdrafts	(1,075)	(32)	-	-	(1,107)
Leasing	(638)	(1)	-	(1)	(640)
Credit cards	(151)	(28)	-	-	(179)
Other	(117)	(18)	-	(12)	(147)
Gross loans and advances	(5,395)	(874)	(155)	(114)	(6,538)
Other assets	(4,381)	(101)	(411)	(205)	(5,098)
Total assets	(9,776)	(975)	(566)	(319)	(11,636)
Deposits and other borrowings	(5,079)	(721)	(694)	(225)	(6,719)

Since 31 March 2005 increase/(decrease)	Europe \$m	New Zealand \$m	United States \$m	Asia \$m	Total \$m
Housing	(749)	(152)	-	9	(892)
Term lending	(1,112)	(142)	39	13	(1,202)
Overdrafts	(257)	(13)	-	-	(270)
Leasing	(313)	-	-	-	(313)
Credit cards	(75)	(10)	-	-	(85)
Other	(138)	18	-	(33)	(153)
Gross loans and advances	(2,644)	(299)	39	(11)	(2,915)
Other assets	(2,103)	(20)	105	3	(2,015)
Total assets	(4,747)	(319)	144	(8)	(4,930)
Deposits and other borrowings	(2,183)	(254)	115	83	(2,239)

17. CAPITAL ADEQUACY

Regulatory capital position

Under guidelines issued by APRA, life insurance and funds management activities are excluded from the calculation of risk-weighted assets, and the related controlled entities are deconsolidated for the purposes of calculating capital adequacy. The intangible component of the investment in these controlled entities (the difference between the appraisal value and the embedded value) is deducted from Tier 1 capital, and the embedded value is deducted from the total of eligible Tier 1 and Tier 2 capital. Additionally, any profits from these activities included in the Group's results are excluded from the determination of Tier 1 capital to the extent that they have not been remitted to the Company in the form of dividends. A reconciliation of capital under the different bases is provided.

	As at		
	30 Sep 05 \$m	31 Mar 05 \$m	30 Sep 04 \$m
Reconciliation to shareholders funds			
Contributed equity	11,486	11,322	10,191
Reserves	667	802	1,194
Retained profits	15,903	15,770	14,515
Outside equity interest	6,224	4,107	3,866
Estimated reinvestment under dividend reinvestment plan	152	151	150
Less: Goodwill	(522)	(571)	(632)
Estimated final dividend	(1,304)	(1,293)	(1,287)
Intangible assets - Wealth Management	(2,448)	(2,448)	(2,448)
Asset revaluation reserve	(18)	(17)	(86)
Deconsolidation of Wealth Management profits (net of dividends)	(799)	(305)	(349)
FITB (excluding FITB on the general provision for doubtful debts) ⁽¹⁾	(143)	(55)	-
Non - qualifying outside equity interest	(6,224)	(4,107)	(3,866)
Capitalised expenses	(195)	(200)	(200)
Tier 1 capital	22,779	23,156	21,048
Asset revaluation reserve	18	17	86
General provision for doubtful debts	1,443	1,415	1,480
Perpetual floating rate notes	328	324	350
Dated subordinated debts	7,422	8,475	9,044
Exchangeable capital units	1,231	1,262	1,262
Notional revaluation of investment securities to market	(18)	-	(3)
Tier 2 capital	10,424	11,493	12,219
Other deductions ⁽²⁾	(2,922)	(2,922)	(2,922)
Total regulatory capital	30,281	31,727	30,345
Risk-weighted assets - credit risk	276,540	266,854	273,189
Risk-weighted assets - market risk ⁽³⁾	13,293	12,294	13,616
Total risk-weighted assets ⁽³⁾	289,833	279,148	286,805
Risk adjusted capital ratios			
Tier 1	7.86%	8.30%	7.34%
Tier 2	3.60%	4.12%	4.26%
Deductions	(1.01%)	(1.05%)	(1.02%)
Total capital	10.45%	11.37%	10.58%

⁽¹⁾ APRA requires any excess FITB (excluding FITB impact on the general provision for doubtful debts) over the provision for deferred income tax liabilities be deducted from Tier 1 capital.

⁽²⁾ Represents \$2,922 million investment in non-consolidated controlled entities, net of intangible component deducted from Tier 1 capital (Mar 05: \$2,922 million, Sep 04: \$2,922 million).

⁽³⁾ From 31 March 2004, risk-weighted assets - market risk is calculated based on the Standard Method.

	As at		
	30 Sep 05 \$m	31 Mar 05 \$m	30 Sep 04 \$m
Adjusted common equity ratio reconciliation			
Tier 1 capital	22,779	23,156	21,048
Adjusted for:			
National Income Securities	(1,945)	(1,945)	(1,945)
Trust Preferred Securities	(975)	(975)	(975)
Trust Preferred Securities II	(1,014)	(1,014)	-
Other deductions	(2,922)	(2,922)	(2,922)
Adjusted common equity	15,923	16,300	15,206
Total risk-weighted assets	289,833	279,148	286,805
Adjusted common equity ratio	5.49%	5.84%	5.30%

Wealth Management capital adequacy position

The National conservatively manages the capital adequacy and solvency position of its Wealth Management entities separately from that of the banking business by reference to regulatory and internal requirements. The majority of the National's Wealth Management entities are separately regulated and need to meet capital adequacy and solvency standards of APRA and equivalent non-Australian regulators. In addition, internal Board policy ensures that capital is held in excess of minimum regulatory capital requirements in order to provide a conservative buffer. There are two entities within the Wealth Management group with credit ratings, MLC Lifetime Company Limited and MLC Ltd, both of which have the same Standard and Poor's long-term credit rating as the National (AA-).

The National also seeks to efficiently manage the capital base of the Wealth Management group and targets conservative levels of financial leverage to enhance shareholder value. The National targets an overall gearing ratio (debt to debt plus equity) for the Wealth Management group of 20% to 25%, which is consistent with a AA- credit rating. Equity for the purposes of this calculation represents the value of the National's investment in Wealth Management plus subordinated hybrid instruments qualifying for equity credit for rating agency purposes (up to a maximum of 15% of total equity). Currently there are no such instruments on issue. As at 30 September 2005, the Wealth Management gearing ratio was 17% (31 March 2005: 17%, 30 September 2004: 16%) and interest cover was 12.7 times (31 March 2005: 10.8 times, 30 September 2004: 8.5 times).

The total deduction from the Group's capital position in respect of Wealth Management entities at 30 September 2005 was \$6,169 million (31 March 2005: \$5,675 million, 30 September 2004: \$5,719 million). The reconciliation between the market value of NAFIM subsidiaries and Wealth Management capital deduction is outlined below.

Reconciliation of market value of NAFiM subsidiaries to Wealth Management deduction from capital	As at		
	30 Sep 05	31 Mar 05	30 Sep 04
	\$m	\$m	\$m
NAFiM subsidiaries market value	7,058	6,590	6,509
Adjusted for:			
Net liabilities of NAFiM not in the mark to market valuation environment	(290)	(236)	(96)
Net assets of other Wealth Management entities not in the NAFiM group	45	42	48
Debt from the National used to fund acquisition of existing Europe and NZ businesses on 1 January 2002	(452)	(472)	(489)
Market value uplift in NAFiM upon introduction of AASB 1038 in the year to September 2000	(217)	(217)	(217)
Cumulative tax on revaluation profit and other adjustments	25	(32)	(36)
Total Wealth Management deduction from capital	6,169	5,675	5,719
Represented by:			
Wealth Management deductions from tier 1 capital			
Intangible assets	2,448	2,448	2,448
Deconsolidation of Wealth Management profits (net of dividends)	799	305	349
Wealth Management deductions from total capital			
Investment in non-consolidated controlled entities (net of intangible component deducted from Tier 1)	2,922	2,922	2,922
Total Wealth Management deduction from capital	6,169	5,675	5,719

For the purposes of determining the market valuation of NAFiM subsidiaries of \$7,058 million, internal debt from the National of \$452 million is eliminated. This debt relates to an internal restructure undertaken by the National in 2002.

On 1 January 2002, the life and insurance businesses of Bank of New Zealand and National Australia Group Europe were sold to NAFiM subsidiaries as part of an internal restructure for a total consideration of \$677 million, representing the market value at that time. Wealth Management funded the consideration for these entities with debt from the National. Of the total debt outstanding, \$452 million is included within the balance sheet of NAFiM subsidiaries in New Zealand and Europe. Using exchange rates as at the date of the transaction, this debt amounts to \$494 million and corresponds to the gain on sale arising within the banking entities concerned. The balance of the transaction debt is included within NAFiM's own balance sheet and is outside of the mark to market valuation environment.

The capital position of the National's banking and Wealth Management entities are separately regulated and assessed. In accordance with this approach, the profit on sale of \$494 million arising in the banking entities concerned is recorded as Tier 1 capital of the National.

18. RECONCILIATION OF NUMBER OF SHARES

	Year to	
	Sep 05	Sep 04
	No. '000	No. '000
Ordinary shares, fully paid		
Balance at beginning of period	1,550,784	1,503,956
Shares issued		
Dividend reinvestment plan	6,916	21,206
Bonus share plan	4,562	3,364
Underwriting of dividend reinvestment plan	-	22,959
Staff share ownership plan	894	803
Staff share allocation plan	529	1,620
Executive option plan no. 2	1,795	2,225
Exchangeable capital units converted	1,611	7
Paying up of partly paid shares	97	116
Shares bought back	-	(5,472)
	1,567,188	1,550,784
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	563	679
Paying up of partly paid shares	(97)	(116)
	466	563
Total number of ordinary shares on issue at end of period	1,567,654	1,551,347

	Half Year to	
	Sep 05	Mar 05
	No. '000	No. '000
Ordinary shares, fully paid		
Balance at beginning of period	1,558,324	1,550,784
Shares issued		
Dividend reinvestment plan	3,233	3,683
Bonus share plan	1,938	2,624
Underwriting of dividend reinvestment plan	-	-
Staff share ownership plan	286	608
Staff share allocation plan	529	-
Executive option plan no. 2	1,199	596
Exchangeable capital units converted	1,609	2
Paying up of partly paid shares	70	27
Shares bought back	-	-
	1,567,188	1,558,324
Ordinary shares, partly paid to 25 cents		
Balance at beginning of period	536	563
Paying up of partly paid shares	(70)	(27)
	466	536
Total number of ordinary shares on issue at end of period	1,567,654	1,558,860

19. CASH EARNINGS PER SHARE

	Year to			
	Sep 05 Basic	Sep 05 Diluted ⁽¹⁾	Sep 04 Basic	Sep 04 Diluted ⁽¹⁾
Earnings (\$m)				
Cash earnings before significant items ⁽²⁾	3,310	3,310	3,461	3,461
Potential dilutive adjustments				
Interest expense on exchangeable capital units	-	106	-	112
Adjusted cash earnings before significant items	3,310	3,416	3,461	3,573
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares	1,559,118	1,559,118	1,515,270	1,515,270
Potential dilutive ordinary shares				
Performance options and performance rights	-	1,876	-	711
Partly paid ordinary shares	-	321	-	375
Exchangeable capital units	-	64,911	-	65,454
Total weighted average ordinary shares	1,559,118	1,626,226	1,515,270	1,581,810
Cash earnings before significant items per share (cents)	212.3	210.1	228.5	226.0

	Half Year to			
	Sep 05 Basic	Sep 05 Diluted ⁽¹⁾	Mar 05 Basic	Mar 05 Diluted ⁽¹⁾
Earnings (\$m)				
Cash earnings before significant items ⁽²⁾	1,692	1,692	1,618	1,618
Potential dilutive adjustments				
Interest expense on exchangeable capital units	-	53	-	53
Adjusted cash earnings before significant items	1,692	1,745	1,618	1,671
Weighted average ordinary shares (no. '000)				
Weighted average ordinary shares	1,562,509	1,562,509	1,555,388	1,555,388
Potential dilutive weighted average ordinary shares				
Performance options and performance rights	-	2,199	-	784
Partly paid ordinary shares	-	326	-	361
Exchangeable capital units	-	64,374	-	65,452
Total weighted average ordinary shares	1,562,509	1,629,408	1,555,388	1,621,985
Cash earnings before significant items per share (cents)	108.3	107.1	104.0	103.0

⁽¹⁾ The weighted average diluted number of ordinary shares includes the impact of performance options, performance rights, partly paid ordinary shares and potential conversion of exchangeable capital units.

⁽²⁾ Refer to page 4 for a reconciliation of cash earnings before significant items to Group net profit.

20. GEOGRAPHIC PERFORMANCE SUMMARY

The following table sets out the Group's results from a pure geographic split (ie. based on the region in which the entity that booked the transactions is located). These geographic results are different from the Divisional management reporting structure due to the separate reporting of Asia and the geographic breakdown of Institutional Markets & Services and Other.

	Half Year to		Fav / (Unfav)	Year to		Fav / (Unfav)
	Sep 05	Mar 05	Change on Mar 05	Sep 05	Sep 04	Change on Sep 04
	\$m	\$m	%	\$m	\$m	%
Cash earnings						
Australia						
Banking	910	951	(4.3)	1,861	1,993	(6.6)
Wealth Management (ex Asia)	204	177	15.3	381	302	26.2
Institutional Markets & Services	150	113	32.7	263	265	(0.8)
Other (Group Funding & Corporate Centre)	(172)	(162)	(6.2)	(334)	(296)	(12.8)
Total Australia Region	1,092	1,079	1.2	2,171	2,264	(4.1)
Europe (UK & Ireland)						
Banking	215	266	(19.2)	481	594	(19.0)
Wealth Management	14	31	(54.8)	45	17	large
Institutional Markets & Services	60	104	(42.3)	164	112	46.4
Other (Group Funding & Corporate Centre)	52	20	large	72	(2)	large
Total Europe Region	341	421	(19.0)	762	721	5.7
New Zealand						
Banking	160	159	0.6	319	296	7.8
Wealth Management	8	4	large	12	11	9.1
Institutional Markets & Services	73	59	23.7	132	134	(1.5)
Other (Group Funding & Corporate Centre)	5	1	large	6	(9)	large
Total New Zealand Region	246	223	10.3	469	432	8.6
United States						
Institutional Markets & Services	9	21	(57.1)	30	22	36.4
Other (Group Funding & Corporate Centre)	57	41	39.0	98	139	(29.5)
Total United States Region	66	62	6.5	128	161	(20.5)
Asia						
Wealth Management	16	17	(5.9)	33	18	83.3
Institutional Markets & Services	13	11	18.2	24	25	(4.0)
Other (Group Funding & Corporate Centre)	27	(100)	large	(73)	27	large
Total Asia Region	56	(72)	large	(16)	70	large
Cash earnings before significant items and distributions	1,801	1,713	5.1	3,514	3,648	(3.7)

Refer to the Divisional Performance Summary on page 4 for a reconciliation of cash earnings before significant items and distributions to net profit.

21. RISK MANAGEMENT

Market risk

The management of market risk has been discussed in detail in the Group's annual financial report 2004, at Risk Management and Note 45 Derivative Financial Instruments and will be updated in the 2005 annual financial report. Please refer to that report for detailed information regarding the management of risk.

Trading risk

The following table shows the Group's Value at Risk (VaR) for the Group's trading portfolios, including both physical and derivative positions. The figures reflect the potential losses across products and regions in which the Group operates.

Value at risk at 99% confidence level	Average value		Minimum value		Maximum value	
	Year to		Year to ⁽¹⁾		Year to ⁽¹⁾	
	Sep 05	Sep 04	Sep 05	Sep 04	Sep 05	Sep 04
	\$m	\$m	\$m	\$m	\$m	\$m
Foreign exchange risk	3	7	1	1	7	39
Interest rate risk	13	13	9	7	18	21
Volatility risk	1	5	1	1	3	20
Commodities risk	-	1	-	-	1	2
Credit risk ⁽²⁾	-	-	-	-	1	-
Diversification benefit	(3)	(6)	n/a	n/a	n/a	n/a
Total	14	20	11	9	20	55

Value at risk at 99% confidence level	Average value		Minimum value		Maximum value	
	Half Year to		Half Year to ⁽¹⁾		Half Year to ⁽¹⁾	
	Sep 05	Mar 05	Sep 05	Mar 05	Sep 05	Mar 05
	\$m	\$m	\$m	\$m	\$m	\$m
Foreign exchange risk	2	3	1	1	6	7
Interest rate risk	13	14	10	9	17	18
Volatility risk	1	1	1	1	3	1
Commodities risk	-	-	-	-	-	1
Credit risk ⁽²⁾	1	-	-	-	1	-
Diversification benefit	(3)	(3)	n/a	n/a	n/a	n/a
Total	14	15	11	11	18	20

⁽¹⁾ Value at risk is measured individually according to foreign exchange risk, interest rate risk, volatility risk and commodities risk. The individual risk categories do not sum up to the total risk number due to portfolio effect. Risk limits are applied in these categories separately, and against the total risk position.

⁽²⁾ As of 1st June 2005 Market Risk included Credit VaR as part of the internal Model calculation.

VaR is a statistically based loss estimate. The VaR produced in this report is calculated by revaluing trading portfolios using 517 one day holding period scenarios (reflecting 2 years of recent market history). The results from these scenarios are ranked to identify the 99th percentile loss.

Balance sheet risk

a) Structural interest rate risk

The table below presents a summary of the aggregated structural earnings at risk relating to non-trading assets and liabilities. Based on the structural interest rate risk position at balance date, the table shows the possible impact on net income for the year ending September 30, 2006 of an immediate 1% parallel movement in interest rates across the whole yield curve.

	Forecast effect on net income 2006 ⁽¹⁾		Forecast effect on net income 2005 ⁽²⁾	
	Rates 1% up	Rates 1% down	Rates 1% up	Rates 1% down
	\$m	\$m	\$m	\$m
Australian operations	42	(42)	50	(50)
Non-Australian operations	10	(10)	43	(44)

⁽¹⁾ Represents the forecast effect on net interest income for the year ending September 30, 2006 as calculated by the EaR Measure introduced during the year.

⁽²⁾ Represents the forecast effect on net interest income (as at September 30, 2004) for the year ending September 30, 2005.

b) Structural foreign exchange rate risk

Refer to the Group's annual financial report 2004 at Risk Management for a detailed discussion of the management of these risks. This will be updated in the 2005 annual financial report.

Liquidity risk

Refer to the Group's annual financial report 2004 at Risk Management for a detailed discussion of the management of these risks. This will be updated in the 2005 annual financial report.

Operational, credit & country risk

Refer to the Group's annual financial report 2004 at Risk Management for a detailed discussion of the management of these risks. This will be updated in the 2005 annual financial report.

Derivatives fair values

This table shows the fair value of all derivative instruments held or issued by the Group. It includes trading and other than trading contracts.

	As at 30 Sep 05			As at 30 Sep 04		
	Notional principal	Credit equivalent	Fair value	Notional principal	Credit equivalent	Fair value
	\$m	\$m	\$m	\$m	\$m	\$m
Foreign exchange rate-related contracts						
Spot and forward contracts	338,608	7,448	(526)	299,331	6,796	(509)
Cross currency swaps	160,016	11,939	(1,024)	117,173	8,252	284
Futures	58	-	-	156	-	-
Options	38,414	715	(15)	348,056	2,711	(190)
	537,096	20,102	(1,565)	764,716	17,759	(415)
Interest rate-related contracts						
Forward rate agreements	117,273	19	3	117,048	37	(5)
Swaps	830,429	10,348	302	706,667	10,846	110
Futures	320,503	-	-	217,995	-	14
Options	108,947	535	51	81,857	404	72
	1,377,152	10,902	356	1,123,567	11,287	191
Other contracts	25,585	2,196	74	18,398	1,713	24
Total derivative financial instruments	1,939,833	33,200	(1,135)	1,906,681	30,759	(200)
Deduct : Non consolidated controlled entities	3,207	32	28	3,519	78	43
Total derivative financial instruments reported for capital adequacy	1,936,626	33,168	(1,163)	1,903,162	30,681	(243)

22. TRANSITION TO AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In July 2002, the Financial Reporting Council in Australia formally announced that Australian reporting entities would be required to comply with Australian accounting standards equivalent to International Financial Reporting Standards (AIFRS) and other pronouncements set by the International Accounting Standards Board (IASB) for financial years commencing on or after January 1, 2005.

The Group is required to adopt these standards for the financial year commencing October 1, 2005 and they will be first reflected in the Group's financial statements for the half-year ending March 31, 2006. Comparative financial information prepared in compliance with AIFRS is required for the financial year commencing October 1, 2004. Comparative information is not required for AASB 132 "Financial Instruments: Disclosure and Presentation" (AASB 132), AASB 139 "Financial Instruments: Recognition and Measurement" (AASB 139) and AASB 4 "Insurance Contracts" (AASB 4).

A program board is monitoring the Group's AIFRS implementation. Dedicated work streams evaluated the impact of specific accounting standards and managed the necessary changes to processes and systems. These changes are now substantially complete. AIFRS financial information has been collected during the financial year ended September 30, 2005.

AIFRS frequently require application of fair value measurement techniques. This will potentially introduce greater volatility to the Group's reported financial performance. The adoption of these standards has a material effect on the Group's reported financial position, however, the underlying economics of the business will not change.

Two types of adjustments arise from the transition to AIFRS:

- those concerning recognition and measurement of items in the financial statements; and
- those concerning presentation and disclosure of items in the financial statements.

Recognition and measurement adjustments that arise as a result of the transition process are recognised in either retained earnings or an appropriate equity reserve at the date of transition. They will affect reported profit or equity for periods after that date.

Presentation and disclosure adjustments do not impact total equity or retained earnings, other than a reclassification of outside equity interests from equity to liabilities.

The transition to AIFRS changes a number of the Group's accounting policies. Based on AIFRS as currently issued, the areas of most significant impact and the transitional adjustments arising from application of AIFRS are summarised below. These adjustments are our best estimates at reporting date and are subject to change.

There are future changes expected to AIFRS that the Group will need to address, including Phase II of the IASB's insurance project. The Group continues to monitor these and other developments, including emerging industry practice, additional guidance relating to application of AIFRS and interpretations subject to international debate. These developments may require future changes to Group accounting policy. These changes may be reflected in the Group's March 31, 2006 financial report, or a later financial report as appropriate.

The quantified impacts of the application of relevant AIFRS on total equity and profit as discussed below have been presented in tables at the end of this note. All adjustments have been presented on a pre-tax basis. Issues arising from AIFRS standards applicable from October 1, 2004 have been segregated from those arising from standards applicable from October 1, 2005.

Transitional adjustments as at October 1, 2004

(a) Defined benefit pension plans

AIFRS requires defined benefit pension and superannuation plan surpluses and deficits to be recognised on the balance sheet. Consequently, a transitional adjustment is required to recognise defined benefit pension surpluses and deficits on the balance sheet with a corresponding entry made to retained earnings.

The transitional adjustments in accordance with AASB 119 "Employee Benefits" (AASB 119), for each of the Group's material pension and superannuation plans have been, in the case of Australia and New Zealand, calculated based upon a roll forward of the last triennial actuarial valuations performed between 2002 and 2003. For the European funds (including those relating to the Irish Banks), the transitional adjustments have been based upon triennial actuarial valuations undertaken as at September 30, 2004.

The Group has recognised a defined benefit pension liability at October 1, 2004 of \$1,280 million relating to the Group's European pension plans. A defined benefit pension asset of \$130 million has been recognised relating to the Group's New Zealand and Australian pension plans. Additionally, the net prepaid pension cost asset recognised under Australian GAAP of \$578 million, predominantly in respect of the Yorkshire Bank and

Bank of New Zealand pension and superannuation plans, is derecognised upon transition to AIFRS at October 1, 2004.

In total, the decrease to retained earnings at October 1, 2004 is \$1,728 million. The value of the net defined benefit pension liability for financial reporting purposes does not impact the assessment of funding requirements for the plans.

AASB 119 was amended in December 2004 to permit the application of three options for the recognition of ongoing actuarial gains and losses related to defined benefit pension and superannuation plans. In respect of ongoing actuarial gains and losses, the standard now permits: full and immediate recognition through the income statement; deferred recognition through the income statement (corridor approach); or full and immediate recognition directly through retained earnings.

The Group has determined that it will recognise full actuarial gains and losses directly in retained earnings. While the choice of option will impact the income statement subsequent to transition, it does not impact the calculation of the transitional adjustment. The amendment does not impact other components of pension expense, which will continue to be recognised in the income statement.

For the AIFRS comparative year ended September 30, 2005 the expense calculated in accordance with AASB 119 was \$36 million less than had been recorded under Australian GAAP.

Additionally, there was an actuarial loss of \$68 million, resulting in a decrease in retained earnings and an increase in the net accounting deficit recognised in respect of defined benefit pension plans.

The Irish Banks were sold on February 28, 2005. The net profit on sale of the Irish Banks reported as a significant item under Australian GAAP in the year ended September 30, 2005 was \$1,043 million. For the AIFRS comparative year ended September 30, 2005 the net profit on sale of the Irish Banks was \$1,313 million, an increase of \$270 million. The increase is largely due to the impact of recognising the defined benefit pension liabilities in respect of the Irish Banks at October 1, 2004.

(b) Wealth Management revaluation – excess of market value over net assets (EMVONA)

On transition to AIFRS, EMVONA is derecognised and revaluation movements will no longer be recognised in the Group's income statement.

Broadly, EMVONA represents:

- acquired goodwill in respect of life insurance controlled entities remaining at balance date;
- increases in the value of goodwill of the controlled entities since acquisition; and
- the difference between the values assigned to assets and liabilities of the controlled entity within the Group's financial report and those in the report of the controlled entity arising due to valuation methodology differences.

The whole of the EMVONA balance of \$4,905 million is written off to retained earnings upon transition to AIFRS. Under AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" (AASB 1), EMVONA will be partially replaced by acquired goodwill of \$4,094 million and other items, including intangible assets relating to past acquisitions, of \$73 million. The net decrease in retained earnings is \$738 million.

Under AASB 1, the goodwill recognised does not include any notional amortisation from the date of acquisition until AIFRS transition. On an ongoing basis the goodwill will be subject to an annual impairment test. The other intangible assets recognised (management agreements), will be amortised over a period equivalent to their useful life and will be reviewed for any indication of impairment at each reporting date.

During the AIFRS comparative year ended September 30, 2005 revaluation uplift in EMVONA of \$335 million was recognised under Australian GAAP. This amount has been reversed in the AIFRS comparative income statement. Additionally, \$47 million relating to foreign exchange movements arising upon consolidation of Wealth Management's life insurance foreign subsidiaries has been reversed to the foreign currency translation reserve.

(c) Consolidation of special purpose entities

As at October 1, 2004 the AIFRS consolidation rules require the Group to consolidate all securitisation special purpose entities that were not previously consolidated under Australian GAAP. The consolidation rules impact both existing and new securitisation arrangements involving the Group's assets and those of its customers. Special purpose entities require consolidation where the Group has access to the majority of the residual income or is exposed to the majority of the residual risk associated with the special purpose entity.

The opening adjustment as at October 1, 2004 is a gross up of assets and liabilities of \$5,732 million and \$5,734 million respectively, with a corresponding minimal impact on total equity. During the AIFRS comparative year ended September 30, 2005 the impact on profit before tax arising from the consolidation of these entities is immaterial.

As a consequence of the impact of AIFRS, during the year ended September 30, 2005 the Group commenced making structural changes to special purpose entities involved in certain securitisation programs. For AIFRS reporting purposes, these changes allowed deconsolidation of one of the entities as at April 1, 2005. Two more entities were deconsolidated as at October 1, 2005.

(d) Taxation

AASB 112 “Income Taxes” (AASB 112), requires the Group to adopt a balance sheet approach to determining deferred tax items, based upon a comparison of accounting carrying amounts of assets and liabilities with their tax base. This method identifies a broader range of differences than those that arise currently under Australian GAAP.

At October 1, 2004 the application of AASB 112 resulted in adjustments including an increase in deferred tax assets of \$449 million and a decrease in deferred tax liabilities of \$81 million. These adjustments have increased retained earnings by \$558 million and decreased the asset revaluation reserve by \$38 million. These adjustments arise mainly from the tax impacts of the AIFRS transitional adjustments arising as at October 1, 2004.

During the AIFRS comparative year ended September 30, 2005 the income tax expense was \$10 million less than that recognised under Australian GAAP.

(e) Share-based payments

AIFRS introduces the requirement for the Group to recognise an expense in respect of all share-based remuneration (performance options, performance rights and shares issued to employees) determined with reference to the fair value of the equity instruments issued. The fair value of performance options and performance rights is calculated using an appropriate valuation technique, based upon an arm’s length transaction between knowledgeable, willing parties. The fair value of shares issued under the staff share schemes is determined by reference to the market price.

The fair value of the performance options and performance rights at grant date will be expensed over their expected vesting period on a straight-line basis. The fair value of shares issued under the staff share schemes will be recognised as an expense when issued.

Under the exemption provided in AASB 1, the Group has not applied AASB 2 “Share-based Payment” to equity instruments issued prior to November 7, 2002. The transitional adjustment at October 1, 2004 is therefore calculated in respect of performance options and performance rights granted from November 7, 2002 that remain unvested at January 1, 2005.

The opening transitional adjustment as at October 1, 2004 is an increase in the executive share option reserve of \$34 million, with a corresponding decrease in retained earnings.

For the AIFRS comparative year ended September 30, 2005 the expense for share based payments is \$66 million, representing:

- \$21 million expense in respect of shares issued under the staff share schemes, with a corresponding increase in contributed equity; and
- \$45 million expense in respect of performance options and performance rights vesting through the financial year, with a corresponding increase in the executive share option reserve.

(f) Goodwill, intangible assets and impairment

Upon transition to AIFRS goodwill will no longer be amortised. Instead, goodwill will be tested for impairment annually and assessed for any indication of impairment at each reporting date to ensure that its carrying amount does not exceed its recoverable amount. If an impairment loss is identified, it will be recognised immediately in the income statement. No impairment of goodwill was identified at October 1, 2004.

During the AIFRS comparative year ended September 30, 2005 goodwill amortisation of \$97 million was recognised under Australian GAAP. This amount has been reversed in the AIFRS comparative income statement. No impairment of goodwill was identified for the AIFRS comparative year.

Intangible assets other than goodwill will be amortised on a systematic basis that best reflects the expected pattern of consumption of the assets’ benefits over their respective useful lives.

(g) Foreign currency translation

Under the exemption provided in AASB 1, the Group has reset the foreign currency translation reserve (FCTR) to nil as at October 1, 2004 resulting in an increase in retained earnings of \$166 million.

Translation differences in relation to foreign controlled entities subsequent to transition to AIFRS will continue to be recorded in the FCTR. The gain or loss recognised in the income statement on a future disposal of a foreign controlled entity will include any translation differences that arose after October 1, 2004. The impact on the FCTR of the sale of the Irish Banks on February 28, 2005 was immaterial.

(h) Wealth Management investment business - revenue and expense recognition

Under Australian GAAP, acquisition costs, net of initial commission revenue, relating to acquiring new investment business, are deferred and subsequently recognised in the income statement over the average life of the contracts. Under AIFRS, initial commission revenue will be recognised at the inception of the contract. Similarly, costs will be recognised and expensed as they are incurred.

The AIFRS adjustment as at October 1, 2004 is in respect of contracts issued by entities other than life insurance entities and represents a write off of the cumulative deferred acquisition costs asset of \$100 million to retained earnings.

During the AIFRS comparative year ended September 30, 2005 the increase in the deferred acquisition costs asset recognised under Australian GAAP of \$12 million has been reversed in the AIFRS comparative income statement.

(i) Treasury shares

Under Australian GAAP, direct investments in National Australia Bank Limited shares by the Group's life insurance statutory funds are recognised within investments relating to life insurance business in the balance sheet at market value. On transition to AIFRS, these investments will be classified as treasury shares and deducted from share capital. The opening adjustment at October 1, 2004 is:

- a decrease of \$551 million in investments relating to life insurance business, being the market value of the investments;
- a decrease of \$645 million in contributed equity, being the cost of the investments; and
- an increase of \$94 million in retained earnings, being the reversal of the cumulative opening market value decrement.

During the AIFRS comparative year ended September 30, 2005 realised and unrealised gains and losses and dividend income totalling \$167 million relating to treasury shares were recognised in the income statement under Australian GAAP. For the purposes of the AIFRS comparative income statement these amounts are reversed. The required adjustments are:

- a decrease of \$164 million in investments relating to life insurance business;
- a decrease of \$7 million in contributed equity;
- a decrease of \$167 million in profit before tax; and
- an increase of \$10 million in retained earnings, being dividend income earned during the year less realised losses.

At the consolidated Group level, these adjustments remove the treasury share asset from the balance sheet along with any corresponding income statement movement. However, the corresponding insurance contract liabilities and related income statement movement in the value of those liabilities, remains upon consolidation. This accounting mismatch results in the movements in treasury share assets impacting net profit.

(j) Asset revaluation reserve

Under Australian GAAP, the Group carries all land and buildings at fair value. Valuation increments and decrements are offset against one another within the global group of land and buildings with the net movement being reflected in the asset revaluation reserve. In contrast, AASB 116 "Property, Plant and Equipment", requires that valuation increments and decrements are accounted for on an asset by asset basis.

Upon transition to AIFRS, the Group will continue to carry all land and buildings at fair value. The balance of the asset revaluation reserve has been restated to reflect the cumulative movements on property revaluations on an asset by asset basis. At October 1, 2004 the required adjustments are an increase in the asset revaluation reserve of \$150 million with a corresponding decrease in retained earnings.

During the AIFRS comparative year ended September 30, 2005 \$56 million has been transferred from the asset revaluation reserve to retained earnings. The majority of this amount reflects the additional revaluation amounts recognised at October 1, 2004 in respect of the Irish Banks, which are released to retained earnings upon sale of the Irish Banks on February 28, 2005.

Transitional adjustments as at October 1, 2005

The following transitional adjustments relate to application of AASB 132, AASB 139 and AASB 4 as at October 1, 2005.

(k) Recognition of derivative financial instruments and hedging

Under AIFRS, the Group will be required to recognise all derivative financial instruments at fair value on the balance sheet, irrespective of whether the instrument is used in a hedging relationship or otherwise.

Where fair value hedge accounting criteria are met, fair value changes on both the hedged item (attributable to the hedged risk) and the hedging instrument will be recognised directly in the income statement. Where cash flow hedge accounting criteria are met, the carrying value of the hedged item is not adjusted and the fair value changes on the related hedging instrument (to the extent the hedge is effective) are deferred in the cash flow hedge reserve. This amount will then be transferred to the income statement at the time the hedged item affects the income statement. Hedge ineffectiveness is recognised in the income statement immediately.

It should be noted that the underlying economics and risks of the Group will not change. The change in hedge accounting requirements affects only the manner by which the Group will account for the way it mitigates its interest rate, foreign currency and credit risk. Under AIFRS, the Group will use a combination of approaches with a predominance of cash flow hedge accounting to minimise income statement volatility attributable to the fair value movements of derivatives. As a consequence, this will create volatility in the balance of the cash flow hedge reserve within equity.

All hedging arrangements are subject to rigorous effectiveness testing and where an arrangement fails effectiveness tests, hedge accounting cannot be applied and fair value changes on the hedging instrument will generally be recognised in the income statement. This raises the potential for income statement volatility.

Whilst hedge accounting rules may alter the accounting for the Group's interest rate risk management activities, the treatment of trading derivatives is not expected to be affected by hedge accounting. In certain circumstances, derivatives currently accounted for within a hedging relationship under Australian GAAP have been reclassified to trading derivatives upon transition to AIFRS.

In some situations, the Group will either be unable to achieve hedge accounting or it will not be the most appropriate approach. Where this is the case, the Group will in certain circumstances seek to minimise the impact of the fair value measurement requirements by designating both the item that is subject to an economic hedge and the accompanying derivative instrument as at "fair value through profit and loss". Both the underlying item and the derivative instrument are recognised at fair value in the balance sheet and movements in fair values are recognised immediately in the income statement. The effect of this is to reflect the economic substance of the transaction and reduce income statement volatility.

At October 1, 2005 the Group will recognise the following adjustments attributable to derivative financial instruments and hedging:

- initial recognition of non hedging derivatives at fair value will increase assets by \$389 million and increase liabilities by \$581 million. The corresponding decrease in retained earnings is \$192 million.
- initial recognition of derivatives designated within a fair value hedge relationship will increase assets by \$323 million and decrease liabilities by \$13 million. The corresponding increase in retained earnings is \$336 million.
- where the Group has designated a financial asset or liability within a fair value hedge, an adjustment is required to remeasure those assets or liabilities at fair value. A decrease in assets of \$118 million and an increase in liabilities of \$235 million arises. The corresponding decrease in retained earnings is \$353 million.
- initial recognition of derivatives designated within a cash flow hedge relationship will decrease assets by \$40 million and decrease liabilities by \$28 million. The corresponding impacts on equity are an adjustment to the cash flow hedge reserve of \$6 million and a decrease in retained earnings of \$6 million.
- where the Group has designated a financial asset or liability as at "fair value through profit and loss" an adjustment is required to remeasure those assets or liabilities at fair value. An increase in assets of \$282 million (net of an amount of approximately \$100 million reclassified from the provision for doubtful debts) and an increase in liabilities of \$29 million arises. The corresponding increase in retained earnings is \$353 million.

(I) Loan loss provisioning

Under AIFRS, the Group will recognise loan impairment (currently referred to as provision for doubtful debts) when objective evidence is available that a loss event has occurred and as a consequence the Group will not likely receive all amounts owed to it. Loan impairment is calculated as the difference between the carrying amount of the loan and the present value of future expected cash flows associated with the loan discounted at the loan's original effective interest rate.

Significant loans are individually assessed for impairment. Smaller loans will not be individually assessed but impairment tested in portfolios based upon similar risk profiles. Objective evidence of impairment will be based on historical experience for such portfolios, adjusted to reflect the effects of current conditions at each balance date.

The transitional adjustment at October 1, 2005 is a decrease in the total provision for doubtful debts of approximately \$350 million with a corresponding increase in retained earnings. In addition there is an amount of approximately \$100 million that will be allocated against financial assets carried at fair value due to the reclassification of certain loans within the Group. This latter item is a reclassification only and does not impact shareholders' equity.

These adjustments may be subject to change given ongoing developments in industry interpretation and practice relating to loan loss provisioning under AIFRS.

(m) Revenue recognition – effective yield

Under Australian GAAP loan origination and other fee revenue is either recognised immediately in the income statement or deferred in the balance sheet and amortised as an adjustment to yield over the expected life of the loan. Under AIFRS a greater volume of fees will be deferred and amortised over the expected life of the respective loans. Revenue that is deferred must be amortised on an effective interest rate basis. AIFRS also requires deferral of related costs where these are both direct and incremental to origination of the loan.

At October 1, 2005 assets will decrease by \$371 million to re-recognise fee revenue and costs previously recorded in the income statement. The corresponding entry is a decrease to retained earnings.

(n) Valuation of financial instruments using bid and offer prices

AASB 139 requires that in valuing financial instruments at fair value, the appropriate quoted market price to be used is usually the bid or offer price. Currently, all financial instruments of the Group measured at fair value and transacted in an active market are valued at the mid price. Under AASB 139 it is acceptable to continue to use the mid price where there is an offsetting market risk position. Consequently, where there is no offsetting market risk position, an adjustment is required to remeasure those assets and liabilities at either the bid or offer price instead of the mid price.

At October 1, 2005 the Group will adjust the carrying value of financial assets and liabilities to value them on a bid or offer basis where required under AIFRS. This results in the recognition of a liability of \$16 million with a corresponding decrease in retained earnings.

(o) Classification of hybrid financial instruments

AIFRS requires the debt and equity elements of hybrid financial instruments to be separately recognised and accounted for.

The Group has on issue Exchangeable capital units currently classified as a liability. Under AIFRS these instruments are a compound financial instrument and the equity component will be reclassified to contributed equity. This will result in a net increase in contributed equity of \$103 million. In addition a net adjustment has been made to the remaining liability to reflect the impact of both the initial discount and subsequent accretion from the date of issuance up to October 1, 2005.

In addition, recent International Accounting Standards Board discussions relating to an International Financial Reporting Interpretations Committee interpretation, may change the accounting treatment of other hybrid debt instruments the Group has on issue. The Group is assessing the potential impact of this decision.

(p) Derecognition of financial assets and liabilities

AIFRS contains more specific and stringent requirements prior to the Group being able to derecognise financial assets and liabilities from the balance sheet. Furthermore, the Group is required to review and consider the extent to which it retains the risks and rewards of ownership of a financial asset or whether the obligation specified within the contract is discharged, cancelled or expired prior to the derecognition of a financial liability.

At October 1, 2005 this will result in the Group re-recognising \$60 million of customer related financial liabilities on the balance sheet with a corresponding decrease in retained earnings.

(q) Insurance contracts – Wealth Management

Under AIFRS, contracts that do not have significant insurance risk will no longer be treated as insurance contracts but as financial instruments. For non-insurance contracts which will be accounted for as financial instruments, acquisition costs are currently deferred and subsequently recognised in the income statement under Australian GAAP. In contrast, under AIFRS costs will be recognised and expensed as they are incurred.

The AIFRS adjustment as at October 1, 2005 represents a write off of the cumulative deferred acquisition costs included in net policy liabilities of life insurance entities of \$378 million to retained earnings.

Those contracts that continue to meet the definition of an insurance contract will be accounted for under an amended Margin on Services approach. On transition to AIFRS, the actuarial calculation of policyholder liabilities will be based on discount rates different to that currently used under Australian GAAP. At October

1, 2005 this will decrease policyholder liabilities by \$17 million with a corresponding increase in retained earnings.

(r) Reclassification of outside equity interests

On transition to AIFRS, the outside equity interests in controlled unit trusts of the life companies will no longer be defined as equity. As a result, the Group has reclassified outside equity interests in controlled unit trusts to liabilities. As at October 1, 2005, this will result in an increase in liabilities and a corresponding decrease in equity of \$6,224 million.

(s) Taxation

The tax impacts of the transitional adjustments arising as at October 1 2005 include an increase in deferred tax assets of \$98 million and an increase in deferred tax liabilities of \$119 million. The corresponding impacts on equity are an adjustment to cash flow hedge reserve of \$3 million and a decrease in retained earnings of \$24 million.

Format of financial statements

In addition to the transitional adjustments detailed above, which will impact the measurement and recognition of certain items, the adoption of AIFRS will introduce a number of changes to the format of the income statement, balance sheet and other financial statement disclosures. In general, these changes introduce more detail rather than less to the required disclosures.

Capital implications

The Australian Prudential Regulation Authority (APRA) released a discussion paper in February 2005, outlining its proposed approach to calculation of regulatory capital following the adoption of AIFRS. Several of the transitional adjustments detailed above affect the calculation of the Group's regulatory capital and are affected by APRA's proposed approach. The Group is working with APRA and the Australian banking industry to ensure these implications are fully understood. APRA have yet to release their final pronouncements in this regard.

It is important to note that APRA's proposals will not take effect until July 1, 2006 and the calculation of regulatory capital will remain unchanged until then.

Reconciliation of total equity as at October 1, 2004

	Note	Group \$m
Total equity as reported under Australian GAAP as at September		29,766
AIFRS October 1, 2004 adjustments to total equity:		
Impacts on retained earnings		
Recognition of defined benefit pension liability	(a)	(1,280)
Recognition of defined benefit pension asset	(a)	130
Derecognition of net prepaid pension asset	(a)	(578)
Derecognition of EMVONA	(b)	(738)
Transfer to executive share option reserve	(e)	(34)
Transfer from foreign currency translation reserve	(g)	166
Revenue and expense recognition – investment contracts	(h)	(100)
Reversal of market value decrement on treasury shares	(i)	94
Transfer to asset revaluation reserve	(j)	(150)
Other		(144)
Tax effect of transitional adjustments and application of tax effect accounting	(d)	558
Impacts on contributed equity		
Derecognition of treasury shares	(i)	(645)
Impacts on reserves		
Transfer from retained earnings to executive share option reserve	(e)	34
Transfer from foreign currency translation reserve to retained earnings	(g)	(166)
Increase to asset revaluation reserve (gross amount is \$150 million)	(j)	112
Total adjustments to equity as at October 1, 2004		(2,741)
Total equity measured under AIFRS as at October 1, 2004		27,025

Reconciliation of net profit for the year ended September 30, 2005

	Note	Group \$m
Net profit as reported under Australian GAAP for the year ended		4,132
AIFRS adjustments to net profit:		
Adjustment to defined benefit pension expense	(a)	36
Reversal of revaluation movements relating to life insurance entities (EMVONA)	(b)	(335)
Share-based payments expense	(e)	(66)
Reversal of goodwill amortisation	(f)	97
Revenue and expense recognition – investment contracts	(h)	(12)
Reversal of realised and unrealised gains and dividend income on treasury shares	(i)	(167)
Other		24
Tax effect of above adjustments	(d)	10
Adjustment to net profit before significant items		(413)
Adjustment to significant item relating to the sale of the Irish Banks	(a)	270
Total AIFRS adjustment to net profit		(143)
Net profit measured under AIFRS for the year ended September 30,		3,989

Reconciliation of total equity as at September 30, 2005

	Note	Group \$m
Total equity as reported under Australian GAAP as at September		34,280
Total adjustments to equity as at October 1, 2004 – reconciled		(2,741)
AIFRS adjustments to net profit for the year ended September		(143)
AIFRS adjustments to equity for the year ended September 30, 2005:		
Impact on retained earnings		
Actuarial movements on defined benefit pension plans	(a)	(68)
Derecognition of dividend income and realised gains/losses on treasury shares	(i)	10
Transfer from asset revaluation reserve		56
Impact on contributed equity		
Recognition of share-based payments	(e)	21
Derecognition of treasury shares	(i)	(7)
Impact on reserves		
Adjustment to executive share option reserve	(e)	45
Adjustment to foreign currency translation reserve	(b)	(47)
Adjustment to asset revaluation reserve (gross amount is \$56 million)	(j)	(42)
Total equity measured under AIFRS as at September 30, 2005		31,364

Reconciliation of total equity as at October 1, 2005

	Note	Group \$m
Total equity as measured under AIFRS as at September 30, 2005		31,364
AIFRS October 1, 2005 adjustments to total equity:		
Impact on retained earnings		
Recognition of non hedging derivatives	(k)	(192)
Recognition of fair value hedging derivatives	(k)	336
Fair value hedge adjustment to underlying hedged items	(k)	(353)
Adjustment to assets and liabilities recorded at "fair value through profit and	(k)	353
Loan loss provisioning	(l)	350
Revenue recognition – effective yield	(m)	(371)
Valuation of financial instruments at bid and offer price	(n)	(16)
Recognition of discount upon reclassification of financial liabilities	(o)	(81)
Rerecognition of customer related liabilities	(p)	(60)
Derecognition of deferred acquisition costs – life insurance contracts	(q)	(378)
Adjustment to policyholder liabilities due to changes in discount rates	(q)	17
Other		(38)
Tax effect of above transitional adjustments	(s)	(24)
Impact on contributed equity		
Reclassification of hybrid instruments ⁽¹⁾	(o)	103
Impact on reserves		
Recognition of cash flow hedging derivatives within cash flow hedge reserve (gross amount is \$6 million)	(k)	(3)
Reclassification of outside equity interest to liabilities	(r)	(6,224)
Total adjustments to equity as at October 1, 2005		(6,581)
Total equity measured under AIFRS as at October 1, 2005		24,783

⁽¹⁾ As a consequence of decisions of the International Accounting Standards Board, further reclassifications are possible.

NON-GAAP FINANCIAL MEASURES

Cash earnings

Cash earnings is defined as follows:

Net profit

Less:

- Outside equity interest
- Distributions
- Revaluation profit/(loss) after tax

Add:

- Goodwill amortisation

Cash earnings

Cash earnings is a key performance measure and financial target used by the Group. Dividends paid by the Company are based on after-tax cash earnings (adjusted for significant items).

Cash earnings is a key performance measure used by the investment community, as well as by those Australian peers of the Group with a similar business portfolio.

Cash earnings does not refer to, or in any way purport to represent the cash flows, funding or liquidity position of the Group. It does not refer to any amount represented on a Cash Flow Statement.

Adjustments are made between net profit and cash earnings as follows:

- Outside equity interest - this reflects the allocation of profit to minority interests in the Group, and is adjusted from net profit to reflect the amount of net profit that is attributable to ordinary shareholders
- Distributions – this reflects payments to holders of National Income Securities, Trust units and Trust Preferred Securities, and is adjusted from net profit to reflect the amount of net profit that is attributable to ordinary shareholders
- Revaluation profit/(loss) – relates to the movement in net market value (including the value of intangible assets) of investments in life insurance controlled entities recorded on the balance sheet in accordance with Australian Accounting Standards. As it relates to an intangible asset, management believes it is prudent to isolate this amount from the underlying operating result. It is separately identified and discussed in detail. Management further wish to separate this, as the method for accounting for the value of life insurance controlled entities is not comparable on an international basis.
- Goodwill amortisation - relates to the straight-line method of amortising goodwill (an intangible asset recorded on the balance sheet) in accordance with Australian Accounting Standards. Financial statement users generally do not regard goodwill amortisation expense as being useful information in analysing investments. As it relates to an intangible asset, management believes it is prudent to isolate this amount from the underlying operating result.

Cash earnings before significant items (and net profit before significant items)

Under Australian Accounting Standard AASB 1018(5.4) “when a revenue or an expense from ordinary activities is of such a size, nature or incidence that its disclosure is relevant in explaining the financial performance of the entity for the reporting period and its disclosure is not otherwise required by this or another Standard, its nature and amount must be disclosed separately either on the face of the statement of financial performance or in the notes in the financial report”.

The Group has identified such items as ‘significant items’ on its Performance Summaries.

Management believe that the inclusion of these items distorts the underlying operating results of the Group and cause difficulty in identifying underlying performance trends and issues. Through the clear separation and identification of these items the Group ensures that they are identified and discussed in full, as well as ensuring that the underlying performance is highlighted and discussed in full.

Cost to income ratio

The cost to income ratio for the Banking divisions is calculated as total costs (defined in table below) divided by total income (defined in table below):

Total expenses

Less:

Interest expense

Life insurance expenses

Goodwill amortisation

Charge to provide for doubtful debts

Significant expenses

Total costs for purposes of cost to income ratio

Total revenue

Less:

Interest expense

Life insurance income

Significant revenue

Total income for purposes of cost to income ratio

The cost to income ratio calculated on this basis is a standard efficiency measure used widely across the Australian banking industry. In the above income calculation, National's does not include net life insurance income and the pre-tax equivalent gross up of certain structured finance transactions.