

**RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2007**

SELECTED FINANCIAL DATA

## DIVISIONAL PERFORMANCE SUMMARY

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

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

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

## GROUP KEY PERFORMANCE MEASURES

	Note	Half Year to		
		Mar 07	Sep 06	Mar 06
<b>Earnings per share (cents)</b>				
Basic cash earnings per ordinary share	Supp 6	135.3	132.4	115.5
Diluted cash earnings per ordinary share	Supp 6	133.8	130.9	114.5
Basic earnings per ordinary share <sup>(1)</sup>	Supp 6	125.2	143.5	118.8
Dividends per share (cents)	6	87	84	83
<b>Performance <sup>(2)</sup></b>				
Return on average equity before significant items		16.9%	19.8%	15.4%
Cash earnings on average equity		17.5%	17.5%	16.3%
Return on average assets before significant items		0.80%	0.95%	0.73%
Cash earnings on average assets		0.88%	0.89%	0.82%
<b>Net interest income</b>				
Net interest spread	Supp 1	1.85%	1.93%	1.82%
Net interest margin	Supp 1	2.33%	2.31%	2.31%
<b>Profitability (before significant items)</b>				
Cash earnings per average FTE (\$'000)		113	109	94
Banking cost to income ratio		50.3%	51.5%	55.6%
		<b>As at</b>		
		31 Mar 07	30 Sep 06	31 Mar 06
<b>Capital</b>				
Tier 1 ratio	Supp 3	7.33%	7.35%	8.05%
Tier 2 ratio	Supp 3	3.54%	3.88%	3.66%
Deductions	Supp 3	(0.36%)	(0.42%)	(0.98%)
Total capital ratio	Supp 3	10.51%	10.81%	10.73%
Adjusted common equity ratio	Supp 3	5.46%	5.35%	5.77%
<b>Assets (\$bn)</b>				
Gross loans and acceptances	Supp 2	367	347	322
Risk-weighted assets	Supp 3	330	318	302
<b>Asset quality</b>				
Gross impaired assets to gross loans and acceptances <sup>(3)</sup>	10	0.29%	0.30%	0.31%
Net impaired assets to total equity (parent entity interest)	10	3.0%	3.1%	2.8%
Doubtful debts charge to average risk weighted assets		0.24%	0.21%	0.18%
Collective provision to total risk weighted assets <sup>(4)</sup>	10	0.62%	0.62%	0.60%
Collective provision to credit risk weighted assets <sup>(4)</sup>	10	0.63%	0.65%	0.63%
Collective provision plus general reserve for credit losses to credit risk weighted assets <sup>(4) (5)</sup>	10	0.71%	0.71%	-
Specific provision to gross impaired assets <sup>(3)</sup>	10	18.2%	17.4%	25.8%
Total provision to gross impaired assets <sup>(3) (4)</sup>	10	210.7%	204.0%	210.3%
Total provision to gross loans and acceptances <sup>(4)</sup>	10	0.62%	0.62%	0.64%
<b>Other information</b>				
Funds under management and administration (\$bn)		106	97	96
Assets under custody and administration (\$bn)		515	457	442
Full-time equivalent employees (no.)	Supp 4	39,048	38,433	39,298

<sup>(1)</sup> Basic earnings are defined as "Earnings attributable to ordinary shareholders".

<sup>(2)</sup> "Return" calculations use "Earnings attributable to ordinary shareholders".

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

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

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

## NON-GAAP FINANCIAL MEASURES

### *Cash earnings*

Cash earnings is defined as follows:

Net profit
Less:
Significant items after tax
Net profit attributable to minority interests
Net profit attributable to minority interests – life businesses
Distributions
Treasury shares after tax
IoRE discount rate variation after tax
Revaluation gains/(losses) on exchangeable capital units after tax
Net profit/(loss) on sale of controlled entities
Fair value gains/losses on economic hedge of the proceeds on sale of controlled entities
Add:
Impairment of goodwill
Cash earnings

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

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

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

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

- Significant items after tax – those items included on the face of the Income Statement when it is necessary to explain the elements of financial performance. Factors to consider include materiality and the nature and function of the components of income and expenses.
- Net profit attributable to minority interest – reflects the allocation of profit to minority interests in the Group, and is adjusted from net profit to reflect the amount of net profit that is attributable to ordinary shareholders
- Net profit attributable to minority interest - life businesses – reflects the allocation of profit to controlled unit trusts of life companies
- Distributions – this reflects payments to holders of National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments, and is adjusted from net profit to reflect the amount of net profit that is attributable to ordinary shareholders
- Treasury shares after tax – relates to the movement in treasury share assets (direct investments in National Australia Bank Limited) caused by the movement in the share price and/or volume
- IoRE discount rate variation after tax – relates to the movement in Investment Earnings on Shareholders' Retained Profits (IoRE) attributable to the impact of changes in long term discount rates. This adjustment has been made for the March 2007 and September 2006 halves only. It had an insignificant impact on the March 2006 half.
- Revaluation gains/(losses) on exchangeable capital units after tax – the Group's exposure to foreign exchange risk is eliminated through the existence of certain conversion features that convert the ExCaps to equity at pre-determined exchange rates
- Net profit/ (loss) on sale of controlled entities – relates to profits or losses on the sale of controlled entities.
- Fair value gains/losses on economic hedge of the proceeds on sale of controlled entities – represents the fair value movement on derivatives taken out to protect against foreign exchange rate movements and relates directly to the profit/loss on sale of controlled entities.
- Impairment of goodwill - relates to the impairment expense recognised on the application of an annual impairment test. Financial statement users generally do not regard impairment of goodwill as being useful information in analysing investments. As it relates to an intangible asset, management believes it is prudent to isolate this amount from the underlying operating result.