NATIONAL AUSTRALIA BANK LTD
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

FORM 6-K/A

REPORT OF FOREIGN ISSUER

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

the Securities Exchange Act of 1934

For the month of May 2005

National Australia Bank Limited

ACN 004 044 937

(Registrant s Name)

Level 24

500 Bourke Street

MELBOURNE VICTORIA 3000

AUSTRALIA

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

Form 20-F ý Form 40-F o

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

Yes o No ý

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

Explanatory note

This 6-K/A has been filed to remove the incorporation language on the Registration Cover of the 6-K (Accession No. 0001104659-05-022313) (File No. 001-09945) filed on 11 May 2005.

National Australia Bank Limited

ABN 12 004 044 937

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Financial Highlights

Cash Earnings

Cash earnings before significant items fell 12.5 per cent to $1.62 billion compared with the March 2004 half year but were slightly higher (up 0.4 per cent) compared with the September 2004 half year.

Net Profit

Net profit before significant items fell 11.1 per cent to $1.87 billion compared with the March 2004 half year.

Net profit attributable to members of the Company and after significant items increased by 17.0 per cent to $2.54 billion compared with the March 2004 half year primarily due to the profit on the sale of the Irish Banks.

Dividend

The interim dividend has been maintained at 83 cents and will be 80 per cent franked.

Diluted Cash Earnings Per Share (Before significant items)

103 cents compared with 121.0 cents in the March 2004 half year.

Cost to Income Ratio (Banking)

57.4 per cent compared with 50.8 per cent in the March 2004 half year.

Net Interest Margin

2.19 per cent compared with 2.40 per cent in the March 2004 half year.

Total Capital Ratio

11.37 per cent compared with 9.30 per cent at 31 March 2004.

Return On Average Equity (Before significant items)

14.0 per cent compared with 18.8 per cent in the March 2004 half year.

Return On Average Assets (Before significant items)

0.76 per cent compared with 0.96 per cent in the March 2004 half year.

Group Corporate Affairs

National Australia
Bank Limited
ABN 12004044937

ASX Announcement

500 Bourke Street
Melbourne
Victoria 3000
Australia

Melbourne, Wednesday 11 May 2005

National Australia Bank Stabilising Business Performance

The National s Chief Executive John Stewart said the March 2005 half year results show that earnings from our banking businesses are stabilising.

We have made good progress, Mr Stewart said. We have done what we said we would do. We have made an acceptable start but there is a lot more work to do over the next two to three years.

Cash earnings before significant items of $1.62 billion were 12.5 per cent lower than the previous March half year but showed a small increase on the September 2004 half year.

The interim dividend has been maintained at 83 cents and will be 80% franked.

Mr Stewart said the first half results are consistent with the guidance provided to the market.

Earnings have bottomed, our market shares in important Australian market segments such as housing and business lending are stabilising, our cost base is still too high but expense growth has been carefully managed and asset quality remains sound, he said.

This has been achieved through rigorous management of project and discretionary expenses, a move back to more normal risk settings and the first steps to remove unnecessary processes and bureaucracy.

These results demonstrate the strength of the National franchise, rebuilding of management and the commitment of our people.

Mr Stewart said the first half had not been all smooth sailing: The Northern Bank robbery and the South Korea litigation were large once-off costs in the March 2005 half year.

Despite these issues there has been steady progress. We have moved to a regional business model, re-opened the foreign currency options trading desk and sold the Irish Banks at an attractive profit.

Net profit attributable to members of the Company and after significant items was 17 per cent higher than the March 2004 half year primarily due to the profit on the sale of the Irish Banks.

Net significant items of $821 million in the March 2005 half year included:

$1,073 million net profit on the sale of Northern and National Irish Banks;

First half restructuring costs of $282 million after tax ($403 million pre-tax), the majority of which relate to the United Kingdom but including some initial restructuring in Australia and the repositioning of the Institutional business.

Mr Stewart said the National has completed the first year of a two to three year turnaround: Over the next six months, we aim to move from the stabilising phase and into the rebuilding phase.

The process of rebuilding the National will be challenging but we will be open and honest and take a balanced approach to staff, customers, community and shareholders.

Our ongoing efforts to improve shareholder returns will concentrate on the four areas we identified last year.

These are:

Cultural change,

Compliance & risk,

Business efficiency, and

Restoring revenue growth.

A detailed announcement covering initiatives in each of these areas and our investment, restructuring costs and associated benefits has been released separately today.

Divisional Commentary

Australia

Cash earnings before significant items of $1.15 billion were 6.5 per cent lower than the March 2004 half year but increased by 5.1 per cent compared with the September 2004 half year.

Cash earnings before significant items were $951 million for Australian Banking and $194 million for Wealth Management Australia.

Australian Banking cash earnings before significant items decreased by 9.7 per cent compared with the March 2004 half year but improved slightly compared with the September 2004 half year.

The improvement over the September half year reflected growth in business and housing lending as well as retail deposits. The improving performance compared with the September 2004 half year was partially offset by a lower net interest margin, higher wholesale funding costs and higher operating expenses.

The charge to provide for doubtful debts increased by $26 million to $130 million compared with the March 2004 half year. This resulted from solid growth in business lending, which triggers a need for a higher level of statistical provisioning.

Market share in the key segments of business and housing lending stabilised.

The Australian Banking cost to income ratio was 49.8 per cent compared with 50.4 per cent in the September 2004 half year.

Wealth Management Australia s cash earnings before significant items (before prior period adjustments) increased by 7.2 per cent compared with the March 2004 half and by 2.6 per cent on the September 2004 half year.

The stronger performance was due to improved returns on retained earnings and capital which was partly offset by reduced profits from insurance and increased regulatory and compliance costs.

During the half year a new Australian leadership team was appointed and the Australian Banking and Wealth Management businesses were re-aligned to create a single regional business centred on customers, products and services.

In the March 2005 half year a restructuring provision of $121 million (pre-tax) was booked. This related to 1,036 redundancies and other costs incurred in restructuring and integrating the retail banking, corporate banking and wealth management businesses in Australia.

Further restructure costs will be booked in the second half in Australia as the business efficiency program continues. Details are included in a separate announcement released today.

United Kingdom (In Local Currency, Ongoing Operations only)

Excluding the contribution from the Irish Banks and other businesses that have now been sold, cash earnings before significant items of £106 million (A$259 million) were 10.2 per cent lower compared with the March 2004 half year but improved by 12.8 per cent compared with the September 2004 half year.

Performance during the half reflected an improvement in income and a lower charge to provide for doubtful debts as well as increased lending volumes compared with the September half. This was partially offset by flat net interest income due to margin contraction following the move to provide customers with more competitive lending and deposit products.

The cost to income ratio was 63.8 per cent compared with 60.7 per cent in the previous March half but down from 65.1 per cent in the September 2004 half year.

In the UK the National has already announced a restructuring provision of £109 million (A$266 million pre-tax). The main initiatives that will be covered by the provision are the reduction of approximately 1700 jobs in the next 12 to 18 months and the re-alignment of the distribution network to better meet customer needs.

Details of the new distribution strategy are outlined in a separate announcement today. No additional provisioning or reductions in employee numbers are expected in the United Kingdom in the second half.

The announcement and restructure presentation for the United Kingdom was released on March 30 this year and is available on the Group s website www.nabgroup.com.

New Zealand

Cash earnings before significant items were steady compared with the March 2004 half year but increased by 14 per cent to A$163 million compared with the September half year due to solid volume growth partially offset by margin contraction due to competitive pressures.

Since March 31, 2004 mortgages have increased 19.2%. This growth was achieved through campaigns such as the unbeatable home loan program involving fixed rate lending.

The charge to provide for doubtful debts decreased by A$1 million to $12 million compared with the March 2004 half year.

The cost to income ratio increased to 57.3 per cent in the March 2005 half year, from 53.1 per cent in the March 2004 half year. However, the cost to income ratio remained lower than the 59.3 per cent in the September 2004 half year.

Restructuring costs booked for the March half year in New Zealand were not material (A$1 million). Further restructuring initiatives are currently being finalised and provisions will be booked in the second half of the 2005 year.

Institutional Markets & Services

Cash earnings before significant items were $308 million, which was down 9.7 per cent on the March 2004 half year but represented a strong recovery from the low of the September 2004 half year that was dominated by the impact of the foreign currency options trading incident.

While considerable effort continued to be focussed on the remedial actions program and the improved control framework, management has also been able to improve fee income with strong sales of tailored products to the business market segment, significant corporate sales activity and improved trading opportunities.

Return on average assets was 0.37 per cent which was down from 0.42 per cent in the previous March half year but recovered from 0.27 per cent in the September 2004 half year.

Institutional Markets & Services (IMS) has reviewed its operating model and will move to a more efficient, higher equity return business model. Key initiatives include:

- rationalisation of its activities in Asia;
- release of capital currently invested in assets generating low returns; and
- focus on growth in sustainable income streams.

Details of the proposed restructuring for the second half have been covered in a separate announcement today.

Outlook

Mr Stewart said growth across all the National s key markets is expected to slow, with the result that growth in credit is also likely to be moderately lower.

In Australia, the domestic economy is likely to slow in 2006. Slower growth in consumer spending and lower housing activity is likely to see housing credit slowing slightly from current growth rates. Business credit, while still strong, is expected to also moderate over the next year. As a result, total Australian credit could decline marginally.

In New Zealand, a slowdown in growth is also likely from the very high growth rates reported in 2004. On the other hand, United Kingdom activity is likely to be only a little weaker.

Overall system credit growth in our core markets is expected to be around 10% in the current year compared to around 12% last year.

While inflation in Australia, New Zealand and the United Kingdom is likely to increase by a small amount in the next six months, the prospects of slower growth is likely to see official interest rates in those regions broadly on hold during 2005.

Slowing growth domestically and internationally will make the task of rebuilding the National s business performance more challenging.

We expect acceptable earnings growth in the second half of 2005 consistent with where we are in the recovery process. Further details will be provided at the full year profit announcement.

Assuming there are no external shocks or further changes to regulatory capital, the Board would expect to pay a second half dividend of 83 cents franked to 80 per cent, he said.

For further information:

Brandon Phillips
Group Corporate Affairs
03 8641 3857 work
0419 369 058 mobile

Samantha Evans
Group Corporate Affairs
03 8641 4982 work
0404 883 509 mobile

Callum Davidson
Group Investor Relations

Hany Messieh
Group Investor Relations

03 8641 4964 work	03 8641 2312 work
0411 117 984 mobile	0414 446 876 mobile

Or visit www.nabgroup.com

Disclaimer

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

SECTION 2

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2005

FINANCIAL SUMMARY

1

REPORTING FORMAT

Reporting Structure

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

Total Australia comprises Australian Banking and Wealth Management Australia;

Total UK comprises UK Banking and Wealth Management UK;

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

Institutional Markets & Services (globally).

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

Total Banking comprises:

Australian Banking;

UK Banking;

NZ Banking;

Institutional Markets & Services (globally); and

Other (Group Funding and Corporate Centre).

Wealth Management comprises:

Wealth Management Australia (including Asia);

Wealth Management UK; and

Wealth Management New Zealand.

Prior Period Comparatives

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

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

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

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

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

The nature of these reclassifications have been fully disclosed in the release to ASX dated 20 April 2005. Please refer to the National s website at www.nabgroup.com for a copy of this announcement.

Cash Earnings

Cash earnings is a key performance measure and financial target used by the Group. Dividends paid by the Group are based on after-tax cash earnings (excluding significant items). Cash earnings is a key performance measure used by the investment community, as well as by those Australian peers of the Group with a similar business portfolio. Refer to the Non-GAAP financial measures section on page 101 for an explanation and page 4 for a reconciliation of cash earnings to net profit.

Diluted Cash Earnings per Share

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

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

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

DIVISIONAL PERFORMANCE SUMMARY

	Note	Mar 05 $m	Half Year to Sep 04 $m	Mar 04 $m	Fav / (Unfav) Change on Sep 04 %	Mar 04 %
Cash earnings (1)						
Australian Banking	**1a**	**951**	940	1,053	1.2	(9.7)
Wealth Management Australia (2) (3)	**1a**	**194**	149	171	30.2	13.5
Total Australia		**1,145**	1,089	1,224	5.1	(6.5)
UK Banking	**1a**	**266**	284	310	(6.3)	(14.2)
Wealth Management UK	**1a**	**31**	3	14	large	large
Total UK		**297**	287	324	3.5	(8.3)
New Zealand Banking	**1a**	**159**	137	159	16.1	
Wealth Management New Zealand	**1a**	**4**	6	5	(33.3)	(20.0)
Total New Zealand		**163**	143	164	14.0	(0.6)
Institutional Markets & Services (3)	**1a**	**308**	217	341	41.9	(9.7)
Other (incl. Group Funding & Corporate Centre)	**1a**	**(200)**	(32)	(109)	large	(83.5)
Cash earnings before significant items and distributions		**1,713**	1,704	1,944	0.5	(11.9)
Distributions		**(95)**	(93)	(94)	(2.2)	(1.1)
Cash earnings before significant items		**1,618**	1,611	1,850	0.4	(12.5)
Weighted av no. of ordinary shares (million)	**19**	**1,555**	1,525	1,505	(2.1)	(3.3)
Cash earnings per share before significant items (cents)	**19**	**104.0**	105.6	122.9	(1.4)	(15.3)
Diluted cash earnings per share before significant items (cents)	**19**	**103.0**	104.8	121.0	(1.7)	(14.9)
Reconciliation to net profit						
Cash earnings before significant items		**1,618**	1,611	1,850	0.4	(12.5)
Adjusted for:						
Significant items after tax	**15**	**821**	(511)	127	large	large
Cash earnings after significant items		**2,439**	1,100	1,977	large	23.3
Adjusted for:						
Net profit attributable to outside equity interest		**154**	311	63	50.5	large
Distributions		**95**	93	94	(2.2)	(1.1)
Wealth Management revaluation profit/(loss) after tax		**51**	(132)	148	large	(65.5)
Goodwill amortisation		**(50)**	(50)	(53)		5.7
Net profit		**2,689**	1,322	2,229	large	20.7
Net profit attributable to outside equity interest		**(154)**	(311)	(63)	50.5	large
Net profit attributable to members of the Company		**2,535**	1,011	2,166	large	17.0
Distributions		**(95)**	(93)	(94)	(2.2)	(1.1)
Earnings attributable to ordinary shareholders		**2,440**	918	2,072	large	17.8

(1) Cash earnings is a performance measure used by the management of the Group. Refer to Non-GAAP financial measures on page 101 for a complete discussion of cash earnings.

(2) *Wealth Management Australia division includes Asian operations.*

(3) *Cash earnings after outside equity interest.*

GROUP PERFORMANCE SUMMARY

	Note	Mar 05 $m	Half Year to Sep 04 $m	Mar 04 $m	Fav / (Unfav) Change on Sep 04 %	Mar 04 %
Banking (1)						
Net interest income	**3**	**3,549**	3,603	3,581	(1.5)	(0.9)
Other operating income (1) (2)	**9**	**2,029**	1,967	2,057	3.2	(1.4)
Banking net operating income (1)		**5,578**	5,570	5,638	0.1	(1.1)
Wealth Management						
Net interest income	**3**	**4**	3	4	33.3	
Net life insurance income ex IORE (3)	**8**	**495**	523	396	(5.4)	25.0
Investment earnings on shareholders retained profits & capital from life businesses (IORE)	**8**	**63**	34	59	85.3	6.8
Other operating income (2)	**9**	**461**	408	399	13.0	15.5
Net operating income		**6,601**	6,538	6,496	1.0	1.6
Banking operating expenses (1)	**10**	**(3,165)**	(3,147)	(2,831)	(0.6)	(11.8)
Wealth Management operating expenses (4)	**10**	**(411)**	(429)	(405)	4.2	(1.5)
Charge to provide for doubtful debts	**12**	**(281)**	(254)	(305)	(10.6)	7.9
Cash earnings before tax		**2,744**	2,708	2,955	1.3	(7.1)
Banking income tax expense (1)	**14**	**(648)**	(619)	(743)	(4.7)	12.8
Wealth Management income tax expense	**14**	**(229)**	(74)	(205)	large	(11.7)
Cash earnings before significant items, distributions and outside equity interest		**1,867**	2,015	2,007	(7.3)	(7.0)
Wealth Management revaluation profit/(loss) after tax	**1a**	**51**	(132)	148	large	(65.5)
Goodwill amortisation		**(50)**	(50)	(53)		5.7
Net profit before significant items		**1,868**	1,833	2,102	1.9	(11.1)
Significant items after tax	**15**	**821**	(511)	127	large	large
Net profit		**2,689**	1,322	2,229	large	20.6
Net profit attributable to outside equity interest						
Wealth Management		**(154)**	(307)	(58)	49.8	large
Institutional Markets & Services			(4)	(5)	large	large
Net profit attributable to members of the Company		**2,535**	1,011	2,166	large	17.0
Distributions		**(95)**	(93)	(94)	(2.2)	(1.1)
Earnings attributable to ordinary shareholders		**2,440**	918	2,072	large	17.8

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

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

(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 (IORE)).

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

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

SUMMARY OF FINANCIAL POSITION

	Note	As at			Change on	
		31 Mar 05 (1) $m	**30 Sep 04 $m**	**31 Mar 04 $m**	**30 Sep 04 %**	**31 Mar 04 %**
Assets						
Cash and liquid assets		**6,929**	8,080	11,641	(14.2)	(40.5)
Due from other financial institutions		**18,520**	23,494	20,200	(21.2)	(8.3)
Due from customers on acceptances		**21,567**	16,344	14,988	32.0	43.9
Trading securities		**19,771**	24,248	25,691	(18.5)	(23.0)
Trading derivatives		**17,122**	17,939	24,352	(4.6)	(29.7)
Available for sale securities		**3,474**	4,610	2,794	(24.6)	24.3
Investment securities		**8,666**	11,513	7,099	(24.7)	22.1
Investments relating to life insurance business		**43,917**	41,013	37,982	7.1	15.6
Loans and advances		**246,756**	247,836	233,987	(0.4)	5.5
Shares in entities and other securities		**146**	158	867	(7.6)	(83.2)
Regulatory deposits		**121**	177	436	(31.6)	(72.2)
Property, plant and equipment		**2,019**	2,257	2,483	(10.5)	(18.7)
Income tax assets		**1,460**	1,367	1,248	6.8	17.0
Goodwill		**571**	632	682	(9.7)	(16.3)
Other assets		**11,623**	11,641	11,130	(0.2)	4.4
Total assets		**402,662**	411,309	395,580	(2.1)	1.8
Liabilities						
Due to other financial institutions (2)		**35,020**	43,768	45,213	(20.0)	(22.5)
Liability on acceptances		**21,567**	16,344	14,988	32.0	43.9
Trading derivatives		**14,911**	16,150	21,046	(7.7)	(29.2)
Deposits and other borrowings (2)	**7**	**205,866**	219,028	209,379	(6.0)	(1.7)
Life insurance policy liabilities		**38,494**	36,134	34,059	6.5	13.0
Income tax liabilities		**1,243**	1,178	1,238	5.5	0.4
Provisions		**1,494**	1,129	1,143	32.3	30.7
Bonds, notes and subordinated debt		**36,536**	32,573	25,204	12.2	45.0
Other debt issues		**1,586**	1,612	1,693	(1.6)	(6.3)
Other liabilities		**13,944**	13,627	13,707	2.3	1.7
Total liabilities		**370,661**	381,543	367,670	(2.9)	0.8
Net assets		**32,001**	29,766	27,910	7.5	14.7
Equity						
Ordinary shares		**7,388**	7,271	6,029	1.6	22.5
National Income Securities		**1,945**	1,945	1,945		
Trust Preferred Securities		**975**	975	975		
Trust Preferred Securities II		**1,014**			large	large
Contributed equity	**17**	**11,322**	10,191	8,949	11.1	26.5
Reserves (3)	**17**	**802**	1,194	784	(32.8)	2.3
Retained profits (3)	**17**	**15,770**	14,515	14,619	8.6	7.9
Total equity (parent entity interest)		**27,894**	25,900	24,352	7.7	14.5
Outside equity interest in controlled entities	**17**					
Wealth Management		**4,107**	3,866	3,385	6.2	21.3
Institutional Markets & Services				173		large
Total equity		**32,001**	29,766	27,910	7.5	14.7

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

(2) A net change has been made to the classification of certain exposures from Deposits and Other Borrowings to Due to Other Financial Institutions. Comparative information has been reclassified at 30 September 2004 and 31 March 2004 of $1,724 million and $1,245 million respectively.

(3) At 30 September 2004 an amount of $840 million was reclassified from Reserves to Retained Profits, leaving Total Equity unchanged. Refer to ASX Announcement dated 10 December 2004.

GROUP KEY PERFORMANCE MEASURES

	Note	Mar 05	Half Year to Sep 04	Mar 04
Earnings per share (cents)				
Basic cash earnings per ordinary share before significant items (1)	**19**	**104.0**	105.6	122.9
Diluted cash earnings per share before significant items (1)	**19**	**103.0**	104.8	121.0
Basic cash earnings per ordinary share after significant items (1)		**156.8**	71.7	131.4
Basic earnings per ordinary share before significant items		**104.1**	93.5	129.2
Basic earnings per ordinary share after significant items		**156.9**	60.2	137.7
Weighted average ordinary shares (no. million)	**19**	**1,555**	1,525	1,505
Weighted average diluted shares (no. million)	**19**	**1,622**	1,592	1,575
Dividends per share (cents)		**83**	83	83
Performance (after non-cash items) (2)				
Return on average equity before significant items		**14.0%**	12.9%	18.8%
Return on average equity after significant items		**21.1%**	8.3%	20.0%
Return on average assets before significant items		**0.76%**	0.70%	0.96%
Net interest income				
Net interest spread	**4**	**1.74%**	1.92%	1.95%
Net interest margin	**4**	**2.19%**	2.29%	2.40%
Profitability (before significant items)				
Cash earnings per average FTE ($ 000)		**76**	74	86
Banking cost to income ratio (3)	**1b**	**57.4%**	57.1%	50.8%

		31 Mar 05	As at 30 Sep 04	31 Mar 04
Capital				
Tier 1 ratio	**17**	**8.30%**	7.34%	7.43%
Tier 2 ratio	**17**	**4.12%**	4.26%	2.92%
Deductions	**17**	**(1.05)%**	(1.02)%	(1.05)%
Total capital ratio	**17**	**11.37%**	10.58%	9.30%
Adjusted common equity ratio	**17**	**5.84%**	5.30%	5.33%
Assets ($bn)				
Gross loans and acceptances		**273**	269	253
Risk-weighted assets	**17**	**279**	287	278
Off-balance sheet assets ($bn)				
Funds under management and administration		**85**	81	77
Assets under custody and administration		**372**	432	397
Asset quality				
Gross non-accrual loans to gross loans and acceptances	**13**	**0.41%**	0.46%	0.57%
Net impaired assets to total equity (parent entity interest)	**13**	**2.7%**	3.5%	4.1%
General provision to risk-weighted assets	**13**	**0.73%**	0.74%	0.64%
Specific provision to gross impaired assets	**13**	**34.9%**	32.3%	33.5%
General and specific provisions to gross impaired assets	**13**	**216.8%**	198.1%	157.8%
Other information				
Full-time equivalent employees (no.)	**11**	**39,961**	43,517	43,282

(1) Cash earnings attributable to ordinary shareholders excludes revaluation profits/(losses) after tax and goodwill amortisation.

(2) Includes non-cash items, ie. revaluation profits/(losses) after tax and goodwill amortisation.

(3) Total Banking cost to income ratio is before eliminations (refer note 1a). Costs include total expenses excluding significant items, goodwill amortisation, the charge to provide for doubtful debts and interest expense. Income includes total revenue excluding significant items and net of interest expense. Refer to Non-GAAP financial measures for a complete discussion of the cost to income ratio on page 102.

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2005

GROUP PERFORMANCE OVERVIEW

OVERVIEW

Group performance

Movement on September 2004 half

For the National, activity in the March 2005 half has focused on making the operational changes required to start stabilising the Group s performance. The process of stabilisation, and putting in place sustainable performance improvements, will continue through the second half and beyond.

The Group s results during the March 2005 half reflect this environment. Cash earnings before significant items were $1,618 million. The result was largely unchanged compared to the September 2004 half (but increased 1.7% at constant exchange rates). This is consistent with the guidance provided to the market in November 2004, when the Group indicated that it expected its earnings decline to bottom in the first half.

The performance was impacted by a range of factors:

the earnings decline in the Group s banking businesses has been arrested;

a steady result for Wealth Management in Australia and improving results for the UK, after adjusting for one-off factors in both the September and March halves; and

two one-off costs incurred in relation to South Korea litigation and the Northern Bank robbery.

Further details are discussed below.

As a result, reflecting additional shares issued through the dividend re-investment program, diluted cash earnings per share before significant items decreased 1.8 cents (1.7%) from 104.8 cents to 103.0 cents.

Diluted cash earnings per share before significant items (cents)

** Other includes Group Funding & Corporate Centre, which includes the cost of the Northern Bank robbery and the legal action in South Korea and the impact of movement in the weighted-average number of shares.*

Cash earnings after significant items increased from $1,100 million in the September 2004 half to $2,439 million in the March 2005 half. The prior half included an after-tax significant items loss of $(511) million, compared to an after-tax significant items profit of $821 million in the March 2005 half. The March 2005 half significant items consisted of:

- net profit on the sale of Northern and National Irish Banks after all disposal costs including taxation of $1,073 million;
- restructuring costs of $(282) million (after-tax);
- reversal of provision in relation to foreign currency options trading loss of $24 million (after-tax); and
- reversal of 2002 restructuring provisions of $6 million (after-tax).

After including significant items, net profit attributable to members of the Company increased from $1,011 million in the September 2004 half to $2,535 million in the March 2005 half year. This included a $51 million Wealth Management revaluation profit after tax compared with a loss of $132 million in the prior half.

The interim dividend has been maintained at 83 cents per share and will be 80% franked.

Movement on March 2004 half

Cash earnings before significant items of $1,618 million decreased 12.5% on the March 2004 half year result of $1,850 million.

Total Banking cash earnings were 15.4% lower, while Wealth Management experienced growth of 20.5% on the March 2004 half. The major performance declines relative to the prior comparative period were in Australian Banking, UK Banking and Institutional Markets & Services.

Cash earnings after significant items of $2,439 million for the half were 23.3% higher than the March 2004 half year. The March 2005 half included favourable significant items of $821 million, compared with the March 2004 half of $127 million.

Banking performance

Total Banking excludes the Wealth Management operations across all regions, and includes the results for Group Funding and the Corporate Centre.

Banking operations generated cash earnings of $1,484 million, a decrease of 4.0% on the September 2004 half, or 3.4% at constant exchange rates. Adjusting for the impact of large one-off events in relation to the legal action in South Korea and the Northern Bank robbery, Banking cash earnings increased on the September 2004 half.

The result is impacted by:

- flat income, with declining income in UK Banking being offset by moderate growth in income for Australian and New Zealand Banking and the impact of favourable market conditions on Institutional Markets & Services income;

- a 2.5% decline in underlying expenses (excluding the impact of the items mentioned above); and

- a 10.6% increase in the charge to provide for doubtful debts due to a volume-related increase in the general provision.

Banking cash earnings decreased 15.4% on the March 2004 half. At constant exchange rates cash earnings decreased 16.4%. This outcome reflects a large increase in expenses and a moderate decline in income compared to the March 2004 half.

Wealth Management performance

Wealth Management reported cash earnings of $229 million, increasing $71 million on the September 2004 half year of $158 million. The overall result was impacted by an insurance recovery of $19 million (after-tax) and by the receipt of a retrospective profit share payment of $17 million (after-tax). This compares to the negative impact of prior year adjustments of $(40) million in the September 2004 half. Improved equity market performance contributed to higher earnings on shareholders retained profits and capital.

In Australia (including Asia), the Investments business experienced a solid result, with average funds under management and administration growing $5.5 billion, or 7.6%, over the half year, positively impacting fee revenue. The Insurance business results declined as the favourable claims experience of 2004 returned to expected levels.

Results excluding Irish Banks

On 28 February 2005 the sale of Northern Bank and National Irish Bank (the Irish Banks) to Danske Bank A/S was completed on terms consistent with the original sale announcement on 14 December 2004. This generated a net profit on sale after all disposal costs including taxation of $1,073 million. Adjustments have been made to set out what the March 2005 half results would have been had the Irish Banks been sold on 30 September 2004 as follows:

exclusion of net profit on sale;

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

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

inclusion of the funding benefit from the sale proceeds of $2,514 million calculated at an average rate of 5% per annum.

Refer to Significant Items on page 27 for further details.

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

		Adjust for				
	Group reported results (6 mths) $m	**Net profit on sale of Irish Banks $m**	**Irish Banks profit (5 mths) $m**	**Income & expense charges (6 mths) $m**	**Funding benefit (6 mths) $m**	**Ongoing results (6 mths) $m**
Net interest income	3,553		(197)		63	**3,419**
Net life insurance income	495					**495**
Investment earnings on shareholders retained profits & capital from life bus.	63					**63**
Other operating income	2,490		(82)	27		**2,435**
Net operating income	6,601		(279)	27	63	**6,412**
Operating expenses	(3,576)		203	(61)		**(3,434)**
Charge to provide for doubtful debts	(281)		6			**(275)**
Cash earnings before tax	2,744		(70)	(34)	63	**2,703**
Income tax expense:						
Net life insurance income & IORE	(192)					**(192)**
Other	(685)		22	10	(19)	**(672)**
Cash earnings before significant items, outside equity interest & distributions	1,867		(48)	(24)	44	**1,839**
Significant items after tax	821	(1,073)				**(252)**
Net profit outside equity interest	(154)					**(154)**
Distributions	(95)					**(95)**
Cash earnings after significant items	2,439	(1,073)	(48)	(24)	44	**1,338**

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 1 January 2005.

The Group will be required to adopt these standards for the financial year commencing 1 October 2005 and they will be first reflected in the Group s financial statements for the half year ending 31 March 2006. Comparative financial information prepared in compliance with AIFRS will be required for the year commencing 1 October 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 are responsible for evaluating the impact of specific accounting changes and how the necessary changes will be made. The program is well progressed through these phases and is achieving scheduled plan milestones. There are several future changes expected to AIFRS that the Group will need to address, including Phase II of the IASB s insurance project and proposed further amendments to IAS 39 Financial Instruments: Recognition and Measurement . The Group continues to monitor these and other developments, including emerging industry interpretations and practice.

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 is expected to have a material effect on the Group s reported financial performance and financial position; however, the underlying economics of the business will not change.

On the date of transition to AIFRS, the Group will effect two types of changes:

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

Any recognition and measurement adjustments that arise as a result of the transition process will be 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.

The transitional process to AIFRS must comply with the requirements of AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards (AASB 1). Upon transition to AIFRS, a number of the Group s accounting policies will be altered. Based on AIFRS as currently issued, the areas of most significant impact and the known estimable transitional differences from application of AIFRS are summarised below. The transitional adjustments identified are based on the work-in-progress of the AIFRS work streams and are best estimates as at reporting date. The information provided in this note is focused upon material items; it does not represent a complete list of expected adjustments.

The transitional adjustments provided in this note are based upon known interpretations of AIFRS at this time. The actual effects of transition to AIFRS may differ from the estimates disclosed due to ongoing work being undertaken by the Group or potential amendments to AIFRS or interpretive guidance. Whilst some individual comments address tax issues, all estimates presented are on a pre-tax basis. It should be noted therefore that the net impact of some of the AIFRS adjustments will be lessened following adjustments for tax effect accounting. Further, the ongoing impact of some adjustments (for example, pension deficit liability) will be lessened as a consequence of the sale of the Irish banks on 28 February 2005.

(a) Post-employment benefits

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 balance sheet with a corresponding entry made to retained earnings.

The estimated transitional adjustments for each of the Group s material pension and superannuation plans in accordance with AASB 119 Employee Benefits (AASB 119) have been, in the case of Australia and New Zealand, calculated based on 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 estimated transitional adjustment has been based on the latest available information from the triennial actuarial valuations currently undertaken in respect of the valuation as at 30 September 2004. Work to date indicates that the Group will recognise a defined benefit pension liability in the range of $1,200 million to $1,400 million relating to the Group s European pension plans. As the valuations performed by the actuary are currently not finalised, the defined benefit pension liability may be subject to change.

In addition, a defined benefit pension asset of approximately $100 million will be recognised relating to the Group s New Zealand and Australian plans.

Additionally, the prepaid pension cost asset currently recognised under Australian generally accepted accounting principles (GAAP) of $582 million predominantly in respect of the Yorkshire Bank and Bank of New Zealand pension and superannuation plans will be de-recognised upon transition to AIFRS.

In total, retained earnings is expected to decrease on a pre-tax basis within a range of $1,700 million to $1,900 million or $1,200 million to $1,300 million after allowance for the related net deferred tax asset. Note, no change arises to the ongoing cost of the pension schemes as a result of this accounting change. The schemes remain in actuarial surplus and compliant with all relevant regulatory requirements.

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 through retained earnings.

The Group has determined that it will recognise actuarial gains and losses directly in retained earnings. While the choice of option will impact the income statement subsequent to transition, it will 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.

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

On transition to AIFRS the Group will derecognise the asset representing the excess of net market value over net assets of life insurance controlled entities (EMVONA) and cease to recognise the movement in EMVONA 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 will be written off to retained earnings upon transition to AIFRS. Under AASB 1 EMVONA may be partially replaced by acquired goodwill and other intangible assets such as the value of business in force (VBIF) arising from the acquisition of the MLC group in 2000 and other subsequent acquisitions, directly or indirectly, by life businesses within the Group.

Based on the above, the estimated opening adjustments as at 1 October 2004 are:

- de-recognition of the EMVONA asset of $4,904 million;
- recognition of goodwill of $2,677 million;
- recognition of other intangible assets of $1,482 million; and
- a decrease in retained earnings of $746 million.

Under the rules of AASB 1, the acquired goodwill recognised does not include any notional amortisation from the date of acquisition until transition. In future periods, the goodwill will be subject to an annual impairment test. The other intangible assets recognised will be amortised over a period equivalent to their useful life.

(c) Securitisation

The combined effect of financial asset de-recognition rules and the consolidation of special purpose entity rules will impact both existing and new securitisation arrangements involving both the Group s assets and those of its customers. The rules provide more stringent criteria for the de-recognition of financial assets. The interpretation of AIFRS consolidation rules will now require the Group to consolidate securitisation special purpose vehicles that were not consolidated under Australian GAAP. In addition, special purpose entities holding assets originated outside the Group will 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 estimated opening adjustments as at 1 October 2004 are:

- an increase in total assets of $5.6 billion;
- an increase in total liabilities of $5.6 billion; and
- a minimal decrease in retained earnings.

As a consequence of the new rules and changes to interpretation the Group is currently considering structural changes to its special purpose entities involved in various securitisation programs such that some of these entities would not then be consolidated into the Group s financial statements from that point in time onwards.

(d) Taxation

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 will identify a broader range of differences than those that arise currently. Consequently, the Group will be required to recognise additional levels of deferred tax assets and liabilities.

There are two major tasks involved in the first time application of AASB 112, the first being the need to determine the tax effect of any transitional adjustments (at both 1 October 2004 and 1 October 2005) required in the move to AIFRS. The second major task involves applying the rules of the balance sheet method to the Group s existing balance sheet. This is a very complex exercise and remains work in progress for the AIFRS project. As a consequence, in combination it is estimated that the changes will result in a higher level of deferred tax assets and a lower level of deferred tax liabilities being recognised by the Group.

(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 the performance options and performance rights at grant date will be expensed over their expected vesting period on a straight-line basis. Shares issued under the Company s staff share schemes will be recognised as an expense when issued.

The rules require the transition adjustment at 1 October 2004 to be calculated in respect of performance options and performance rights granted from 7 November 2002 that remain unvested at 1 January 2005.

The estimated opening adjustment as at 1 October 2004 is a decrease in retained earnings of $34 million with a corresponding amount recognised in a share option reserve within shareholders equity.

(f) Intangible assets and impairment

On transition to AIFRS goodwill will no longer be amortised but will be assessed for any potential indication of impairment at each reporting date and tested for impairment at least annually. If an impairment loss is identified it must be recognised immediately in the income statement. The Group does not currently anticipate an impairment adjustment to opening retained earnings arising at 1 October 2004 in respect of this change in accounting policy but are in the process of completing the review.

This change in policy under AIFRS may result in increased volatility of future earnings where impairment losses are incurred.

Other intangibles will be amortised on a systematic basis that best reflects the expected pattern of consumption of the assets benefits over their respective useful lives. In addition, application software assets with a carrying value of $655 million will be reclassified from Property, Plant and Equipment to Intangible Assets on transition.

(g) Foreign currency translation

Under the AIFRS transitional rules the Group will apply an exemption that permits the resetting of the foreign currency translation reserve (FCTR) to nil as at the date of transition to AIFRS. This decision will give rise to a debit adjustment against the FCTR estimated at $166 million with a corresponding increase to retained earnings.

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 1 October 2004.

(h) Deferred acquisition costs

Current accounting policy allows the Group s life insurance and funds management controlled entities to defer acquisition costs incurred to gain new business. This deferral gives rise to an asset known as deferred acquisition costs (DAC). Under AIFRS this treatment will change in respect of those contracts classified as investment contracts. Costs relating to investment contracts may only be deferred if they are direct and incremental business unit costs relating to new business. Costs relating to insurance contracts may continue to be deferred as the treatment of acquisition costs under the current Margin on Services (MoS) policy is effectively grandfathered under AASB 4 Insurance Contracts .

The application of AIFRS in this regard is currently being considered by the industry, both within Australia and internationally, and various approaches are under consideration.

As the eventual accounting treatment is currently uncertain, the Group cannot reliably estimate the financial impact of this issue.

(i) Treasury shares

Under current accounting policy, direct investments in National Australia Bank Limited shares by the Group s life insurance statutory funds are recognised as 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 adjustments at 1 October 2004 arising from the transition to AIFRS are estimated to be decreases in investments relating to life business ($551 million) and contributed equity ($645 million) and an increase in retained earnings ($94 million).

Transitional changes as at 1 October 2005

The following transitional changes relate to application of AASB 132 Financial Instruments: Disclosure and Presentation , AASB 139 Financial Instruments: Recognition and Measurement and AASB 4 Insurance Contracts and will occur on 1 October 2005. No comparative adjustments are required for the 2005 year.

Work is ongoing with regard to the impact of these transitional adjustments. Definitive impacts have yet to be quantified and in some cases are not able to be quantified until after 1 October 2005 as they will be based on market information as at that date.

(j) 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) will be deferred in a separate equity reserve and 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 affects only the manner by which the Group will account for the way it mitigates its interest rate and foreign currency risk. Under AIFRS, the Group will most likely use a hybrid of approaches with a predominance of cash flow hedge accounting. As a consequence, this will create volatility in the balance of the cash flow hedge reserve within equity.

All hedging arrangements will be 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, 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 recognising both the item that is subject to an economic hedge and the accompanying derivative instrument at fair value in the balance sheet with movements in fair value recognised immediately in the income statement. The effect of this will be to reflect the economic substance of the transaction and reduce income statement volatility.

(k) Loan 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 will be individually assessed for impairment. Those significant loans that are not assessed as impaired will then be placed into portfolios of assets with similar risk profiles and be subjected to a collective assessment of 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 impact of AIFRS on the Group s current methodology for calculating the provision for doubtful debts is still being evaluated.

(l) Insurance contracts

Contracts that do not have significant insurance risk will no longer be treated as insurance contracts but as financial instruments. For non-insurance contracts these changes will likely have a negative impact on accounting profit in respect of new business. Accounting profits will be higher in later periods as a result of a greater proportion of contract acquisition expenses being recognised upfront.

For those contracts that continue to meet the definition of an insurance contract, the Group will account for those under the existing Margin on Services (MoS) approach.

These changes do not require comparatives for the 2005 financial year. It is expected that further changes to insurance accounting will arise under Phase II of the IASB s insurance project at which time the existing MoS approach will be phased out.

(m) Revenue recognition

At present, loan origination fee revenue is either recognised upfront or deferred in the balance sheet and amortised as an adjustment to yield over the expected life of the loan. It is likely that a greater volume of fees will be deferred and amortised over the expected life of the respective loans under AIFRS. 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.

(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 a mid-price. It is acceptable to continue to use the mid-price where there is an off-setting market risk position. Consequently, where there is no off-setting market risk position an adjustment is required to re-measure those assets and liabilities at either a bid or offer price instead of a mid price. The impact of this change on the income statement is not expected to be significant.

(o) Available for sale securities

Under AIFRS, the Group s available for sale debt securities and equity investments will be valued at fair value in the balance sheet with unrealised gains and losses recognised in a separate reserve account within equity.

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. The Group is currently evaluating these requirements.

Capital implications

The Australian Prudential Regulation Authority (APRA) released a discussion paper in February 2005, outlining their 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.

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

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2005

GROUP PROFITABILITY AND CAPITAL

Management Discussion & Analysis - Profitability

PROFITABILITY

Net Operating Income

Group net operating income increased 1.0% from the September 2004 half, and 1.6% from the March 2004 half.

Net Interest Income

Banking net interest income fell 1.5% from the September 2004 half and 0.9% from the March 2004 half. The result reflects continued pressure on margins across the Group, partly offset by growth in underlying volumes.

Volumes by Division

	Half Year to			Fav/(Unfav) Change on Sep 04	
	Mar 05 $bn	Sep 04 $bn	Mar 04 $bn	%	Ex FX % (2)
Average interest-earning assets (1)					
Australian Banking	**150.1**	142.9	135.5	5.0	5.0
UK Banking	**53.5**	55.9	50.3	(4.3)	(0.7)
New Zealand Banking	**31.1**	28.4	26.5	9.5	6.7
Institutional Markets & Services	**139.8**	133.0	126.7	5.1	7.3
Other (3)	**(49.6)**	(46.4)	(39.8)	(6.9)	(12.7)
Group average interest-earning assets	**324.9**	313.8	299.2	3.5	4.1

(1) Interest-earning assets include intercompany balances.

(2) Change expressed at constant foreign exchange rates.

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

Average interest-earning assets increased $11.1 billion, or 3.5% on the September 2004 half, primarily representing a $7.5 billion increase in loans and advances and a $2.5 billion increase in marketable debt securities.

On a divisional basis, the $7.5 billion increase in loans and advances on the September 2004 half is primarily driven by the Australian Banking business, and, on a product basis, reflects growth in the Group s housing book and improved business lending. Key factors contributing to this outcome were:

reflecting stabilisation of housing market share, Australian Banking experienced growth of $5.1 billion (5.5%) in housing lending on the September 2004 half. Non-housing lending grew $1.9 billion (4.5%) primarily fixed-rate interest-only term lending and leasing, which increased 7.3% and 5.6% respectively;

of the growth in New Zealand Banking s average interest-earning assets, $1.5 billion is due to growth in residential mortgages (up 11.8%, or 9.1% at constant exchange rates to $14.8 billion), reflecting market share improvements from 15.9% to 16.2%. Non-housing lending grew 8.3%, or 5.6% at constant exchange rates;

including the Irish Banks, which were sold on 28 February 2005, UK Banking s loans and advances declined 2.5%. Excluding the Irish Banks and at constant exchange rates, average underlying housing loan balances increased 9.5%, reflecting new products and branding strategies, and the move into the third party distribution channel. Average underlying non-housing loan balances were flat, but grew 4.2% at constant exchange rates, with growth in both fixed and variable-rate products; and

Institutional Markets & Services average loans and advances increased 2.6%, or 5.5% at constant exchange rates on the September 2004 half.

Average marketable debt securities grew $2.5 billion, or 7.0%, on the September 2004 half. Higher balances of Markets division assets reflecting business growth in the December 2004 quarter, were reduced in the March 2005 quarter following the Group s strategic decision to release capital invested in low yielding assets.

Refer to Note 5 for further details.

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Net Interest Margin

Group net interest margin declined 10 basis points during the half year from 2.29% to 2.19%, (and compared to the March 2004 half, the net interest margin has declined 21 basis points from 2.40%). Drivers of the decline varied across the Group s businesses.

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

	$m
Increase/(Decrease)	
Australian Banking	36
UK Banking	10
New Zealand Banking	(12)
Institutional Markets & Services	9
Group Funding	(43)
Group	

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

Australian Banking s margin declined 4 basis points (9 basis points excluding the capital reallocation). This reflects ongoing competitive pressure on margins, the continuing shift in the balance sheet to lower-margin home loan products, and an increase in wholesale funding;

UK Banking s margin declined 18 basis points (27 basis points excluding the capital reallocation (4bps) and the benefit of the proceeds from the sale of the Irish Banks (5bps)). This reflects a continuing move to lower-margin housing lending, reduced lending margins (primarily for fixed-rate personal loans, variable-rate mortgages and credit cards), and unfavourable funding costs. In relation to UK Ongoing Operations, the underlying net interest margin declined 20 basis points;

New Zealand Banking s margin declined 12 basis points (5 basis points excluding the capital reallocation). This has been driven by growth in lower-margin fixed rate products, competitive pressure for lending products (particularly in cards and housing), partly offset by favourable deposit margins, and the results of funding strategies;

Institutional Markets & Services margin declined 1 basis point (2 basis points excluding the capital reallocation). This reflects the impact of the prevailing yield curve on income generated in the Markets business and competition in the corporate lending market, partly offset by the reversal of capitalised interest income on a non-accrual loan in the September 2004 half, and favourable changes to the structured finance portfolio; and

Group Funding s margin declined excluding the capital reallocation reflecting the results of the Group s ongoing funding activity and securitisation programs.

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

Net interest margin contribution to the movement in the Group net interest margin on the September 2004 half (ex

As a result, on a weighted basis, the division having the greatest impact on the Group s 10 basis point margin decline was UK Banking, contributing 9 basis points of the decline on a weighted basis, with Australian Banking contributing 2 basis points, offset by a 1 basis point increase from Group Funding.

Net Life Insurance Income

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

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

		Half Year to		Fav/(Unfav) Change on	
	Mar 05 $m	Sep 04 $m	Mar 04 $m	Sep 04 %	Mar 04 %
Net life insurance income	**495**	523	396	(5.4)	25.0
Investment earnings on shareholders retained profits and capital (before tax) *see below*	**63**	34	59	85.3	6.8
Interest expense, income tax expense and outside equity interest	**(360)**	(402)	(281)	(10.4)	(28.1)
Net profit of life insurance funds after outside equity interest	**198**	155	174	27.7	13.8

Net life insurance income after tax has improved 27.7% on the September 2004 half. This is primarily due to increased investment revenue reflecting the improved performance of global equity markets compared to the September 2004 half, partly offset by an increase in policy liabilities. The increase in fee revenue due to higher average funds under management, and higher annual inforce premiums, partly offset by less favourable claims experience in the March 2005 half have also contributed to the result. The September 2004 half included the recognition of an unfavourable prior year adjustment of $(40) million.

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

	Mar 05 $m	Half Year to Sep 04 $m	Mar 04 $m	Fav/(Unfav) Change on Sep 04 %	Mar 04 %
Investment earnings on shareholders retained profits and capital (before tax)	**63**	34	59	85.3	6.8
Income tax expense and outside equity interest	**(15)**	(7)	(15)	large	
Investment earnings on shareholders retained profits and capital	**48**	27	44	77.8	9.1

Investment earnings generated on shareholders invested capital in the life insurance statutory funds in the March 2005 half was $48 million (after-tax), in line with the strong performance of the major stockmarket indices over the half. The September 2004 half was impacted by more subdued equity market returns, with the Asian operations particularly impacted by the significant volatility of the MSCI World Index.

Other Operating Income

Movement on September 2004 half

Total Banking other operating income increased by 3.3% (or 4.3% at constant exchange rates) on the September 2004 half to $2,110 million, which reflects the following factors:

Trading income increased by $102 million (43%) to $337 million as a result of improved trading opportunities due to increased volatility in the interest and exchange rate markets, after a particularly challenging September 2004 half; and

Loan fees from banking grew by $22 million (3%) to $742 million, reflecting solid bill fee growth in Australia, partly offset by competitive pricing across all regions;

Partly offset by:

Money transfer fees fell $16 million (3%) to $479 million as a result of a change in the mix of transactions as customers migrate to lower cost channels;

Other income fell by $22 million to $112 million due to the impact of non-recurring items; and

Fees and commissions decreased by $10 million (3%) to $366 million largely reflecting changes in Card-related products and activity;

Wealth Management other operating income increased by $53 million (13%) to $461 million, reflecting higher management fee income. The March 2005 half was also favourably impacted by the receipt of a $24 million retrospective profit share payment in the UK, and a $27 million insurance recovery relating to NAFiM investor compensation payments (received from the Group s captive-insurance company, with no impact at the Group level).

Movement on March 2004 half

Total Banking other operating income decreased by 0.6% (or 1.6% at constant exchange rates) on the March 2004 half to $2,110 million, which reflects the following factors:

Dividend income of $22 million in the March 2004 half no longer received following the sale of investments;

Other income fell by $10 million to $112 million due to the impact of non-recurring items;

Money transfer fees fell $9 million (2%) to $479 million due to a change in the mix of transactions as customers migrate to lower cost channels; and

Trading income was flat at $337 million;

Partly offset by:

Fleet service fees grew $13 million (22%) to $73 million reflecting business growth and a change in accounting treatment of fleet vehicle registration costs; and

Loan fees from banking grew $15 million (2%) to $742 million, reflecting solid bill fee growth in Australian Banking as a result of a 16.5% increase in bill acceptance volumes over the 12 months.

Wealth Management other operating income increased by $62 million (16%) on the March 2004 half to $461 million reflecting higher management fee income. The March 2005 half was also favourably impacted by a $12 million increase in retrospective profit share payment in the UK, and a $27 million insurance recovery relating to NAFiM investor compensation payments.

Operating Expenses

Movement on September 2004 half

Total Banking expenses grew 0.7% (or 1.9% at constant exchange rates) on the September 2004 half, to $3,246 million. The result is marked by higher personnel and superannuation costs and large one-off items, partly offset by lower discretionary expenditure and amortisation. In particular the result includes:

costs of $56 million associated with the Northern Bank robbery in December 2004 ($49 million recognised in Corporate Centre through the Group s captive-insurance company and $7 million in the UK Banking results);

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

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

higher superannuation costs of $25 million, due primarily to a superannuation contribution holiday in Australia reducing September 2004 half pension fund expenses by $17 million, and a $5 million increase in New Zealand pension fund expenses;

higher occupancy costs of $9 million (3%) driven by the full occupation of the second Docklands building; and

personnel expenses (excluding superannuation), growing $8 million (1%), reflecting higher salaries from 1 January 2005 net of a reduction in average staff numbers, and higher performance-based remuneration in the March 2005 half;

Partly offset by:

the focus on reducing discretionary expenditure and lower project related-spend, including regulatory and compliance projects;

a reduction in advertising and marketing costs of $19 million, as the September 2004 half included costs associated with the sponsorship of the 2006 Melbourne Commonwealth Games; and

lower software amortisation expense of $7 million following the write-off of capitalised software at 30 September 2004.

Wealth Management operating expenses fell 4.2% on the September 2004 half to $411 million, reflecting a reduction in staff numbers and lower costs associated with strategic investment expenditure.

Movement on March 2004 half

Total Banking expenses increased 12.0% (or 10.7% at constant exchange rates) on the March 2004 half year to $3,246 million, reflecting:

growth in personnel expenses (excluding superannuation) of $103 million (7%), due to higher annual salaries and growth in contractor costs mainly associated with compliance projects;

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

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

higher occupancy costs of $36 million (13%) as a result of annual rent increases and the move to Docklands;

insurance recoveries of $27 million payable to NAFiM from the Group s captive insurance company;

higher superannuation costs of $25 million, due primarily to a superannuation contribution holiday in Australia reducing March 2004 half pension fund expenses by $17 million, and a $7 million increase in New Zealand pension fund expenses; and

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

Partly offset by:

a $26 million write-off of development work associated with the Integrated Systems Implementation (ISI) program which was included in the March 2004 half; and

a reduction of $19 million in the charge to provide for non-lending losses on the March 2004 half.

Wealth Management operating expenses increased 1.5% on the March 2004 half to $411 million, reflecting higher volume-related expenses, partly offset by the impact of a reduction in staff numbers.

Asset Quality

The Group s asset quality continued to remain sound during the March 2005 half year. The credit environment during the half was benign and the current outlook is for no significant deterioration.

The disposal of the Irish Banks has decreased the volume of impaired assets and the level of total provisions, however this has had a minor impact on asset quality. In the March 2005 half:

the Group commenced a review of its credit assessment process to simplify and accelerate the process, resulting in an improved client focus without compromising the quality of the lending decision;

portfolio-managed facilities totalling $124 million between 90 and 180 days past due were reclassified from non-accrual to 90 days past due facilities to align with the Australian Prudential Regulatory Authority (APRA) classification;

the average level of non-accrual loans has remained relatively stable;

net write offs are lower compared to the September 2004 and March 2004 halves;

past due volumes have increased following some deterioration in housing and personal loans;

coverage ratios have improved; and

the proportion of investment grade non-retail facilities has improved.

Movement in gross non-accrual loans and accruing loans past due 90 days (refer note 13)

	Non-accrual $m	**90 days past due $m**
Balance at 30 September 2004	1,230	892
Increase/(Decrease):		
- Sale of Irish Banks	(84)	(3)
- APRA Reclassification	(124)	124
Adjusted balance at 30 September 2004	1,022	1.013
Repayment of large exposure		(204)
Underlying movement	93	75
Balance at 31 March 2005	1,115	884

Non-accrual loans

The APRA reclassification of portfolio-managed facilities past due between 90 and 180 days reduced the balance of non-accrual loans by $124 million and the sale of the Irish Banks reduced the balance by $84 million.

In the March 2005 half there was an underlying increase of $93 million in non-accrual loans. There was a net increase in Australia following the impairment of two large corporate clients totalling $133 million, which was offset by lower non-accrual loans in the UK.

Net write offs

Net write offs in the March 2005 half amounted to $211 million, which is significantly lower than the September 2004 half year of $335 million, and the March 2004 half year of $270 million. Net write offs as a proportion of gross loans and acceptances fell in the March 2005 half from 0.12% (including Irish Banks) to 0.08%.

The improvements in net write offs is consistent with the benign credit environment, stronger asset prices and fewer corporate write offs in the United States and New Zealand.

The improvement of $43 million in the United States is the result of no further write offs being incurred in the exit of impaired exposures in the power and utility sector, although a provision of $23 million has been made for one exposure in the half. New Zealand improved by $13 million as the net write offs in the September 2004 half primarily related to one corporate client.

In Australia, non-retail net write offs fell by 38% following proportionately higher recoveries, while retail net write offs fell by 57%.

Net write offs increased in the UK relating to two corporate clients.

Accruing loans 90 days past due

Past due facilities comprise well-secured accruing loans that are more than 90 days past due and portfolio-managed facilities that are not well secured but between 90 and 180 days past due, (refer comment on reclassification above). Excluding the full repayment of one large corporate exposure in Australia of $204 million and the APRA reclassification, the volume of these facilities increased by $75 million.

The application of the APRA classification exemption to portfolio-managed facilities that are not well secured but between 90 and 180 days past due resulted in $74 million of facilities in Australia and $50 million in the UK being reclassified from non-accrual to past due in the March 2005 half.

Facilities that are past due but fully secured had an underlying increase of $68 million, the majority in Australia and relating to the home loan portfolio. Actions are being undertaken to address this, however lending losses are not expected as the facilities are well secured.

Provisioning coverage

The Group s total provisions as a percentage of impaired assets increased by 19% points to 217% over the March 2005 half.

The improvement in cover resulted from a decrease in impaired assets in the Group, primarily due to the reclassification referred to above, while provision levels remained relatively stable.

The ratio of general provisions to risk-weighted assets, excluding housing, increased marginally from 0.99% to 1.00%.

Trends in the ratings of exposures

The non-retail segment of the portfolio encompasses Business and Corporate lending.

Over the twelve months to March 2005, the level of investment grade equivalent (AAA to BBB-) facilities held by the Group in its non-retail portfolio increased from 75% of the portfolio to 77%.

The proportion of sub-investment and categorised facilities fell in that time by 1% each.

Trends in the level of non-retail secured lending

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

The non-retail segment of the Group continues to build and retain its core of well-secured clients.

In March 2005 half, Business Banking increased its holdings of well-secured facilities by 2% points to 68%. Institutional Markets & Services also increased its proportion by 2% points to 13%.

Retail portfolio

The retail portfolio consists of home loans, credit cards, personal overdrafts and personal loans. Housing remains the dominant product in the portfolio comprising 92% of Group personal lending. Australia is the dominant region holding 75% of the Group s personal lending portfolio.

The credit quality of the retail portfolio is sound, with a high level of well-secured facilities (92%).

90-day delinquencies have remained at a similar level since the transition of home loans from the previous servicing system in September 2004. The movement for the March half is attributable to a small increase in delinquency rates in Australian housing. Although the majority of this segment is well secured, actions are being taken to address the rise in delinquency.

The gross 12 month rolling write off rate has continued to decline to 0.29%, as a result of generally higher levels of equity in households.

The data series excludes the Irish Banks.

Taxation

Total Banking s effective tax rate on cash earnings before significant items has increased from 28.5% in the September 2004 half to 30.4%. This is impacted by the Group s international activities to which a wide range of tax rates are applied, and certain costs incurred in respect of the legal action in South Korea and the Northern Bank robbery, in relation to which no future income tax benefit has been raised.

Exchangeable capital units capital raising

In February 2004 the National announced that it had received amended assessments from the Australian Taxation Office (ATO) which seek to disallow interest deductions on exchangeable capital units (ExCaps) for the tax years 1997 to 2000. The ATO assessments are for $157 million of primary tax and interest and penalties of $150 million (after-tax), a total of $307 million (after-tax). At that time, the National also informed that the ATO was considering its position in respect of interest deductions claimed by the National on its ExCaps for the years 2001 to 2003.

In May 2005 the National received amended assessments from the ATO for the years 2001 to 2003. The ATO assessments are for $135 million of primary tax and interest and penalties of $98 million (after-tax), a total of $233 million (after-tax).

The National has also received amended assessments from the ATO for the years 1998 to 2001 disallowing certain costs associated with the issue of the ExCaps. These assessments are for $6 million of primary tax and interest and penalties of $6 million (after-tax), a total of $12 million (after-tax). Should the ATO also disallow issue costs claimed in 2002 and 2003, the further primary tax assessed would be approximately $2 million. Interest and penalties may also be imposed.

The Group is confident that its position in relation to the application of the taxation law is correct and intends to dispute the amended assessments and pursue all necessary avenues of objection and appeal. Objections against the amended assessments have been lodged, and no provisions have been raised by the Group.

The Group has paid 50% of the amounts owing under the previous amended assessments. This payment has been recognised as an asset on the statement of financial position, included within other assets, on the basis that the Group expects recovery of the amount paid to the ATO. The Group intends to adopt the same position in relation to the most recent amended assessments.

The Group has not tax-effected interest paid on the ExCaps after 1 October 2003 whilst the tax treatment is in dispute. As a result, a permanent difference of $16 million has been recognised in determining income tax expense for the 2005 half.

TrUEPrS[SM] capital raising

In April 2004 the National announced that it had received amended assessments from the ATO which seek to disallow interest deductions claimed in respect of its TrUEPrS[SM] capital raising for the years 1999 to 2002. The ATO assessments are for $85 million of primary tax and interest and penalties of $65 million (after-tax), a total of $150 million (after-tax). The ATO is also expected to issue amended assessments for the 2003 and 2004 income years and the expected additional primary tax payable for those years is $20 million. If the ATO issues amended assessments in respect of those years it is possible interest and penalties would also apply. No further disputed tax amounts will arise in relation to future years as the TrUEPrS[SM] were redeemed in January 2004.

The Group is confident that its position in relation to the application of the taxation law is correct and intends to dispute the amended assessments and pursue all necessary avenues of objection and appeal. Objections against the amended assessments have been lodged, and no provisions have been raised by the Group.

The Group has paid 50% of the amounts owing under the amended assessments. This payment has been recognised as an asset on the statement of financial position, included within other assets, on the basis that the Group expects recovery of the amount paid to the ATO.

TrUEPrS[SM] is a service mark of Merrill Lynch & Co., Inc.

New Zealand structured finance transactions

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

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

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

The New Zealand Government has introduced new legislation, to take effect from 1 July 2005, which addresses their concerns with banks entering these transactions. All of the National s structured finance transactions that are the subject of the IRD s review will have terminated by that date.

If the IRD issues amended assessments for all transactions for periods up to 30 June 2005, the maximum sum of primary tax, which the IRD might claim for all years is approximately NZ$416 million. In addition, as at 31 March 2005, interest of NZ$102 million (net of tax) will be payable.

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

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

Significant Items

Net profit on sale of Northern and National Irish Banks

On 28 February 2005 the sale of National Europe Holdings (Ireland) Limited (the UK holding company of Northern Bank and National Irish Bank) to Danske Bank A/S was completed on terms consistent with the original sale announcement on 14 December 2004. This generated a net profit on sale after all disposal costs including taxation of $1,073 million.

There will be a post-closing adjustment in accordance with terms of the sale agreement and the National will have certain indemnification obligations and standard warranties that survive completion of the sale. The National will provide transitional services to Danske Bank A/S in respect of the Northern Bank and National Irish Bank operations to assist in the smooth transition of ownership of those businesses. These transitional services will be provided at cost and are expected to be in place for up to eighteen months.

Restructuring expenses

During the March 2005 half, the Group incurred restructuring expenses and provisions totalling $403 million. Details are set out below:

	Redundancies		Occupancy	Other	Total
	No.	$m	$m	$m	$m
Half year to 31 March 2005					
Total Australia	1,036	91		30	**121**
Total UK	1,700	185	61	20	**266**
Total New Zealand	23	1			**1**
Institutional Market & Services	27	7		3	**10**
Other (including Corporate Centre)	7	1		4	**5**
Total Group	2,793	285	61	57	**403**

Australian restructuring

Restructuring expenses of $121 million have been booked in the Australian region in the March 2005 half. This includes staff redundancy costs of $91 million covering 1,036 positions, of which 210 have exited in the March 2005 half ($22 million) and 826 have been provided for ($69 million). The remaining $30 million relates to other costs incurred in restructuring and integrating the Australian businesses. This includes costs related to reorganisation of new management teams and managing the integration process, as well as writing off the asset value of decommissioned systems.

Further restructure costs will be provisioned by the Australian region in the second half as it continues to develop the integration program for its businesses.

UK restructuring

On 30 March 2005, the National announced it would book a provision of $266 million (GBP109 million) to cover restructuring initiatives currently underway in the UK operations. This covers costs to streamline operations, which will lead to reductions in staffing levels of 1,700 positions during the next 12 to 18 months and the reconfiguration of the distribution networks to meet the changing needs of customers.

Further details may be obtained from the Company s ASX Announcement and European Restructure presentation on 30 March 2005, which are available on the Group s website at www.nabgroup.com

New Zealand, Institutional Markets & Services and Other restructuring

Restructuring initiatives are currently being finalised and provisions will be booked in the second half of the 2005 year.

Reversal of provision in relation to foreign currency options trading loss

In January 2004, the National announced that it had identified losses relating to unauthorised trading in foreign currency options of $360 million before tax. Following a detailed review of the residual risk in the remaining portfolio, it has been determined that $34 million ($24 million after tax) be written back to profit in the March 2005 half.

Reversal of 2002 provision in relation to restructuring

During 2002, the Group recognised restructuring costs from the Positioning for Growth (PfG) initiatives. In the March 2005 half, excess provisions totalling $9 million ($6 million after tax) were written back to profit, leaving a residual provision of $12 million.

BALANCE SHEET & CAPITAL

Assets and Liabilities

Lending

	As at			Fav/(Unfav) Change on	
				Sep 04	Mar 04
	31 Mar 05	30 Sep 04(1)	31 Mar 04(1)	Ex FX %	Ex FX %
	$m	$m	$m		
Housing (net of securitisation)					