2008 Half Year Results

Incorporating the requirements of Appendix 4D

This half year consolidated report is given to Australian Securities Exchange Limited (ASX) under Listing Rule 4.2A.
This half year consolidated report is to be read in conjunction with the annual financial report 2007.
National Australia Bank Limited ABN 12 004 044 937 (the 'Company')

National Australia Bank

nab · Clydesdale Bank · Yorkshire Bank · Bank of New Zealand · nabCapital · MLC

Results for announcement to the market

Report for the six months ended 31 March 2008

					31 March 2008 $m
Revenue from ordinary activities [1]	down	30.1%	*	to	15,555
Profit after tax from ordinary activities attributable to members of the Company	up	25.8%	*	to	2,687
Net profit attributable to members of the Company	up	25.8%	*	to	2,687

** On previous corresponding period (six months ended 31 March 2007).*

[1] Reported as the sum of the following items from the Group's consolidated income statement: Interest income, Premium and related revenue, Investment revenue, Fee income and Other income. This includes income attributable to policyholders within the Group's life insurance business, and is negative in the current period due to the downturn in global investment markets. On a cash earnings basis, which excludes income attributable to policyholders, revenue increased by 7.1%.

Dividends	**Amount per share**	**Franked amount per share**
Interim dividend	97 cents	100%
Record date for determining entitlements to the interim dividend		5 June 2008

Highlights [2]

Group cash earnings	up	8.0%	Cash earnings from ongoing operations of $2,237 million for the March 2008 half increased by $166 million or 8.0% on the March 2007 half. Underlying profit increased by $619 million or 18.1%. This reflects good revenue growth stemming from the Group's market leading position in business banking in Australia, the continued maturing of iFS in the UK and growth in nabCapital and New Zealand. A disciplined approach to cost management has been maintained but cash earnings have been reduced by a higher bad and doubtful debts charge from a weakening in the credit environment.
Cash return on equity (ROE)	up to	16.8%	Cash ROE increased by 30 basis points.
Diluted cash earnings per share	up to	137.2 cents	Diluted cash earnings per share increased by 8.7%.
Banking cost to income ratio	down	480 bps	The Group's banking cost to income ratio declined by 480 basis points for the half to 47.0% and represents continued progress in improving business processes, reducing costs and increasing productivity and efficiency.
Tier 1 capital ratio	down	82 bps	The tier 1 capital ratio has decreased to 6.51%. It remains within the Group's target range.
Full time equivalent employees	up	388	Full time equivalent employees increased to 39,421 and reflects continued investment in frontline staff to support business growth.

[2] All growth rates are calculated on an ongoing basis on the previous corresponding period.

A Glossary of Terms is included in Section 7.

A reference in this Appendix 4D to the 'Group' is a reference to the Company and its controlled entities. All currency amounts are expressed in Australian dollars unless otherwise stated. References in this document to the March 2008 half year are references to the six months ended 31 March 2008. Other six month periods are referred to in a corresponding manner. National Australia Bank Limited's half year consolidated financial report and directors report prepared in accordance with the *Corporations Act 2001 (Cth)* is located in Section 5.

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National Australia Bank

Group Corporate Affairs
500 Bourke Street
Melbourne Victoria 3000
AUSTRALIA

www.nabgroup.com

Friday, 9 May 2008

ASX Announcement

NAB earnings growth continues

Group financial indicators – Positive movement across the board
(HY 08 compared with HY 07, ongoing operations)

Net Profit (attributable to members of the co.)	▲ 25.8% to $2.7 billion
Cash earnings	▲ 8.0% to $2.2 billion
Revenue	▲ 7.1% to $7.6 billion
Expenses	▼ 3.0% to $3.6 billion
Cash EPS (Diluted)	▲ 8.7% to 137.2 cents per share
Cash return on equity	▲ to 16.8% from 16.5%
Half year dividend	▲ 10 cps to 97 cps, fully franked

Double digit business growth in local currencies

Cash earnings before currency impact (m) (Includes provisioning)	March HY 2008	March HY 2007	Growth
Australia (AUD) (Inc. Asia)	1,585	1,353	**+17.1%**
United Kingdom (£)	139	118	**+17.8%**
New Zealand (NZD)	239	208	**+14.9%**
nabCapital (AUD)	378	338	**+11.8%**

Group Performance

National Australia Bank Group Chief Executive Officer, John Stewart said strong earnings in each business unit had continued into the first half of the 2008 financial year.

"Great business unit earnings growth, including appropriate provisioning, and the best cost control in the sector delivers on the strategic agenda we outlined," he said.

“Our decision to take a conservative approach on liquidity was prudent given credit market conditions. With the right settings it is still possible to grow successfully in challenging conditions.

Targeting above system revenue growth potential in our chosen segments

“Our strong positions in business, agri banking and wealth management in Australia, continued success with integrated Financial Solutions in the United Kingdom and solid growth from our nabCapital and New Zealand businesses, all contributed to this performance.

“Our regional business model allows our business units to focus on getting close to the customers and delivering strong outcomes in selected market segments.

“Revenue increased by 7.1% from $7.1 billion to $7.6 billion. Average lending growth was 15.4% from $355.9 billion to $410.8 billion. Retail deposits grew by 10.3% to $166.2 billion.

Sustainable cost base with further operational efficiencies

“Effective use of Lean, Six Sigma and Kaizen productivity methods, outsourcing and offshoring programs, have combined to provide a healthy spread between revenue and expense growth. This allows us to reconfirm our guidance that we will maintain expense growth within inflation for the period up to September 2010.

“Operating expenses fell by 3% from $3.7 billion to $3.6 billion compared with the 2007 March half year.

“Once again all banking operations reduced their cost to income ratios, with the total banking cost to income ratio falling from 51.8% to 47.0%.

“This has been achieved while continuing to focus on improving employee engagement and customer satisfaction scores and continuing to invest in the businesses.

Focus on ROE with disciplined capital management

“At the corporate centre, strength in liquidity, capital and risk management are a strategic focus and during this half we have taken the decision to support our underlying growth with an additional level of liquidity. We have also increased our bad debt reserve with a management overlay as an economic cycle adjustment. This is in addition to the rigorous provisioning at the business unit level. We have also continued to spend on business development for the future.

“These decisions reduced overall cash earnings growth to 8% but provide flexibility for the future. The interim dividend is 97 cents per share up 10 cents on the March 2007 interim dividend and reflects the strength of the Group’s underlying earnings growth and capital framework.

“After several years of very good credit conditions, asset quality measures are now reflecting the changed global credit market conditions. The charge for bad and doubtful debts increased by $336 million to $726 million mainly as a result of a small number of corporate exposures. Underlying asset quality remains sound.

“As we move through this phase of difficult financial markets I am very comfortable with our position.

Capability and value driven investment

“We plan to rollout the now proven iFS model in relationship banking in Australia and New Zealand and expect this to be fully operational in Australia in the second half of this year.

“The agreement to purchase Great Western Bank will leverage the strength of the agribusiness relationship model in the United States and provide a new platform for organic growth.

Management bench strength

“The Group’s growth agenda requires a strong focus on developing our senior executive ranks. I am convinced you can only deliver above market growth with an above market share of talent.

“We take succession planning very seriously and are confident we have matched our talent resources with our growth agenda.

“We are also launching the ‘The Academy’, NAB’s innovative and distinct way of building the capability, talent and potential of our people and our organisation, for today and the years ahead.”

Regional Performance

Australia

Cash earnings growth of 17.1% from the banking and MLC businesses was driven by 10.6% revenue growth and flat expenses. This was achieved in a difficult market with higher wholesale funding costs and one large business lending specific provision.

Cost control remains a key focus. Absolute costs are lower in the first half of the 2008 financial year compared with the September 2005 half, when the program began.

NAB’s efficiency, quality and service program has delivered cumulative cost benefits since the program began in October 2005 in excess of $300 million.

Banking (NAB)

Banking revenue increased by 11.4%, expense growth was 0.1% and cash earnings rose $197 million or 16.8% to $1.4 billion, due to strong growth in retail deposits, transaction banking and business lending.

Efficiency and productivity initiatives reduced the banking cost to income ratio to 42.6% in the March half, down from 47.4% for the prior corresponding period. The cost to income ratio is now the lowest of the four major banks and has fallen from 54.3% or 1,170 basis points since the program began.

The Business and Private bank is the market leader in providing business banking services to Australian business and continues to be a significant growth driver with revenue up 14.8%. Cash earnings increased 18.2% to $948 million.

Retail banking has maintained a focus on deposit growth in the half and, as a result, NAB deposit market share increased from 14.3% in March 2007 to 14.7% in March 2008. The Retail distribution strategy is on track, delivering increased branch sales capability with home loan sales expertise in 85 per cent of our stores. Revenue growth is up 6.4% to $1.5 billion. Cash earnings increased 13.9% to $419 million.

Wealth Management (MLC)

MLC has delivered a 20.2% increase in cash earnings before income on retained earnings (IoRE) over the prior comparative period. MLC’s efficiency program delivered a decrease in operating expenses of 5.6% enabling continued reinvestment in the business.

NAB Financial Planning is well positioned in the retail, business and private banks, with sales continuing to grow despite challenging market conditions. Adviser numbers in the bank are up by 31 to 525 during the half. MLC's aligned advice businesses (Garvan, MLC, Apogee and Godfrey Pembroke) also grew, adding 34 new advisers during the half.

MLC Investments continued to perform well in a difficult equity market with a strong focus on high value segment sales, and delivered 16.8% cash earnings growth. MLC Insurance was ranked no. 1 in retail risk premium market share. Revenue increased 12.2% and cash earnings were up 25%.

United Kingdom

The UK business has a resilient and well-diversified business model that delivered an excellent result relative to its UK peers, with a 17.8% cash earnings increase in local currency. Excluding the impact of an asset transfer from nabCapital, cash earnings still rose by 13.1%. Operating expenses remained flat on the prior period through cost reduction initiatives. Five consecutive halves of flat costs have been achieved whilst expanding into the south of England with the iFS model and increasing income earning assets by 58%. The cost to income ratio improved from 60.3% to 58.3%.

integrated Financial Solutions grew both assets and deposits with revenues up 27.2%. The bank continued to exercise prudence in unsecured consumer lending.

Business lending volumes grew by 27.6% and average retail deposits by 17.4%.

The business has a disciplined approach to risk, liquidity and funding, good asset quality and balanced growth.

New Zealand

The New Zealand business delivered strong cash earnings growth of 14.9% in local currency on the back of strong income, tight cost management and sound asset quality.

Average lending volumes increased 11.1%, retail deposits were up by 8.3%. Competition remains intense; however, new products and a stronger customer focus have helped drive growth in average lending volumes.

The cost to income ratio has improved from 50.7% to 47.8% due to growth in net interest income, while expenses have been held flat through careful cost management. The Bank's sound credit risk management has placed the NZ region in a good position and overall asset quality remains strong.

nabCapital

nabCapital withstood a sustained downturn in global credit markets to produce a 10.4% increase in cash earnings, delivered despite higher bad and doubtful debt charges following disruptions to the asset backed commercial paper market, mainly in the US.

Notwithstanding the tightening credit conditions in the market, the strong performance was underpinned by:

- Strong Global Markets business performance driving cross selling together with improved earnings from risk management activities benefiting from market volatility;
- 34.7% revenue increase while expense growth was 5.4%; and

- An improved cost to income ratio, down 1000 basis points to 36%.

nabCapital extended its Structured Property Finance business into Hong Kong and China, the latter with the 20% stake in Chinese trust company, Union Trust & Investment Ltd.

Capital and Basel II

NAB's Tier 1 and ACE capital ratios are strong, being maintained around the mid point of the respective target ranges after reflecting the effect of events in global credit markets, the estimated goodwill impact of the purchase of Great Western Bank and the previously advised change in regulatory treatment of $500 million relating to our wealth management operations.

Our capital position at 31 March was strengthened through previously announced initiatives related to the dividend reinvestment plan and the issue of A$600 million and NZ$450 of innovative residual Tier 1 capital and $750 million in subordinated debt. The capital position will be further strengthened in the second half through the underwriting of any shortfall in Dividend Reinvestment Plan participation to 100%.

Discussions continue with APRA on the timing of advanced Basel II accreditation and, with the exception of the UK Region, the Group is targeting accreditation by 30 September 2008. APRA has indicated that it expects to respond by mid 2008 with guidance on the Group's prudential capital requirement under Basel II.

Outlook

Global economic growth should slow to 3.5% this year, well short of the 5% rate seen at the peak of the economic cycle during the first half of 2006. Conditions in key world economies are weakening, with the US entering recession and slowdowns evident across Western Europe and Japan through 2008. Softer global growth will spill-over to affect the pace of expansion in China and India.

However, growth rates in China and India through 2008 are still expected to be solid and this is likely to play a key role in enabling the global economy as a whole to avoid recession.

Primary product prices have remained surprisingly strong through the turmoil in financial markets and US recession concerns. Although slower demand growth is expected to lead to softer prices through next year, these prices should remain high by historical standards.

The pace of economic growth has already slowed in New Zealand and in the UK. Australian economic growth is also slowing, but the level of activity should stay solid as continued high commodity prices inject income into the economy.

Credit growth is already slowing in both the UK and New Zealand, but remains stronger in Australia, in line with economic activity.

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Section 2

Highlights

Group Performance

Strategic Highlights & Business Developments

Despite a challenging global operating environment, the Group has continued to successfully deliver against its strategies. The Group remains committed to delivering sustainable satisfactory returns to shareholders through:

- Above system revenue growth potential in chosen segments.
- Maintaining a sustainable cost base while continuing to invest in business capabilities.
- Focus on return on equity (ROE) and disciplined capital management.
- Capability and value based business development where this complements the Group's strengths and delivers synergies with the existing portfolio.
- Management bench strength and people development.

During the March 2008 half:

- Revenue growth continued, as the Australia Region maintained a leading position within business lending and positive funds inflows within MLC. nabCapital benefited from increased revenue across all its businesses through higher deal flows, and trading performance following volatility in financial markets, together with increased lending activity.
- Lending products were progressively repriced to reflect the increased cost of debt funding.
- Cost growth was maintained within inflationary increases through a continued focus on efficiency and productivity, while maintaining a healthy level of investment within the businesses.
- The Business Development function sought to leverage strengths in generating new sources of growth. This is demonstrated by the agreement to purchase Great Western Bancorporation which provides a springboard for launching the Group's agribusiness relationship model in the United States.
- The Group began the transfer of the UK Region's proven integrated Financial Solutions (iFS) model to the Australia and New Zealand regions. This model will be fully operational in the Australia Region in the second half of this year.
- The Group's capital base and balance sheet were conservatively managed in response to the higher levels of volatility within financial markets. The Group held an additional $33.4 billion of short term securities primarily as a buffer against this market volatility. Access to short term funding has remained strong and the Group has significantly grown its deposit base from March 2007 to further diversify its source of funds and decrease reliance on wholesale funding markets and remains well capitalised.

The Group believes it has a responsibility to be part of finding a solution to climate change, one of the most significant environmental challenges facing governments, communities and business.

Climate change and the way markets and communities respond to the challenge it presents is creating significant risks and opportunities for businesses. The Group wants to mitigate these risks and maximise the opportunities to deliver sustainable returns to shareholders and contribute to the social, environmental and economic sustainability of the communities in which it operates.

Financial Highlights

The Group has generated cash earnings of $2,237 million, an increase of 8.0% over the March 2007 half and a decrease of 3.4% over the September 2007 half.

Revenue growth of 7.1% compared to the March 2007 half and 2.7% compared to September 2007 half was achieved through relationship banking franchises and nabCapital in particular. All regions have continued to exploit cross-sell opportunities. This growth has been partly offset by an additional $131 million in funding costs incurred through the market disruption.

The Group has continued to achieve growth in lending volumes within key markets, with average lending volumes up 15.4% from March 2007 to $410.8 billion. Retail deposit growth has been strong: up 10.3% to $166.2 billion for the same period.

All regions have maintained their focus on effective and sustainable cost management and achieved a great outcome, with expenses down 3.0% (up 0.1% excluding foreign exchange) from the March 2007 half and down 3.3% (down 1.3% excluding foreign exchange) from the September 2007 half.

The Group has seen an increase of 86.2% in the charge to provide for bad and doubtful debts when compared to March 2007. This reflects higher collective provisions from lending growth and $181 million attributable to liquidity facilities provided to nabCapital sponsored securitisation conduits. Higher levels of specific provisions held against a small number of corporate clients have also been recorded.

Although there has been an increase in the level of bad and doubtful debt charge the underlying asset quality of the overall portfolio remains largely unchanged and is considered sound.

The Group has recorded a post-tax gain of $225 million through the Visa Initial Public Offering (IPO). This is largely offset by an after tax economic cycle adjustment within bad and doubtful debts of $150 million ($214 million pre-tax) to strengthen the Group balance sheet to withstand current economic volatility. The creation of the bad and doubtful debt provision did not influence the bad and doubtful charge for the current half. The remainder will be used to fund new business initiatives. These items have been excluded from cash earnings.

Shareholder Returns

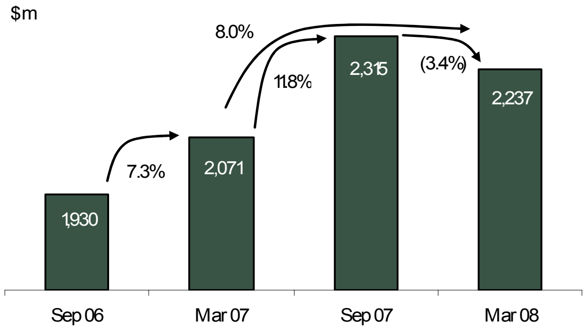
During the March 2008 half, the Group has delivered a negative annualised total shareholder return of 25.7% reflecting primarily a re-rating of bank stocks globally.

The Group's return on equity has increased by 30 basis points to 16.8% for the March 2008 half, compared to the March 2007 half, and declined 90 basis points compared to the September 2007 half.

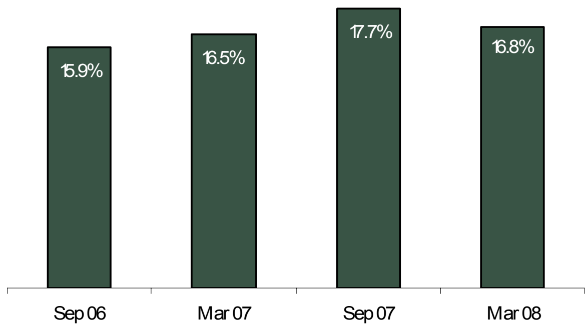
The interim dividend for the March half is 97 cents per share, up 10 cents on the March 2007 interim dividend. This represents a dividend payout ratio of 70.5% for the half year on a cash earnings basis. The dividend payment is 100% franked, and will be paid on 10 July 2008. Shares will be quoted ex-dividend on 30 May 2008.

Key Performance Measures [1]

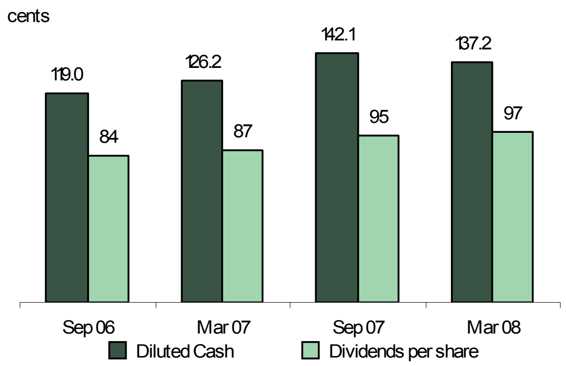
Cash Earnings – Ongoing Operations



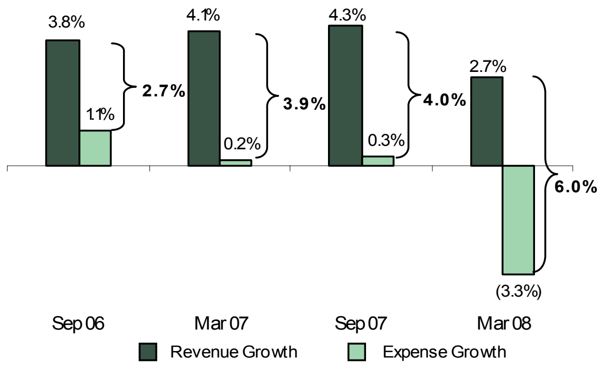
Cash Return on Equity (ROE)



Diluted Cash EPS and Dividends per Share



Sequential Revenue – Expense Differential



Group Performance Indicators [1]

	Half Year to Mar 08	Sep 07	Mar 07
Key Indicators			
Cash earnings per share (cents) - basic	**137.6**	142.5	127.6
- diluted	**137.2**	142.1	126.2
Cash ROE	**16.8%**	17.7%	16.5%
Profitability, performance and efficiency measures			
Dividends per share (cents)	**97**	95	87
Dividend payout ratio	**70.5%**	66.7%	68.2%
Cash earnings on average assets	**0.76%**	0.85%	0.83%
Cash earnings per average FTE ($'000)	**114**	118	107
Banking cost to income ratio	**47.0%**	49.9%	51.8%
Net interest margin: - Australia Banking	**2.36%**	2.40%	2.42%
- UK Region	**2.66%**	2.96%	3.16%
- New Zealand Region	**2.49%**	2.40%	2.51%
Capital			
Tier 1 ratio	**6.51%**	6.67%	7.33%
Total capital ratio	**9.71%**	9.99%	10.51%
Adjusted common equity (ACE) ratio	**4.61%**	4.90%	5.46%
Volumes ($bn)			
Gross loans and advances [2] [3]	**421.3**	394.7	366.5
Average interest earning assets	**487.4**	440.9	412.2
Risk weighted assets[3]	**384.4**	355.3	330.5
Total average assets	**591.5**	540.0	498.8
Asset quality			
Gross impaired assets to gross loans and acceptances	**0.35%**	0.28%	0.21%
Total provisions to gross impaired assets	**204%**	211%	293%
Specific provision to gross impaired assets	**35.8%**	28.1%	25.4%
Other			
Funds under management and administration ($bn)	**105.8**	113.4	105.7
Annual inforce premiums ($m)	**821.7**	795.6	742.5
Full Time Equivalent Employees (no.)	**39,421**	38,822	39,033

(1) *All key performance measures and Group performance indicators are calculated on an ongoing basis unless otherwise stated. A Glossary of Terms is included in Section 7.*

(2) *Including acceptances and loans at fair value.*

(3) *Balance as at reporting date.*

Group Results

	Half Year to				
	Mar 08 $m	**Sep 07 $m**	**Mar 07 $m**	**Mar 08 v Sep 07%**	**Mar 08 v Mar 07%**
Net interest income	**5,303**	4,966	4,799	6.8	10.5
Other operating income	**1,690**	1,796	1,723	(5.9)	(1.9)
MLC net operating income	**646**	677	609	(4.6)	6.1
Net operating income	**7,639**	7,439	7,131	2.7	7.1
Operating expenses	**(3,598)**	(3,719)	(3,709)	3.3	3.0
Underlying profit	**4,041**	3,720	3,422	8.6	18.1
Charge to provide for bad and doubtful debts	**(726)**	(400)	(390)	(81.5)	(86.2)
Cash earnings before tax, IoRE and distributions	**3,315**	3,320	3,032	(0.2)	9.3
Income tax expense	**(911)**	(877)	(845)	(3.9)	(7.8)
Cash earnings before IoRE and distributions	**2,404**	2,443	2,187	(1.6)	9.9
Net profit - minority interest	**(1)**	-	-	large	large
IoRE	**(9)**	18	21	large	large
Distributions	**(157)**	(146)	(137)	7.5	14.6
Cash earnings (1) – ongoing operations	**2,237**	2,315	2,071	(3.4)	8.0
Disposed operations	**2**	(16)	24	large	(91.7)
Cash earnings (1)	**2,239**	2,299	2,095	(2.6)	6.9
Non-cash earnings items	**448**	143	41	large	large
Net profit attributable to members of the company	**2,687**	2,442	2,136	10.0	25.8

(1) *Cash earnings is a key financial performance measure used by the Group, the investment community and Australian peers. For a full reconciliation between the Group's cash earnings and statutory accounting profit refer to page 119. A Glossary of Terms is included in Section 7.*

Group Balance Sheet Key Items

	As at				
	31 Mar 08 $m	**30 Sep 07 $m**	**31 Mar 07 $m**	**Mar 08 v Sep 07%**	**Mar 08 v Mar 07%**
Assets					
Cash and liquid assets	**12,256**	12,796	13,761	(4.2)	(10.9)
Due from other banks	**39,163**	25,144	20,608	55.8	90.0
Marketable debt securities (2)	**25,812**	27,633	16,870	(6.6)	53.0
Loans and advances at fair value	**22,126**	19,564	17,832	13.1	24.1
Other assets at fair value	**5,178**	5,625	5,271	(7.9)	(1.8)
Other financial assets at fair value	**27,304**	25,189	23,103	8.4	18.2
Loans and advances including acceptances	**393,637**	370,192	344,178	6.3	14.4
Investments relating to life insurance business	**57,346**	62,630	59,056	(8.4)	(2.9)
Other assets	**49,104**	41,050	31,259	19.6	57.1
Total assets	**604,622**	564,634	508,835	7.1	18.8
Liabilities					
Due to other banks	**50,557**	42,566	38,262	18.8	32.1
Deposits at fair value	**16,123**	14,133	12,987	14.1	24.1
Other liabilities at fair value	**7,385**	7,717	8,579	(4.3)	(13.9)
Other financial liabilities at fair value	**23,508**	21,850	21,566	7.6	9.0
Deposits and other borrowings	**279,161**	254,225	222,456	9.8	25.5
Liability on acceptances	**21,489**	30,443	35,678	(29.4)	(39.8)
Bonds, notes and subordinated debt	**92,402**	80,983	70,738	14.1	30.6
Other liabilities	**106,700**	104,682	90,568	1.9	17.8
Total liabilities	**573,817**	534,749	479,268	7.3	19.7

(2) *Includes $33.4 billion in increased liquidity holdings in response to tightening short term funding.*

Regional Performance

Regional Results

	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Australia Banking	**1,367**	1,301	1,170	5.1	16.8
MLC	**220**	219	183	0.5	20.2
Other (incl. Asia)	**(2)**	1	-	large	large
Australia Region	**1,585**	1,521	1,353	4.2	17.1
UK Region	**311**	298	294	4.4	5.8
New Zealand Region	**207**	196	183	5.6	13.1
nabCapital	**373**	377	338	(1.1)	10.4
Central Functions	**(73)**	51	19	large	large
IoRE	**(9)**	18	21	large	large
Distributions	**(157)**	(146)	(137)	7.5	14.6
Cash earnings – ongoing operations	**2,237**	2,315	2,071	(3.4)	8.0
Disposed operations	**2**	(16)	24	large	(91.7)
Cash earnings	**2,239**	2,299	2,095	(2.6)	6.9
Non-cash earnings items	**448**	143	41	large	large
Net profit attributable to members of the company	**2,687**	2,442	2,136	10.0	25.8

Regional Performance Indicators

	Half Year to Mar 08	Sep 07	Mar 07	Mar 08 v Sep 07	Mar 08 v Mar 07
Australia Banking					
Cash earnings ($m)	**1,367**	1,301	1,170	5.1%	16.8%
Cash earnings on average assets	**1.08%**	1.10%	1.04%	(2 bps)	4 bps
Net interest margin	**2.36%**	2.40%	2.42%	(4 bps)	(6 bps)
Net operating income ($m)	**3,894**	3,718	3,497	4.7%	11.4%
Cost to income ratio	**42.6%**	44.8%	47.4%	220 bps	480 bps
MLC					
Cash earnings (before IoRE) ($m)	**220**	219	183	0.5%	20.2%
Investment cost to average FUM	**47 bps**	53 bps	54 bps	6 bps	7 bps
Insurance cost to average inforce premium	**21%**	23%	25%	200 bps	400 bps
UK Region £ (pounds sterling)					
Cash earnings (£m)	**139**	125	118	11.2%	17.8%
Cash earnings on average assets	**0.79%**	0.79%	0.84%	-	(5 bps)
Net interest margin	**2.66%**	2.96%	3.16%	(30 bps)	(50 bps)
Net operating income (£m)	**612**	596	586	2.7%	4.4%
Cost to income ratio	**58.3%**	59.9%	60.3%	160 bps	200 bps
New Zealand Region (NZD)					
Cash earnings ($NZm)	**239**	222	208	7.7%	14.9%
Cash earnings on average assets	**1.08%**	1.05%	1.06%	3 bps	2 bps
Net interest margin	**2.49%**	2.40%	2.51%	9 bps	(2 bps)
Net operating income ($NZm)	**718**	691	683	3.9%	5.1%
Cost to income ratio	**47.8%**	49.6%	50.7%	180 bps	290 bps
nabCapital					
Cash earnings ($m)	**373**	377	338	(1.1%)	10.4%
Cash earnings on average risk weighted assets	**0.98%**	1.11%	1.12%	(13 bps)	(14 bps)
Net operating income ($m)	**1,142**	902	848	26.6%	34.7%
Cost to income ratio	**36.0%**	44.3%	46.0%	830 bps	1,000 bps

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Section 3

Review of Group Strategy, Operations and Results

Group Strategy and Operating Environment

John Stewart

Group Strategy

The Group's corporate purpose is to deliver sustainable, satisfactory returns to shareholders. Five pillars underpin this objective:

- *Above system revenue growth potential in chosen segments.* The Group has superior relationship-based capabilities and franchises that allow it to compete successfully in economically attractive segments in its key geographies (eg, Agri and Business Banking in Australia and New Zealand, iFS in the UK, MLC).
- *Sustainable cost base with further operational efficiencies to be achieved*. The Group's disciplined cost management, coupled with its significant investment program, has laid the foundations for future growth. This, together with the development of operational excellence disciplines and off-shoring capabilities, and moves to further exploit cross-Group scale, should allow further operational efficiencies to be achieved.
- *Capability and value-driven investment in new business areas*. The Group has strong organic growth prospects. It also expects to supplement that growth by selectively building or acquiring businesses that exploit relationship-based capabilities within the regional businesses, and provide synergies to the Group's existing portfolio.
- *Group-wide focus on ROE and disciplined capital management*. Treasury, risk and business management processes have been considerably strengthened. An effective capital management framework and a robust balance sheet funding model have also been implemented. Incentive schemes are aligned to the Group's twin targets of cash earnings growth and ROE. Focus continues on the disciplined management of ROE in the Group's business, customer and product portfolios.
- *Management bench strength*. To execute this agenda, the Group continues to invest in people to attract and retain a disproportionate share of talent. It will also continue to embed the 'regional accountability model' to empower teams with the accountability for attractive and sustainable bottom-line business performance.

The Group has made good progress against each element of this agenda in this half.

Strategic pillars	Initiatives and accomplishments
Above system revenue growth potential in chosen segments	Cash earnings increased 8.0% when compared to the prior corresponding period and decreased 3.4% on the September 2007 half. Reinforcement of relationship businesses has continued to drive revenue growth, particularly within Business & Private Banking (BPA) in the Australia Region. Net operating income is up 14.8% in BPA. In the UK, revenue is up 27.2% within iFS centres. MLC has continued the successful operation of a diversified, quality advice based distribution model, while nabCapital's Markets and lending businesses continue to operate effectively in a challenging environment.
Sustainable cost base with further operational efficiencies to be achieved	All Regions have maintained their focus on effective cost management, and cost growth continues to remain below inflation, with operating expenses down 3.0% on the March 2007 half, and 3.3% on the September 2007 half. This has been achieved through effective use of "Lean", "Six Sigma" and "Kaizen" principles along with successful outsourcing and off-shoring programmes.
Capability and value-driven investment in new business areas	Continued rollout of the proven iFS model in relationship based banking in Australia and New Zealand. Australia Region expect this model to be fully operational in the second half of this year. Agreed to purchase Great Western Bancorporation for US$798 million to leverage the strength of the agribusiness relationship model in the United States.
Group-wide focus on ROE with disciplined capital management	Implementation of a balance sheet management framework to drive an appropriate mix of funding sources across a diverse range of debt markets. This positioned the Group well for the conditions experienced over recent months in global funding markets. Tier 1 capital position of 6.51%, remains within the target range of 6.00-6.75%. Appropriate capability has been deployed to focus on capital management at a regional business portfolio level. Progressive review of product and relationship data to minimise capital deployed against low ROE activities.
Management bench strength	Approval of 'The Academy' initiative, with the first site scheduled to open in May, to facilitate enhanced management and leadership skill sets within the organisation. The Academy is a business strategy that is aimed at accelerating business growth and transforming the culture by building sustainable capability. Continued investment in developing senior executive pipeline. Changes to the Group's Executive Committee, announced on 4 October 2007 came into effect on 10 December 2007. The Group's growth agenda will continue to create opportunities for career development.

Outlook/Operating Environment

After a run of exceptional years, global economic growth is slowing to below-trend. Some of this softening reflects the end of a period of consumer-led expansion in big industrial economies. This expansion was fuelled by very low interest rates, rapid credit growth, low household savings, and asset price inflation. A high degree of risk tolerance underpinned this trend. The pendulum in market sentiment toward risk shifted in the opposite direction as markets entered an adjustment phase that began in mid-2007. This has been reflected in the marked widening in credit spreads, lack of liquidity and reductions in risk appetite for many asset classes. The economic effects of this disorderly path of adjustment have resulted in a long-expected slowing of economic and credit market activity back to more "normal" levels.

The economic implications of this structural slowdown and credit market instability are becoming increasingly apparent. Global growth should slow to 3.5% this year, well short of the 5% rate seen at the peak of the economic cycle during the first half of 2006. Conditions in key world economies are weakening, with the US near recession and slowdowns evident across Western Europe and Japan through 2008. Softer global growth will spill-over to affect the pace of expansion in China and India. This, combined with tighter domestic monetary policies is expected to lower the pace of their economic expansion.

However, growth rates in China and India through 2008 are still expected to be solid and this is likely to play a key role in enabling the global economy as a whole to avoid recession. Commodity exporting economies like Brazil or the oil exporters are examples of potential economic "de-coupling" from the slowdown, as high primary product prices boost national income and sustain activity. These primary product prices have remained surprisingly strong through the turmoil in financial markets and US recession concerns. Although slower demand growth is expected to lead to softer prices through next year, commodity prices should remain high by historical standards.

The divergence in economic conditions between different areas of the globe carries important implications for the economic environment in which the Group's business units operate. The resilience of demand growth in China and India acts as a cushion for commodity producers such as Australia and New Zealand against the slower growth in the big OECD economies. Strong demand for agricultural commodities in markets like China is supporting high farm output prices. This benefits the Group as it has a significant presence in global agri-lending.

The UK economy is currently more exposed to the softening in the Euro-zone and weaker US activity. But, when commodity prices eventually fall from their high level, the UK may provide an important source of diversification for the Group's earnings.

The geographic diversification across the Group operations means it faces a variety of economic environments with differing interest rates, varying rates and patterns of growth in lending and deposits, and region-specific conditions of asset quality. The pace of economic growth has already slowed in New Zealand and in the UK. Australian economic growth is also slowing, but the level of activity should stay solid as continued high commodity prices inject income into the economy.

Credit growth is already slowing in both the UK and New Zealand, but remains stronger in Australia, in line with economic activity. Further slowing in system lending is expected in all three markets but this has been long-expected, as lending growth has been particularly high in all three economies through recent years. Prior to the onset of disruption in credit markets, system asset quality for retail lending was particularly strong in each of the three economies. System asset quality typically deteriorates in an economic slowdown, but system ratios for impaired assets should remain moderate by historical standards.

Review of Group Operations and Results

Mark Joiner

Group Results

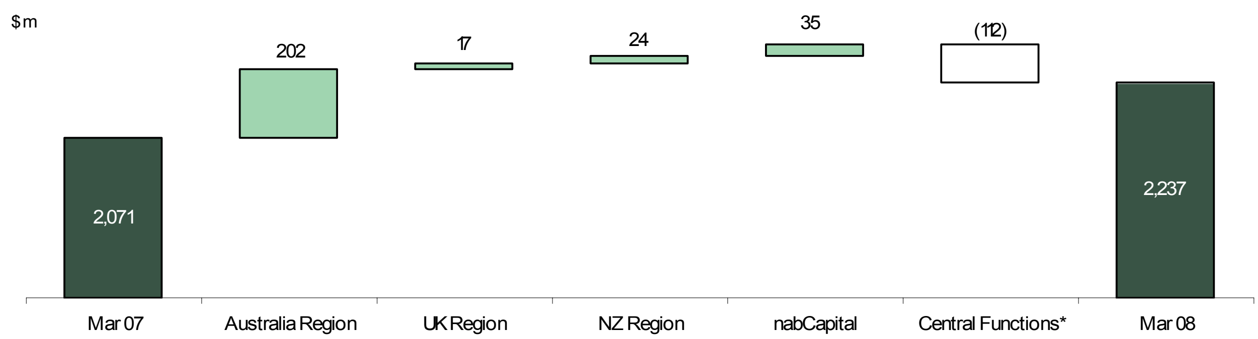
In a challenging operating environment the Group achieved cash earnings growth of 8.0% for the March 2008 half over the March 2007 half, and a decrease of 3.4% over the September 2007 half. Excluding the impact of foreign exchange rates, cash earnings have increased 9.7% over March 2007 and decreased 2.4% from the September 2007 half.

Strong underlying profit growth of 18.1% against March 2007 and 8.6% against September 2007 is the result of continued focus on revenue growth in business and corporate lending and increased sales flows in nabCapital, careful margin management, and the achievement of further operational efficiencies. Net operating income increased by 7.1% (10.2% excluding foreign exchange) over the March 2007 half and 2.7% (4.5% excluding foreign exchange) over the September 2007 result. Operating expenses decreased by 3.0% against the March 2007 half, and by 3.3% September 2007 half. This has had a positive impact on the banking cost to income ratio, which is 47.0% for the half, 480 basis points lower than the March 2007 half, and 290 basis points lower than the September 2007 half.

The Group has seen an 86.2% increase in the charge to provide for bad and doubtful debts over the March 2007 half. This increase is a result of increased provisioning levels held against a small number of corporate customers and an increase in the collective provisions held against liquidity facilities to securitisation conduits. The underlying asset quality of the portfolio remains strong.

	Half Year to				
	Mar 08 $m	**Sep 07 $m**	**Mar 07 $m**	**Mar 08 v Sep 07%**	**Mar 08 v Mar 07%**
Net interest income	**5,303**	4,966	4,799	6.8	10.5
Other operating income	**1,690**	1,796	1,723	(5.9)	(1.9)
MLC net operating income	**646**	677	609	(4.6)	6.1
Net operating income	**7,639**	7,439	7,131	2.7	7.1
Operating expenses	**(3,598)**	(3,719)	(3,709)	3.3	3.0
Underlying profit	**4,041**	3,720	3,422	8.6	18.1
Charge to provide for bad and doubtful debts	**(726)**	(400)	(390)	(81.5)	(86.2)
Cash earnings before tax, IoRE and distributions	**3,315**	3,320	3,032	(0.2)	9.3
Income tax expense	**(911)**	(877)	(845)	(3.9)	(7.8)
Cash earnings before IoRE and distributions	**2,404**	2,443	2,187	(1.6)	9.9
Net profit – minority interest	**(1)**	-	-	large	large
IoRE	**(9)**	18	21	large	large
Distributions	**(157)**	(146)	(137)	7.5	14.6
Cash earnings – ongoing operations	**2,237**	2,315	2,071	(3.4)	8.0
Disposed operations	**2**	(16)	24	large	(91.7)
Cash earnings	**2,239**	2,299	2,095	(2.6)	6.9
Non-cash earnings items (after tax):					
Distributions	**157**	146	137	7.5	14.6
Treasury shares	**230**	(31)	(92)	large	large
Fair value and hedge ineffectiveness	**55**	53	101	3.8	(45.5)
IoRE discount rate variation	**5**	(22)	(22)	large	large
Gain on Visa Initial Public Offering	**225**	-	-	large	large
Charge to provide for bad and doubtful debts – economic cycle adjustment	**(150)**	-	-	large	large
Provision for new business initiatives	**(74)**	-	-	large	large
Revaluation gains / (losses) on exchangeable capital units	**-**	(3)	(83)	large	large
Net profit attributable to members of the company	**2,687**	2,442	2,136	10.0	25.8

Cash earnings – ongoing operations



* *Central Functions includes distributions*

Group Results

Financial Analysis

March 2008 v March 2007

Cash earnings from ongoing operations of $2,237 million increased by $166 million or 8.0% on the March 2007 half. **Underlying profit** increased by $619 million or 18.1%. This increase reflects good revenue growth stemming from the Group's market leading positions in business banking in Australia, the continued maturing of iFS in the UK and growth in nabCapital and New Zealand. A disciplined approach to cost management has been maintained but cash earnings have been reduced by a higher bad and doubtful debts charge from weakening in the credit environment.

Net interest income increased by $504 million or 10.5%. This includes an increase of $236 million from larger interest-spread differentials between US and Australian interest rates. The Group hedges exposure to this risk, therefore there is a corresponding adverse impact within other operating income attributable to increased hedge costs. The underlying increase of $268 million or 5.6% reflects lending and deposit volume growth and better deposit margins. nabCapital made a strong contribution from continued origination activity. This growth is offset by a decline in the Group net interest margin due to competitive pressures within Australia Banking and the move away from unsecured consumer lending in the UK Region. Increased borrowing costs due to higher pricing within global funding markets also contributed $131 million of this decrease.

Other operating income decreased by $33 million or 1.9%. Excluding the impact of hedge costs of $236 million, other operating income increased by $203 million or 11.8%. The underlying increase reflects volume related increases in account transaction and lending fees in Australia and a strong contribution from nabCapital. This was largely driven by Markets performance, with increased deal flow, improved trading results following recent volatility, and the success of the cross-sell strategy to all client segments.

MLC net operating income increased by $37 million or 6.1% through the highly diversified, quality advice based distribution model. While the recent market downturn has had an impact on this result, that income has continued to grow reflects the strength of MLC's strategy.

The Group's banking **cost to income ratio** declined by 480 basis points to 47.0%, and reflecting continued progress in improving business processes, reducing cost, and increasing productivity and efficiency.

Operating expenses decreased by $111 million or 3.0% reflecting lower personnel and occupancy expenses, achieved through productivity and efficiency initiatives across the Group, offset by continued investment in frontline staff.

Charge to provide for bad and doubtful debts increased by $336 million or 86.2%. This increase was driven by higher specific provisions attributable to a small number of corporate customers, and higher collective provisions as a result of lending growth and liquidity facilities extended to securitisation conduits ($181 million).

March 2008 v September 2007

Cash earnings of $2,237 million decreased by $78 million or 3.4% on the September 2007 half. The decrease reflects the impact of higher bad and doubtful debts charge as a result of the weakening global credit conditions. **Underlying profit** was up $321 million or 8.6%. This was the result of focus on revenue growth in selected segments and a disciplined approach to cost management in all regions.

Net interest income increased by $337 million or 6.8%. This includes an increase of $190 million relating to increased interest-spread differentials offset in other operating income. The underlying growth was driven by the continued momentum from business banking and deposit portfolios across all regions and increased origination activity in nabCapital, offset by higher costs of funding and liquidity holdings.

Other operating income decreased by $106 million or 5.9%. This result includes hedge costs of $190 million offset in net interest income. Increases from lending and account fees as a result of volume growth and a strong contribution from nabCapital have been offset by the impact of one-off items, including property sales in the UK, in the September 2007 half.

MLC net operating income decreased by $31 million or 4.6% reflecting the impact on income of the recent market downturn on funds under management.

The Group's banking **cost to income ratio** declined 290 basis points against the September 2007 half.

Operating expenses decreased by $121 million or 3.3%. Benefits realised through the success of the Group's transformation and efficiency initiatives have been partially offset by continued strategic investment and increases in frontline staff.

Charge to provide for bad and doubtful debts increased by $326 million or 81.5% driven by lending growth and increased provisioning attributable to corporate customers and liquidity facilities extended to securitisation conduits.

Impact of foreign exchange rates movements

Cash earnings increased by $200 million or 9.7% on March 2007 and decreased by $55 million or 2.4% on September 2007 excluding the impact of foreign exchange rate movements of $34 million and $23 million on the respective periods.

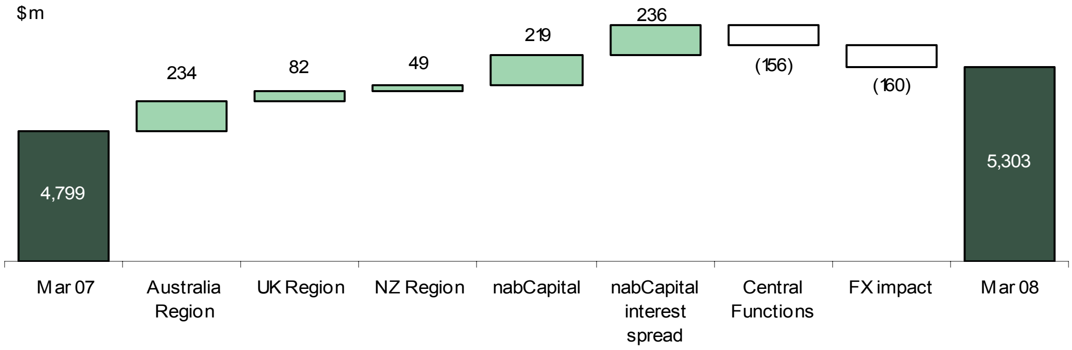
Favourable/ (unfavourable) March 2008	Half year since Sep 07 $m	Mar 08 v Sep 07 Ex FX %	Half year since Mar 07 $m	Mar 08 v Mar 07 Ex FX %
Net interest income	(96)	8.7	(160)	13.8
Other operating income	(37)	(3.8)	(59)	1.5
MLC net operating income	-	(4.6)	-	6.1
Net operating income	(133)	4.5	(219)	10.2
Operating expenses	71	1.3	115	(0.1)
Charge to provide for bad and doubtful debts	23	(87.3)	43	(97.2)
Income tax expense	11	(5.1)	15	(9.6)
Other	5	11.0	12	23.4
Cash earnings	(23)	(2.4)	(34)	9.7

Net Interest Income

	Half Year to				
	Mar 08	Sep 07	Mar 07	Mar 08 v Sep 07	Mar 08 v Mar 07
Net interest income ($m)	**5,303**	4,966	4,799	6.8%	10.5%
Average interest earning assets ($bn)	**487.4**	440.9	412.2	10.6%	18.2%
Net interest margin (%)	**2.18**	2.25	2.33	(7 bps)	(15 bps)

Net interest income and margin management is a key area of focus for the Regional businesses, given the nature of their customer franchises. It is less significant for nabCapital where the nature of the revenue can vary depending on the structure of a transaction. Group net interest margins represent an amalgam of the individual business outcomes and the analysis below is based on regional drivers.

Net interest income – contribution to net increase [(1)]



(1) *At constant exchange rates.*

March 2008 v March 2007

Net interest income increased by $504 million or 10.5% ($664 million or 13.8% excluding foreign exchange) due to higher levels of income in nabCapital, continued strength in lending and deposit volume growth, and improved deposit margins.

Included in the net interest income of nabCapital this half is an increase of $236 million from increased interest-spread differentials between funding rates in US and lending rates in Australian markets. This is offset by hedge costs in other operating income.

The remaining contribution from nabCapital of $219 million is due to improved markets activity and growth in origination activity in lending businesses.

As a result of challenging market conditions and widening of interest rate spreads, the Group also experienced an increase in the cost of funding of $122 million (both long and short term, excluding $9 million attributable to distributions on hybrid securities). The Group is also holding additional liquidity relative to levels held in July last year, which have reduced interest income by $47 million as a conservative response to the market disruption.

Average interest earning assets increased by 18.2% due to strong business lending in all regions, increased origination activity in nabCapital and drawings on conduit liquidity facilities together with increased liquid assets to support the Group's liquidity position. Customer deposits grew 10.3% through strong growth in term deposits as customers strengthened their own liquidity positions and took up online deposit products.

The Group's net interest margin declined by 15 basis points due competitive pressures on lending margins in Australia and New Zealand, the change in asset mix within the UK, together with an increase in borrowing costs due to deteriorating global credit markets. Also contributing to the decline were additional holdings of liquid assets and the increased mix of institutional lending, which attracts a lower margin than retail portfolios.

March 2008 v September 2007

Net interest income increased by $337 million or 6.8% ($433 million or 8.7% excluding foreign exchange) driven by higher levels of income in nabCapital, continued momentum from business banking and deposit portfolios across all regions.

The Group's net interest margin declined by 7 basis points due to the impact of deterioration in credit markets, together with lower lending margins.

Average Interest Earning Assets

	Half Year to				
	Mar 08 $m	Sep 07 $m	Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Due from other banks	**31,817**	26,490	24,622	20.1	29.2
Marketable debt securities	**37,767**	24,384	23,802	54.9	58.7
Loans and advances – housing	**188,747**	183,066	175,116	3.1	7.8
Loans and advances – non-housing	**171,118**	150,053	136,259	14.0	25.6
Acceptances	**50,964**	48,333	44,507	5.4	14.5
Other interest earning assets	**7,017**	8,571	7,915	(18.1)	(11.3)
Total average interest earning assets	487,430	440,897	412,221	10.6	18.2

March 2008 v March 2007

Average interest earning assets increased $75.2 billion or 18.2% on the March 2007 half. This reflects sound lending growth through continued focus on key customer segments and increased liquidity holdings of $23.0 billion from the conservative approach to managing the Group's liquidity within volatile global financial markets. Non-housing lending outpaced mortgage lending during the period.

Non-housing lending (business and personal lending) increased $34.9 billion or 25.6% reflecting:

- An increase of $6.6 billion or 13.5% in the Australia Region as it maintained its strong position in business lending through the successful execution of its distribution initiatives, such as the industry specialisation strategies.
- An increase of $8.7 billion or 29.4% in the UK Region (43.8% excluding the impact of foreign exchange) which reflects the maturing of the iFS strategy and increased customer base. This growth includes the transfer to iFS of approximately $4.5 billion of certain mid-market corporate businesses previously serviced by nabCapital in order to use the iFS network to further leverage these relationships.
- An increase of $14.3 billion in nabCapital reflecting robust origination activity in lending businesses together with increased draw-down of liquidity facilities by nab-sponsored securitisation conduits to $9.0 billion following disruption in the asset backed commercial paper market.

Housing lending increased $13.6 billion or 7.8%. This reflects:

- Sound growth in residential mortgage markets across all regions within a competitive environment.
- An increase of $11.0 billion or 8.4% in the Australia Region.
- An increase of $0.9 billion or 3.5% (15.0% excluding the impact of foreign exchange) in the UK Region as it continues to grow through a managed lending approach.
- An increase in the New Zealand Region of $1.7 billion or 9.3% as the region continues to focus on profitable volume growth in a competitive environment.

Acceptances grew by $6.5 billion or 14.5% on March 2007. Bill acceptances remain a favoured product by business customers.

March 2008 v September 2007

Average interest earning assets increased $46.5 billion or 10.6% on the September 2007 half and includes an increase of $15.2 billion in additional liquidity holdings (to $23.0 billion) and a $7.3 billion increase as a result of nab-sponsored conduits drawing down on liquidity facilities (to $9.0 billion). Other growth was primarily driven by *non-housing lending* which increased by $21.1 billion or 14.0% on September 2007. This reflects the continued success of the iFS network and strategy in the UK Region, Australia Banking's leading position in business lending, as well as continued sound growth in the New Zealand Region.

Marketable debt securities increased by $13.4 billion or 54.9% reflecting higher liquidity holdings as a result of the Group's conservative approach to managing liquidity within the current volatile global financial markets.

Housing lending increased by $5.7 billion or 3.1%, primarily in Australia, reflecting slowing economic conditions. Growth has been achieved in most products, particularly fixed rate products, with a focus on proprietary distribution and improved momentum in the broker channel.

Average Interest Bearing Liabilities

	Half Year to				
	Mar 08 $m	**Sep 07 $m**	**Mar 07 $m**	**Mar 08 v Sep 07%**	**Mar 08 v Mar 07%**
Term deposits and certificates of deposit	**133,973**	103,824	101,842	29.0	31.5
On-demand and savings (short-term) deposits	**115,148**	113,325	106,973	1.6	7.6
Due to other banks and official institutions	**52,933**	43,021	36,151	23.0	46.4
Short-term borrowings	**28,260**	29,807	27,235	(5.2)	3.8
Long-term borrowings	**88,746**	77,222	67,524	14.9	31.4
Liability on acceptances	**26,518**	35,354	33,466	(25.0)	(20.8)
Other interest-bearing liabilities	**1,076**	778	1,134	38.3	(5.1)
Total average interest bearing liabilities	**446,654**	403,331	374,325	10.7	19.3

March 2008 v March 2007

Average interest bearing liabilities increased by $72.3 billion or 19.3% on the March 2007 half. This was primarily due to increases in term deposits and certificates of deposits, long term borrowings, on-demand and savings deposits and due to other banks, partly offset by a decrease in liability on acceptances.

Term deposits and certificates of deposits have increased by $32.1 billion or 31.5%, predominantly in Australia, as a consequence of the Group prudently holding increased levels of liquid assets and to support lending growth. The increase also reflects growth in term deposit products reflecting higher interest rates being offered on products and changing customer preferences from investing in equity markets to term deposits.

Long-term borrowings have increased by $21.2 billion or 31.4% from March 2007. This increase is as a result of continued issuance of debt under the Group's global medium term note program to fund asset growth and to strengthen the balance sheet structure. In addition, Clydesdale and BNZ have also issued more long-term debt under their own names, which continues to increase the Group's access to funding.

On-demand and savings deposits increased by $8.2 billion or 7.6% reflecting sound growth in Australia Banking and the UK Region. In Australia Banking, growth resulted from the sustained expansion in online accounts, which offer high yielding interest rates, and solid transaction account performance. In the UK Region growth has originated from the iFS network and the convergence of Yorkshire and Clydesdale Bank products, with customers seeing the benefit of rationalised, simpler and more attractive products.

Due to other banks and official institutions increased by $16.8 billion or 46.4%, primarily reflecting growth in bank placements, which is consistent with the increase in due from other banks and marketable debt securities during the period.

Liability on acceptances decreased by $6.9 billion or 20.8% from September 2007 half reflecting a switch in funding from acceptances to longer term funding.

March 2008 v September 2007

Average interest bearing liabilities increased by $43.3 billion or 10.7% on the September 2007 half. This growth was driven by increases in term deposits and certificates of deposits, long term borrowings and due to other banks, partly offset by a decrease in liability on acceptances.

Term deposits and certificates of deposits have increased by $30.1 billion or 29.0% predominantly in Australia, as a consequence of the Group prudently holding increased levels of liquid assets and to support lending growth. The increase also reflects growth in term deposit products reflecting higher interest rates being offered on products and changing customer preferences from investing in equity markets to term deposits.

Long-term borrowings have increased by $11.5 billion or 14.9% from the September 2007 half. This increase is the result of the continued issuance of debt to fund asset growth and a strengthening of the balance sheet throughout the March 2008 half.

Amounts *Due to other banks and official institutions* have increased by $9.9 billion or 23.0%, primarily reflecting growth in bank placements and liquid assets, which is consistent with the increase in Due from other banks and Marketable debt securities during the March 2008 half year.

Liability on acceptances decreased by $8.8 billion or 25.0% from September 2007 half.

Net Interest Margin

	Half Year to Mar 08 %	Sep 07 %	Mar 07 %	Mar 08 v Sep 07	Mar 08 v Mar 07
Australia Banking	**2.36**	2.40	2.42	(4 bps)	(6 bps)
UK Region	**2.66**	2.96	3.16	(30 bps)	(50 bps)
NZ Region	**2.49**	2.40	2.51	9 bps	(2 bps)
Group net interest margin - ongoing	**2.18**	2.25	2.33	(7 bps)	(15 bps)

March 2008 v March 2007

The Group's net interest margin declined by 15 basis points. The net interest margin has been adversely affected by disruption in financial markets resulting in increased borrowing costs and an increase in holdings of liquid assets. An adverse product mix has also been a factor as a result of the increase in institutional lending that has lower margins than retail portfolios. In addition, competitive pressures across the regions continue to have an impact on lending margins.

Key net interest margin movements on the March 2007 half are:

- A 6 basis point decrease in Australia Banking mainly due to competitive pressures on lending and increased funding costs following the deterioration in global credit markets. This was partly offset by higher deposit volumes and margins and higher earnings on allocated capital.
- A 50 basis point decline in the UK Region due in part to adverse basis risk (6 basis points) and increased funding costs (7 basis points). These were the result of the market disruption. There was also an adverse impact of the transfer of lower margin mid-corporate lending from nabCapital (10 basis points). The remaining decline in margin can be attributed to two factors - a change in funding mix, as lending growth exceeded deposit growth in the half; and the managed shift from unsecured consumer lending to lower margin business and secured home lending products. This continues to work its way through the portfolio.
- A 2 basis point decline in the New Zealand Region due to lower lending margins from competitive pressures across the portfolio. This was partially offset by benefit on deposit margins of the 75 basis point increase in the Official Interest Rate since March 2007 and higher earnings on allocated capital.

March 2008 v September 2007

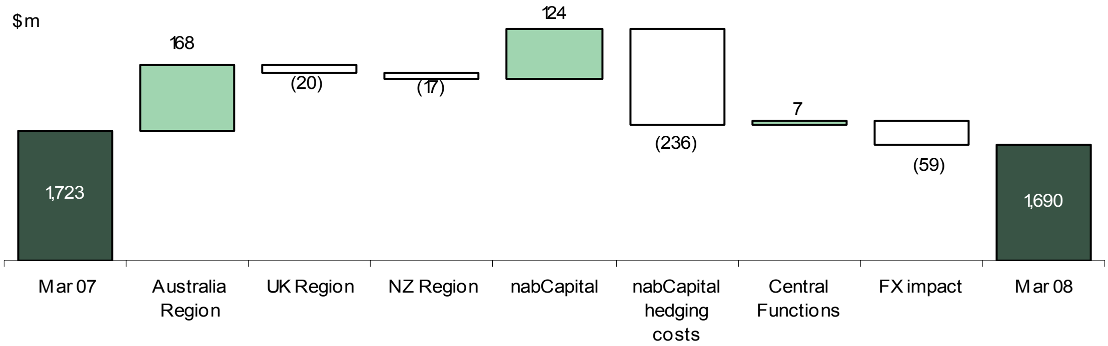
The Group's net interest margin declined 7 basis points. Key net interest margin movements on the September 2007 half are:

- A 4 basis point decline in Australia Banking due to lower lending margins and funding impacts, partly offset by favourable deposit margins and strong deposit growth.
- A decline of 30 basis points in the UK Region reflecting several factors: the basis risk / funding impacts; funding mix; the transfer of mid corporate lending from nabCapital; and the planned portfolio shift to lower margin business and secured lending.
- An increase of 9 basis points in the New Zealand Region due to higher earnings on allocated capital, and strong retail deposit margins. This was partially offset by lower lending margins, and increased reliance on wholesale funding.

Other Operating Income

	Half Year to				
	Mar 08 $m	Sep 07 $m	Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Fees and commissions	**1,583**	1,402	1,443	12.9	9.7
Trading income	**64**	260	113	(75.4)	(43.4)
Other	**43**	134	167	(67.9)	(74.3)
Other operating income	**1,690**	1,796	1,723	(5.9)	(1.9)

Other Operating Income – Contribution to Net Decrease [(1)]



(1) *At constant exchange rates.*

March 2008 v March 2007

Other operating income decreased by $33 million or 1.9% (increased $26 million or 1.5% excluding foreign exchange) on the March 2007 half.

Fees and commissions were up $140 million or 9.7% due to:

- An increase in card, account and lending fees in Australia Banking as a result of volume growth and repricing initiatives.
- An increase in custodian and merchant servicing income in Australia Banking as a result of an increase in assets under custody and transaction growth in new and existing business.

Excluding the impact of the negative spread on derivatives used to hedge US sourced funding, (offset in net interest income) trading income increased by $187 million. The increase is primarily attributable to nabCapital through:

- Strong Markets sales performance, from increased deal flow.
- Improved trading results following recent market volatility.
- Success of the cross-sell strategy to all client segments.

Other income is down $124 million or 74.3% due to:

- The sale of MasterCard shares during the March 2007 half.
- The sale of the portfolio of operating leases in the UK during December 2007 as part of the Group's strategy to divest non-core activities resulting in a reduction in lease rental income.

March 2008 v September 2007

Other operating income decreased by $106 million or 5.9% ($69 million or 3.8% excluding foreign exchange) on the September 2007 half.

Fees and commissions were up $181 million or 12.9% reflecting:

- Volume related increases in account and lending fees in Australia Banking.
- Increases in interchange and merchant fees in Australia Banking as a result of repricing initiatives.

Excluding the $190 million impact of hedging costs offset in net interest income, trading income was flat. An increase in nabCapital from a strong Markets performance and recent market volatility is offset mainly by the decrease in Australia Treasury due to the adverse movement in yield curves in a volatile market.

Other income is down $91 million or 67.9% due to:

- The impact of one-off items, including property sales in the UK, in the September 2007 half.
- The sale of the operating lease business in the UK during December 2007.

MLC Net Operating Income

	Half Year to				
	Mar 08 $m	Sep 07 $m	Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Investments net operating income	426	461	413	(7.6)	3.1
Insurance net operating income	220	216	196	1.9	12.2
MLC net operating income	**646**	677	609	(4.6)	6.1

March 2008 v March 2007

In a challenging operating environment, Investments net operating income increased by $13 million or 3.1% driven by a $8 billion or 8.5% increase in average FUM through increased sales in MLC's advice based distribution business.

In a competitive market, Insurance net operating income increased $24 million or 12.2% due to annual inforce premium growth, while maintaining retail margins.

March 2008 v September 2007

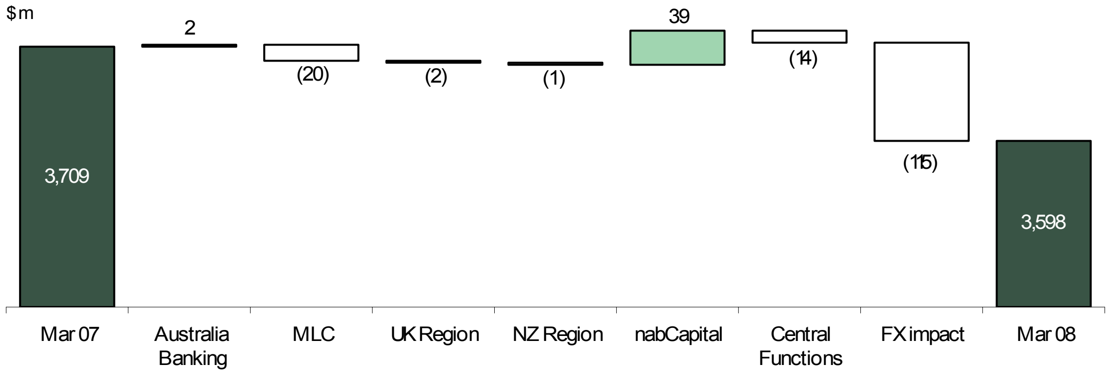
Investments net operating income decreased by $35 million or 7.6% due to volatility of the investment markets which has had a negative impact on investment earnings and the overall value of funds under management.

Insurance net operating income increased $4 million or 1.9% due to below industry average lapse experience, aided by providing product enhancements and offset by the impacts of a competitive operating environment.

Operating Expenses

	Half Year to				
	Mar 08 $m	Sep 07 $m	Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Personnel expenses	**1,930**	1,987	1,986	2.9	2.8
Occupancy related expenses	**271**	289	289	6.2	6.2
General expenses	**1,060**	1,071	1,077	1.0	1.6
MLC operating expenses	**337**	372	357	9.4	5.6
Total operating expenses	**3,598**	3,719	3,709	3.3	3.0

Operating Expenses – Contribution to Net Decrease [1]



(1) *At constant exchange rates.*

Operating Expenses (continued)

March 2008 v March 2007

Operating expenses decreased by $111 million or 3.0% on the March 2007 half (increased $4 million or 0.1% excluding foreign exchange) reflecting the success of the Group's transformation and efficiency initiatives.

The Group's banking cost to income ratio decreased by 480 basis points to 47.0%.

Personnel costs decreased by $56 million as a result of productivity and efficiency initiatives and lower payroll taxes, partly offset by investment in frontline staff and annual salary increases.

Occupancy related expenses are lower due to benefits achieved through cost management and efficiency programs and favourable contract renegotiation.

General expenses have decreased due to:

- Lower equipment expenses mainly as a result of the disposal of operating lease assets within the UK ($18 million).
- Lower professional fees as a result of reductions in the use of consultants.
- Savings achieved through efficiency and quality programmes.
- Partly offset by increased advertising spending and higher reward program costs from increased retail sales growth.

MLC expenses are lower as a result of MLC's customer effectiveness and efficiency (CEE) program partly offset by continued investment in product enhancements in the business.

March 2008 v September 2007

Operating expenses decreased by $121 million or 3.3% on the September 2007 half (decreased $50 million or 1.3% excluding foreign exchange).

The Group's banking cost to income ratio decreased by 290 basis points, reflecting disciplined and sustainable cost management.

Personnel costs have decreased by $57 million as a result of productivity and efficiency programs and reduced leave provisions. This is partly offset by increases in personnel expenses from annual salary increases, increased performance based remuneration and investment in front line staff.

Occupancy costs have decreased as a result of cost management programs.

General expenses have decreased as a result of continued benefits achieved through cost management and efficiency programs offset by increased investment spend.

MLC expenses are lower as a result of the CEE program.

Taxation

	Half Year to				
	Mar 08 $m	Sep 07 $m	Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Income tax expense	911	877	845	(3.9)	(7.8)

March 2008 v March 2007

Income tax expense is $66 million or 7.8% higher than the March 2007 half due to an increase in cash earnings before tax.

The effective income tax rate (cash basis – ongoing operations) for the March 2008 half of 27.5% is consistent with 27.9% for the March 2007 half.

For details of the Group's contingent tax liabilities, refer to Note 15 of the Financial Report.

March 2008 v September 2007

Income tax expense is $34 million or 3.9% higher than the September 2007 half year due to the release of prior year over provisions in the September 2007 half.

The effective income tax rate (cash basis – ongoing operations) for the March 2008 half year of 27.5% has increased from 26.4% against the September 2007 half year.

Non-Cash Earnings Items – Treasury Shares

For statutory reporting purposes the Group is required to eliminate the impact upon net profit of the Group's life insurance businesses holding investments in National Australia Bank Limited shares within its Investments relating to life insurance businesses. In the March 2008 half, the $322 million (after tax) increase in this adjustment on the March 2007 half is mainly attributable to the reversal of the movement in unrealised losses on treasury share investments held within life insurance businesses. This movement is consistent with the decline of equity markets through the period. The increase of $261 million (after tax) on the September 2007 half is also due the movement in unrealised losses.

Summary Balance Sheet

	As at				
	31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Assets					
Cash and liquid assets	**12,256**	12,796	13,761	(4.2)	(10.9)
Due from other banks	**39,163**	25,144	20,608	55.8	90.0
Trading securities	**22,450**	21,272	12,826	5.5	75.0
Investments - available for sale	**1,128**	1,345	2,134	(16.1)	(47.1)
Investments - held to maturity	**2,234**	5,016	1,910	(55.5)	17.0
Investments relating to life insurance business	**57,346**	62,630	59,056	(8.4)	(2.9)
Loans and advances at fair value	**22,126**	19,564	17,832	13.1	24.1
Other assets at fair value	**5,178**	5,625	5,271	(7.9)	(1.8)
Other financial assets at fair value	**27,304**	25,189	23,103	8.4	18.2
Loans and advances including acceptances	**393,637**	370,192	344,178	6.3	14.4
Goodwill and other intangible assets	**5,410**	5,368	5,268	0.8	2.7
Other assets	**43,694**	35,682	25,991	22.5	68.1
Total assets	**604,622**	564,634	508,835	7.1	18.8
Liabilities					
Due to other banks	**50,557**	42,566	38,262	18.8	32.1
Deposits at fair value	**16,123**	14,133	12,987	14.1	24.1
Other liabilities at fair value	**7,385**	7,717	8,579	(4.3)	(13.9)
Other financial liabilities at fair value	**23,508**	21,850	21,566	7.6	9.0
Deposits and other borrowings	**279,161**	254,225	222,456	9.8	25.5
Liability on acceptances	**21,489**	30,443	35,678	(29.4)	(39.8)
Life policy liabilities	**49,580**	53,097	50,380	(6.6)	(1.6)
Bonds, notes and subordinated debt	**92,402**	80,983	70,738	14.1	30.6
Other liabilities	**57,120**	51,585	40,188	10.7	42.1
Total liabilities	**573,817**	534,749	479,268	7.3	19.7
Net assets	**30,805**	29,885	29,567	3.1	4.2
Equity					
Equity (parent entity interest)	**30,778**	29,571	29,236	4.1	5.3
Minority interest in controlled entities	**27**	314	331	(91.4)	(91.8)
Total equity	**30,805**	29,885	29,567	3.1	4.2

Total assets at 31 March 2008 increased by $95.8 billion from 31 March 2007 and by $40.0 billion from 30 September 2007. Excluding the impact of exchange rate movements, total assets grew 22.5% from March 2007 and 8.3% from September 2007. The increase in total assets from March 2007 has been driven by growth in loans and advances (including acceptances and loans at fair value) across all regions, particularly in business and housing lending. In addition, short term asset holdings have increased from March 2007, as a consequence of the Group's prudent higher liquidity holdings through the recent period of market disruption. In total the Group held $33.4 billion (September 2007: $23.5 billion, March 2007: $nil) in additional short term securities at 31 March 2008 largely to support Group liquidity.

Total liabilities at 31 March 2008 increased by $94.5 billion from 31 March 2007 and by $39.1 billion from 30 September 2007. Excluding the impact of exchange rate movements, total liabilities grew 22.9% from March 2007 and 8.4% from September 2007. The increase in total liabilities during the last two halves has been driven by the growth in deposits and other borrowings (including deposits accounted for at fair value), amounts due to other banks, and bonds, notes and subordinated debt. This growth reflects strong deposit growth and increased funding required to meet lending growth and fund higher liquidity holdings.

Total equity of $30.8 billion at 31 March 2008 has increased $1.2 billion from 31 March 2007 and by $0.9 billion from 30 September 2007. This growth is predominately in retained earnings. In addition, the increase reflects the BNZ issue of hybrid Tier 1 securities of $0.4 billion during March 2008.

Lending

	As at				
	31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Housing					
Australia Region	**146,286**	141,086	134,902	3.7	8.4
UK Region	**25,177**	25,109	24,785	0.3	1.6
New Zealand	**20,647**	19,582	19,241	5.4	7.3
nabCapital	**985**	32	32	large	large
Total housing	**193,095**	185,809	178,960	3.9	7.9
Non-housing					
Australia Region	**58,262**	54,898	50,412	6.1	15.6
UK Region	**44,542**	37,338	35,247	19.3	26.4
New Zealand	**16,941**	15,734	15,035	7.7	12.7
nabCapital	**57,332**	51,545	40,888	11.2	40.2
Other	**8**	5	8	60.0	-
Total non-housing	**177,085**	159,520	141,590	11.0	25.1
Acceptances	**51,100**	49,322	45,952	3.6	11.2
Gross loans and advances including acceptances(1)	**421,280**	394,651	366,502	6.7	14.9
Represented by:					
Loans at fair value	**22,126**	19,564	17,832	13.1	24.1
Loans at amortised cost	**348,054**	325,765	302,718	6.8	15.0
Acceptances	**51,100**	49,322	45,952	3.6	11.2
Gross loans and advances including acceptances	**421,280**	394,651	366,502	6.7	14.9

(1) *Including loans at fair value.*

Lending growth for the March 2008 half year has continued to remain strong compared with the two prior halves.

Non-housing lending:

- In the Australia Region, non-housing lending volumes increased 15.6% against the March 2007 half and 6.1% against the September 2007 half. This was primarily due to the continued strength of relationship banking within the business bank.
- In the UK Region, non-housing lending has grown by 26.4% (41.5% excluding foreign exchange impacts) against March 2007 and 19.3% against the September 2007 half (25.8% excluding foreign exchange impacts). UK growth continues to reflect the maturing of the iFS strategy and increasing customer base.
- nabCapital lending increased by 40.2% over the March 2007 half and by 11.2% over the September 2007 half. The continued growth in nabCapital's business reflects strong ongoing origination activity within Institutional Banking and Corporate Finance, in addition to the $8.7 billion drawn down on liquidity facilities by nab sponsored conduits.

Housing lending:

- Australia Region increased by 8.4% over the March 2007 half and by 3.7% over the September 2007 half. The increase reflects sound growth in housing, with solid growth in both variable rate products and fixed rate mortgages.
- UK Region (excluding exchange rate movements) increased by 13.7% over the March 2007 half and by 5.7% over the September 2007 half, reflecting the continued implementation of its strategy of increasing targeted volume growth expansion through secured lending at the expense of unsecured.
- In the New Zealand Region, housing lending increased by 7.3% against the March 2007 half and by 5.4% against the September 2007 half as the region continues to focus on profitable volume growth.
- Approximately $1.0 billion in mortgage assets were acquired from a special purpose vehicle controlled by RAMS by nabCapital.

Acceptances increased by 11.2% on the March 2007 half and by 3.6% on the September 2007 half. Bill acceptances remain a favoured product by business customers.

Marketable Debt Securities

Marketable debt securities (comprising trading securities, available for sale investments and held to maturity investments) increased by $8.9 billion (53.0%) to $25.8 billion at 31 March 2008 from $16.9 billion at 31 March 2007 and decreased by $1.8 billion (6.6%) from $27.6 billion at 30 September 2007.

The increase from March 2007 was the result of holding increased levels of liquidity through this period of market disruption. It was achieved by acquiring a mix of certificates of deposit, promissory notes and bank bills.

Investments Relating to Life Insurance Business and Life Policy Liabilities

Investments relating to life insurance business of $57.3 billion at 31 March 2008 decreased by $1.7 billion or 2.9% from $59.1 billion at 31 March 2007, and by $5.3 billion or 8.4% from $62.6 billion at 30 September 2007. Despite positive net flows in FUM, the decrease is attributable to declining global equity markets in addition to the decreases in Australian equity and property markets in the past six months.

This decline was partly offset by a decrease in Life policy liabilities as the movement in investment assets primarily reflects returns made on policyholder contributions to the investment linked businesses and movement in net funds under management. As a result, Life policy liabilities have decreased by $0.8 billion or 1.6% to $49.6 billion from $50.4 billion at 31 March 2007 and by $3.5 billion or 6.6% from $53.1 billion at 30 September 2007.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets of $5.4 billion at 31 March 2008 are comparable with the balance at September 2007 and have increased by $0.1 billion or 2.7% on March 2007. Goodwill was $4.4 billion at 31 March 2008 and is consistent with the balance at September and March 2007. Other intangible assets have increased as a result of the Group's continued investment in software to support its strategic objectives. The Group's principal software development initiatives since March 2007 include:

- Infrastructure projects in the Australia Region aiming to revitalise the distribution network. These initiatives will enable a consistent platform for enhanced efficiency and incorporate self service capabilities and superior customer service.
- Revamping front and back office technology platforms in the UK.
- nabCapital's Strategic Investment Program (SIP) which is focused on delivering key technology initiatives, mainly in the Markets business, to improve product capability, simplicity, flexibility and cost effectiveness.

The movement in capitalised software is as follows

	Half Year to		
	Mar 08 $m	**Sep 07 $m**	**Mar 07 $m**
Balance at beginning of period	**867**	766	697
Additions	**177**	237	179
Disposals and write-offs	**-**	(5)	-
Amortisation	**(118)**	(110)	(101)
Impairment losses recognised	**-**	(3)	(1)
Foreign currency translation adjustments	**(17)**	(18)	(8)
Capitalised application software	**909**	867	766

Deposits and Other Borrowings

	As at				
	31 Mar 08 $m	**30 Sep 07 $m**	**31 Mar 07 $m**	**Mar 08 v Sep 07%**	**Mar 08 v Mar 07%**
Australia Region [(1)]	**120,290**	118,554	110,919	1.5	8.4
UK Region	**40,460**	36,968	34,759	9.4	16.4
New Zealand Region [(1)]	**27,172**	23,680	23,370	14.7	16.3
nabCapital [(1)]	**107,362**	89,156	66,395	20.4	61.7
Deposits and other borrowings [(2)]	**295,284**	268,358	235,443	10.0	25.4
Represented by:					
Deposits at fair value	**16,123**	14,133	12,987	14.1	24.1
Deposits and other borrowings	**279,161**	254,225	222,456	9.8	25.5
Deposits and other borrowings	**295,284**	268,358	235,443	10.0	25.4

(1) *During the March 2008 half the classification of certain deposits and other borrowings were reviewed with adjustments to comparatives made to reflect the ongoing business structure.*

(2) *Including deposits and other borrowings at fair value.*

Total deposits and other borrowings increased by $59.8 billion or 25.4% to $295.3 billion at 31 March 2008 from $235.4 billion at 31 March 2007 and by $26.9 billion or 10.0% from $268.4 billion at 30 September 2007.

Certificates of deposit have increased by $29.3 billion from March 2007 and by $12.2 billion from September 2007, mainly in nabCapital, to fund the Group's increased holding of liquid assets as a consequence of the general liquidity tightening in August 2007. There are corresponding increases in both marketable debt securities and due from acceptances from March 2007.

Additionally, there has been strong growth in term deposits in the Australia Region, UK Region and New Zealand Region as a consequence of higher interest rates and competitiveness of the Group's products. In Australia, growth has also stemmed from the continued success of the Business Cash Maximiser and iSaver products, which offer competitive and high interest rates to customers. Growth in the UK Region reflects the continued maturity and customer base of the iFS network.

Short term borrowings have also increased by $15.1 billion from March 2007 and by $10.6 billion from September 2007 in the Australia Region, New Zealand Region and nabCapital to fund the Group's asset growth during the period.

Bonds, notes and subordinated debt

Bonds, notes and subordinated debt increased by $21.7 billion or 30.6% to $92.4 billion from $70.7 billion at 31 March 2007, and by $11.4 billion or 14.1% from $81.0 billion at 30 September 2007. The continued increase during the past two halves has been undertaken to fund asset growth and strengthen the balance sheet structure. This was achieved through utilising various debt issuance programs available to the Group.

Further detail and discussion on the Group's funding mix and management of funding base, particularly during the volatile capital markets, are included within the Capital and Funding discussion on pages 25-27.

Asset Quality

Volatile financial markets combined with a general slowing in the global economy and rising oil prices created a challenging environment across all major markets during the half year to March 2008.

This has led to a small number of highly leveraged corporate customers finding it more difficult to refinance their debt. There have also been rating downgrades for a small number of corporate clients and some assets within securitisation conduits.

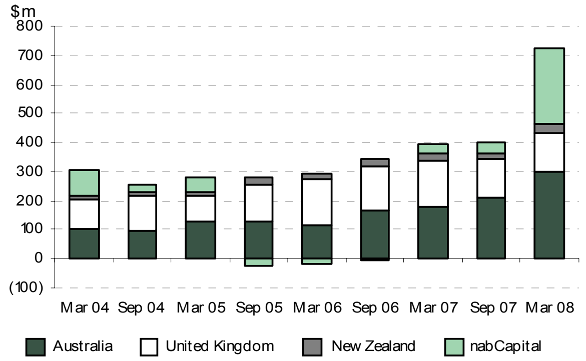
The current operating environment and resultant increase in bad and doubtful debt charge provides further evidence that the industry has moved off the low point in the credit cycle. Portfolio reviews undertaken during the half have revealed that other than these small number of downgrades, underlying asset quality remains sound.

The Group has applied an economic cycle adjustment of $214 million (before tax) to reflect the current deteriorating credit environment. This reserve is in addition to the charge for bad and doubtful debts and will further strengthen the Group's balance sheet to better withstand current volatility in its portfolio as a result of changed economic conditions. Total provisions now stand at $3.0 billion.

Bad and Doubtful Debt Charge

The charge for bad and doubtful debts increased by $336 million to $726 million during the half year to March 2008, compared with $390 million for the half year to March 2007 and $400 million for the half year to September 2007. Included within the March 2008 charge is $480 million of specific provisions, up $195 million on the prior comparative period.

Total Bad and Doubtful Debt Charge



Australia Banking has experienced an increase of $120 million in the bad and doubtful debt charge when compared to March 2007, primarily due to one large specific provision charge of $80 million.

nabCapital classified two large facilities as impaired during the half year to March 2008, the most significant of which incurred a specific provision charge of $60 million. In addition, a collective provision charge of $181 million was raised against liquidity facilities extended to nabCapital sponsored securitisation conduits in light of recent rating downgrades of some assets within these entities.

Bad and doubtful debt charges in the UK and NZ regions remained at relatively consistent levels to the previous two reporting periods.

The ratio of bad and doubtful debt charge to credit risk weighted assets increased by 14 basis points for the half year to March 2008 to 0.38% when compared to the prior comparative period of March 2007.

Specific Provisions

The balance sheet specific provision has increased by $332 million compared to March 2007 and $220 million compared to September 2007. As discussed above, the increase in specific provisions for the half year to March 2008 is primarily due to a small number of large provision charges in Australia Banking and nabCapital totalling $140 million, together with a reduction in the level of net write-offs.

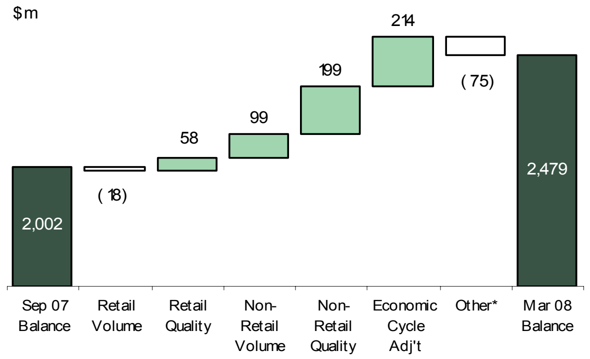
Specific Provisions to Gross Impaired Assets

As at							
Sep 04 %	Mar 05 %	Sep 05 %	Mar 06 %	Sep 06 %	Mar 07 %	Sep 07 %	Mar 08 %
32.3	34.9	34.9	29.9	20.4	25.4	28.1	**35.8**

Collective Provisions

Total collective provisions (including the credit risk adjustment on assets at fair value) increased by $417 million from March 2007 and by $477 million from September 2007. This includes the economic cycle adjustment of $214 million and increases in nabCapital.

Collective Provision Attribution Analysis



* *Other includes movements in credit risk adjustment on assets of fair value, other reserves, foreign currency translation and other adjustments.*

Retail

The decline in retail volume collective provisions of $18 million from September 2007 can be attributed to the Group's strategy of tilting the lending profile away from unsecured retail products.

The increase in retail quality collective provisions of $58 million can be mostly attributed to an increase in delinquencies across all of the Group's key markets as a result of higher interest rates and post Christmas seasonality.

Non-Retail

The majority of growth in non-retail lending volume collective provisions occurred in Australia Banking and nabCapital, with increases of $36 million and $48 million respectively.

Deterioration in a small number of large corporate clients and the collective provision charge for liquidity facilities of $181 million relating to the downgrade of some assets within securitisation conduits contributed to the quality increase.

Economic Cycle Adjustment

The Group has applied an economic cycle adjustment to bad and doubtful debts of $214 million (before tax) against the current uncertain global economic environment.

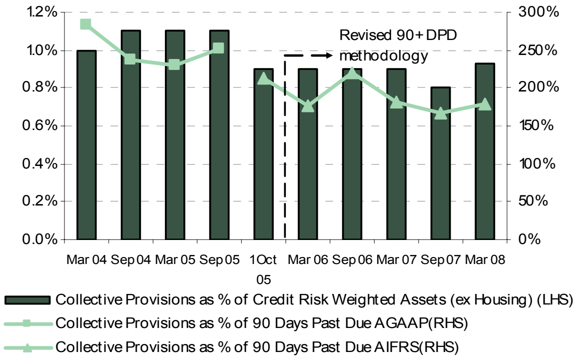
Given the Group's provisioning models are based on recent loss experienced through a benign credit environment, it is considered prudent to increase provisions through applying a management overlay to reflect domestic and international trends and conditions. This effectively adjusts for the benign recent credit experience and allows for losses within the portfolio attributable to volatile global markets and other cyclical economic factors that are currently being experienced.

Provisioning Coverage

The Group's total provisions and reserves increased to $3,005 million, a $749 million increase compared to March 2007 and $696 million increase to September 2007.

The Group's ratio of collective provisions to credit risk-weighted assets (ex housing) increased by 11 basis points to 0.93% for the March 2008 half, and remained steady when compared to March 2007.

Collective Provisions to Credit Risk Weighted Assets (excl. Housing)



APRA requires a General Reserve for Credit Losses to be created by transfers from Retained Earnings equivalent to the amount required to bring collective provisions up to 0.5% of credit risk weighted assets on a post-tax basis. This reserve has decreased by $209 million for the half year to March 2008 to $116 million.

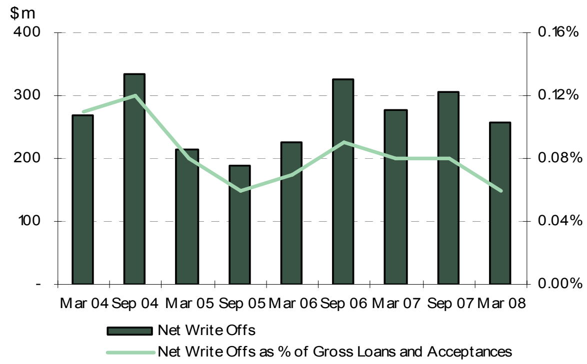
Net Write-Offs

The proportion of net write-offs to gross loans and acceptances declined by 2 basis points to 0.06% when compared to March 2007. There were negligible net write-offs for nabCapital during the March 2008 half year.

The total provisions to net write-offs ratio improved from 408% at March 2007 to 587% as at March 2008.

Net write-offs are expected to increase over the next six months as provisions are progressively utilised.

Group Half Yearly Net Write-Offs



Non-Impaired Assets 90+ Days Past Due

The proportion of non-impaired 90+ days past due loans (90+ DPD) to gross loans and acceptances for the Group has increased by 2 basis points to 0.33% for the half year compared to March 2007 (0.31% at September 2007).

Approximately two thirds of the Group's total 90+ DPD loans are secured by residential mortgages which historically have had very low loss rates.

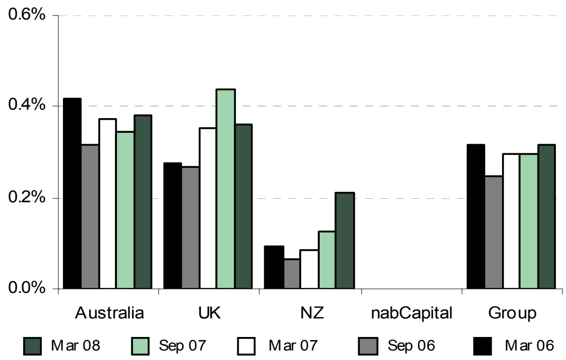
In Australia Banking, the proportion of 90+ DPD to gross loans for Business and Private Banking increased by 1 basis point to 0.10% during the reporting period from March 2007, while the retail rate remained steady at 0.31%.

The proportion of 90+ DPD to gross loans and acceptances in the UK Region has risen by 2 basis points to 0.38% compared to March 2007 (0.47% at September 2007).

In the New Zealand Region, the proportion of 90+ DPD to gross loans and acceptances has increased by 13 basis points to 0.22% during the twelve months to March 2008, albeit off a very low base. This increase is attributed to softening economic conditions following successive interest rate rises.

nabCapital continues to have no 90+ DPD.

90+ DPD as % of Gross Loans and Acceptances



Impaired Assets

The ratio of gross impaired assets to gross loans and acceptances for the Group has increased by 14 basis points to 0.35% when compared to March 2007 (0.28% at September 2007). Impaired assets across the Group have increased by $705 million from March 2007 ($380 million increase from September 2007).

Volatility in financial markets has led to a small number of large customer impairments. Of the $380 million increase since September 2007, approximately $265 million of impaired loans are associated with these customers.

The impaired asset ratio for Australia Banking has increased by 14 basis points from March 2007 to 0.37% at March 2008 (0.29% at September 2007). Excluding the one large impairment recognised during the half year to March 2008, the impaired asset ratio for the March 2008 half would have risen by 4 basis points.

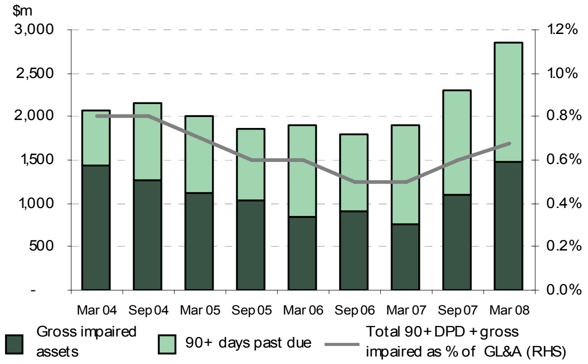
Successive interest rate rises have led to an increase in the volume of business and mortgage impairments over the 12 month period. Whilst the overall portfolio remains robust, pockets of stress remain evident in the New South Wales mortgage portfolio and more recently, a tightening environment has impacted on Victorian business lending.

Within nabCapital, a small number of large corporate customers have increased impaired assets by $214 million compared to March 2007.

Gross impaired assets as a proportion of gross loans and acceptances in the UK have increased by 6 basis points to 0.27% and are due mainly to a small number of higher value corporate loan impairments. This increase is off a low base and in line with management expectations. There are no signs of particular industry or geographic concentrations.

In the New Zealand Region, the value of impaired assets has increased during the past twelve months by NZ$12 million, yet they remain at a very low level of 0.10% relative to their respective gross loans and acceptances.

Total 90+ days Past Due and Gross Impaired Assets as % of Gross Loans and Acceptances



Retail - 90+ Delinquencies (90+ Days Past Due and Impaired)

There has been an increase in the Group's 90+ DPD retail delinquency rate from March 2007 mainly due to rising mortgage delinquencies in all regions as higher interest rates and commodity prices impact household incomes. The Group continues to actively manage its delinquencies through improved collections processes.

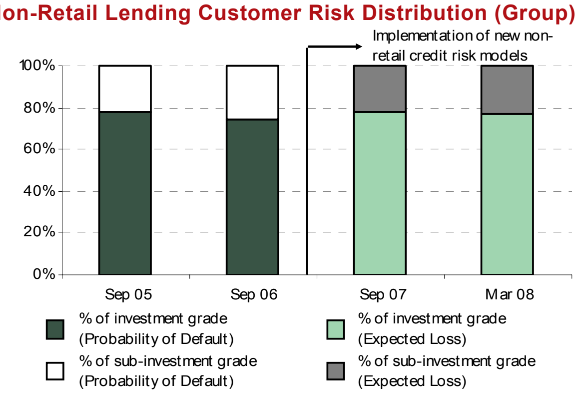
The gross 12-month rolling write-off rate has continued to improve, falling by 5 basis points from March 2007 to 0.27% at March 2008. The write-off rate for mortgages remains at negligible levels.

Trends in the ratings of non-retail exposures

Although there has been an increase in the level of bad and doubtful debt charge associated with a small number of corporate customers and liquidity facilities extended to securitisation conduits, underlying asset quality of the overall portfolio remains sound.

Based upon the Expected Loss methodology[1], the volume of non-retail investment grade equivalent (AAA to BBB-) exposures, including securitisation conduits, for the Group as at March 2008 was in line with management risk appetite expectations at 77.1%, compared to 77.9% at September 2007.

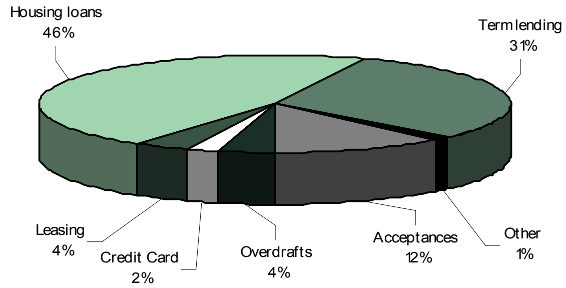
Non-Retail Lending Customer Risk Distribution (Group)



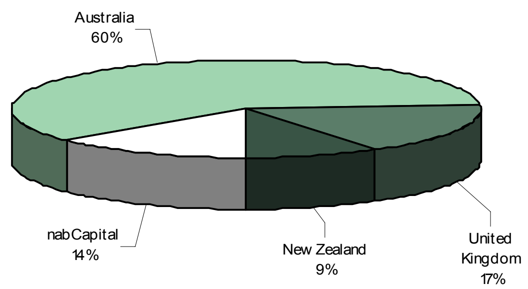
(1) *Expected Loss (EL) is the product of Probability of Default x Exposure at Default x Loss Given Default. This Expected Loss methodology is adjusted for accounting purposes to reflect the incurred loss methodology required under accounting standards. September 2007 sub investment grade illustration has been restated for comparative purposes due to a change in EL calculation methodology.*

The Group's lending portfolio composition remains well diversified, in both geographic and product mix terms.

Group Gross Loans and Acceptances by Product



Group Gross Loans and Acceptances by Region



The Group continues to proactively manage its lending portfolio. During the half to March 2008 a number of industry and portfolio specific reviews were undertaken. These reviews included commercial property, margin lending, securitisation vehicles, monoline insurers, specific industries and large individual exposures. The outcome of these reviews confirms underlying asset quality remains sound and the Group's portfolio is well diversified.

Cash Earnings per Share

	Half Year to				
	Mar 08 cents	Sep 07 cents	Mar 07 cents	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Basic	**137.6**	142.5	127.6	(3.4)	7.8
Diluted	**137.2**	142.1	126.2	(3.4)	8.7

March 2008 v March 2007

Basic cash earnings per share increased by 10.0 cents or 7.8% and diluted cash earnings per share increased by 11.0 cents or 8.7% on the March 2007 half. This reflects the increase in cash earnings and the dilutive impact of ExCaps during the March 2007 half.

March 2008 v September 2007

Basic cash earnings per share decreased by 4.9 cents or 3.4% and diluted cash earnings per share decreased by 4.9 cents or 3.4% on the September 2007 half.

Capital Management and Funding

Balance Sheet Management Overview

The period following the sub-prime impact upon financial markets has presented the broader market with a range of management challenges. The strength of the Group balance sheet in respect of capital, funding and liquidity has seen the Group well placed to manage through the current difficult market conditions.

Capital Management

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

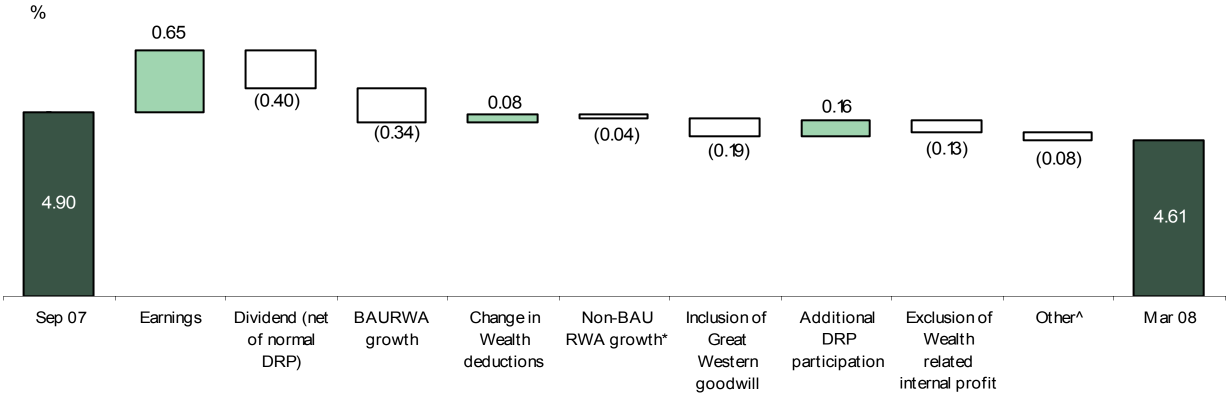
		As at				
	Target Ratio[1] %	31 Mar 08 %	30 Sep 07 %	31 Mar 07 %	Mar 08 v Sep 07	Mar 08 v Mar 07
ACE ratio [2]	**4.25 – 5.00**	**4.61**	4.90	5.46	(29 bps)	(85 bps)
Tier 1 ratio	**6.00 – 6.75**	**6.51**	6.67	7.33	(16 bps)	(82 bps)
Total capital ratio		**9.71**	9.99	10.51	(28 bps)	(80 bps)

	As at				
	31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m	Mar 08 v Sep 07 %	Mar08 v Mar 07 %
Risk-weighted assets – credit risk	**379,706**	351,410	327,027	8.1	16.1
Risk-weighted assets – market risk	**4,712**	3,856	3,430	22.2	37.4
Total risk-weighted assets	**384,418**	355,266	330,457	8.2	16.3

(1) In the second half of 2007, the Tier 1 range was revised from 6.25%-7.00% to 6.00%-6.75%.

(2) Refer to note 4 in Section 6 for definition.

Movement in ACE ratio



Notes:

* *Defined as the draw downs of liquidity facilities in the Group's sponsored conduits, in addition to increased holdings of liquid assets as part of the Group's balance sheet management.*

^ *Primarily changes in deductions including the foreign currency translation reserve (-11 basis points), general reserve for credit losses (5 basis points) and other deductions (-2 basis points).*

Capital Movements during the Period

The Group's ACE and Tier 1 ratios are around the mid point of their respective target ranges. The decrease in the capital ratios reflects the continuing strong growth in credit risk-weighted assets (RWAs), including the effect of events in the global credit markets, the estimated goodwill impact of the purchase of Great Western Bancorporation, and the previously disclosed change in regulatory treatment of $0.5 billion relating to Wealth Management. These effects are partially offset by previously announced initiatives in respect of the Group's dividend reinvestment plan (DRP). The issuance of A$600 million and NZ$450 million Innovative Residual Tier 1 capital and $750 million subordinated debt has also supported the Group's regulatory ratios.

The Group experienced continued strong growth in RWAs over the March 2008 half, particularly in business lending. In addition, $3.6 billion of nabCapital's RWA growth in the 2008 March half is due to non-business as usual impacts arising from additional draw downs of liquidity facilities to sponsored conduits.

Following the agreement to purchase Great Western Bancorporation, the holding company of Great Western Bank, the Group has recognised the estimated goodwill of approximately $0.7 billion as a Tier 1 deduction. The actual goodwill will not be recognised on the Group's balance sheet until completion, which is expected in the September 2008 half. Great Western Bancorporation's RWAs of approximately $3 billion will also not be consolidated until completion.

As previously indicated, the Group had historically included $0.5 billion in its Tier 1 which relates to the profit, arising in the banking group, from the sale of the life insurance businesses of Bank of New Zealand and National Australia Group Europe to Wealth Management subsidiaries. The regulatory treatment changed with effect from 1 January 2008 and the profit on sale is no longer included in Tier 1 or ACE.

Tier 1 Hybrid Capital Initiatives

During the March 2008 half, the Group raised $600 million of Innovative Residual Tier 1 convertible notes. The convertible notes pay 1.00% over Bank Bill Swap Rate (BBSW). From 21 March 2008, subject to APRA approval, the notes are redeemable at the Group's option. The notes are convertible at the holder's option into a variable number of National Australian Bank ordinary shares from 21 September 2008.

Also during the March 2008 half, the Bank of New Zealand raised NZ$450 million BNZ Income Securities (BNZIS), which qualifies as Innovative Residual Tier 1 capital for the Group. The BNZIS pays a quarterly dividend of 9.89%pa until 28 March 2013.

DRP Initiatives

As previously announced, in order to support the Group's capital ratios following the acquisition of Great Western Bancorporation, the terms of the DRP have been amended to remove the limit on participation (previously 15,000 shares) and introduce a 2.5% discount. The Group has reduced the interim dividend accrual by an amount equal to 46% of the interim dividend to reflect assumed DRP participation, consistent with historical experience. These changes are expected to raise an additional $570 million of capital (15 basis points).

The Group has also underwritten any shortfall in DRP participation to 100% to support the Group's capital position and support core client business in the current market. The remaining 54% of the dividend will only contribute to the Group's capital position in the September 2008 half. This will be approximately $850 million of Tier 1 capital (22 basis points).

Basel II

The Group is in discussions with APRA on the timing of its advanced Basel II accreditation and, with the exception of the UK Region, the Group is currently targeting accreditation by 30 September 2008. The Group has submitted the document summarising its Internal Capital Adequacy Assessment Process (ICAAP) to APRA, as required under Pillar 2 of Basel II. APRA has indicated that it expects to respond by mid 2008 with guidance on the Group's Prudential Capital Requirement.

On 10 December 2007, further APRA guidance was issued and as a result, banks' regulatory deductions previously taken from Total Capital, to be taken 50% from Tier 1 and 50% from Total Capital (50/50 deductions), will not take effect until the Group is Basel II accredited. This relates primarily to the component of the Group's investment in Wealth Management that is currently deducted from Total Capital.

Ongoing RWA Refinement

The calculation of Basel I RWAs is subject to ongoing refinement as a result of continued investment in our RWA measurement systems and changes under discussion with APRA, including implementation of Basel II. Work currently being undertaken will be completed by 30 September 2008. The impact of the work has not been finalised however, based on current estimates, is expected to give rise to a net increase in the Group's Basel I RWAs. At 31 March 2008 the Group is comfortably within its target ranges for ACE and Tier 1. On a pro forma basis at 31 March 2008, after reflecting any potential RWA adjustments and taking into account planned capital initiatives in the second half of 2008, the Group would expect the Tier 1 ratio to be towards the top end of the target range.

Funding

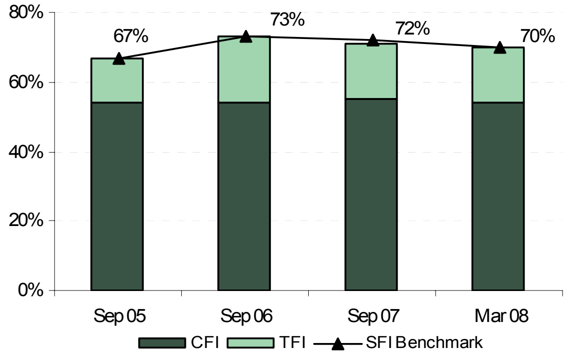
The adverse conditions in financial markets that commenced with the sub-prime crisis in July 2007 continued through the March 2008 half. The impact of this on banks was an increase in wholesale funding costs and a general tightening in the liquidity available from markets. With the capital markets only providing funding for businesses with the strongest credit ratings many clients returned to banks for their funding needs. Throughout this period the Group focused on maintaining balance sheet strength.

The Group employs a set of internal measures to gauge the strength of its balance sheet funding. Amongst these measures is the Stable Funding Index (SFI) which comprises a Term Funding Index (TFI) plus Customer Funding Index (CFI). TFI is defined as Term Wholesale Funding with a remaining maturity greater than 12 months divided by Core Assets. CFI is a measure of customer deposits divided by Core Assets. The securitisation of balance sheet assets impacts these funding indices by reducing Core Assets. Over the past couple of years the Group has increased its SFI above

70% to take advantage of plentiful liquidity and favourable pricing.

In the six months to March 2008 the Group's SFI moved to 70%. Core asset growth was strong, particularly in nabCapital as relationship customers have approached the bank for larger facilities rather than issue into wholesale markets. Despite the difficult market conditions, National Australia Bank Limited's (NAB Ltd's) AA/Aa1 rating and strong reputation allowed it good access to term wholesale funding during this period of reduced market liquidity. The TFI has increased from 16% to 17% as at March 2008. The CFI remains above 50% with strong underlying retail deposit growth in all regions.

Group Funding Indices (CFI, TFI and SFI)

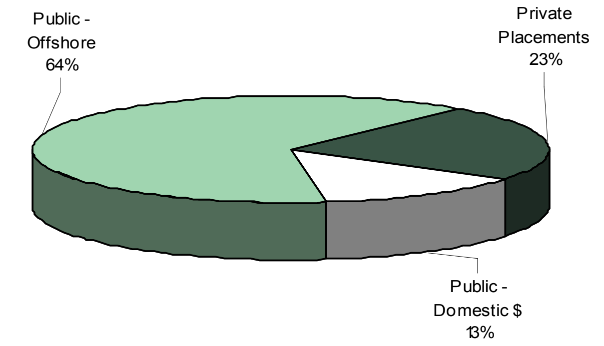


Term Wholesale Funding. Considerable work had been undertaken in the previous two years to develop the Group's term funding platform. The benefits of this were realised during the period of market dislocation with National Australia Bank Limited sourcing funding through benchmark size transactions in the key markets of USA, Europe, Japan and Australia. The mix of term wholesale funding raised during the first half of financial year 2008 is displayed below. In total the Group raised $16 billion of term wholesale funding during the half. Securitisation markets were not used as a funding source and there is no expectation of this changing in the near future. The weighted average maturity of term wholesale funds raised in the 2008 half is approximately 4.2 years based on contractual maturity, or 2.7 years if modelled to the first call date. The average cost of term funds raised in the March 2008 half was 57 basis points over BBSW, compared to 15 basis points in the September 2007 half. The Group's 2008 full year funding requirement is $27 billion, of which $16 billion has been raised in the March 2008 half. The 2009 full year funding requirement is also around the same level.

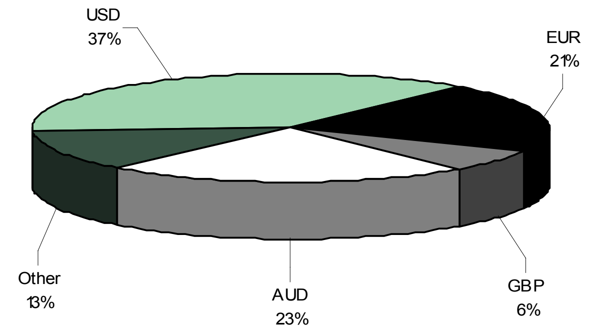
Short-term Wholesale Funding. Short term wholesale markets have continued to be a strong and reliable source of funding during the past six months. The Group's focus has been on increasing the duration of the short-term book, which has included raising $8 billion of six to twelve month funding.

Liquid Asset Portfolio. The Group is required to maintain liquid asset portfolios under regulatory requirements in various countries in which it operates. In addition to these regulatory minimums the Group held an additional $33.4 billion in short term securities as at 31 March 2008 largely to support Group liquidity. As a source of contingent liquidity to further support the Group's liquid asset holdings, an internal securitisation pool is being developed. It is expected that these securities will qualify as eligible collateral for repurchase agreements with the Reserve Bank of Australia. The initial pool size will be $8.5 billion, increasing to $11 billion. This will increase the Group's available collateral that may be pledged with the RBA for cash.

March 2008 Half Wholesale Funding by Deal Type (1)



March 2008 Half Wholesale Funding Currency (1)



(1) *March 2008 half year average*

The Group's long term debt ratings are: National Australia Bank Limited AA/Aa1; BNZ Limited AA/Aa2; Clydesdale Bank PLC AA-/Aa3; and National Wealth Management Holdings Ltd AA-.

Current market conditions have resulted in increased costs for funding and liquidity management. Broadly, these increased costs are a function of three factors: the increased spread between the RBA cash rate and Bill funding rates; costs of holding additional liquid assets; and increased spreads on longer-term funding. To maintain a prudently funded balance sheet the Group has continued to fund at higher costs. These costs are continually monitored and managed through normal processes consistent with maintaining an acceptable net interest margin.

Full Time Equivalent Employees

	As at				
	31 Mar 08	30 Sep 07	31 Mar 07	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Australia Banking	**18,930**	18,621	18,628	1.7	1.6
MLC	**3,870**	3,820	3,900	1.3	(0.8)
Other (incl. Asia)	**192**	159	146	20.8	31.5
Australia Region	**22,992**	22,600	22,674	1.7	1.4
UK Region	**8,966**	8,850	9,046	1.3	(0.9)
New Zealand Region	**4,349**	4,444	4,465	(2.1)	(2.6)
nabCapital	**2,416**	2,239	2,188	7.9	10.4
Central Functions	**698**	689	660	1.3	5.8
Total full time equivalent employees (FTEs)	**39,421**	38,822	39,033	1.5	1.0
Average half year FTEs	**39,090**	39,093	38,855	-	0.6

FTEs have risen by 388 from March 2007. This is mainly due to increases in the Australia Region, nabCapital and Central Functions.

In the Australia Region these are mainly a result of growth in the Specialised Business Unit and support functions.

Increases in nabCapital are mainly to support business growth, and increases in Technology in Australia.

Increases in Central Functions are due to additional project resources and growth in the Business Development Unit.

These increases have been partly offset by decreases in the UK Region and the New Zealand Region occurring as a result of the implementation of cost saving reduction programs.

Other Matters

Non-operating Holding Company

The Group is continuing to examine the possibility of adopting a non-operating holding company (NOHC) structure to support its operations in the longer term.

Ongoing dialogue with key regulators is continuing to be undertaken to clarify the specific impact on the Group of implementing a NOHC structure. The process is complex, with many regulatory, tax, legal, accounting and other issues to address.

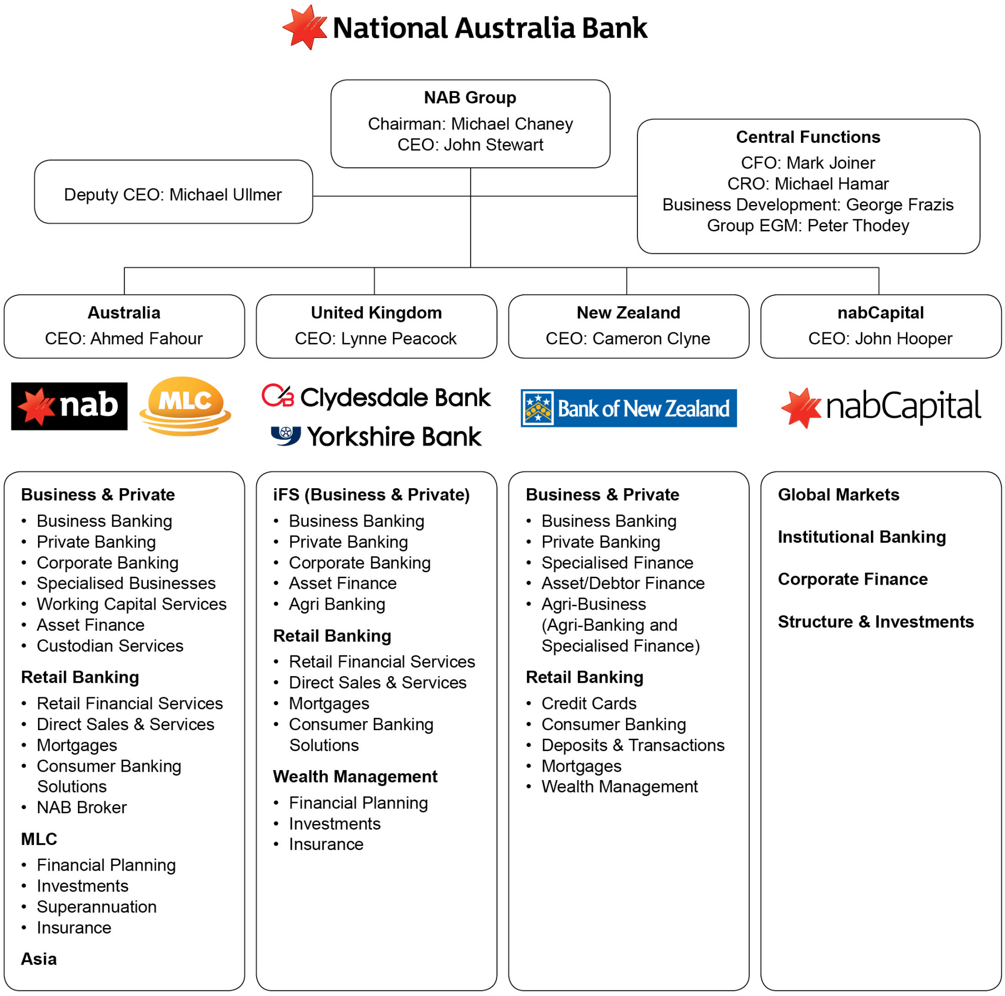
A decision to proceed will depend on a number of outstanding factors, including the interpretation of international accounting standards affecting the Group and the regulatory capital framework and will require shareholder approval.

Acquisition of Great Western Bancorporation

On 29 November 2007, the Group announced its agreement to acquire Great Western Bancorporation for US$798 million. Great Western Bancorporation owns Great Western Bank, a regional bank based in Sioux Falls, South Dakota. All banking regulatory approvals have been obtained and the Group expects to complete this acquisition during the June 2008 quarter, subject to other customary closing conditions.

Section 4
Review of Regional Operations

Business Structure



The Group operates under a regional accountability model, the main objective of which is to maximise local decision-making.

The regional businesses are responsible for value creation within a framework established by the Group of return on equity and cash earnings targets, a funding envelope and risk appetite, as well as customer satisfaction and employee engagement scores to ensure value is created in a sustainable way. The Group sets high level targets for the Regional CEO's, giving them the accountability and authority to run their businesses. They are close to their markets, their customer needs and the competitive landscape they operate in.

Corporate Centre focuses on:
- Value creation and target setting;
- Performance monitoring and capital management;
- Human Capital; and
- Mergers and acquisitions.

The Corporate Centre is responsible for the allocation of capital and taking a portfolio perspective to optimising shareholder returns.

The Corporate Centre undertakes rigorous value based analysis of the Group's existing business portfolio in the same way as it assesses new opportunities.

Finance and Risk Management, and funding are the joint accountability of the Corporate Centre and the Regions.

The Corporate Centre is accountable for high level policy framework, oversight and supporting Board governance. The Regions are accountable for implementation of the detailed policies, and business specific finance and risk management functions.

Internal Audit is an independent function, accountable directly to the relevant Board Audit Committee.

This section provides a review of each of our regional businesses from an internal management perspective. Financial information is provided on an operational basis (rather than a statutory basis) to reflect a management view of businesses and regional structures.

Content is prepared using external market data and internal management information useful for investors. The implications for the following analyses include:
- all performance data and analysis is based upon cash earnings from ongoing operations.
- our MLC business reflects 100% shareholder attributable cash earnings results. Our financial report (Section 5) reflects both policyholder and shareholder interests. Refer to Section 6 for a reconciliation between cash earnings and statutory profit after tax.

Divisional Performance Summary

Half year ended 31 March 2008	Australia Region Banking $m	Australia Region MLC $m	Australia Region Other $m	UK Region $m	NZ Region $m	nabCapital $m	Central Functions[1] $m	Eliminations $m	Cash Earnings - Ongoing $m	Disposed Operations[2] $m	Group Cash Earnings $m
Net interest income	2,917	-	19	970	466	948	(17)	-	5,303	(10)	5,293
Other operating income	977	-	(1)	400	155	194	20	(55)	1,690	45	1,735
MLC net operating income	-	646	-	-	-	-	-	-	646	-	646
Net operating income	3,894	646	18	1,370	621	1,142	3	(55)	7,639	35	7,674
Operating expenses	(1,659)	(337)	(22)	(801)	(297)	(411)	(126)	55	(3,598)	(33)	(3,631)
Underlying profit	2,235	309	(4)	569	324	731	(123)	-	4,041	2	4,043
Charge to provide for doubtful debts	(301)	-	1	(135)	(26)	(265)	-	-	(726)	-	(726)
Cash earnings before tax	1,934	309	(3)	434	298	466	(123)	-	3,315	2	3,317
Income tax expense	(567)	(89)	1	(123)	(91)	(93)	51	-	(911)	-	(911)
Cash earnings before distributions and IoRE	1,367	220	(2)	311	207	373	(72)	-	2,404	2	2,406
Net profit - minority interest	-	-	-	-	-	-	(1)	-	(1)	-	(1)
IoRE	-	(9)	-	-	-	-	-	-	(9)	-	(9)
Distributions								(157)	(157)		(157)
Cash earnings	1,367	211	(2)	311	207	373	(73)	(157)	2,237	2	2,239

(1) *Central Functions includes Group Funding, Corporate Centre and elimination entries within Australia Region.*

(2) *Represents the Group's Commercial Fleet business, which was disposed on 5 March 2008.*

Divisional Performance Summary

Half year ended 30 September 2007	Australia Region Banking $m	Australia Region MLC $m	Australia Region Other $m	UK Region $m	NZ Region $m	nabCapital $m	Central Functions[1] $m	Eliminations $m	Cash Earnings - Ongoing $m	Disposed Operations[2] $m	Group Cash Earnings $m
Net interest income	2,829	-	14	986	439	601	97	-	4,966	(11)	4,955
Other operating income	889	-	1	434	173	301	51	(53)	1,796	51	1,847
MLC net operating income	-	677	-	-	-	-	-	-	677	-	677
Net operating income	3,718	677	15	1,420	612	902	148	(53)	7,439	40	7,479
Operating expenses	(1,664)	(372)	(13)	(859)	(304)	(400)	(160)	53	(3,719)	(64)	(3,783)
Underlying profit	2,054	305	2	561	308	502	(12)	-	3,720	(24)	3,696
Charge to provide for doubtful debts	(208)	-	-	(135)	(22)	(36)	1	-	(400)	-	(400)
Cash earnings before tax	1,846	305	2	426	286	466	(11)	-	3,320	(24)	3,296
Income tax expense	(545)	(86)	(1)	(128)	(90)	(89)	62	-	(877)	8	(869)
Cash earnings before distributions and IoRE	1,301	219	1	298	196	377	51	-	2,443	(16)	2,427
IoRE	-	18	-	-	-	-	-	-	18	-	18
Distributions								(146)	(146)		(146)
Cash earnings	1,301	237	1	298	196	377	51	(146)	2,315	(16)	2,299

(1) *Central Functions includes Group Funding, Corporate Centre and elimination entries within Australia Region.*

(2) *Represents the Group's Commercial Fleet business, which was disposed on 5 March 2008.*

Divisional Performance Summary

Half year ended	Australia Region			UK	NZ		Central	Elimina-	Cash Earnings	Disposed	Group Cash
	Banking	MLC	Other	Region	Region	nabCapital	Functions[1]	tions	- Ongoing	Operations[2]	Earnings
31 March 2007	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Net interest income	2,691	-	13	996	425	533	141	-	4,799	(10)	4,789
Other operating income	806	-	2	464	175	315	19	(58)	1,723	47	1,770
MLC net operating income	-	609	-	-	-	-	-	-	609	-	609
Net operating income	3,497	609	15	1,460	600	848	160	(58)	7,131	37	7,168
Operating expenses	(1,657)	(357)	(15)	(892)	(304)	(390)	(152)	58	(3,709)	(2)	(3,711)
Underlying profit	1,840	252	-	568	296	458	8	-	3,422	35	3,457
Charge to provide for doubtful debts	(181)	-	-	(155)	(24)	(33)	3	-	(390)	-	(390)
Cash earnings before tax	1,659	252	-	413	272	425	11	-	3,032	35	3,067
Income tax expense	(489)	(69)	-	(119)	(89)	(87)	8	-	(845)	(11)	(856)
Cash earnings before distributions and IoRE	1,170	183	-	294	183	338	19	-	2,187	24	2,211
IoRE	-	21	-	-	-	-	-	-	21	-	21
Distributions								(137)	(137)		(137)
Cash earnings	1,170	204	-	294	183	338	19	(137)	2,071	24	2,095

(1) *Central Functions includes Group Funding, Corporate Centre and elimination entries within Australia Region.*

(2) *Represents the Group's Commercial Fleet business, which was disposed on 5 March 2008.*

Australia Region

Ahmed Fahour

The Australia Region consists of Australia Banking (incorporating Retail Banking and Business & Private Banking) and Wealth Management businesses in Australia ("MLC") as well as the Asian Business and Retail banking businesses.

Strategic Highlights & Business Developments

The Australia Region performance signifies the sustained momentum in the business following a strong 2007 performance, despite the difficult market conditions being experienced. The strength of the core business and balance sheet position provides the stability to meet the market challenges. Diligent management of the Asset Quality portfolio ensures the strength in this area is maintained.

Management's focus is on delivering sustainable shareholder returns by managing the portfolio of businesses, executing on strategies such as specialisation and efficiency programs, and remaining focused on financial, staff, customer and community related outcomes.

Strategic priorities for 2008 include running the region well by achieving cost commitments, growing deposits, diligent risk monitoring and capital management, accelerating cross-sell and providing enhanced customer service offerings. The business will differentiate itself through process excellence as well as developing products and services that best service customer needs and grow the businesses.

The Australia Region delivered cash earnings growth before IoRE of 17.1% over the prior comparative period and 4.2% over the September 2007 half. This was achieved despite a challenging market environment which included the impact of the wholesale funding market instability on Banking cost of funds and the impact of one large business lending specific provision amounting to $80 million.

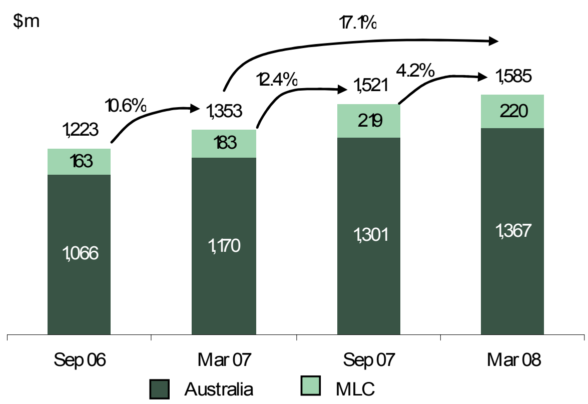
The MLC business delivered a solid result despite the recent investment market downturn, demonstrating the strength of MLC's strategy which has been resilient in these market conditions.

Business & Private Banking continues to execute its strategy as a market differentiated and high performing relationship based business, and maintain a leading position in the business market. It is well placed to manage, and assist customers to work through an increasingly challenging economic environment.

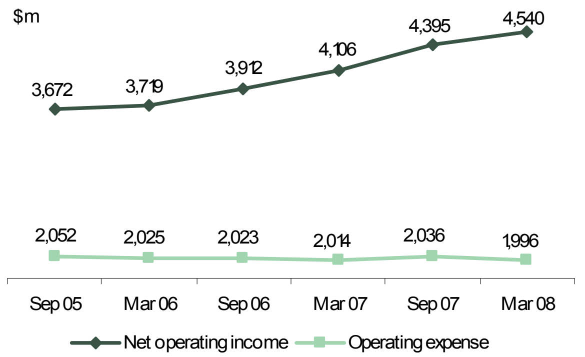
Retail Banking is progressing well with the rebuilding phase and implemented several critical initiatives over the last half year. The emphasis is on developing a multi-brand, multi-channel, people focused business with innovative products, competitive distribution channels and efficient back office operations.

The Australia Region has a commitment to improving efficiency, quality and service over the near and long term. With strong executive support, this is being achieved through co-ordinated business unit led programs and initiatives with the objective of driving sustainable change and delivering an enhanced customer

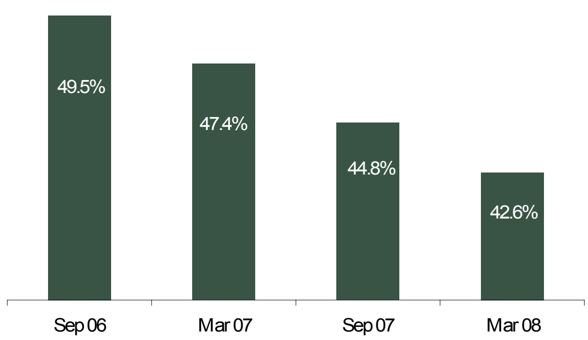
Australia Region[1] Cash Earnings before IoRE



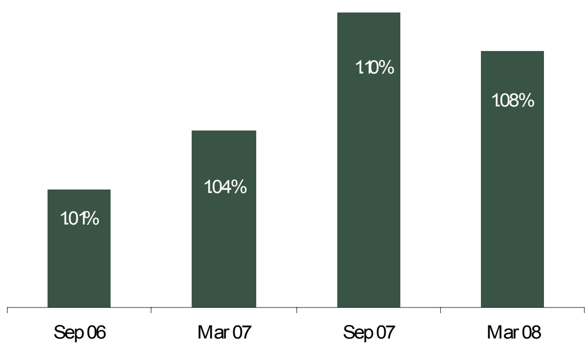
Australia Region Revenue and Expense Trends



Australia Banking Cost to Income ratio



Australia Banking Cash Earnings on Average Assets



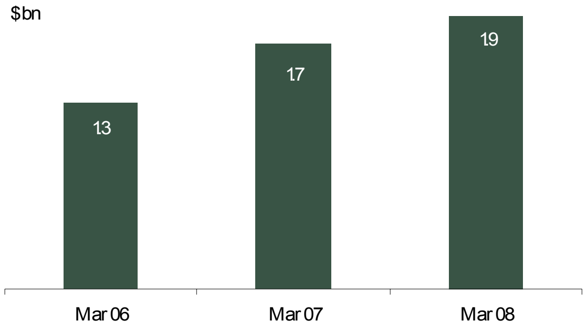
(1) *Australia Region Cash Earnings total includes Other (incl. Asia)*

and staff experience and greater shareholder returns. The program delivered cost benefits of $71 million over the prior comparative period, with the cumulative cost benefit in excess of $300 million since the program began in October 2005. The continued focus is on developing and implementing consistent, sustainable process improvement tools and frameworks as part of the long term strategy to transform operations through process excellence. The goal is to embed a culture of continuous improvement throughout the organisation.

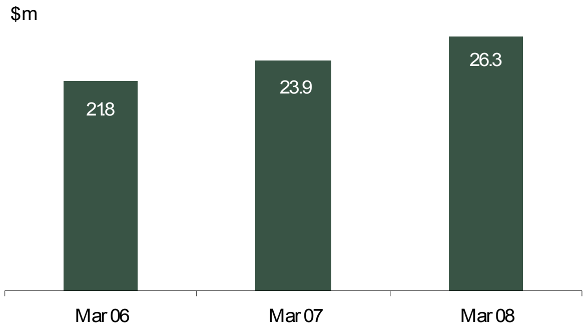
The Regional cross sell agenda continues to progress within chosen segments. These include Insurance, Investments and Superannuation sales through Bank channels, banking products and services through MLC Financial Advisers, and generation of nabCapital revenue through Business & Private Banking customers.

Investment sales continued to show underlying improvement over the prior comparative period, despite the adverse impact of the investment market downturn.

Investment Sales through Bank Channels



Insurance Sales through Bank Channels



Operating Environment

Domestically, whilst the rate of economic growth is expected to slow from the levels experienced during 2007, credit growth is likely to remain stronger relative to global credit growth and in line with domestic economic activity. The continuing demand growth in China and India in particular, is providing a buffer for commodity prices, sales volumes and overall economic activity relative to the larger OECD economies. An acceleration in the tightening of the credit environment, higher interest rates and slowing economy could have an adverse impact on asset quality.

Internationally, the impact of the US subprime crisis is having an impact on the Australian banking industry with wholesale funding costs on the world markets being significantly higher since August 2007.

Customer, Employee and Community

The Region continues to demonstrate significant development in the non-financial pillars of its strategy. To ensure the nab brand is recognised among the best in Australia, a more consistent, memorable and recognisable 'nab' communications platform is being used. The 'Climb Ev'ry Mountain' advertising campaign highlights the service capabilities and commitment to assisting customers in reaching their aspirations.

Significant progress has been made to re-engineer end-to-end processes for customers in line with the strategic direction to exceed their expectations through simplified interactions. This has resulted in improved customer satisfaction ratings across the businesses.

In line with nab's commitment to being carbon neutral by September 2010, there has been an increased focus on embedding climate change initiatives into operations. A successful supplier briefing attended by over 140 people representing 74 organisations was held to communicate the commitment to suppliers, enlist their support and discuss how to best partner with businesses to achieve their climate change aspirations.

nab has continued to play a significant role in sponsoring a number of charity groups and events such as a 10 year sponsorship of the Ilhan Food Allergy Foundation, the implementation of "Better Buddies anti-bullying" framework in conjunction with the Alannah and Madeline Foundation, the Australian Ballet, West Australian Opera, AFL, NRL, Sydney Royal Easter Show, Art Gallery of NSW and National Gallery of Australia. nab employees are encouraged to contribute to the community through Volunteer Awards and employee charity schemes.

Investment in staff has continued to be a priority with a number of employee empowerment initiatives aimed at better identifying and retaining talent, and an employee share scheme designed to reward staff that invest in the future of nab and its customers.

The implementation of The Academy with the first site scheduled to open in May will facilitate process and efficiency training into "end to end" programs, including continuous improvement, customer and business focus.

These and other developments have been recognised through a number of awards. nab was awarded best new product for Gold Banking and best socially responsible banking products in 2008 at Money Magazine's "Best of the Best" awards for the Micro Enterprise Loan and the Micro Stepup Loan. Additionally, MLC won best balanced fund for the MLC MasterKey Horizon 3 Conservative Growth Fund and best growth fund for the MLC MasterKey Horizon 4 Balanced Fund.

The Australia Region is well placed to deliver sustained performance through:

- A relationship rather than a product focus that leverages the cross sell opportunities within both the Australia Region and nabCapital.
- Managing and developing the portfolio through innovation and incremental investments such as Star Bank.
- Continued focus on the efficiency, quality and service program to build on the achievements to date.

Australia Region

	Half Year to				
	Mar 08 $m	Sep 07 $m	Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Banking revenue	**3,894**	3,718	3,497	4.7	11.4
MLC net revenue	**646**	677	609	(4.6)	6.1
Net operating income	**4,540**	4,395	4,106	3.3	10.6
Operating expenses	**(1,996)**	(2,036)	(2,014)	2.0	0.9
Underlying profit	**2,544**	2,359	2,092	7.8	21.6
Charge to provide for bad and doubtful debts	**(301)**	(208)	(181)	(44.7)	(66.3)
Other (incl. Asia)	**(2)**	1	-	large	large
Cash earnings before tax and IoRE	**2,241**	2,152	1,911	4.1	17.3
Income tax expense	**(656)**	(631)	(558)	(4.0)	(17.6)
Cash earnings before IoRE	**1,585**	1,521	1,353	4.2	17.1
IoRE	**(9)**	18	21	large	large
Cash earnings	**1,576**	1,539	1,374	2.4	14.7
Represented by:					
Australia Banking	**1,367**	1,301	1,170	5.1	16.8
MLC	**220**	219	183	0.5	20.2
Other (incl. Asia)	**(2)**	1	-	large	large
Cash earnings before IoRE	**1,585**	1,521	1,353	4.2	17.1
Performance Measures					
Cash earnings before IoRE per average FTE ($'000s)	**140**	133	121		
FTEs (spot)	**22,992**	22,600	22,674		

Australia Region
Financial Highlights

March 2008 v March 2007

The Australia Region delivered cash earnings growth (before IoRE) of 17.1% and underlying profit growth of 21.6% over the prior comparative period. This strong result reflects the underlying strength of the core business and the successful execution of sustainable efficiency initiatives. This was achieved in a challenging operating environment including increasing costs of the wholesale funding market, volatility of the equity markets and the impact of one large specific provision amounting to $80 million.

Close attention has been paid to the balance sheet and the overall asset quality portfolio including bad and doubtful debt exposures.

Revenue growth of 10.6% reflected continued strong volume momentum in both banking and MLC products, together with sound margin management in a competitive environment and absorbing the impact of the increased funding costs. In addition, the extreme volatility of the investment markets which has had a negative impact on investment earnings and the overall value of Funds Under Management (FUM).

The regional expense base has decreased by 0.9% over the prior comparative period. This has been achieved through continued focus on efficiency and productivity programmes to free up capacity. This has enabled reinvestment in growing the business. These have enabled increased FTE in key front line areas to support the customer focussed strategies and continued re-investment in the core infrastructure to support sustainable future business growth.

Performance highlights include maintaining a leadership position in business lending, strong deposit growth across all banking businesses and continued sales momentum within the MLC business. This was highlighted by the household deposit market share growing to the second largest market position during the first half of 2008. This performance continues to be achieved through successful execution of revitalised distribution strategy initiatives and industry specialisation strategies.

March 2008 v September 2007

The Australia Region delivered cash earnings growth (before IoRE) of 4.2% over the September 2007 half.

The good underlying profit result of 7.8% growth over the September 2007 half reflects the strength of the core business despite a challenging operating environment. This includes good income trends, excellent cost management including the successful execution of efficiency initiatives and sound asset quality management.

The Australia Region achieved a fifth consecutive half of near flat expenses. Expenses for the half were 2.0% lower reflecting the continued focus on managing costs to an efficient and sustainable level.

Other Items

Investment Spend

Investment cash spend during the March 2008 half was $168 million. The investment portfolio comprised three broad categories; efficiency and sustainable revenue, infrastructure and compliance. For the third consecutive half there was an increase in the percentage of the portfolio dedicated to efficiency and revenue generating initiatives.

Over the last eighteen months, detailed planning has occurred on assessing new generation technology platforms and how this capability will enable new business growth opportunities and deliver ongoing cost efficiency. Critical to this assessment has been strategic partnering options required to support delivery on the business strategy and effective management of execution risks.

Overall investment spend has decreased from the previous half and is attributable to spend on historical projects such as Customer First and the implementation of a single IT network platform which have been completed in the prior period. Operating expenditure has been maintained with a strong focus to commit funds to projects that will provide sustainable results.

Investment cash spend during the half on efficiency and sustainable revenue projects was $75 million and represented 44% of the portfolio. This reflected the continued focus on increasing the portion of the overall spend in this particular area and is consistent with the strategy of spending on sustainable revenue earning initiatives to continue to improve the customer experience and drive shareholder returns.

Investment cash spend on investment in infrastructure projects was $50 million or 30% of the portfolio. This represents a continuation of the objective of revitalising the distribution network. Activity for the period has included an integrated electronic capability for Business and Corporate clients in creating more efficient ways for customers to do business with us, incorporating self service capabilities, as well as a retail ATM network solution ensuring a high quality, reliable and functionally rich customer experience.

Investment cash spend on compliance projects was $43 million and represented 26% of the portfolio. Activity during the period has included various initiatives to identify and work on process improvements, Basel II and other operational risk readiness projects.

Australia Banking (nab)

The Australia Banking business consists of an extensive distribution network organised around customer segments, providing tailored solutions to consumers, businesses and high net worth individuals. The Australia Banking business includes Business & Private Banking and Retail Banking businesses together with a Treasury operation and back office support functions.

Business & Private Banking

As Australia's market leading business bank in business lending and deposit volumes, Business & Private Banking provides lending, deposit, transaction, custody, merchant and other customised services to corporate, business and private banking clients. Small to medium sized enterprises are serviced through the Business Banking unit, Top 500 companies through Corporate Banking and the Specialised Businesses unit focuses on the Agribusiness, Healthcare, Education and Government industries. National Custodian Services (NCS) are a leading custodian in Australia providing a full range of custodian services across all industry segments.

Business & Private Banking is pursuing a strategy of continuing to build a market differentiated and high performing relationship based business. The extensive geographic footprint and experienced sales force continue to maintain and extend its leadership position in business banking solutions.

Business lending and deposit volumes continue to grow at SME system levels and more strongly in specialisation segments. Strong revenue growth has been based on the robust economy and successful cross-selling to maximise returns from the strong relationship model. Industry segment specialisation has been embedded into the business model for some time and specialist transaction and third party sales forces have been moved into front line teams. These activities support our customers to achieve their aspirations.

Business & Private Banking is committed to building long term and sustainable relationships with customers in chosen markets. Initiatives aimed at ensuring the successful execution of enhancing the customer experience strategy include investment in the nabConnect on-line business platform, as well as a variety of continuous improvement strategies. These improvements including a significant investment in developing risk management and corporate financial skills which are focused on empowering frontline bankers with the relevant specialist skills to identify and deliver to customer needs. Manual processes are being automated to reduce customer transaction turnaround times as well as improving the accuracy and quality of information being supplied.

The iFS (integrated Financial Solutions) model has been implemented on 1 April 2008. This successful and proven model was adopted from the UK business which provides greater autonomy to bankers together with clear incentives to manage their business outcomes locally and increase their tenure of relationship with customers. This model will be fully operational in the second half of this year.

Business & Private Banking is continuing to address the current credit environment through maintaining strong pricing disciplines, an increased and proactive focus on asset quality management, developing customised retention solutions for customers, streamlining and simplifying products and processes and significantly increasing cross-sell targets. We are increasing our focus on preventing asset quality deterioration undertaking the appointment of a specialist team of senior bankers to assist relationship managers through the economic cycle.

The continued development of the business model and the opportunities in the market inspires confidence in the future of the Business Bank from:

- The specialisation strategy has paid off to date with revenue growth in new specialisation areas above 20%. This model ensures customers in specialist segments are advised by specialists, not generalists, which are aware of and able to deal with the tailored needs in the targeted segments.
- In turn the iFS model provides sales teams with a direct share in results combined with tailored people development programs to create a natural buffer on the war for talent.
- The inherent cross sell opportunities combined with the strength of relationships positions the business to provide customers with a full suite of services to meet their business, personal and wealth creation requirements.

Retail Banking

Retail Banking provides lending, deposit, investment, insurance and transaction services to meet the needs of personal and small business customers. These needs are met through a comprehensive state-based distribution network of retail stores, direct channels and third party channels. The Retail Banking business also includes consumer product management teams (mortgages, deposits and unsecured lending) and banking operations functions.

Retail Banking's strategy is centred around delivering sustainable revenue growth by creating a differentiated customer experience, connecting with customers through a range of high quality channels and by simplifying processes. To achieve this, Retail Banking has continued investing in people capability, refreshing all customer channels, improving processes and undertaking a brand re-launch to assist brand recall. Capability development has focussed on embedding a new sales leadership framework and a range of leadership programs aimed at developing and retaining great retail leaders. This has been supported by the introduction of innovative and leading-edge incentive programs for sales and service staff.

During this half, the program of store refurbishment has continued. Eight new, open plan, stores were opened in key locations and a range of self-service tools for individual and business customers were introduced. The program of upgrading, extending and improving the reliability of the ATM network has continued, with a further 252 machines upgraded during the half, resulting in a total of 580 new machines deployed into the network in the past 9 months. As a result, service reliability and customer access to nab machines has greatly improved.

In addition, continued investment in the contact centre and online channel has occurred to support the increasing volume of sales and the customer's preference for a choice of channels. Recently a new SMS Banking service was launched and the business continues to progress the upgrading of speech and internet banking technology, including click-to-chat.

Retail Banking has an efficiency and quality program focussed on making it easier for customers to interact with the bank. The program emphasises process simplification, improved response times for customers, waste reduction and longer term cost efficiencies including automation, outsourcing and offshoring. Through a range of tools including Lean and Six Sigma, Retail Banking continues to build process capability across the business to underpin efficiency and quality programs in the longer term.

Despite the challenging market conditions, the financial performance of Retail Banking remains solid, driven by continued strong growth in deposits, improved fee income and disciplined cost management. There is now wealth management capability in 15% of stores contributing to improved referrals and cross sales of wealth and insurance products. The launch of the Smart Everyday Banking product range has been successful with this range offering the option of Visa debit functionality and fee structures which provide better choice for customers. Also, the iSaver and term deposit products have continued their attractiveness in a higher interest rate environment, which has been very encouraging in light of increased wholesale funding costs. During the half the NAB Clear Banking Account was launched, which has no exception fees and the announcement of plans to launch a Clear home loan. Both products reinforce the move away from exception fees and demonstrate the commitment to addressing community concerns about fees.

The mortgage strategy remains focussed on revitalising the distribution channels, stronger product development and simpler, streamlined processes. Proprietary channel sales productivity continues to improve as people develop experience and greater sales skills. The repositioning of the NAB Broker business has continued, and remains focussed on higher Return on Equity (ROE) transactions and building a channel that has a sustainable business model and higher economic returns.

The Retail Bank is well positioned for continued growth as a result of:

- Ongoing investment in customer channels including new stores, online, electronic and third party relationships.
- Development of innovative products primarily in the critical area of deposits.
- Ongoing development of our people capability across our whole business, with emphasis on our frontline people.
- A decentralised local business model giving greater autonomy and ownership at a community level.

Australia Banking

	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Net interest income	**2,917**	2,829	2,691	3.1	8.4
Other operating income	**977**	889	806	9.9	21.2
Net operating income	**3,894**	3,718	3,497	4.7	11.4
Operating expenses	**(1,659)**	(1,664)	(1,657)	0.3	(0.1)
Underlying profit	**2,235**	2,054	1,840	8.8	21.5
Charge to provide for bad and doubtful debts	**(301)**	(208)	(181)	(44.7)	(66.3)
Cash earnings before tax	**1,934**	1,846	1,659	4.8	16.6
Income tax expense	**(567)**	(545)	(489)	(4.0)	(16.0)
Cash earnings	**1,367**	1,301	1,170	5.1	16.8
Average Volumes ($bn)					
Gross loans and acceptances	**246.4**	236.0	221.8	4.4	11.1
Interest earning assets	**247.7**	235.1	222.8	5.4	11.2
Total assets	**253.5**	236.6	224.8	7.1	12.8
Retail deposits	**104.9**	98.4	92.7	6.6	13.2
Performance Measures					
Cash earnings on average assets	**1.08%**	1.10%	1.04%	(2bps)	4bps
Net interest margin	**2.36%**	2.40%	2.42%	(4bps)	(6bps)
Cost to income ratio	**42.6%**	44.8%	47.4%	220bps	480bps
Cash earnings per average FTE ($'000s)	**146**	139	127		
FTEs (spot)	**18,930**	18,621	18,628		

Distribution	As at Mar 08	Sep 07	Mar 07
Number of retail stores	**781**	786	787
Number of ATM's	**1,599**	1,604	1,285
Number of internet banking customers	**1.370m**	1.296m	1.228m
Number of business banking centres	**180**	181	186

Market Share (%)	As at Mar 08	Sep 07	Mar 07
Business lending	**19.0**	19.2	18.6
Housing lending	**13.3**	13.3	13.6
Other personal lending	**14.4**	14.5	14.8
Retail deposits	**14.7**	14.8	14.3

Source: *RBA Financial System / NAB including nabCapital data as at March 2008*

Business & Private Banking	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Net operating income	**2,371**	2,231	2,065	6.3	14.8
Operating expenses	**(865)**	(865)	(855)	0.0	(1.2)
Underlying profit	**1,506**	1,366	1,210	10.2	24.5
Charge to provide for bad and doubtful debts	**(165)**	(80)	(73)	large	large
Cash earnings before tax	**1,341**	1,286	1,137	4.3	17.9
Income tax expense	**(393)**	(380)	(335)	(3.4)	(17.3)
Cash earnings	**948**	906	802	4.6	18.2
Retail Banking					
Net operating income	**1,523**	1,487	1,432	2.4	6.4
Operating expenses	**(794)**	(799)	(802)	0.6	1.0
Underlying profit	**729**	688	630	6.0	15.7
Charge to provide for bad and doubtful debts	**(136)**	(128)	(108)	(6.3)	(25.9)
Cash earnings before tax	**593**	560	522	5.9	13.6
Income tax expense	**(174)**	(165)	(154)	(5.5)	(13.0)
Cash earnings	**419**	395	368	6.1	13.9

Australia Banking
Financial Analysis

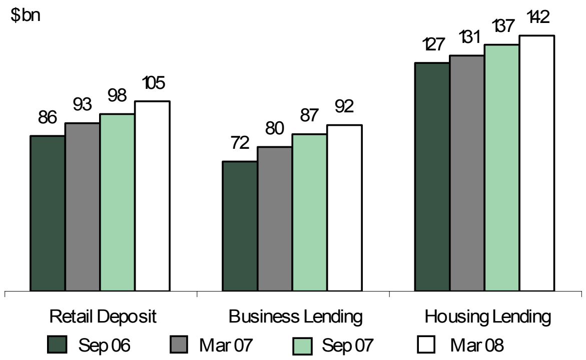
March 2008 v March 2007

Cash earnings increased $197 million or 16.8% and **return on assets** improved 4 basis points. This result was impacted by the higher charge for doubtful debts predominately due to the impairment of one large business client. Overall the asset portfolio was well managed in an increasingly difficult credit environment. Apart from this one large provision amounting to $80 million there would have been greater growth in return on assets. This is further demonstrated by the underlying profit which increased by $395 million or 21.5% and was achieved through continued business lending momentum, above system deposit growth and disciplined cost control.

Net interest income increased $226 million or 8.4% driven by continued momentum from product volumes, notably in the business banking and deposit books, good management of deposit margins and higher capital allocation benefit due to balance sheet growth. The gross impact on wholesale funding costs, both short end and term, from instability in the financial markets was approximately $68 million. Lending margins narrowed due to competitive pressures while deposit mix was unfavourable, reflecting the consistent trend of customers utilising online deposit products.

Average interest earning assets grew $24.9 billion or 11.2%, driven by strong business lending and consumer personal lending. Mortgage growth remained behind system, despite some improvement in both proprietary and third party channels considering market conditions. A number of initiatives are being targeted at enhancing sales momentum including marketing campaigns to reinforce the brand.

Australia Banking Average Volumes



Average retail deposits performed extremely well during the period increasing $12.2 billion or 13.2% with the popularity of online accounts being the main driver, particularly in the climate of unsettled financial markets. Term deposits also benefited from this environment, including the attraction of superannuation reform, while cash management style accounts, including the business equivalent have been replaced by the more attractive on-line products.

Net interest margin declined 6 basis points. Tightening in underlying lending margins and adverse deposit mix were partly offset by effective deposit margin management and robust deposit growth. Higher capital allocation benefit, a 6 basis point decrease due to the gross impact from financial market instability, and other impacts accounted for the remaining movement.

Other operating income increased $171 million or 21.2%. The increase was due to a variety of initiatives aimed at servicing customers with more innovative product offerings which resulted in increased card, account and lending fees through both volume growth and re-pricing. This was partially offset by profit derived from MasterCard share sales amounting to $23 million from the prior comparative period. Increased custodian and merchant servicing income was also achieved as a result of higher assets under custody and transaction growth of new and existing business. Increased treasury income was derived from increased fee income on swaps offset by related realised interest flows recorded as part of trading income.

Operating expenses increased $2 million or 0.1%, underpinned by excellent cost management across the banking business with incremental benefits from efficiency initiatives of $40 million. This has enabled the support of initiatives such as the roll out of the iFS and improvements in service reliability, customer service accessibility and product offerings that are focused on sustainable business. Higher personnel costs due to focus on variable performance based remuneration offset some of the benefit derived from the efficiency initiatives. The combination of these factors decreased **the cost to income ratio** from 47.4% to 42.6%.

The **charge to provide for doubtful debts** increased $120 million or 66.3%. This was driven by the impairment of one large business client amounting to $80 million which is being closely monitored. Excluding this one large provision the underlying asset quality position remains robust and continues to be diligently managed. Increased lending growth and higher specific provisions across Business Banking particularly relating to the impairment of one significant relationship contributed to the increase.

March 2008 v September 2007

Cash earnings increased $66 million or 5.1% and **return on assets** decreased by 2 basis points. Excluding the one large impairment provision amounting to $80 million and as seen by the underlying profit which increased by $181 million or 8.8%. This result was good and achieved through continued business lending momentum, above system deposit growth, a strong focus on expense management aided by realisation of efficiency benefits, partly offset by higher wholesale funding costs from the instability in the financial markets.

Net interest income increased $88 million or 3.1% due to strong lending and deposit volume growth. Improved deposit margins and higher capital allocation benefit due to balance sheet growth also provided favourable impacts. This was partially offset by the gross impact of market disruption on funding costs of $68 million, pressure on lending margins due to the competitive environment, and portfolio impacts from growth in online deposit products.

Average interest earning assets grew $12.6 billion or 5.4% primarily due to business lending growth. Mortgage growth was subdued and the business is committed to maintaining investment in the distribution network.

Average retail deposits grew $6.5 billion or 6.6% underpinned by the sustained expansion in online accounts, strong term deposit volumes and solid transaction account performance. Accounts in offset arrangements grew strongly while other transaction products have also performed well.

Net interest margin declined 4 basis points. Financial market instability, which commenced in the prior half, contributed 6 basis points reduction. Underlying lending margins declined due to competitive pressures. An improvement in deposit margins and good deposit growth were partly offset by product mix impacts. Higher capital allocation benefit and other impacts accounted for the remaining movement.

Other operating income increased $88 million or 9.9%. Lending and account fees increased due to volume related increases, increased interchange and merchant fees from service improvements to transaction banking and repricing initiatives. Treasury results increased due to increased fee income on swaps offset by related realised interest flows recorded as part of trading income.

Operating expenses decreased $5 million or 0.3%. This was underpinned by incremental benefits from efficiency initiatives of $35 million, as well as continued active management of expenses. This provided the opportunity to spend money on supporting and growing the business. The combination of these factors decreased the **cost to income ratio** from 44.8% to 42.6%.

The **charge to provide for bad and doubtful debts** increased $93 million or 44.7%. This was predominately impacted by the impairment of one large business client amounting to $80 million.

Other Items

Asset Quality

	As at		
	Mar 08	**Sep 07**	**Mar 07**
Gross impaired assets ($m)	**937**	697	527
Gross impaired assets to gross loans and acceptances	**0.37%**	0.29%	0.23%
90+ DPD assets ($m)	**1,026**	876	881
90+ DPD to gross loans and acceptances	**0.41%**	0.36%	0.40%
Gross impaired assets and 90+ DPD to gross loan and acceptances	**0.78%**	0.65%	0.63%
Total provision to gross loans and acceptances	**0.50%**	0.45%	0.45%
Net write offs to gross loans and acceptances	**0.11%**	0.11%	0.12%
Bad and doubtful debts charge to credit risk weighted assets	**0.29%**	0.20%	0.20%

The Australian Banking lending portfolio remains robust despite a unique operating environment that is characterised by challenging short term economic and credit conditions driven by reduced rates of economic growth, a rising interest rate environment, and the credit crisis currently affecting the world economy. This operating environment is driving a continued tightening in credit conditions, which is most notable in those regions not directly benefiting from favourable commodity prices.

A number of key asset quality metrics have deteriorated over the March 2008 half reflecting current operating conditions and seasonal factors, with the ratio of 90+ DPD and Gross impaired assets to Gross loans and acceptances rising by 13 basis points to 0.78%, up from 0.65% in September 2007. The increase has been driven by the impairment of one large business client amounting to $80 million, a continuation of the systemic risk issues previously communicated around the New South Wales mortgages portfolio and the impacts of the tightening environment on Victorian business lending.

Whilst some deterioration in asset quality metrics has been observed, this deterioration has been constrained by the direct actions taken to improve the management of the delinquent and impaired portfolios. As a result of these actions, the key 90+ DPD to Gross loans and acceptances ratio has increased by only 1 basis point when compared to the prior corresponding period –this is despite the significant tightening in credit conditions that have been observed over the past 12 months. Management continues to devote significant attention to the implementation of continued improvements to our management of the delinquent (pre and post default) and impaired asset portfolios.

The bad and doubtful debts charge although 44.7% higher for the March 2008 half over the previous half is being tightly managed through a range of initiatives in dealing with a challenging environment. There has been a continued focus on managing portfolio and credit risk in the early stages and working with clients to understand their position. A significant amount of the increase is attributable to the impairment of one large client. Excluding the bad and doubtful debts rise attributable to that client, the underlying bad and doubtful debts charge is stable and in line with expectations.

Underlying bad and doubtful debts charge (excluding the impact of the impairment of one large client) is expected to continue to increase over the second half, reflecting an expected acceleration in the tightening of the credit environment as the impact of the current RBA rate tightening cycle and the slow down in economic growth affect portfolio asset quality.

Over the half year there has been a significant amount of volatility across global equity markets and concerns around the availability of credit in foreign markets. To date, the Australian banking portfolio has seen only a limited impact of this volatility; however management continues to monitor the portfolio closely in order to proactively identify any emerging areas of concern.

The region has conducted several reviews across different segments of its portfolio, including margin lending, large exposures and commercial real estate, and remains comfortable with the quality of these portfolios.

Funding and Liquidity

Since July 2007, funding and liquidity costs have increased significantly. The main driver of this increase is attributed to the cash/bills spread. This is the spread between the cash rate and 90 day bank bill rate. The Bank uses bank bills to match the interest rate profile of the funding book to the underlying lending book. As the spread between cash and bank bills increases, the cost of funding also rises. The average spread for the six months to March 2008 was 34 basis points higher than 2007, which represents a cost of $68 million ($10 million September 2007).

Since March 2007, $19 billion of term funding has been issued to support the Region's balance sheet growth. The cost of these deals has grown significantly as market prices reflect the increased cost of credit and liquidity.

The funding indices for the Australia Region and nabCapital are considered on a combined basis. The Stable Funding Index (SFI) moved to 66.9%.

MLC

MLC delivered a $37 million or 20.2% increase in cash earnings before IoRE over the prior comparative period, and a $1 million increase over the September 2007 half notwithstanding the recent significant investment market downturn. This result demonstrates the strength and resilience of MLC's strategy in these market conditions and, in particular, the ongoing commitment to efficiency. MLC remains focused on:

Developing a **highly diversified, quality advice based distribution model**. MLC's aligned advice businesses; Garvan Financial Planning, MLC Financial Planning, Apogee Financial Planning and Godfrey Pembroke and has grown by 34 new advisers during the half. In 2007, Garvan / MLC Financial Planning was named the overall winner of research house CoreData's Major Dealer Group of the Year award reflecting its focus on building goal based long term relationships with clients.

MLC, in conjunction with standards and compliance firm SAI Global, launched Financial Planning 9000, a best practice certification program for financial advisers. Advisers who complete the program are awarded the globally recognised five ticks of quality. The program is the first in the Australian market and is exclusively open to MLC aligned advisers for 12 months.

MLC's Adviser Scholarship Program, now in its third year, has introduced 98 new professionals to the financial advice industry with 54 students having completed the program to date and another 44 currently undertaking the course. Around 90% of graduates are now authorised representatives of MLC.

Maintaining a **leading position in all sectors of the rapidly growing superannuation system**. MLC is the second largest provider of superannuation in Australia and is well placed to capitalise on strong superannuation flows with around 75% of MLC's customers' funds invested in superannuation.

MLC is also focused on transition to retirement strategies to support customers in their move from superannuation to pensions. MLC's corporate super business, Plum, continues to grow and is now delivering strong downstream retail sales through a program aimed at delivering quality advice to individual members.

MLC's investment approach aims to deliver **reliable performance across a broad variety of market and economic scenarios**, such as the investment markets downturn we have experienced during recent months. To achieve reliable performance requires broad diversification across investment strategies, asset classes and manager styles, which MLC is well placed to achieve having grown to become the world's third largest multi manager.

MLC's diversification strategy contained within the multi manager flagship Horizon Funds has enabled the delivery of considerably improved relative performance.

Continuing to take an **industry leading position around the important issue of building greater trust and transparency** in the financial advice industry. In February 2008, nab Financial Planning announced its decision to transition to a fee for advice business model for all new investment clients – nab is the first major bank in Australia to make this move. The commercial outcomes of MLC's position on trust and transparency and its focus on the higher value segments of the platform industry are evident in MLC's strong sales, growth in adviser numbers, and better than industry average retention rates. The current volatile market conditions will increase the focus on transparency and MLC is well placed in this environment.

MLC has **maintained its number one position in market share in the personal life insurance market** while continuing to focus on quality, sustainable new business. Premiums in-force continued to grow in a competitive market. MLC Super Group Insurance was launched in February 2008, enabling employers to hold life and total permanent disablement (TPD) insurance for their employees in a superannuation environment, providing tax benefits to the customer.

Leveraging nab's Australian business, by providing nab customers with quality financial advice through nab Financial Planning. In a highly competitive market, nab Financial Planning increased its adviser numbers by 31 in the first half, with total adviser numbers now reaching 525. nab Financial Planning continues to be well positioned in the retail, business and private banks, with sales continuing to grow despite challenging market conditions.

The MLC customer experience and effectiveness program (CEE) is now in its third year and continues to deliver **improvements in all key efficiency ratios.** Investment cost to average FUM has reduced from 54 basis points to 47 basis points and MLC's insurance cost to average annual inforce premium has improved from 25% to 21% in the prior comparative period. CEE has significantly improved MLC's expense position enabling the business to continue strong reinvestment in core areas of the business including new systems and processes in service teams, innovative product development and simplifying legacy systems. MLC has migrated more than sixty thousand customers with around $1 billion of FUM to the on sale products, eliminating 23 off-sale products with 45 unit portfolios and one major legacy system.

Continuing to be a strong net contributor of capital to the Group and thereby aligning to a more optimal capital structure.

MLC

	Half Year to				
	Mar 08 $m	**Sep 07 $m**	**Mar 07 $m**	**Mar 08 v Sep 07%**	**Mar 08 v Mar 07%**
Gross income	**1,106**	1,145	1,040	(3.4)	6.3
Volume related expenses	**(460)**	(468)	(431)	1.7	(6.7)
Net income	**646**	677	609	(4.6)	6.1
Operating expenses	**(337)**	(372)	(357)	9.4	5.6
Profit before tax	**309**	305	252	1.3	22.6
Income tax expense	**(89)**	(86)	(69)	(3.5)	(29.0)
Cash earnings before IoRE	**220**	219	183	0.5	20.2
IoRE [1]	**(9)**	18	21	large	large
Cash earnings	**211**	237	204	(11.0)	3.4
Represented by:					
Investments cash earnings before IoRE	**125**	132	107	(5.3)	16.8
Insurance cash earnings before IoRE	**95**	87	76	9.2	25.0
Cash earnings before IoRE	**220**	219	183	0.5	20.2
Performance Measures					
Funds under management (spot) ($m)	**102,926**	110,165	102,403	(6.6)	0.5
Funds under management (average) ($m)	**106,546**	106,284	98,228	0.2	8.5
Net funds flow ($m)	**4,263**	4,178	2,222	2.0	91.9
Annual inforce premiums (spot) ($m)	**821.7**	795.6	742.5	3.3	10.7
Annual inforce premiums (average) ($m)	**808.7**	769.0	725.1	5.2	11.5
New business premiums ($m) [2]	**92.2**	118.1	93.5	(21.9)	(1.4)
Operating expenses to net income (%)	**52%**	55%	59%		
Investment cost to average FUM (bps)	**47**	53	54		
Insurance cost to average inforce premium (%)	**21%**	23%	25%		
Cash earnings before IoRE per average FTE ($'000s)	**116**	112	95		
FTE's (spot)	**3,870**	3,820	3,900		
Financial advisers – bank channels	**525**	494	465		
Financial advisers – aligned channels	**844**	810	831		

(1) *The impact of changes in the discount rate on policyholder liabilities has been excluded from cash earnings, as noted in Section 7 – Glossary of Terms.*

(2) *MLC has adopted a new methodology for reporting retail sales from Dec 07 comparable to its peers, prior periods have been recalculated using new methodology.*

Financial Highlights

March 2008 v March 2007

MLC's cash earnings before IoRE increased by $37 million or 20.2%. This result was impacted by the recent significant investment market downturn and driven by:

- Average FUM increasing by 8.5% despite spot FUM being flat. Investment sales were strong in the first quarter of 2008 across all channels with a softening in the second quarter.
- A 10.7% growth in annual inforce premiums as a result of strong sales notwithstanding challenging market conditions.
- A 6.1% increase in net revenue as a result of the increase in average FUM and strong annual inforce premiums whilst maintaining retail margins.
- Increased credit spreads in the annuities portfolio resulting in a decrease in earnings of $7 million, should spreads revert this will be recovered over the remaining life of the annuity.
- CEE program efficiency gains and sound cost management delivering a decrease in operating expenses of 5.6% whilst reinvesting in the business and, driving the operating expenses to net income ratio down from 59% to 52%;
- A decrease in total FTE's while continuing to grow adviser numbers in the nab financial planning channel.
- Negative IoRE mostly driven by the investment market downturn.

March 2008 v September 2007

Despite investment market uncertainty, cash earnings before IoRE increased $1 million. This result was principally driven by the investment market downturn and a number of factors including:

- A 6.6% decrease in spot FUM is largely due to the recent investment market downturn which has also impacted average FUM. During March 2008 there was a $2 billion flow into Trustees. This flow is anticipated to be short term.
- A 5.2% growth in average annual inforce premiums as a result of continuing strong sales and favourable lapse experience.
- A 4.6% decrease in revenue for the half including an adjustment to the annuities portfolio increasing credit spreads, which will be recovered over the life of the annuity.
- A 9.4% decrease in operating expenses reflecting favourable seasonality and demonstrating sound cost management and continuing success of the CEE program in a tough environment.

MLC - Investments

	Half Year to				
	Mar 08 $m	Sep 07 $m	Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Gross income	631	694	621	(9.1)	1.6
Volume related expenses	(205)	(233)	(208)	12.0	1.4
Net income	426	461	413	(7.6)	3.1
Operating expenses	(252)	(282)	(265)	10.6	4.9
Profit before tax	174	179	148	(2.8)	17.6
Income tax expense	(49)	(47)	(41)	(4.3)	(19.5)
Cash earnings before IoRE	125	132	107	(5.3)	16.8

Movement in Funds under Management and Administration ($m)	As at Mar 07	Inflows	Outflows	Investment earnings	Other[1]	As at Mar 08
Master Funds (Platforms)	63,898	16,678	(13,509)	(3,513)	(1,936)	61,618
Other Retail	5,538	101	(693)	25	(944)	4,027
Total Retails (Excl. Cash)	69,436	16,779	(14,202)	(3,488)	(2,880)	65,645
Wholesale	24,037	5,758	(3,597)	(1,631)	-	24,567
Cash Management	3,933	19,690	(19,118)	269	(189)	4,585
Total ex Trustee	97,406	42,227	(36,917)	(4,850)	(3,069)	94,797
Trustee	4,997	3,470	(338)	-	-	8,129
Total	102,403	45,697	(37,255)	(4,850)	(3,069)	102,926

(1) *Other includes trust distributions.*

Movement in Funds under Management and Administration ($m)	As at Sep 07	Inflows	Outflows	Investment earnings	Other[1]	As at Mar 08
Master Funds (Platforms)	68,772	6,370	(5,993)	(7,075)	(456)	61,618
Other Retail	5,624	22	(261)	(185)	(1,173)	4,027
Total Retails (Excl. Cash)	74,396	6,392	(6,254)	(7,260)	(1,629)	65,645
Wholesale	24,755	3,265	(841)	(2,612)	-	24,567
Cash Management	4,780	8,472	(8,666)	145	(146)	4,585
Total ex Trustee	103,931	18,129	(15,761)	(9,727)	(1,775)	94,797
Trustee	6,234	2,116	(221)	-	-	8,129
Total	110,165	20,245	(15,982)	(9,727)	(1,775)	102,926

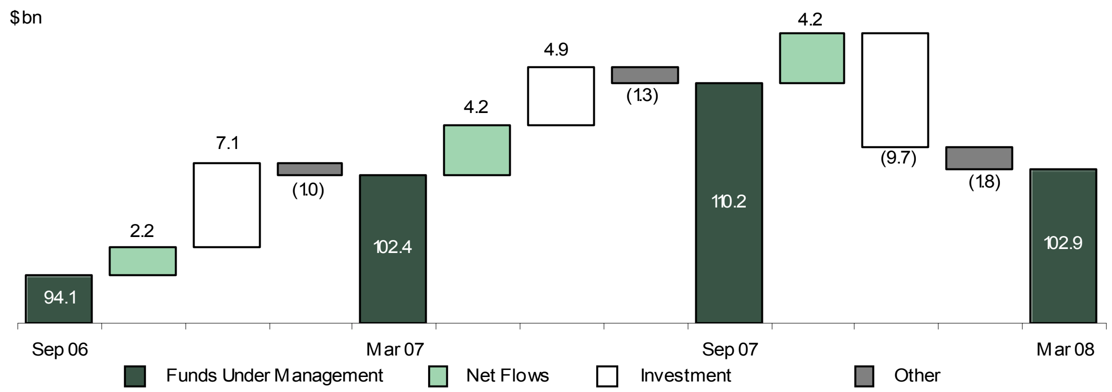
(1) *Other includes trust distributions.*

	Market Share				Share of New Business [2]			
	Rank	Dec 07	Jun 07	Dec 06	Rank	Dec 07	Jun 07	Dec 06
Retail (Excl. Cash)	2	12.2%	12.2%	12.4%	2	9.9%	9.8%	9.3%
Total Masterfunds	1	14.4%	14.5%	14.9%	2	10.7%	10.8%	10.3%
Total Wholesale	1	7.4%	6.5%	6.6%	8	4.1%	2.7%	2.2%

Source: Plan for Life Australian Retail & Wholesale Investments Market share & Dynamics Report - December 2007

(2) *Share of new business is based on annual gross inflows.*

Funds Under Management



MLC - Investments

Financial Analysis

March 2008 v March 2007

Cash earnings before IoRE increased $18 million or 16.8%.

Gross Income increased $10 million or 1.6%, driven by a moderate 8.5% increase in average FUM offset by the negative impact of the recent investment market downturn, although spot FUM was flat impacted by negative earnings of $4.9 billion. Increased credit spreads in the annuities portfolio has resulted in a decrease in earnings of $7 million, which will be recovered over the life of the annuity.

MLC continued to focus on participating in the more profitable segments of the market, notwithstanding competitive pressures and the industry's move towards lower margin badged platforms.

Volume related expenses decreased $3 million or 1.4% principally due to lower distribution costs compared to the corresponding period.

Net income increased $13 million or 3.1%, with net management fees returning 80 basis points, a slight decline of 4 basis points from the prior comparative period due to strong wholesale flows. After adjustment for the impact of the credit spreads in the annuity portfolio retail margins remain flat.

Operating expenses decreased by $13 million or 4.9% as a result of MLC's efficiency program CEE which offset further investment in the business including projects to implement Simpler Super, consolidate premises and to refresh the MasterKey and MasterKey Custom product platforms.

Income tax expense grew by $8 million or 19.5% in line with the increase in profit before tax.

March 2008 v September 2007

Cash earnings before IoRE decreased by $7 million or 5.3%.

Gross income decreased $63 million or 9.1%. Lower spot FUM ($102.9 billion compared with prior period of $110.2 billion) is due to the significant investment market downturn resulting in negative investment earnings of $9.7 billion. During March 2008 there was a $2 billion flow into Trustees which is anticipated to be short term.

Increased credit spreads in the annuities portfolio has resulted in a decrease in earnings of $7 million, which will be recovered over the life of the annuity.

Volume related expenses decreased $28 million or 12.0% reflecting lower distribution, investment and other FUM related costs.

Operating expenses decreased by $30 million or 10.6% demonstrating continued productivity and efficiency improvements as a result of the CEE program as well as incorporating seasonality which is lower in the first half.

MLC - Insurance

	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Gross income	**475**	451	419	5.3	13.4
Volume related expenses	**(255)**	(235)	(223)	(8.5)	(14.3)
Net income	**220**	216	196	1.9	12.2
Operating expenses	**(85)**	(90)	(92)	5.6	7.6
Profit before tax	**135**	126	104	7.1	29.8
Income tax expense	**(40)**	(39)	(28)	(2.6)	(42.9)
Cash earnings before IoRE	**95**	87	76	9.2	25.0

Planned and Experience Analysis	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m	Mar 08 v Sep 07	Mar 08 v Mar 07
Planned Margins	**80**	74	69	8.1%	15.9%
Experience Profit / (loss)	**15**	13	7	15.4%	large
Cash earnings before IoRE	**95**	87	76	9.2%	25.0%

Annual Inforce Premiums ($m)	As at Mar 07	Sales[(1)]	Lapses	As at Mar 08
Retail	600.7	155.1	(102.3)	**653.5**
Group Risk	141.8	55.2	(28.8)	**168.2**
Total	742.5	210.3	(131.1)	**821.7**

Annual Inforce Premiums ($m)	As at Sep 07	Sales[(1)]	Lapses	As at Mar 08
Retail	633.4	74.4	(54.3)	**653.5**
Group Risk	162.2	17.8	(11.8)	**168.2**
Total	795.6	92.2	(66.1)	**821.7**

	Market Share				Share of New Business [(1)]			
	Rank	Dec 07	Jun 07	Dec 06	Rank	Dec 07	Jun 07	Dec 06
Retail risk premiums	**1**	**14.8%**	15.0%	15.3%	**1**	**15.7%**	12.5%	12.6%
Group risk	**6**	**8.7%**	8.6%	8.2%	**3**	**12.3%**	10.3%	11.0%

Source: DEXX&R Life Analysis - December 2007

(1) *MLC has adopted a new methodology for reporting retail sales from December 2007 comparable to its peers, prior periods have been recalculated using new methodology.*

MLC - Insurance

Financial Analysis

March 2008 v March 2007

Cash earnings before IoRE grew by $19 million or 25.0%.

MLC continues to focus on selling and retaining quality, profitable business whilst cross-sell and new distribution are targeted areas for additional growth. Sales remain constant in a very competitive market.

Gross income grew by $56 million or 13.4% in line with average annual inforce premium growth of 11.5%. Premiums inforce continued to grow in a very competitive market with retail premiums growing at 8.8% and Group business growing at 18.6%.

Volume related expenses increased $32 million or 14.3% in line with Gross Income with claims experience slightly better than the prior comparative period, particularly in the disability portfolio, and lower than long term averages.

Operating expenses declined $7 million or 7.6% largely due to continued productivity and efficiency improvements released through the CEE program delivering a further reduction of Insurance cost to premiums of 21% from 25% in the prior comparative period. Additionally, the launch of MLC Super Group Insurance, life and total permanent disablement (TPD) insurance for their employees in a superannuation environment, providing tax benefits to the customer.

Planned Profit Margins and Experience Profit

Margin on Services planned profit margins have grown by 15.9% in line with the increase in the size of the portfolio.

The lump sum portfolio experienced a small profit above planned profit margins, largely reflecting improvement in claims experience. Whilst the disability portfolio incurred a small experience loss based on a slight claims experience deterioration, resulting in an increased provision for future claims payments. The Group and LoanCover businesses continue to experience lower than expected claims experience resulting in strong growth in experience profits.

March 2008 v September 2007

Cash earnings before IoRE grew by $8 million or 9.2%.

Gross income growth of $24 million or 5.3% representing the competitive environment. MLC continues to provide product enhancements to customers which contribute to below industry average lapse experience.

Volume related expenses increased by $20 million or 8.5%, $17 million driven by volume movements representing the growth in MLC's book. Claims experience was above prior half although lower than long term averages.

Operating expenses reduced $5 million or 5.6% representing realisation of MLC's efficiency returns achieved through the CEE program, enabling further product enhancements in the business including:

- The refresh of the Personal Protection Portfolio product (PPP).
- The extension of EasyCover, a loan based risk product, into the Bank channel as well as to mortgage brokers.
- The launch of MLC Super Group Insurance, life and total permanent disablement (TPD) insurance for their employees in a superannuation environment, providing tax benefits to the customer.

Planned Profit Margins and Experience Profit

Margin on Services planned profit margins have grown by 8.1% in the six months.

UK Region

Lynne Peacock

The UK Region, through its Clydesdale and Yorkshire Bank brands, provides a full range of traditional banking products and services to business and retail customers. Over a period characterised by extreme market turbulence, this business model has been very effective in delivering continued strong and sustainable growth, while maintaining a diversified and cautious approach to both liquidity and funding.

Strategic Highlights & Business Developments

The business delivered an excellent result with cash earnings increasing by 17.8% over the March 2007 half (11.2% over the September 2007 half). This included £15 million of cost generated by the adverse market conditions.

The results reflect the transfer to iFS of a number of mid market corporate businesses previously serviced by nabCapital UK (circa £2 billion assets and £5.5 million cash earnings). These were transferred in order to use the iFS network to leverage these relationships.

The Region continued to execute the strategy outlined in 2005. This involves planned growth of market share in high quality assets through the iFS relationship proposition and secured personal lending, while reducing dependency on unsecured lending such as credit cards and personal loans.

iFS continued to build business in both established and new locations, growing both assets and deposits. Over the period, business lending volumes increased by 27.1%, and deposit volumes by 22.0%. iFS revenues continue to grow strongly, up 27.2% on March 2007.

The Retail business continued to be upgraded to market-leading standard in terms of facilities, staff and products. This included an ongoing branch refurbishment programme, manager training to provide more entrepreneurial skills in branches, and a number of new product launches. Retail revenues grew 1.8%.

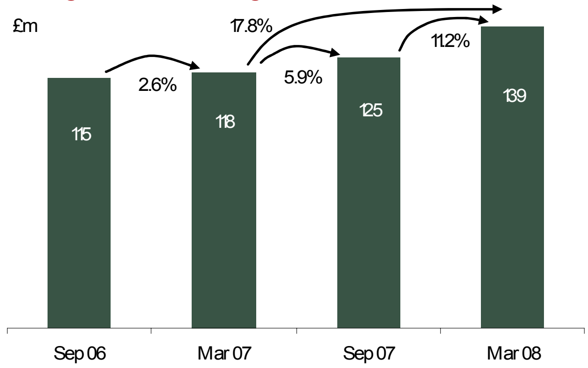
The operating lease book was disposed of during the half in line with the strategy of exiting low return non-core operations.

Growth in iFS and Retail revenues was partially offset by the continued reduction in unsecured lending and lower payment protection insurance income.

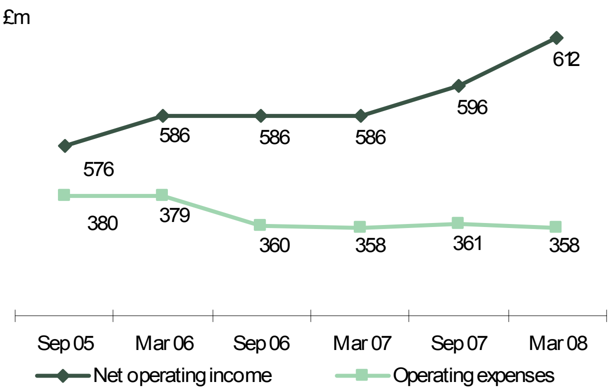
Flat costs have now been achieved over five consecutive halves through further process improvements and cost reduction initiatives, resulting in a cost income ratio of 58.3%, down 200 basis points on the March 2007 half.

Asset quality remains strong with a prudent approach to lending and a diversified portfolio.

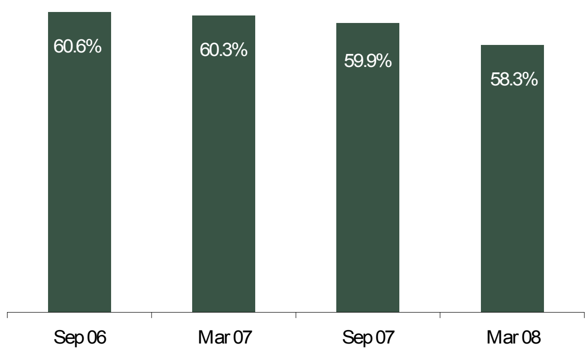
UK Region Cash Earnings



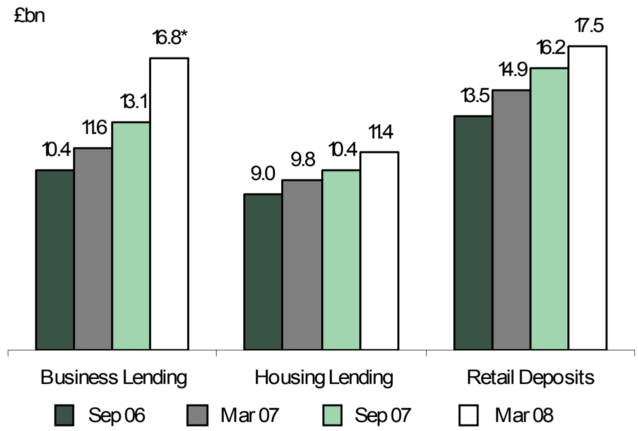
UK Region Income and Expense Trends



UK Region Cost to Income ratio



UK Volumes – Half Year Averages



** includes £2 billion of lending transferred from nabCapital*

Strategic Highlights & Business Developments (continued)

Over the past three years the UK business has made itself more resilient by diversifying its lending, funding and geographical spread. The proportion of unsecured personal lending has been reduced, whilst business lending increased in strong sectors with little speculative commercial property lending. Additionally, the UK Region has avoided aggressive low doc and high loan to value mortgage lending. Diverse funding sources have been developed to complement the strong retail deposit base and provide greater flexibility.

Significant investment in staff and infrastructure has ensured the business is built on solid foundations and is well placed to continue growth. iFS is maturing beyond the start up phase and has strong potential with a flexible business model and a customer proposition that is still unique in the UK market. The margin contraction is slowing and the cost to income ratio continues to fall through income growth whilst holding costs flat, notwithstanding the substantial investment made during the past three years. These foundations provide an excellent platform for the future.

Operating Environment

As elsewhere, weaker prospects resulting from the global credit issues will weigh on the UK economy in 2008 and perhaps into 2009. Although activity in the three months to March looks to have grown around the same pace as in the fourth quarter of 2007, business surveys are beginning to suggest that growth is slowing.

Economic forecasts for the UK suggest growth is likely to fall in 2008 to an average of 1.7% as consumer spending slows. This would be the lowest growth rate since 2005, but forecast rate cuts from the first half of the year should provide some stimulus to demand growth towards the end of 2008 and into 2009.

Funding and liquidity costs continue to be impacted by the turbulence in the market. The average spreads between base rate and 1 month and 3 month LIBOR in the first half were 38 basis points and 52 basis points respectively which remain high relative to historic averages of 11 and 18 basis points.

The Office of Fair Trading investigations into the operation of the market and its own assessment of the level of charges are ongoing. On 24 April 2008, the High Court issued judgement on the first stage of the test case involving a number of banks. Further Court hearings will be required before the test case process is concluded. The next hearing is scheduled for 22 May 2008. The waiver issued by the FSA on 27 July 2007 remains in place to 26 July 2008.

Introductions of iFS business banking clients to nabCapital UK generated income of £17 million during the half (up 22% on the prior corresponding period). As a result of Clydesdale Bank's total presence in the UK and after taking account of the transfer of mid market corporate business previously referred to, £32 million of income (inclusive of the £17million above) was generated by nabCapital during the period, up 7% on the prior corresponding period.

Customer, Employee and Community

Customers

Trends in customer acquisition were maintained and customer retention rates improved significantly. The iFS proposition continued to generate high revenue and volume growth.

The Financial Services Authority has issued its 'Treating Customers Fairly' principles for the UK and these are being embedded throughout the business.

Employees

During the period a three-year salary deal with the trade union Unite was successfully negotiated. This provides stability and assurance to both our employees and the company at a time of economic uncertainty.

Community

The Region continues to invest in the communities in which it operates. Two high profile sponsorships - Scottish Premier League football and the National Trust - continue to help promote brands while engaging customers and employees. As sponsor, Clydesdale Bank looks forward to supporting the Scottish Team for the 2008 Youth Commonwealth Games.

Over the last three years, the Region supported the British Heart Foundation resulting in over £500,000 being raised through a range of employee-led activities for pioneering research into heart disease and the care and support of sufferers. From 1 February, a partnership was launched with Help the Hospices which supports over 200 charities that care for terminally ill patients. Support is provided in the form of training, education, information, grant-aid advice and fundraising help.

A number of initiatives supporting the goal of being carbon neutral by September 2010 were implemented in the half. These include the re-engineering of printed branch reports and the introduction of software that enables PCs to be powered off and on from a remote location, to reduce waste energy and save costs. Smart Boxes, that measure energy consumption, have been rolled out throughout the property network to further identify opportunities to reduce energy consumption.

Awards

Your Mortgage magazine named Clydesdale Bank as "Best Mortgage Lender in Scotland" for the fourth year running and Yorkshire Bank "Best Regional Mortgage Lender" for the ninth year running.

The IT team recently won IT team of the year in the UK Financial Services Sector Technology Awards. This was in recognition of achievements made in the last three years particularly in efficiency savings.

Clydesdale Bank was included in the publication '2008 Business Superbrands' for activities regarding Corporate and Social Responsibility. It was also ranked in the Top 100 Companies that Count by the Business in the Community Corporate Reporting Index.

UK Region

Results presented in local currency. See page 56 for results in $AUDm

	Half Year to				
	Mar 08 £m	**Sep 07 £m**	**Mar 07 £m**	**Mar 08 v Sep 07%**	**Mar 08 v Mar 07%**
Net interest income	**433**	413	400	4.8	8.3
Other operating income	**179**	183	186	(2.2)	(3.8)
Net operating income	**612**	596	586	2.7	4.4
Operating expenses	**(358)**	(361)	(358)	0.8	-
Underlying profit	**254**	235	228	8.1	11.4
Charge to provide for bad and doubtful debts	**(60)**	(57)	(62)	(5.3)	3.2
Cash earnings before tax	**194**	178	166	9.0	16.9
Income tax expense	**(55)**	(53)	(48)	(3.8)	(14.6)
Cash earnings	**139**	125	118	11.2	17.8
Average Volumes (£bn)					
Gross loans and acceptances	**30.6**	25.8	23.4	18.6	30.8
Interest earning assets	**32.6**	27.8	25.4	17.3	28.3
Total assets	**35.1**	31.4	28.1	11.8	24.9
Retail deposits	**17.5**	16.2	14.9	8.0	17.4
Performance Measures					
Cash earnings on average assets	**0.79%**	0.79%	0.84%	0bps	(5bps)
Net interest margin	**2.66%**	2.96%	3.16%	(30bps)	(50bps)
Cost to income ratio	**58.3%**	59.9%	60.3%	160bps	200bps
Cash earnings per average FTE (£'000s)	**31**	28	26		
FTEs (spot)	**8,966**	8,850	9,046		

UK Region

Financial Analysis (in local currency)

March 2008 v March 2007

Cash earnings increased by 17.8% (£21 million) over the March 2007 half reflecting higher income, flat expenses, and stable charges to provide for bad and doubtful debts.

Average gross loans and acceptances increased by 30.8% (£7 billion) on the prior comparative period (£5 billion, or 22.4% excluding the nabCapital transfer).

Business lending volumes grew by 27.6% (£3 billion). This growth is largely driven by the continued success of the iFS proposition and its increasing customer base. A managed approach to mortgage lending (balancing the volume and margin trade-off) has resulted in mortgage growth of 16.3% (£2 billion) mainly in the offset mortgage product through the retail and direct channel network, also boosted by lower redemptions. Exposure to credit card and personal loan lending has again been reduced as planned, with the average balances declining by 6.5% over the half. These two business areas now represent 5.6% of total assets.

Average retail deposit volumes grew 17.4% (£3 billion) in a highly competitive market, reflecting continued focus on this area; in particular on the continued momentum in iFS which had average deposit growth of 22.0%. Retail network volumes grew 8.9% (£1 billion).

Net interest income increased 8.3% reflecting the strong balance sheet growth partially offset by margin contraction.

The **net interest margin** decreased by 50 basis points from 3.16% to 2.66%. The underlying margin contraction of 27 basis points was primarily driven by continued planned changes in product mix and the cost of wholesale funding relative to deposit funding.

As noted earlier, market conditions have had a significant impact on the margin, causing a 13 basis point reduction: the increased costs of wholesale funding and the desire to maintain higher levels of liquidity resulted in a 7 basis point reduction and basis risk movements have depressed the margin by another 6 basis points.

The nabCapital transfer further depressed the margin by 10 basis points.

Other operating income has decreased by 3.8%. The operating lease business was disposed of in December 2007, resulting in a £9 million reduction in related income (partially offset in expenses). There is, however, a one-off net gain on disposal of £1 million. Underlying other operating income was flat, with increased lending related fees being offset by lower other fee income. In line with the rest of the UK market, payment protection revenues remained under pressure with lower retrospective profit share of £5 million. Stock-market fluctuations also had an impact on initial investment fees with income dropping £2 million.

Operating expenses were flat on the prior corresponding period. Investment costs, including the recruitment of an additional 89 FTE in iFS during the half, additional depreciation arising from investment spend in prior periods and general wage inflation have been more than offset by reduced back office FTE, efficiency savings and process improvements. In addition the sale of the operating lease business reduced expenses by £8 million in the current half offset by a reduction in Other Operating Income.

The **cost to income ratio** at 58.3% improved by 200 basis points over the March 2007 half, reflecting the continued improvements in revenue and cost performance.

The **charge for bad and doubtful debts** remained broadly stable against the prior corresponding period. As previously signalled, the increase in collective provisions from growing business lending volumes has been mitigated by the portfolio shift away from unsecured personal lending and actions taken over the past 2 years continue to improve asset quality in these areas. Additionally, improved arrears management has ensured that the value of accounts 90+ DPD has remained stable despite a growing book.

The **tax** charge at 28.4% benefits from retrospective credits for research and development spend and a reduction in the corporation tax rate.

March 2008 v September 2007

Cash earnings increased by 11.2% (£14 million) on the September 2007 half, showing continued progress in delivering strong and sustainable results.

Average gross loans and acceptances increased 18.6% (£5 billion) on the September 2007 half (£3 billion or 11.0% excluding the transfer). Business lending volumes grew by 13.0% (£2 billion), while mortgage lending has experienced volume growth of 9.6% (£1 billion). Card and personal loan balances declined by 2.9%.

Average retail deposit volumes grew by 8.0% (£1 billion). This was primarily driven by the continued momentum in the Financial Solutions Centres and a robust performance in the Retail network.

Net interest income increased by 4.8% with the portfolio growth being offset by margin, mix and market turbulence impacts.

The **net interest margin** decreased by 30 basis points from 2.96% to 2.66% reflecting changes in the product mix, the cost of wholesale funding relative to deposit funding, the transfer of assets from nabCapital, as well as the effects of adverse market conditions. Underlying margin contraction was 12 basis points.

Other operating income declined by 2.2%, driven by the loss of income from the sale of the operating lease book and a number of one-offs in the prior period. Underlying other operating income decreased by 0.5% driven by lower retrospective profit share, which is traditionally received in the first half.

Operating expenses were flat on the prior period.

The **cost to income ratio** at 58.3% has improved by 160 basis points as a result of the continued improvements in revenue and cost performance.

The **charge for bad and doubtful debts** has increased by 5.3% (£3 million) over the September 2007 half driven by growing lending volumes. This effect was mitigated by the portfolio shift from unsecured personal lending, stable asset quality, improved arrears management and the tightening of personal lending criteria during 2006 and early 2007.

The **tax** charge at 28.4% benefits from retrospective credits for research and development spend and a lower corporation tax rate.

Other Items

Asset Quality

	As at		
	Mar 08	**Sep 07**	**Mar 07**
Gross impaired assets (£m)	**87**	63	51
Gross impaired assets to gross loans and acceptances	**0.27%**	0.23%	0.21%
90+ DPD assets (£m)	**123**	125	90
90+ DPD to gross loans and acceptances	**0.38%**	0.47%	0.36%
Gross impaired assets and 90+ DPD to gross loans and acceptances	**0.65%**	0.70%	0.57%
Total provision to gross loans and acceptances	**0.97%**	1.07%	1.12%
Net write offs to gross loans and acceptances	**0.29%**	0.43%	0.45%
Bad and doubtful debts charge to credit risk weighted assets	**0.40%**	0.52%	0.54%

Asset quality remains strong with a portfolio that is well-secured and diversified both geographically and by lending type. Although the UK economy as a whole is slowing, the outlook is not uniform across all sectors. In property, for example, the greatest difficulties are in sectors and geographies where the UK business has little exposure and, in the mortgage market, the retail banking operation does not include any direct low doc (self certified) lending.

The March 2008 gross impaired asset balances have increased over the March 2007 balances. This increase is off a low base, there are no signs of particular industry or geographic concentrations. The increase is in line with management expectations.

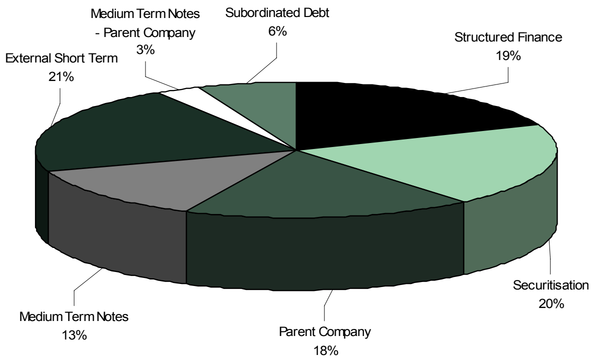
The ratio of 90+DPD to gross loans and acceptances has reduced from 0.47% to 0.38% as a result of the 90+DPD balances remaining in line with September 2007. This reflects the increased management of balances in this category including an increased contact programme with mortgage customers.

Taking gross impaired assets and 90+DPD balances together the ratio has remained broadly flat on September 2007.

The coverage ratio of total provision to gross loans and acceptances has reduced from 1.07% in September 2007 to 0.97% in March 2008. The main areas where reductions are occurring are personal loans and credit cards where, as signalled previously, improved asset quality in these portfolios is having a positive impact. The growth in mortgage lending with low provision requirements has also had a dilutive effect on the overall coverage ratio.

Capital & Funding Position

Clydesdale Bank PLC Diversity of Wholesale Funding [(1)]



(1) *As at 31 March 2008*

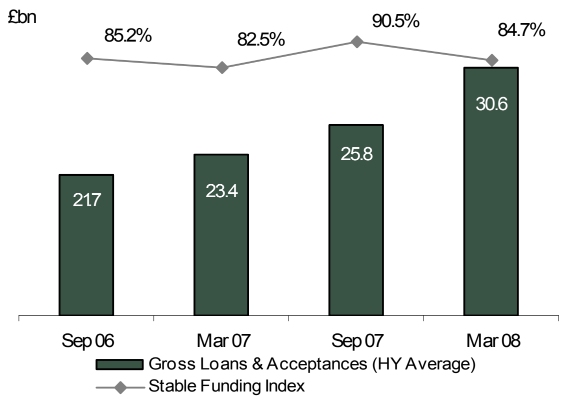
The UK's position as a member of a stable and geographically diversified group proved an asset in these turbulent times. The long term credit ratings of Clydesdale Bank (CB), which were maintained through the period (AA- by Standard & Poors, Aa3 by Moodys and AA- by Fitch), proved to be valuable in the attraction and retention of funds.

As at 31 March, CB held a portfolio of liquid assets totalling £4.5bn; substantially higher than that held prior to the recent market turbulence. This portfolio included balances in the Bank of England Reserve Account and a range of marketable securities.

Despite volatile market conditions, CB's strong liquidity position was maintained due in part to a diverse funding base which includes a mix of short, medium, and long-term wholesale funding, parent company funding, and securitisation.

The Stable Funding Index (SFI) remained within the historical trend moving from 82.5% at March 2007 to 84.7% at March 2008. The relative stability of the index reflects the continuing contribution of customer deposits to the overall funding requirement.

Stable Funding Index



Investment Spend

Investment continued on systems and processes with total cash spend of £40 million in the half, compared to £43 million in the prior corresponding period. Investment was directed into 3 broad categories; efficiency and sustainable revenue, infrastructure, and compliance.

October 2007 saw another significant milestone in the ongoing re-engineering of the business with the Teller programme completing its deployment into Clydesdale Bank. This concludes the Teller project that commenced in 2005 as part of the Strategic Agenda Programme.

Investment in the front office continued, with projects such as the pilot launch of the new Business Internet Banking Channel.

Development of the new second Data Centre is ahead of schedule. The new data centre building was handed over in March 2008 and the migration of over 1000 pieces of equipment from the existing second Data Centre is on target for the end of June. The Faster Payments project is in the advanced stage of build and currently is in testing. The industry go-live date is May 2008.

Distribution

The network of Financial Solutions Centres (FSCs) and retail branches has remained stable over the six months to March 2008, with 74 principal FSCs and 343 branches.

iFS has added 2 satellite sites during the first half of this year and has continued to demonstrate strong levels of underlying growth in its core business. In conjunction with Specialist & Acquisition Finance, there have been a number of successes in attracting full trading business relationships from competitors.

Within Retail, the branch refurbishment programme continues with around a quarter of branches now benefiting from the program. An extensive training program has been delivered to the branch manager population with the focus on raising individual performance through providing them with the tools and skills required to run their branch as though it were their own business.

A new look website for Clydesdale Bank (cbonline.co.uk) was launched during the period, with Yorkshire Bank (ybonline.co.uk) following shortly.

UK Region

Results presented in Australian dollars. See page 52 for results in local currency

	Half Year to Mar 08 $m	Half Year to Sep 07 $m	Half Year to Mar 07 $m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Net interest income	**970**	986	996	(1.6)	(2.6)
Other operating income	**400**	434	464	(7.8)	(13.8)
Net operating income	**1,370**	1,420	1,460	(3.5)	(6.2)
Operating expenses	**(801)**	(859)	(892)	6.8	10.2
Underlying profit	**569**	561	568	1.4	0.2
Charge to provide for bad and doubtful debts	**(135)**	(135)	(155)	-	12.9
Cash earnings before tax	**434**	426	413	1.9	5.1
Income tax expense	**(123)**	(128)	(119)	3.9	(3.4)
Cash earnings	**311**	298	294	4.4	5.8

Impact of foreign exchange rates movements

Favourable/ (unfavourable) March 2008	Half year since Sep 07 $m	Mar 08 v Sep 07 Ex FX %	Half year since Mar 07 $m	Mar 08 v Mar 07 Ex FX %
Net interest income	**(64)**	4.8	**(108)**	8.3
Other operating income	**(26)**	(2.2)	**(44)**	(3.8)
Operating expenses	**53**	0.8	**89**	-
Charge to provide for bad and doubtful debts	**8**	(5.3)	**14**	3.2
Income tax expense	**8**	(3.8)	**14**	(14.6)
Cash earnings	**(21)**	11.2	**(35)**	17.8

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New Zealand Region

Cameron Clyne

The New Zealand Region (NZ Region) consists of the Retail, Business, Agribanking and Insurance businesses in New Zealand operating under the Bank of New Zealand (BNZ) brand (these exclude nabCapital – NZ operations).

Strategic Highlights & Business Developments

The NZ Region delivered strong cash earnings growth of 14.9% over the March 2007 half and 7.7% over the September 2007 half. Solid profitable income growth, disciplined cost management, the impact of the MasterCard sale in the prior year and sound asset quality have been key elements of this result in a market characterised by rising wholesale funding costs and slowing economic activity.

The performance of the NZ Region for the March 2008 half reflects the ongoing success of focusing on the three strategic themes of Simplification, Culture and new Revenue streams. These strategic themes provide the core foundations for delivering long term sustainable returns.

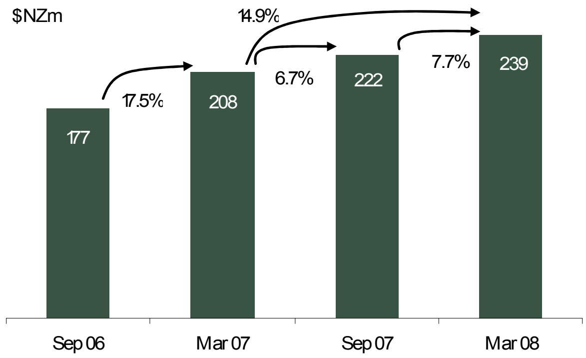
Simplification efforts have continued to reduce the complexity in processes, systems and structures using the well engrained disciplines of continuous improvement (Kaizen) making life easier and better for customers and staff alike. The financial benefits of this have been demonstrated in the current half with flat operating expenses being maintained. This is the sixth consecutive half year period that the NZ Region has achieved this while also continuing to improve customer satisfaction, culture and driving revenue. Branch satisfaction levels have reached an all time high of 85% during the March 2008 half, the highest amongst all main bank competitors.

The NZ Region's Culture programme has supported the empowerment of employees at all levels of the organisation through an ongoing focus on people development, leadership and talent identification. During the current half the NZ Region's internal vision was relaunched as part of the 'Success: Yours!' initiative.

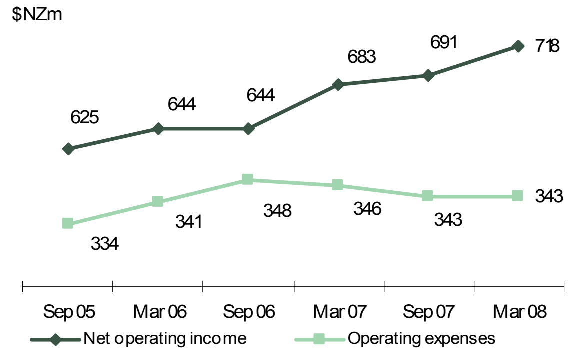
The NZ Region's Revenue focus is aimed at identifying and growing new profitable revenue streams in a number of product areas across Retail, Agribusiness, Insurance and Business banking. A number of new revenue initiatives were introduced during the current period, such as BNZ Agricapital and 'Out of the Box' banking. The NZ Region also continues to develop the iFS rollout across the business. Despite intense competition, the NZ Region has maintained a very clear focus on profitable volume growth (as opposed to market share) whilst maintaining sound asset quality.

The NZ Region raised $450 million in March 2008 with the issuance of innovative hybrid tier one perpetual non-cumulative shares. This new issue has been particularly well received by the market supported by a flight to quality by investors in the wake of a large number of finance company failures in the New Zealand market.

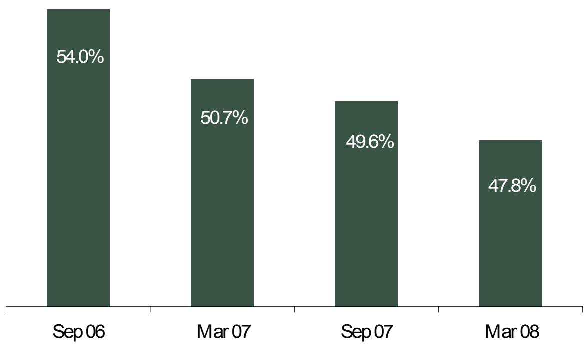
New Zealand Region Cash Earnings



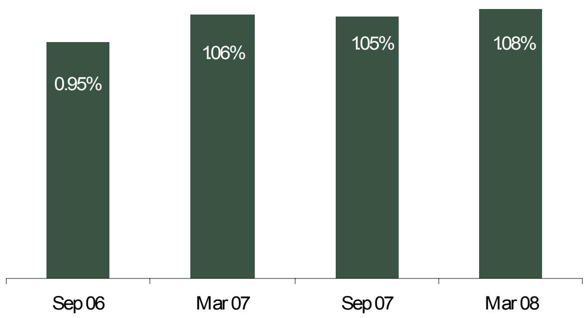
New Zealand Region Revenue and Expense Trends



New Zealand Region Cost to Income Ratio



New Zealand Region Return on Average Assets



Operating Environment

The New Zealand banking market remains very competitive with five major banking brands and a number of niche players competing to provide financial services. The number of niche players in New Zealand has continued to diminish during the March 2008 half as further finance companies have collapsed in the wake of the global market disruption.

Economic conditions in New Zealand remain fragile with a number of key indicators identifying a slow-down in the economy. Significant negative impacts on the economy include: rising interest rates, the continuation of the high New Zealand dollar adversely impacting exporters, and slowing net migration levels. On the positive side however, strong commodity prices for dairy products and the continuation of low unemployment levels are underpinning the economy.

The significant increase in credit spreads paid by banks on wholesale funding, has been offset by customer repricing. The Reserve Bank has kept the Official Cash Rate (OCR) steady at 8.25% during the period, despite the housing market continuing to slow as high interest rates adversely impact consumers resetting mortgages at higher rates. Despite interest rates remaining among the highest in the OECD, cuts to the OCR are not expected before the end of the September 2008 year given ongoing inflationary pressures.

The current environment has contributed to slowing asset volume growth and stronger competition for deposits. Lead asset quality indicators such as a slight increase in past due assets indicate softening credit quality. However these impacts need to be seen in the context of moving off the low base set by benign credit conditions in recent years.

Customer, Employee and Community

The NZ Region has focused its efforts on the three non-financial pillars of customer, employee and community, using the strategic themes of simplification and culture.

By taking innovative products and services to market and listening to customers BNZ is now delivering a customer experience more akin to a retail experience than traditional banking. As a result approximately 70% of branches have changed their operating hours to better service their customers.

In late 2007 the New Zealand launched the Customer Care Line, an early intervention tool for customers experiencing financial stress. Customers are identified, contacted and offered advice and solutions to help them manage debt.

A focus on improving services for customers without English as a first language was recognised in October by an unsolicited award from the Human Rights Commission Te Kahui Tika Tangata for the NZ Region's multi lingual ATMs.

In line with cultural strategic initiatives, the NZ Region continues to empower employees at all levels of the organisation and promote a constructive culture. The NZ Region was one of 10 organisations in Australasia awarded a 2007 Human Synergistics Culture Transformation Achievement Award in recognition of the dramatic culture shift.

Supporting this, the internal vision 'Success: Yours!' was launched in November. Employees are encouraged to achieve the best for themselves and their customers by excelling at their work, behaving constructively and continuously improving what they do. The vision has been well received and is being embedded across the Region.

The Chevron Awards held in November celebrated consistently high achievers who embody a constructive culture. 300 people were recognised at regional functions. 72 Peak Performance awardees and 8 Culture awardees celebrated at a special event.

Employee health continues to be a key focus, and the 'MyWellBeing' programme was established to actively encourage employees to manage their wellbeing and adopt a healthy lifestyle. In April this year the NZ Region was awarded the New Zealand Safeguard Award 2008, in the category Best Significant Health and Safety Initiative by a Large Organisation.

The NZ Region has a strong community focus, providing employees with two days paid volunteer leave per annum and supporting various community sponsorships and partnerships. Highlights for the last half included winning the Best Provincial Cause Sponsorship category at the 2007 New Zealand Sponsorship Awards for the NZ Region's commitment to raise funds and awareness of domestic violence in New Zealand for Preventing Violence in the Home. In March, the 1000th NZ Region Operation Nest Egg kiwi chick, Hupai, was successfully released back into the wild. The NZ Region has been supporting the Kiwi recovery programme since 1991.

The NZ Region is committed to doing business in a way that respects the environment. In October, the design of the NZ Region's new corporate office at 80 Queen Street, Auckland was awarded a 5 Star Green Star NZ – Office Design v1 Certified Rating, which represents New Zealand excellence. Sustainability initiatives including recycling, waste minimisation and energy reduction, continue to be rolled out through the organisation and have been well received by employees.

New Zealand Region

Results presented in local currency. See page 63 for results in $AUDm

	Half Year to				
	Mar 08 NZ$m	Sep 07 NZ$m	Mar 07 NZ$m	Mar 08 v Sep 07%	Mar 08 v Mar 07%
Net interest income	**539**	497	483	8.5	11.6
Other operating income	**179**	194	200	(7.7)	(10.5)
Net operating income	**718**	691	683	3.9	5.1
Operating expenses	**(343)**	(343)	(346)	-	0.9
Underlying profit	**375**	348	337	7.8	11.3
Charge to provide for bad and doubtful debts	**(30)**	(25)	(27)	(20.0)	(11.1)
Cash earnings before tax	**345**	323	310	6.8	11.3
Income tax expense	**(106)**	(101)	(102)	(5.0)	(3.9)
Cash earnings	**239**	222	208	7.7	14.9
Average Volumes (NZ$bn)					
Gross loans and acceptances	**42.1**	40.3	37.9	4.5	11.1
Interest earning assets	**43.2**	41.2	38.7	4.9	11.6
Total assets	**44.3**	42.2	39.5	5.0	12.2
Retail deposits	**22.2**	21.4	20.5	3.7	8.3
Performance Measures					
Cash earnings on average assets	**1.08%**	1.05%	1.06%	3bps	2bps
Net interest margin	**2.49%**	2.40%	2.51%	9bps	(2bps)
Cost to income ratio	**47.8%**	49.6%	50.7%	180bps	290bps
Cash earnings per average FTE (NZ$'000s)	**108**	99	93		
FTEs (spot)	**4,349**	4,444	4,465		

New Zealand Region

Financial Analysis (in local currency)

March 2008 v March 2007

Cash earnings for the year increased by 14.9% to $239 million over the March 2007 half reflecting strong income performance, excellent cost management disciplines and sound asset quality.

Net interest income grew by 11.6% reflecting solid volume growth combined with disciplined margin management as the NZ Region continues to pursue profitable growth.

Average lending volumes increased by 11.1% half and retail deposits increased by 8.3%. Whilst competition remains intense, a combination of new products and a focus on the customer has helped drive growth in average lending volumes, although these growth rates are slowing from the highs seen in recent years. A focus on profitable volume growth has put pressure on some market share levels.

Net interest margin declined 2 basis points to 2.49% due to product mix changes and an increased proportion of wholesale funding which has become more expensive on the back of significantly higher offshore credit margins. This has been partially offset by retail deposit margins which have benefited from a 75 basis point increase in the official cash rate since March 2007 and the repricing of products in order to pass on the higher incurred funding costs to customers.

Other operating income decreased by 10.5%. The decrease is mainly attributable to the one-off proceeds in the March 2007 half from the sale of MasterCard shares ($10 million) and the adverse impact in the current year from lower foreign exchange and Wealth Management revenue. Underlying customer fee growth remains relatively flat due to the focus on ensuring the customer value proposition remains attractive by actively promoting simplified fee structures. The NZ Region has benefited from a strong relationship with nabCapital (NZ), with increasing cross-sell opportunities as we move closer fulfilling more customer financial needs.

Operating expenses remained flat as sustainable cost management efficiency gains stemming from engrained continuous improvement disciplines helped offset annual salary increases and re-investment in people, processes and systems.

The **cost to income ratio** has improved from 50.7% in the March 2007 half to 47.8% primarily due to growth in net interest income, while expenses have been held flat as part of the focus on sustainable cost management. Importantly, branch satisfaction and staff engagement levels have both improved at the same time.

The **charge to provide for doubtful debts** increased by $3 million over the March 2007 half. With economic conditions slowing the NZ Region has experienced an increase in 90+DPD. Increasing from New Zealand market historical lows, the ratio of gross impaired assets to gross loans and acceptances has also risen by 2 basis points to 0.10%. The level of net write-offs remains stable.

March 2008 v September 2007

Cash earnings increased by 7.7% to $239 million over the September 2007 half, reflecting income growth combined with stable costs and sound credit quality.

Net interest income grew 8.5% reflecting solid volume growth and effective margin management across all products while also ensuring efficient management of capital.

Average lending volumes increased by 4.5% reflecting slowing lending growth rates in an environment where economic conditions are tightening. With a focus on growing funding from customers, retail deposit volumes were up 3.7%.

Net interest margin increased 9 basis points to 2.49%. The current March 2008 half benefited from repricing initiatives and a portfolio approach to margin management resulting in stronger lending and retail deposit margins.

Other operating income decreased by 7.7% largely due to lower foreign exchange and Wealth Management revenue compared to the prior period. Underlying customer fee growth remains flat.

Operating expenses have been kept flat compared to the September 2007 half reflecting a continuous focus on simplification and removing inefficiencies

The **cost to income ratio** has improved 180 bps to 47.8% due to strong revenue growth combined with flat costs.

The **charge to provide for doubtful debts** increased by $5 million. Overall credit quality remains stable.

Other Items

Asset Quality

90+DPD assets have increased from historical New Zealand market lows. The New Zealand Region's overall asset quality remains stable reflecting the strength of the Bank's front line business credit analysis and independent credit risk management function. Key asset quality indicators have only shown a minimal negative impact for the March 2008 period. The level of 90+DPD assets have increased albeit from historical New Zealand market lows.

	As at		
	Mar 08	**Sep 07**	**Mar 07**
Gross impaired assets (NZ$m)	**42**	54	30
Gross impaired assets to gross loans and acceptances	**0.10%**	0.13%	0.08%
90+DPD assets (NZ$m)	**94**	52	35
90+DPD assets to gross loans and acceptances	**0.22%**	0.13%	0.09%
Gross impaired assets and 90+DPD assets to gross loans and acceptances	**0.32%**	0.26%	0.17%
Total provisions to gross loans and acceptances	**0.52%**	0.50%	0.47%
Net write offs to gross loans and acceptances	**0.07%**	0.07%	0.09%
Bad and doubtful debts charge to credit risk weighted assets	**0.16%**	0.15%	0.17%

Balance Sheet Management

The New Zealand Region's Stable Funding Index (SFI) remained above its 70% target during the March 2008 half. The Customer Funding Index (CFI) was stable at 56% over the March 2008 half year and the Term Funding Index (TFI) remained constant at 15%.

Market Share

	As at		
	Mar 08	**Sep 07**	**Mar 07**
Housing[(1)]	**15.9**	16.0	16.2
Cards[(1)]	**27.8**	28.7	29.2
Agribusiness[(1)]	**18.2**	18.3	18.3
Retail deposits[(1)(2)]	**17.4**	17.7	18.2

(1) *Source RBNZ – March 2008.*

(2) *Retail deposits excludes some deposits by business banking customers captured in money market deposits in the BNZ General Disclosure Statement.*

Distribution

The Bank continues to maintain a strong branch network across New Zealand.

	As at		
	Mar 08	**Sep 07**	**Mar 07**
Number of retail branches	**179**	179	180
Number of ATM's	**417**	419	410
Number of internet banking customers (no. '000s)	**380**	371	332

New Zealand Region

Results presented in Australian dollars. See page 60 for results in local currency

	Half Year to				
	Mar 08 $m	**Sep 07 $m**	**Mar 07 $m**	**Mar 08 v Sep 07%**	**Mar 08 v Mar 07%**
Net interest income	**466**	439	425	6.2	9.6
Other operating income	**155**	173	175	(10.4)	(11.4)
Net operating income	**621**	612	600	1.5	3.5
Operating expenses	**(297)**	(304)	(304)	2.3	2.3
Underlying profit	**324**	308	296	5.2	9.5
Charge to provide for bad and doubtful debts	**(26)**	(22)	(24)	(18.2)	(8.3)
Cash earnings before tax	**298**	286	272	4.2	9.6
Income tax expense	**(91)**	(90)	(89)	(1.1)	(2.2)
Cash earnings	**207**	196	183	5.6	13.1

Impact of foreign exchange rates movements

Favourable/ (unfavourable) March 2008	**Half year since Sep 07 $m**	**Mar 08 v Sep 07 Ex FX %**	**Half year since Mar 07 $m**	**Mar 08 v Mar 07 Ex FX %**
Net interest income	**(10)**	8.5	(8)	11.6
Other operating income	**(3)**	(7.7)	(3)	(10.5)
Operating expenses	**7**	-	6	0.9
Charge to provide for bad and doubtful debts	**-**	(20.0)	-	(11.1)
Income tax expense	**2**	(5.0)	2	(3.9)
Cash earnings	**(4)**	7.7	(3)	14.9

nabCapital

John Hooper

nabCapital is a global division, with key lines of business comprising Institutional Banking, Corporate Finance, Markets, and Structuring and Investments. It operates in three core regions of Australia (which incorporate businesses in the Americas and Asia), New Zealand and the United Kingdom.

Strategic Highlights & Business Developments

nabCapital withstood a sustained downturn in global credit markets to produce a solid first-half performance, with underlying profit up 59.6% on the prior comparative period and 45.6% up on the September 2007 half year. While the underlying business remains strong, driven by exceptional revenue growth, cash earnings was affected by higher bad and doubtful debt charges, largely from the Securitisation business, following disruptions in the asset backed commercial paper market in the US. Despite the increase in the charge for bad and doubtful debts, cash earnings grew by 10.4% on the prior comparative period and was broadly flat on the September 2007 half year.

nabCapital's underlying business continues to improve, however current market conditions have affected the Originate-Warehouse-Distribute (OWD) operating model, particularly the distribution businesses which have slowed as a result of tightening credit conditions in the market. To ensure nabCapital continues to drive shareholder value, the business has re-positioned to focus on:

- Enhancing the returns in its core franchises.
- Improving cross-sell capability into the regional network through continued investment in products and people in the Markets business.
- Re-aligning the distribution capability particularly within the Securitisation business to meet changing investor demands.

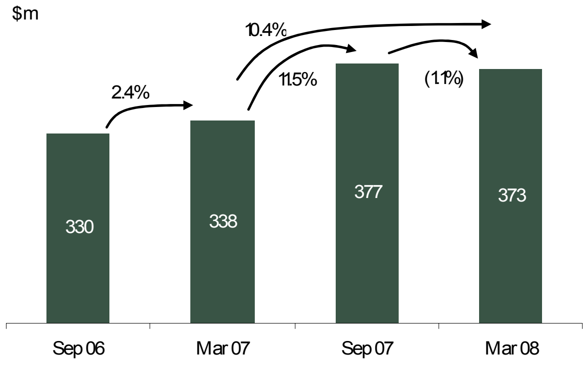
In addition, in order to ensure nabCapital continues to maintain a high performance culture, the remuneration structure has been changed to more directly link rewards to the profitability and returns of the business.

Leveraging this strategy, a number of initiatives were undertaken that continue to build nabCapital's capability and offering to clients. This includes the establishment of an Integrated Capital Solutions unit and a credit trading and infrastructure team in New York. The Structured Property Finance business has also been expanded into Hong Kong and mainland China, which included completion of the acquisition of a 20% stake in Chinese trust company, UTI Ltd.

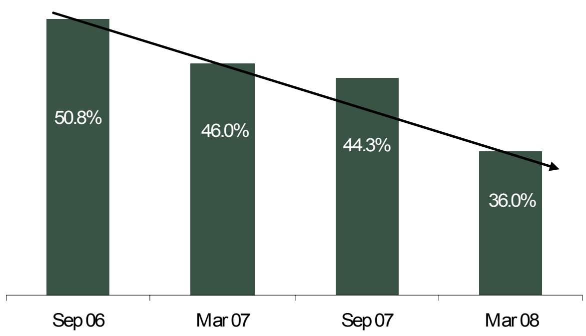
nabCapital's robust underlying performance was driven by:

- A significant contribution from the Markets business where improved product capability and investment in people drove increased cross-sell in all segments, together with improved earnings from risk management activities.
- Growth in lending businesses with strong origination from continued support for customers through tightening credit and liquidity conditions.

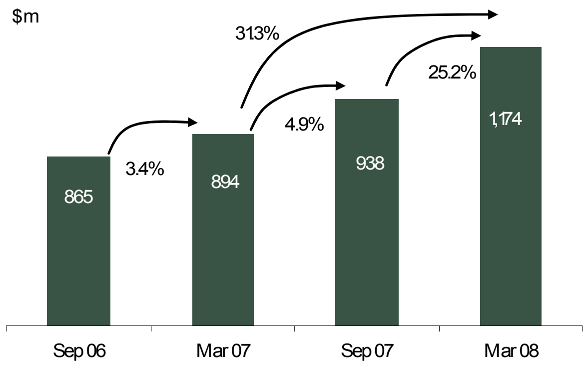
nabCapital Cash Earnings



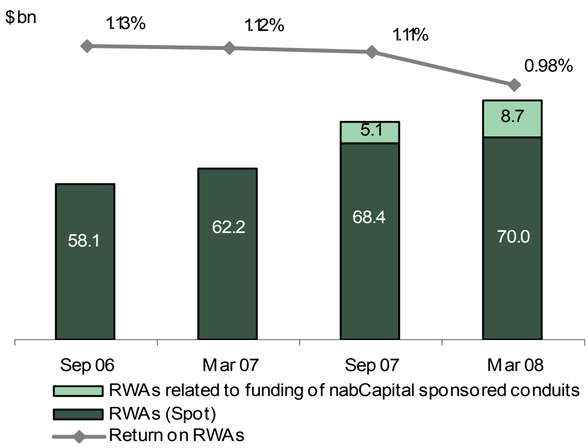
nabCapital Cost to Income Ratio



nabCapital Grossed up Revenue [(1)]



nabCapital Return on Risk Weighted Assets



(1) *Grossed up revenue includes the equivalent impact of transactions whose benefit is obtained through a lower tax expense (rather than in revenue)*

- Favourable earnings on instruments acquired in prior periods primarily to manage capital as part of the OWD strategy.

Cash earnings in the March 2008 half also benefited from modest cost growth, notwithstanding the increases in front line staff and the ongoing investment in revenue generating businesses which contributed to continued improvement in the cost to income ratio.

Operating Environment

Last year's volatility in international financial markets carried into the first half of 2008, as the uncertainty associated with the US sub-prime incident adversely affected global markets.

nabCapital benefited from this deterioration in global markets, particularly in the Markets business where the investment in people, systems and products allowed the business to take advantage of this volatility, resulting in increased cross-sell activity and improved trading results. nabCapital's origination activity also increased as it continued to support clients' demands over this period and widening credit spreads contributed to revenue growth in the Portfolio Management business.

Offsetting these positive aspects, nabCapital incurred higher bad and doubtful debt charges. In addition, distribution activities to manage nabCapital's capital position, including syndications and credit hedging, together with the ability to distribute commercial paper in nabCapital sponsored conduits, have been less effective in the current environment. These impacts to nabCapital's distribution activities contributed to the increase in risk weighted assets to $78.7 billion at March 2008, from $62.2 billion at March 2007 and $73.5 billion at September 2007. This led to a reduction in the Return on Risk Weighted Assets (RoRWA) to 0.98%, from 1.12% at March 2007 and 1.11% at September 2007.

Customer, Employee and Community

During the March 2008 half, nabCapital launched two awards – the nabCapital Award for Collaboration and the CEO Award for Innovation. These and other behavioural attributes are important components of the Blueprint model that describes the present leadership styles and characteristics which acts as a key enabler of nabCapital's strategic agenda.

nabCapital's community investment program continued to evolve through the March 2008 half. Through the community partnership with the Earthwatch Institute, 10 nabCapital employees across the global network participated in scientific field research on a range of important environmental issues. Employees were also involved in a host of team-based and individual employee volunteering activities.

nabCapital's Carbon Solutions Group is a centre of excellence for the Group. This group works closely with clients to facilitate an understanding of risks and opportunities arising from both the physical impacts of climate change, and evolving regulatory carbon frameworks.

nabCapital was involved in a range of notable transactions in the March 2008 half, including:

- A joint venture with the leasing arm of Sumitomo Mitsui Banking Corporation to provide a £262 million operating lease to Transport for London for a fleet of new trains to be used for services on the new London Overground Railway.
- Co-seed investor and Bank counterparty to Man Investments' RMF Bond Index Plus Fund, launched in Australia to institutional investors.
- A ground-breaking transaction for an Australian building society, with Newcastle Permanent Building Society accessing the US Private Placement market for US$300 million.
- Wesfarmers Ltd's acquisition of Coles Group Ltd, the largest financing completed in Australia in 2008.

Commitment to delivering innovative capital markets solutions for clients saw nabCapital maintain strong industry rankings and claim a number of industry awards, including:

- FinanceAsia, February 2008 - Best M&A Deal for 2007 (joint lead debt underwriter in Wesfarmers' acquisition of Coles Group Ltd).
- EuroWeek, February 2008 – Australia/New Zealand loan house of the year 2007.
- CFO Magazine, October 2007 – Hybrid Debt/Equity Issue of the Year 2007 (National Australia Trustees).
- Thomson Financial, March 2008 – No 1 Mandated Lead Arranger for Australasian Project Finance Loans.

nabCapital

Results presented at actual exchange rates

	Half Year to				
	Mar 08 $m	**Sep 07 $m**	**Mar 07 $m**	**Mar 08 v Sep 07%**	**Mar 08 v Mar 07%**
Net operating income	**1,142**	902	848	26.6	34.7
Operating expenses	**(411)**	(400)	(390)	(2.8)	(5.4)
Underlying profit	**731**	502	458	45.6	59.6
Charge to provide for doubtful debts	**(265)**	(36)	(33)	large	large
Cash earnings before tax	**466**	466	425	-	9.6
Income tax expense	**(93)**	(89)	(87)	(4.5)	(6.9)
Cash earnings	**373**	377	338	(1.1)	10.4
Average Volumes ($bn)					
Gross loans and acceptances	**58.9**	49.8	42.8	18.3	37.6
Interest earning assets - external	**147.2**	118.8	107.4	23.9	37.1
Interest earning assets - internal	**36.1**	36.5	37.9	(1.1)	(4.7)
Interest earning assets - total	**183.3**	155.3	145.3	18.0	26.2
Risk weighted assets (spot) ($bn)	**78.7**	73.5	62.2	7.1	26.5
Performance Measures					
Cash earnings on average risk weighted assets	**0.98%**	1.11%	1.12%	(13bps)	(14bps)
Cost to income ratio	**36.0%**	44.3%	46.0%	830bps	1,000bps
FTEs (spot)	**2,416**	2,239	2,188		

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Financial Analysis

March 2008 v March 2007

Cash earnings increased by 10.4% on the March 2007 half to $373 million mainly due to improved earnings in Markets from risk management activities following recent market volatility. This was partially offset by a higher bad and doubtful debts charge largely in connection with the Securitisation business.

Net operating income increased by 34.7% or $294 million, driven by an outstanding Markets performance, due to increased deal flow, success of the cross-sell strategy to all client segments and improved trading results following recent volatility. The Institutional Banking and Corporate Finance businesses also provided a solid contribution due to strong origination activity, while nabCapital also achieved favourable earnings in the Portfolio Management business on instruments acquired in prior periods to manage the deployment of capital. These instruments benefited from widening credit spreads. The growth in income was particularly robust as the March 2007 half included the sale of a large Project Finance exposure that was classified as non-performing in 2004.

Operating expenses increased by 5.4%, reflecting higher personnel costs driven by 228 (10.4%) additional FTEs mainly to support revenue growth.

The **cost to income ratio** improved by 1,000 basis points to 36.0% mainly from increased revenue growth of 34.7%, together with controlled growth in expenses.

The **charge to provide for bad and doubtful debts** increased by $232 million with increased collective provisions associated with liquidity facilities extended to the Securitisation business following uncertainty in this market and related ratings downgrades. The March 2008 half year also includes specific provision charges for two facilities rated as impaired reflecting a more normalised level of provisioning following a benign environment in the March 2007 half year.

Average external interest earning assets increased by $40 billion (37.1%) due to additional Markets' assets largely to support Group liquidity ($23 billion), drawings of liquidity facilities by nabCapital sponsored conduits following disruption in the asset backed commercial paper market ($9 billion) and robust origination activity in the lending businesses.

The **return on average risk weighted assets** was down 14 basis points to 0.98% when compared to the March 2007 half mainly due to cash earnings being affected by the collective provision charges associated with the Securitisation business, together with higher risk weighted assets from origination activity which could not be effectively distributed in the current market and additional drawings of standby liquidity facilities to nabCapital sponsored conduits.

March 2008 v September 2007

Cash earnings was broadly flat on the September 2007 half year, due to higher revenues generated from all businesses, offset by the impact of higher bad and doubtful debts mainly in the Securitisation business.

Net operating income increased by $240 million or 26.6% on the September 2007 half year. This was mainly driven by an improved Markets performance which benefited from opportunities associated with ongoing market volatility, increased origination activity in Corporate Finance and Institutional Banking, as well as improved earnings from capital management initiatives in the Portfolio Management area.

Operating expenses increased by 2.8% on the September 2007 half year driven mainly by higher personnel costs, including 177 (7.9%) higher FTEs required to support business growth and increased incentive payments as a result of significant growth in underlying profit.

Cost to income ratio has improved by 830 basis points to 36.0% at March 2008, mainly due to strong growth in revenue.

The **charge to provide for bad and doubtful debts** for the March 2008 half year was driven by collective charges associated with the Securitisation business and a return to more normalised provisioning levels.

Average external interest-earning assets increased by $28 billion (23.9%) on the September 2007 half year. The increase was driven by origination activity across the lending businesses, higher Markets assets mainly to support the Bank's liquidity position ($18 billion) and drawings of standby liquidity facilities for nabCapital sponsored securitisation conduits ($7 billion).

The **return on average risk weighted assets** is down by 13 basis points to 0.98% mainly due to higher risk weighted assets and collective provisioning charges associated with the Securitisation business.

Other Items

Asset Quality

Overall nabCapital's asset quality remains strong, with approximately 91% of exposures rated as investment grade (equivalent AAA to BBB-) which is broadly consistent with the prior two half years. Recent market events have however affected certain liquidity facilities extended to conduits in the Securitisation business and caused two other client exposures to be rated as impaired.

The conduits were established as an efficient funding and capital management tool for our clients. This is integral to an effective OWD strategy. Apart from assisting clients with funding arrangements, other assets (including Collateralised Debt Obligations (CDOs), bonds, corporate loans and Collateralised Loan Obligations (CLOs), were acquired early in the life of the conduits to enhance returns for investors and assist with the distribution of commercial paper. These assets total $5.4 billion at March 2008. The remaining assets in nabCapital sponsored conduits represent nabCapital originated assets and total $8.5 billion at March 2008. Out of the total assets in nabCapital sponsored conduits at March 2008 of $13.9 billion, $8.7 billion of liquidity facilities drawn down by the conduits was funded on balance sheet at 31 March 2008.

nabCapital has approximately US$1.1 billion ($1.2 billion) of CDOs in nabCapital sponsored conduits whose assets have been downgraded by rating agencies. These conduits contain exposures to US sub-prime assets of $360 million. While all assets are performing at 31 March 2008, we have established a collective provision of $181 million against the liquidity facilities extended to this asset class. The remaining exposure to conduits ($12.7 billion) is recently rated and assets are of investment grade.

The level of gross impaired assets has increased by $101 million from the September 2007 position to $312 million at March 2008 mainly due to two facilities rated as impaired during the period. This also contributed to the increases in the specific provision to gross impaired asset ratio and the ratio of gross impaired assets to gross loans and acceptances.

The increase in the ratio of the bad and doubtful debts charge to credit risk weighted assets is largely attributed to the collective provision charge taken on the Securitisation business.

Overall, nabCapital's lending portfolio remains resilient and retains its high investment grade.

	As at		
	Mar 08	**Sep 07**	**Mar 07**
Gross impaired assets ($m)	**312**	211	98
Gross impaired assets to gross loans and acceptances	**0.52%**	0.38%	0.22%
Specific provision to gross impaired assets	**43.9%**	39.8%	61.7%
Bad and doubtful debts charge to credit risk weighted assets	**0.72%**	0.10%	0.11%

Investment Spend

nabCapital has continued its level of investment spend during the March 2008 half year (totalling $39 million) which is consistent with the prior two half years. The focus of the March 2008 half year has moved to a greater level of investment in the Strategic Investment Program (SIP) following substantial completion of the Basel II project. The SIP program focuses on delivering key technology initiatives, mainly in the Markets business, to improve product capability, simplicity, flexibility and cost effectiveness.

Impact of foreign exchange rates movements

Favourable/ (unfavourable) March 2008	**Half year since Sep 07 $m**	**Mar 08 v Sep 07 Ex FX %**	**Half year since Mar 07 $m**	**Mar 08 v Mar 07 Ex FX %**
Cash earnings	**(4)**	-	**(5)**	11.8

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Central Functions

The Group's 'Central Functions' business segment includes streamlined functions that support all the regional businesses and comprises Group Funding and Corporate Centre activities. Group Funding acts as the central vehicle for movements of capital and structural funding to support the Group's operations together with capital and balance sheet management. Corporate Centre activities include strategic development of the portfolio of businesses, financial and risk governance and developing and retaining talent.

	Half Year to				
	Mar 08 $m	**Sep 07 $m**	**Mar 07 $m**	**Mar 08 v Sep 07%**	**Mar 08 v Mar 07%**
Net operating income	**3**	148	160	(98.0)	(98.1)
Operating expenses	**(126)**	(160)	(152)	21.3	17.1
Underlying profit	**(123)**	(12)	8	large	large
Charge to provide for bad and doubtful debts	**-**	1	3	large	large
Cash earnings before tax	**(123)**	(11)	11	large	large
Income tax (expense)/ benefit	**51**	62	8	17.7	large
Cash earnings before distributions and minority interest	**(72)**	51	19	large	large
Net profit – minority interest	**(1)**	-	-	large	large
Cash earnings / (deficit)	**(73)**	51	19	large	large
Represented by:					
Group Funding	**-**	125	50	large	large
Corporate Centre	**(54)**	(62)	(26)	large	large
Business Development	**(19)**	(12)	(5)	large	large
Cash earnings / (deficit)	**(73)**	51	19	large	large

March 2008 v March 2007

Cash earnings from Central Functions decreased $92 million from the prior comparative period. This is largely due to additional liquidity costs, the combined effect of lower income from non-recurring items, lower seasonal project costs, higher personnel and new business development expenditure and an increase in the tax benefit.

Net operating income decreased $157 million. This is a result of $47 million of additional interest costs incurred through the move to higher liquidity holdings, as a conservative response to the market disruption, $42 million of lower interest income due to decreasing offshore interest rate, unfavourable exchange rate movements and new hybrid transactions. In addition, the expiry of the ExCaps generated a one off income item ($17 million) within the March 2007 half.

Other operating expenses decreased by $26 million or 17.1%. This reduction is due to the timing of project spend during 2008 and a provision write-back relating to settled litigation. This was offset by increases driven by the timing of expenses associated with performance based remuneration and business development expenditure given the increased activity in this area during the period, particularly with the Great Western Bancorporation acquisition.

Income tax benefit increased by $43 million, primarily driven by the higher cash earnings deficit.

March 2008 v September 2007

Cash earnings fell by $124 million from the September 2007 half. This is largely due to additional liquidity costs, the combined effect of lower income from non-recurring items, lower seasonal project costs, higher personnel and new business development expenditure and a decrease in the tax benefit.

Net operating income fell by $145 million driven by additional interest costs incurred through the move to higher liquidity holdings, $39 million of lower interest income due to decreasing offshore interest rates, unfavourable exchange rate movements and new hybrid transactions.

Other operating expenses decreased by $34 million. This reduction is due to the timing of project spend during 2008 and a provision write-back relating to settled litigation. This was offset by increases driven by the timing of expenses associated with performance based remuneration and business development expenditure given the increased activity in this area during the period, particularly with the Great Western Bancorporation acquisition.

Income tax benefit decreased by $11 million, as a result of an overprovision of tax of $45 million in the September 2007 half partly offset by the increased tax benefit attributable to the cash earnings deficit.

Section 5

Financial Report

Report of the Directors

The directors of National Australia Bank Limited (the 'Company') present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the half year ended 31 March 2008.

The directors of the Company have a significant responsibility with respect to the integrity of the external reporting. This involves reviewing and monitoring, with the assistance of the Audit Committees and management, the processes, controls and procedures which are in place to maintain the integrity of the Group's financial statements. Further details of the role of the Board of Directors and its Committees can be found in the Corporate Governance section of the Group's 2007 Annual Financial Report or on the Group's website www.nabgroup.com

Directors

Directors who held office during or since the end of the half year are:

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

Patricia A Cross
Director since December 2005

Peter JB Duncan
Director since November 2001

Ahmed Fahour
Director since October 2004

Daniel T Gilbert
Director since September 2004

Thomas (Kerry) McDonald
Director since December 2005

Paul J Rizzo
Director since September 2004

Jillian S Segal
Director since September 2004

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

John G Thorn
Director since October 2003

Geoffrey A Tomlinson
Director since March 2000

Michael J Ullmer
Director since October 2004

G Malcolm Williamson
Director since May 2004

Rounding of Amounts

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

Review of Operations and Group Results

Net profit attributable to members of the Company for the half year ended 31 March 2008 of $2,687 million increased $551 million or 25.8% compared to the prior comparative period.

Net interest income increased $495 million or 10.3% due to lending and deposit growth. Net life insurance income decreased $2,120 million from negative investment returns experienced as a result of the recent downturn in global equity markets. Total other income increased $223 million or 10.2%. Fees and commissions were higher due to increased volumes and the Group also benefited from the recent Visa Initial Public Offering (IPO).

Operating expenses increased $573 million or 14.2%. The bad and doubtful debt charge increased as a result of collective provisions attributable to liquidity facilities provided to nabCapital sponsored securitisation conduits, a small number of corporate loan provisions, and an economic cycle adjustment to strengthen the Group's balance sheet to withstand current economic volatility.

Total assets increased $95,787 million or 18.8%, mainly from growth in business and housing lending and holding increased levels of liquid assets. Total liabilities increased $94,549 million or 19.7% due to deposit growth and additional funding required to meet lending growth and other customer requirements.

Australian Securities Exchange Corporate Governance Council Principles and Recommendations (Second edition August 2007)

Consistent with recommendation 7.3 of the ASX Corporate Governance Principles and Recommendations (second edition August 2007), the Board has received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer, that the Company's half-year financial report for the period ended 31 March 2008 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks.

Auditor's independence declaration

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

Directors' signatures

Signed in accordance with a resolution of the directors:

Michael A Chaney
Chairman

John M Stewart
Group Chief Executive Officer

9 May 2008

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

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

In relation to our review of the half year financial report of National Australia Bank Limited for the half year ended 31 March 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

AJ (Tony) Johnson
Partner

Melbourne
9 May 2008

Consolidated Income Statement

	Note	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m
Interest income		**18,641**	16,368	14,590
Interest expense		**(13,363)**	(11,405)	(9,807)
Net interest income		**5,278**	4,963	4,783
Premium and related revenue		**380**	365	349
Investment revenue		**(6,152)**	3,294	4,883
Fee income		**281**	286	257
Claims expense		**(239)**	(281)	(234)
Change in policy liabilities		**5,133**	(2,560)	(3,753)
Policy acquisition and maintenance expense		**(407)**	(436)	(392)
Investment management expense		**(16)**	(10)	(10)
Net life insurance income	14	**(1,020)**	658	1,100
Gains less losses on financial instruments at fair value	3	**347**	343	257
Other operating income	3	**2,058**	2,000	1,925
Total other income		**2,405**	2,343	2,182
Personnel expenses	4	**(2,082)**	(2,114)	(2,115)
Occupancy-related expenses	4	**(235)**	(266)	(253)
General expenses	4	**(1,349)**	(1,389)	(1,275)
Charge to provide for bad and doubtful debts	9	**(940)**	(400)	(390)
Total operating expenses		**(4,606)**	(4,169)	(4,033)
Profit before income tax expense		**2,057**	3,795	4,032
Income tax expense	5	**(214)**	(1,024)	(1,231)
Net profit		**1,843**	2,771	2,801
Net (profit)/loss attributable to minority interest	14	**844**	(329)	(665)
Net profit attributable to members of the Company		**2,687**	2,442	2,136

	cents	cents	cents
Basic earnings per share (cents)	**158.9**	143.7	125.2
Diluted earnings per share (cents)	**158.1**	143.4	124.6

Consolidated Balance Sheet

	Note	As at 31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m
Assets				
Cash and liquid assets		**12,256**	12,796	13,761
Due from other banks		**39,163**	25,144	20,608
Trading derivatives		**25,540**	23,019	15,615
Trading securities		**22,450**	21,272	12,826
Investments - available for sale		**1,128**	1,345	2,134
Investments - held to maturity		**2,234**	5,016	1,910
Investments relating to life insurance business	14	**57,346**	62,630	59,056
Other financial assets at fair value		**27,304**	25,189	23,103
Hedging derivatives		**2,307**	1,203	728
Loans and advances	8	**342,537**	320,870	298,226
Due from customers on acceptances	8	**51,100**	49,322	45,952
Property, plant and equipment		**1,875**	1,958	1,888
Goodwill and other intangible assets		**5,410**	5,368	5,268
Deferred tax assets		**1,462**	1,266	1,433
Other assets		**12,510**	8,236	6,327
Total assets		**604,622**	564,634	508,835
Liabilities				
Due to other banks		**50,557**	42,566	38,262
Trading derivatives		**24,746**	23,248	15,125
Other financial liabilities at fair value		**23,508**	21,850	21,566
Hedging derivatives		**530**	536	468
Deposits and other borrowings	11	**279,161**	254,225	222,456
Liability on acceptances		**21,489**	30,443	35,678
Life policy liabilities	14	**49,580**	53,097	50,380
Current tax liabilities		**85**	254	572
Provisions		**1,123**	1,359	1,291
Bonds, notes and subordinated debt		**92,402**	80,983	70,738
Other debt issues		**1,559**	926	971
Defined benefit pension scheme liabilities		**-**	-	39
Managed fund units on issue	14	**7,673**	8,116	7,875
Deferred tax liabilities		**790**	1,404	1,701
Other liabilities		**20,614**	15,742	12,146
Total liabilities		**573,817**	534,749	479,268
Net assets		**30,805**	29,885	29,567
Equity				
Contributed equity	12	**12,643**	12,441	12,916
Reserves	12	**641**	1,071	1,061
Retained profits	12	**17,494**	16,059	15,259
Total equity (parent entity interest)		**30,778**	29,571	29,236
Minority interest in controlled entities		**27**	314	331
Total equity		**30,805**	29,885	29,567

Consolidated Recognised Income and Expense Statement

		Half Year to		
		Mar 08	Sep 07	Mar 07
	Note	$m	$m	$m
Actuarial gains/(losses) from defined benefit pension plans	12	147	173	271
Cash flow hedges				
Gains taken to equity	12	133	140	62
Gains transferred to income statement	12	18	2	5
Exchange differences on translation of foreign operations	12	(407)	(467)	(258)
Income tax on items taken directly to or transferred directly from equity		(99)	(104)	(109)
Other		31	10	-
Net income recognised directly in equity		(177)	(246)	(29)
Net profit		1,843	2,771	2,801
Total net income recognised		1,666	2,525	2,772
Attributable to:				
Members of the parent		2,510	2,196	2,107
Minority interest		(844)	329	665
Total net income recognised		1,666	2,525	2,772

Consolidated Cash Flow Statement

	Note	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m
Cash flows from operating activities				
Interest received		**18,179**	15,940	14,713
Interest paid		**(12,753)**	(10,537)	(9,752)
Dividends received		**3**	5	6
Life insurance				
Premiums and other revenue received		**6,136**	6,936	3,875
Investment revenue received		**856**	1,606	891
Policy and other payments		**(4,163)**	(6,349)	(3,325)
Fees and commissions paid		**(231)**	(256)	(216)
Net trading revenue received/(paid)		**259**	2,179	(1,020)
Other operating income received		**2,518**	1,863	2,421
Cash payments to employees and suppliers				
Personnel expenses paid		**(2,124)**	(1,928)	(2,106)
Other operating expenses paid		**(1,512)**	(1,745)	(1,865)
Goods and services tax (paid)/received		**(3)**	(73)	30
Cash payments for income taxes		**(1,220)**	(1,861)	(542)
Cash flows from operating activities before changes in operating assets and liabilities		**5,945**	5,780	3,110
Changes in operating assets and liabilities arising from cash flow movements				
Net placement of deposits with and withdrawal of deposits from supervisory central banks that are not part of cash equivalents		**24**	(50)	33
Net payments for and receipts from transactions in acceptances		**(10,750)**	(8,615)	(663)
Net funds advanced to and receipts from customers for loans and advances		**(26,124)**	(27,815)	(16,413)
Net acceptance from and repayment of deposits and other borrowings		**28,600**	36,708	2,665
Net movement in life insurance business investments		**(1,714)**	(1,894)	(274)
Net movement in other life insurance assets and liabilities		**8**	(152)	(538)
Net receipts from and payments for transactions in treasury bills and other eligible bills held for trading and not part of cash equivalents		**82**	(44)	161
Net payments for and receipts from transactions in trading securities		**(1,050)**	(8,762)	1,053
Net payments for and receipts from trading derivatives		**(1,175)**	(1,039)	2,194
Net funds advanced to and receipts from other financial assets at fair value		**(3,116)**	(3,125)	(1,411)
Net receipts from other financial liabilities at fair value		**1,637**	876	4,039
Net increase in other assets		**(1,690)**	(3,631)	(1,950)
Net increase in other liabilities		**480**	3,486	2,091
Net cash used in operating activities	13(a)	**(8,843)**	(8,277)	(5,903)

	Note	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m
Cash flows from investing activities				
Movement in investments - available for sale				
Purchases		**(2,285)**	(6,046)	(9,733)
Proceeds from disposal		**3**	-	22
Proceeds on maturity		**2,730**	7,816	9,323
Movement in investments - held to maturity				
Purchases		**(12,547)**	(9,292)	(8,651)
Proceeds on disposal and on maturity		**15,144**	6,898	8,214
Purchase of controlled entities, net of cash acquired	13(d)	**(307)**	-	-
Purchase of property, plant, equipment and software		**(400)**	(456)	(333)
Proceeds from sale of property, plant, equipment and software, net of costs		**520**	148	46
Net cash provided by/(used in) investing activities		**2,858**	(932)	(1,112)
Cash flows from financing activities				
Repayments of bonds, notes and subordinated debt		**(7,449)**	(8,864)	(8,118)
Proceeds from issue of bonds, notes and subordinated debt, net of costs		**19,113**	19,041	13,915
Proceeds from issue of ordinary shares, net of costs		**20**	30	30
Proceeds from issue of BNZ income securities, net of costs		**380**	-	-
Proceeds from other debt issues, net of costs		**597**	-	-
Payments for buy back of ordinary shares		**-**	(546)	(654)
Dividends and distributions paid		**(1,544)**	(1,491)	(1,431)
Net cash provided by financing activities		**11,117**	8,170	3,742
Net increase/(decrease) in cash and cash equivalents		**5,132**	(1,039)	(3,273)
Cash and cash equivalents at beginning of period		**(4,330)**	(3,318)	(306)
Effects of exchange rate changes on balance of cash held in foreign currencies		**421**	27	261
Cash and cash equivalents at end of period	13(b)	**1,223**	(4,330)	(3,318)

1. Principal Accounting Policies

This report is a general purpose financial report for the interim half year reporting period ended 31 March 2008 which has been prepared in accordance with the ASX listing rules, the *Corporations Act 2001 (Cth)* and AASB 134, Interim Financial Reporting.

This interim financial report does not contain all disclosures of the type normally found within a full annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report. As a result, this report should be read in conjunction with the annual financial report for the year ended 30 September 2007.

This interim financial report complies with current Australian Accounting Standards, which consist of Australian equivalents to International Financial Reporting Standards (AIFRS) as it relates to interim financial reports. Except as noted below, it has been prepared on a basis of accounting policies consistent with those applied in the 30 September 2007 annual financial report.

On 1 October 2007, the Group adopted AASB 7 Financial Instruments: Disclosures. This new standard requires entities to disclose the nature and extent of their exposure to credit, market and liquidity risk arising from financial instruments. The disclosures are based on the Group's approach to assessing, monitoring and mitigating these risks. The new standard does not impact the recognition or measurement of financial instruments.

As a consequence of adopting AASB 7, the Group has modified the presentation of its income statement to include a line item disclosing fee income for the life insurance business. The prior period comparative disclosures have been adjusted to reflect this amendment. The impact of this reclassification is indicated below:

	Half Year to			
	Sep 07 Reported $m	Sep 07 Adjusted $m	Mar 07 Reported $m	Mar 07 Adjusted $m
Premium and related revenue	405	365	383	349
Changes in policy liabilities	(2,314)	(2,560)	(3,530)	(3,753)
Fee income	-	286	-	257

Except as noted above, the adoption of AASB 7 has resulted in no additional disclosures for the interim half year reporting period ended 31 March 2008.

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

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

Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

2. Segment Information

The Group's operating and reportable segments are business units engaged in providing either different products or services or similar products and services in different geographical areas. The businesses are managed separately as each requires a strategy focused on the specific services provided for the economic, competitive and regulatory environment in which it operates.

The Group's business is organised into four operating segments, three of which are managed along regional lines: Australia Region, United Kingdom Region and New Zealand Region, which include banking and wealth management products; as well as nabCapital (which is managed globally). nabCapital is a global division, with key lines of business comprising, Institutional Banking, Corporate Finance, Markets, and Structuring and Investments. It operates in three core regions of Australia (which incorporates the smaller businesses in Americas and Asia), New Zealand and the United Kingdom. The Group's Central Functions include Group Finance, Group Risk, Group Economics, Business Development, Group Legal, Group Funding/ Treasury, People and Culture and other unallocated items which are not considered to be separate reportable operating segments.

The Group evaluates operating segments performance on the basis of cash earnings and return on equity. The segment information provided below is prepared on a gross on-going basis, such that operations that will not form part of the continuing Group are excluded from all periods presented.

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

Major Customers

Revenues from no one single customer amount to greater than 10% of the Group's revenues.

Operating and Business Segments

	Operating Segments						
	Australia Region $m	United Kingdom Region $m	New Zealand Region $m	nabCapital $m	Central Functions [1] $m	Eliminations/ Distributions [1] $m	Total $m
Half year ended 31 March 2008							
Cash earnings	1,576	311	207	373	(73)	(157)	**2,237**
Net interest income	2,936	970	466	948	(17)	-	**5,303**
Total MLC and other operating income	1,622	400	155	194	20	(55)	**2,336**
Total assets	331,698	82,948	39,819	215,079	29,685	(94,607)	**604,622**
Half year ended 30 September 2007							
Cash earnings	1,539	298	196	377	51	(146)	**2,315**
Net interest income	2,843	986	439	601	97	-	**4,966**
Total MLC and other operating income	1,567	434	173	301	51	(53)	**2,473**
Total assets	317,291	77,567	37,035	193,628	30,631	(91,866)	**564,286**
Half year ended 31 March 2007							
Cash earnings	1,374	294	183	338	19	(137)	**2,071**
Net interest income	2,704	996	425	533	141	-	**4,799**
Total MLC and other operating income	1,417	464	175	315	19	(58)	**2,332**
Total assets	300,237	75,968	36,154	158,374	32,306	(94,554)	**508,485**

[1] *Certain elimination adjustments previously included within Central Functions have been allocated to Eliminations/Distributions to reflect the internal management of these items.*

	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m
Group cash earnings - ongoing	**2,237**	2,315	2,071
Disposed operations	**2**	(16)	24
Non cash earnings items (after tax):			
Distributions	**157**	146	137
Treasury shares	**230**	(31)	(92)
Fair value and hedge ineffectiveness	**55**	53	101
IoRE discount rate variation	**5**	(22)	(22)
Gain on Visa IPO	**225**	-	-
Charge to provide for bad and doubtful debts - economic cycle adjustment	**(150)**	-	-
Provision for new business initiatives	**(74)**	-	-
Revaluation losses on exchangeable capital units	**-**	(3)	(83)
Net profit attributable to members of the company	**2,687**	2,442	2,136

	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m
Net interest income for operating and business segments[(1)]	**5,303**	4,966	4,799
MLC net adjustment	**(15)**	8	(6)
Disposed operations	**(10)**	(11)	(10)
Net interest income	**5,278**	4,963	4,783

	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m
MLC and other operating income for operating and business segments[(1)]	**2,336**	2,473	2,332
Disposed operations	**45**	51	47
Net profit/(loss) attributable to minority interest	**(845)**	329	665
MLC net adjustment	**(766)**	130	303
Treasury shares	**277**	(29)	(102)
Fair value and hedge ineffectiveness	**89**	82	144
IoRE discount rate variation	**7**	(32)	(31)
Gain on Visa IPO	**242**	-	-
Revaluation losses on exchangeable capital units	**-**	(3)	(76)
MLC and other operating income	**1,385**	3,001	3,282

	As at 31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m
Total assets for operating and business segments[(1)]	**604,662**	564,286	508,485
Disposed operations	**-**	348	350
Total assets	**604,622**	564,634	508,835

(1) *Includes eliminations and distributions.*

3. Income

	Half Year to		
	Mar 08	**Sep 07**	**Mar 07**
	$m	**$m**	**$m**
Gains less losses on financial instruments at fair value			
Trading securities	**(275)**	(12)	(7)
Trading derivatives			
Trading purposes	**362**	312	120
Risk management purposes [(1)] [(2)]	**(182)**	(51)	109
Assets, liabilities and derivatives designated in hedge relationships[(2)]	**(44)**	42	76
Assets and liabilities designated at fair value [(2)]	**315**	91	(41)
Gain on Visa IPO	**242**	-	-
Impairment of investments - available for sale	**(48)**	(40)	-
Other	**(23)**	1	-
	347	343	257
Other operating income			
Dividend revenue	**3**	5	6
Profit on sale of property, plant and equipment and other assets	**17**	47	4
Banking fees	**458**	447	440
Money transfer fees	**334**	297	294
Fees and commissions	**897**	787	785
Investment management fees	**224**	240	234
Foreign exchange income/(expense)	**(7)**	17	7
Fleet management fees	**9**	10	9
Rentals received on leased vehicle assets	**80**	84	77
Revaluation gains/(losses) on exchangeable capital units	**-**	(3)	(76)
Other income	**43**	69	145
	2,058	2,000	1,925

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

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

4. Operating Expenses

	Half Year to		
	Mar 08 $m	Sep 07 $m	Mar 07 $m
Personnel expenses			
Salaries and related on-costs	**1,423**	1,442	1,423
Superannuation costs - defined contribution plans	**97**	98	87
Superannuation costs - defined benefit plans	**1**	-	16
Performance-based compensation			
Cash	**217**	219	245
Equity-based compensation	**117**	95	122
Other expenses	**227**	260	222
	2,082	2,114	2,115
Occupancy-related expenses			
Operating lease rental expense	**152**	181	172
Other expenses	**83**	85	81
	235	266	253
General expenses			
Fees and commission expense	**63**	109	93
Depreciation and amortisation of property, plant and equipment	**134**	135	123
Amortisation of intangible assets	**121**	117	99
Depreciation on leased vehicle assets (1)	**9**	26	27
Operating lease rental expense	**24**	27	32
Advertising and marketing	**122**	119	106
Charge to provide for operational risk event losses (2)	**17**	(6)	19
Communications, postage and stationery	**153**	160	182
Computer equipment and software	**139**	105	118
Data communication and processing charges	**58**	50	44
Transport expenses	**38**	38	42
Professional fees	**133**	213	183
Travel	**49**	51	42
Loss on disposal of property, plant and equipment and other assets	**-**	18	1
Impairment losses recognised (3)	**30**	61	7
Other expenses (4)	**259**	166	157
	1,349	1,389	1,275
Total	**3,666**	3,769	3,643

(1) *Depreciation on leased vehicle assets owned by the Group's Commercial Fleet business ceased on 1 October 2006 following the business being designated as held for sale. These assets were sold on 5 March 2008.*

(2) *During the September 2007 half year a provision of $11 million was released relating to operational risk event losses in the September 2006 year as this is no longer required.*

(3) *Impairment losses in the March 2008 half include $30 million (September 2007 $64 million) relating to the impairment of leased vehicle assets of the Group's Commercial Fleet business.*

(4) *March 2008 half includes a $106 million before tax provison relating to decommissioning and other non-recurring costs that the Group is presently obligated to incur before the implementation of respective business initiatives.*

5. Income Tax Expense

	Half Year to		
	Mar 08	**Sep 07**	**Mar 07**
	$m	**$m**	**$m**
Profit before income tax expense	**2,057**	3,795	4,032
Deduct (profit)/loss before income tax expense attributable to the life insurance statutory funds and their controlled trusts [1]	**1,292**	(692)	(1,208)
Total profit excluding that attributable to the statutory funds of the life insurance business, before income tax expense	**3,349**	3,103	2,824
Prima facie income tax at 30%	**1,005**	931	847
Add/(deduct): Tax effect of amounts not deductible/(assessable)			
Dividend income adjustments	**(1)**	(1)	(2)
Assessable foreign income	**1**	4	5
Depreciation on buildings not deductible	**1**	3	3
Under/(over) provision in prior years	**(8)**	(65)	(13)
Foreign tax rate differences	**(9)**	24	20
Restatement of deferred tax balances for changes in UK and NZ tax rates	**2**	(17)	-
Foreign branch income not assessable	**(32)**	(33)	(26)
Treasury shares adjustment	**(36)**	11	20
Gain on Visa shares reduced by previously unrecognised tax losses	**(56)**	-	-
Loss on exchangeable capital units not deductible	**-**	1	30
Interest expense on exchangeable capital units not claimed as deductible	**-**	5	2
Other	**(25)**	(35)	(42)
Total income tax expense on profit excluding that attributable to the statutory funds of the life insurance business	**842**	828	844
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business[1]	**(628)**	196	387
Total income tax expense	**214**	1,024	1,231
Effective tax rate, excluding statutory funds attributable to the life insurance business	**25.1%**	26.7%	29.9%

[1] *Refer to Note 14 for further information regarding the impact of negative investment markets during the March 2008 half year.*

6. Dividends and Distributions

Dividends on ordinary shares	Amount per share cents	Franked amount per share %	Conduit foreign income per share %	Total amount $m
Interim dividend declared in respect of the six months ended 31 March 2008	97	100	Nil	**1,583**

The record date for determining entitlements to the 2008 interim dividend is 5 June 2008.
The interim dividend has been declared by the directors of the Company and is payable on 10 July 2008.

Final dividend paid in respect of the year ended 30 September 2007	95	100	Nil	1,540
Interim dividend paid in respect of the six months ended 31 March 2007	87	90	10	1,418
Total dividends paid or payable in respect of the year ended 30 September 2007	182			2,958

	31 Mar 08		30 Sep 07		31 Mar 07	
Distributions on other equity instruments	Amount per security $	Total amount $m	Amount per security $	Total amount $m	Amount per security $	Total amount $m
National Income Securities - Distributions for the six months ended	4.20	**84**	3.80	76	3.80	76
Trust Preferred Securities - Distributions for the six months ended	62.50	**25**	72.50	29	65.00	26
Trust Preferred Securities II - Distributions for the six months ended	31.25	**25**	33.75	27	33.75	27
National Capital Instruments - Distributions for the six months ended	2,875.00	**23**	1,750.00	14	1,000.00	8
Total distributions		**157**		146		137

Dividend and distribution plans

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

a) cash or cash equivalents; and

b) direct credit.

Dividend plans in operation are:

a) Dividend Reinvestment Plan;

b) Bonus Share Plan (closed to new participants); and

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

The last date for receipt of election notices for the dividend plans is 5 June 2008, 5pm (Melbourne time).

7. Net Tangible Assets

	As at		
	31 Mar 08	30 Sep 07	31 Mar 07
Net tangible assets per ordinary share ($)	**12.66**	12.26	12.03

8. Loans and Advances including Acceptances

	As at 31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m
Overdrafts	**17,175**	16,514	16,103
Credit card outstandings	**7,261**	7,331	7,366
Asset & lease financing	**17,651**	17,756	17,350
Housing loans	**193,095**	185,809	178,960
Other term lending	**129,120**	113,060	95,077
Other	**5,421**	4,679	5,516
Fair value adjustment	**457**	180	178
Gross loans and advances	**370,180**	345,329	320,550
Acceptances	**51,100**	49,322	45,952
Gross loans and advances including acceptances	**421,280**	394,651	366,502
Represented by:			
Loans at fair value [1]	**22,126**	19,564	17,832
Loans at amortised cost	**348,054**	325,765	302,718
Acceptances	**51,100**	49,322	45,952
Gross loans and advances including acceptances	**421,280**	394,651	366,502
Unearned income and deferred net fee income	**(2,766)**	(2,788)	(2,380)
Provision for doubtful debts	**(2,751)**	(2,107)	(2,113)
Net loans and advances including acceptances	**415,763**	389,756	362,009
Securitised loans [2]	**9,256**	12,300	6,551

[1] *On the balance sheet this amount is included within 'Other financial assets at fair value'. These amounts are included in the product and geographical analysis below.*

[2] *Securitised loans are included within the balance of 'Net loans and advances including acceptances'.*

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 31 March 2008						
Overdrafts	6,443	8,845	1,884	-	3	**17,175**
Credit card outstandings	5,170	1,176	915	-	-	**7,261**
Asset & lease financing	12,990	4,630	28	-	3	**17,651**
Housing loans	146,588	25,177	20,647	-	683	**193,095**
Other term lending	62,566	42,422	18,786	4,015	1,331	**129,120**
Other	3,759	1,530	113	19	-	**5,421**
Fair value adjustment	37	356	64	-	-	**457**
Gross loans and advances	237,553	84,136	42,437	4,034	2,020	**370,180**
Acceptances	51,090	10	-	-	-	**51,100**
Gross loans and advances including acceptances	288,643	84,146	42,437	4,034	2,020	**421,280**
Represented by:						
Loans at fair value	794	7,529	13,803	-	-	**22,126**
Loans at amortised cost	236,759	76,607	28,634	4,034	2,020	**348,054**
Acceptances	51,090	10	-	-	-	**51,100**
Gross loans and advances including acceptances	288,643	84,146	42,437	4,034	2,020	**421,280**

By product and geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total Group $m
As at 30 September 2007						
Overdrafts	6,250	8,452	1,809	-	3	**16,514**
Credit card outstandings	4,975	1,294	1,062	-	-	**7,331**
Asset & lease financing	12,310	5,412	28	-	6	**17,756**
Housing loans	140,406	25,109	19,614	-	680	**185,809**
Other term lending	54,708	35,958	17,974	3,370	1,050	**113,060**
Other	3,452	1,151	47	-	29	**4,679**
Fair value adjustment	-	159	21	-	-	**180**
Gross loans and advances	222,101	77,535	40,555	3,370	1,768	**345,329**
Acceptances	49,316	6	-	-	-	**49,322**
Gross loans and advances including acceptances	271,417	77,541	40,555	3,370	1,768	**394,651**
Represented by:						
Loans at fair value	-	6,353	13,211	-	-	**19,564**
Loans at amortised cost	222,101	71,182	27,344	3,370	1,768	**325,765**
Acceptances	49,316	6	-	-	-	**49,322**
Gross loans and advances including acceptances	271,417	77,541	40,555	3,370	1,768	**394,651**

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

Movement from 30 September 2007 excluding foreign exchange	Increase / (Decrease) from 30 Sep 07 Australia %	Europe %	New Zealand %	United States %	Asia %	Total %
Overdrafts	3.1	10.4	3.1	-	-	6.7
Credit card outstandings	3.9	(4.2)	(14.6)	-	-	(0.2)
Asset & lease financing	5.5	(9.8)	-	-	(40.0)	1.0
Housing loans	4.4	5.7	4.2	-	4.4	4.6
Other term lending	14.4	24.4	3.5	24.0	31.9	16.1
Other	10.0	51.9	large	large	large	22.7
Total gross loans and advances	7.0	14.5	3.6	24.5	18.9	8.4

Movement from 31 March 2007 excluding foreign exchange	Increase / (Decrease) from 31 Mar 07 Australia %	Europe %	New Zealand %	United States %	Asia %	Total %
Overdrafts	10.1	16.7	9.0	-	50.0	13.3
Credit card outstandings	6.4	(6.5)	(14.7)	-	-	1.0
Asset & lease financing	10.6	(7.4)	large	-	(57.1)	5.4
Housing loans	9.2	13.7	9.5	-	16.8	9.8
Other term lending	45.6	46.9	14.2	large	34.6	42.0
Other	(12.1)	72.9	70.2	large	large	5.8
Total gross loans and advances	16.4	27.6	11.0	large	24.5	18.9

9. Doubtful Debts

	As at 31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m
Specific provision for doubtful debts	527	307	195
Collective provision for doubtful debts [1]	2,224	1,800	1,918
Total provision for doubtful debts	2,751	2,107	2,113
Deduct: Specific provision for off-balance sheet credit-related commitments	(1)	-	(1)
Net provision for doubtful debts	2,750	2,107	2,112
Net provision for doubtful debts including assets at fair value			
Net provision for doubtful debts	2,750	2,107	2,112
Credit risk adjustment on assets at fair value [2]	255	202	144
Net provision for doubtful debts and credit risk adjustment on assets at fair value	3,005	2,309	2,256

[1] *31 March 2008 balance includes $214 million economic cycle adjustment in the Australia geographic location.*

[2] *As at 31 March 2008 included within the carrying value of loans recorded at fair value and trading derivatives is a credit risk adjustment of $255 million (September 2007 $202 million; March 2007 $144 million).*

Movement in provisions for doubtful debts

	Half Year to Mar 08			Half Year to Sep 07		
	Specific $m	Collective $m	Total $m	Specific $m	Collective $m	Total $m
Opening balance	307	1,800	2,107	195	1,918	2,113
Transfer to/(from) specific/collective provision	480	(480)	-	408	(408)	-
Bad debts recovered	65	-	65	116	-	116
Bad debts written off	(321)	-	(321)	(423)	-	(423)
Charge to income statement	-	940	940	-	400	400
Foreign currency translation and other adjustments	(4)	(36)	(40)	11	(110)	(99)
Total provisions for doubtful debts	527	2,224	2,751	307	1,800	2,107

	Half Year to Mar 07		
	Specific $m	Collective $m	Total $m
Opening balance	184	1,838	2,022
Transfer to/(from) specific/collective provision	285	(285)	-
Bad debts recovered	91	-	91
Bad debts written off	(367)	-	(367)
Charge to income statement	-	390	390
Foreign currency translation and other adjustments	2	(25)	(23)
Total provisions for doubtful debts	195	1,918	2,113

Total charge for doubtful debts by geographic location	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m
Australia	576	208	192
Europe	196	165	175
New Zealand	26	23	23
United States	141	5	1
Asia	1	(1)	(1)
Total charge to provide for doubtful debts	940	400	390

10. Asset Quality

Summary of impaired assets	As at 31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m
Gross impaired assets [1] [2]	**1,474**	1,094	769
Less: Specific provisions - impaired assets	**(527)**	(307)	(195)
Net impaired assets	**947**	787	574

Movement in gross impaired assets	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Balance at 30 September 2006	733	131	39	-	1	904
New	331	62	19	-	-	412
Written off	(53)	(11)	(19)	-	-	(83)
Returned to performing or repaid	(391)	(54)	(15)	-	-	(460)
Foreign currency translation adjustments	-	(4)	-	-	-	(4)
Balance at 31 March 2007	620	124	24	-	1	769
New	502	168	36	47	-	753
Written off	(57)	(41)	(17)	-	-	(115)
Returned to performing or repaid	(245)	(50)	-	-	(1)	(296)
Foreign currency translation adjustments	-	(12)	(1)	(4)	-	(17)
Balance at 30 September 2007	820	189	42	43	-	1,094
New	624	181	29	-	-	834
Written off	(65)	(27)	(17)	-	-	(109)
Returned to performing or repaid	(236)	(55)	(18)	(22)	-	(331)
Foreign currency translation adjustments	-	(13)	-	(1)	-	(14)
Gross impaired assets at 31 March 2008	1,143	275	36	20	-	1,474

(1) *Impaired assets consist of retail loans (excluding credit card loans and portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue; non retail loans which are contractually past due 90 days and there is sufficient doubt about the ultimate collectibility of principal and interest; and impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are classified as impaired when they become 180 days past due (if not written off).*

(2) *In the September 2007 half the Group reviewed its classification as to the recognition of impairment. This resulted in the Group reclassifying defaulted loans where there is no loss expected from impaired assets to non-impaired loans 90 days past due. March 2007 comparatives have been amended to reflect this change.*

Gross impaired assets to gross loans & acceptances - by geographic location	As at 31 Mar 08 %	30 Sep 07 %	31 Mar 07 %
Australia	**0.40**	0.30	0.25
Europe	**0.33**	0.24	0.17
New Zealand	**0.08**	0.10	0.06
United States	**0.50**	1.28	-
Asia	**-**	-	0.05
Total gross impaired assets to gross loans & acceptances (1)	**0.35**	0.28	0.21

(1) *Includes loans at amortised cost and at fair value.*

Group coverage ratios			
Net impaired assets to total equity (2)	**3.1**	2.7	2.0
Net impaired assets to total equity plus collective provision (2) (3)	**2.8**	2.5	1.8
Specific provision to gross impaired assets	**35.8**	28.1	25.4
Total provision to gross impaired assets (3)	**204**	211	293
Total provision to gross loans and acceptances (3)	**0.71**	0.59	0.62
Collective provision to total risk-weighted assets (3)	**0.64**	0.56	0.62
Collective provision to credit risk-weighted assets (3)	**0.65**	0.56	0.63
Collective provision plus general reserve for credit losses to credit risk-weighted assets (3) (4) (5)	**0.70**	0.71	0.71

(2) *Total parent entity interest in equity.*

(3) *Includes economic cycle adjustment and provision against both loans at amortised cost and credit risk adjustment against loans at fair value.*

(4) *From 1 July 2006, a General Reserve for Credit Losses has been established to align with APRA's proposed benchmark of 0.5% of collective provisions on a post tax basis to credit risk-weighted assets. As at 31 March 2008, an additional reserve of $116 million (30 September 2007 $325 million; 31 March 2007 $192 million) was held for capital purposes only to meet APRA's requirements. The General Reserve for Credit Losses has been appropriated from Retained Profits (refer Note 12 'Contributed Equity and Reserves').*

(5) *Includes general reserve for credit losses of $166 million before tax (30 September 2007 $464 million; 31 March 2007 $274 million).*

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

Summary of non-impaired loans 90 days past due	As at 31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m
Total non-impaired assets past due 90 days or more with adequate security	**1,092**	959	877
Non-impaired assets portfolio facilities due 90 to 180 days	**285**	248	255
Total 90 day past due loans (6)	**1,377**	1,207	1,132
Total 90 day past due loans to gross loans and acceptances (%)	**0.33**	0.31	0.31

Non-impaired loans 90 days past due - by geographic location	As at 31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m
Australia	**1,026**	876	881
Europe	**268**	286	220
New Zealand	**82**	45	31
Asia	**1**	-	-
Total 90 day past due loans (6)	**1,377**	1,207	1,132

(6) *In the September 2007 half the Group reviewed its classification as to the recognition of impairment. This resulted in the Group reclassifying defaulted loans where there is no loss expected from impaired assets to non-impaired loans 90 days past due. March 2007 comparatives have been amended to reflect this change.*

11. Deposits & Other Borrowings

	As at		
	31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m
Deposits not bearing interest	**11,169**	10,977	12,216
On-demand and short-term deposits	**112,035**	119,500	111,183
Certificates of deposit	**48,929**	36,714	19,615
Term deposits	**87,045**	77,631	70,729
Total deposits	**259,178**	244,822	213,743
Securities sold under agreements to repurchase	**5,512**	3,615	6,199
Borrowings	**30,682**	20,039	15,607
Fair value adjustment	**(88)**	(118)	(106)
Total deposits and other borrowings	**295,284**	268,358	235,443
Represented by:			
Total deposits at fair value [(1)]	**16,123**	14,133	12,987
Total deposits and other borrowings at cost	**279,161**	254,225	222,456
Total deposits and other borrowings	**295,284**	268,358	235,443

[(1)] *On the balance sheet this amount is included within 'Other financial liabilities at fair value'. These amounts are included in the product and geographical analysis below.*

By product & geographic location	**Australia $m**	**Europe $m**	**New Zealand $m**	**United States $m**	**Asia $m**	**Total $m**
As at 31 March 2008						
Deposits not bearing interest	9,028	1,187	622	328	4	**11,169**
On-demand and short-term deposits	71,897	30,636	7,833	1,553	116	**112,035**
Certificates of deposit	31,640	13,065	3,764	460	-	**48,929**
Term deposits	47,098	17,957	15,417	688	5,885	**87,045**
Total deposits	159,663	62,845	27,636	3,029	6,005	**259,178**
Securities sold under agreements to repurchase	3,100	510	-	1,902	-	**5,512**
Borrowings	17,332	-	7,548	5,802	-	**30,682**
Fair value adjustment	-	(35)	(53)	-	-	**(88)**
Total deposits and other borrowings	180,095	63,320	35,131	10,733	6,005	**295,284**
Represented by:						
Total deposits at fair value	-	2,406	13,717	-	-	**16,123**
Total deposits and other borrowings at cost	180,095	60,914	21,414	10,733	6,005	**279,161**
Total deposits and other borrowings	180,095	63,320	35,131	10,733	6,005	**295,284**

By product & geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
As at 30 September 2007						
Deposits not bearing interest	8,710	1,368	557	341	1	**10,977**
On-demand and short-term deposits	73,459	34,072	7,667	4,216	86	**119,500**
Certificates of deposit	23,201	8,902	4,223	388	-	**36,714**
Term deposits	40,292	14,585	14,775	1,498	6,481	**77,631**
Total deposits	145,662	58,927	27,222	6,443	6,568	**244,822**
Securities sold under agreements to repurchase	2,577	18	-	1,020	-	**3,615**
Borrowings	11,681	-	5,004	3,354	-	**20,039**
Fair value adjustment	-	(89)	(29)	-	-	**(118)**
Total deposits and other borrowings	159,920	58,856	32,197	10,817	6,568	**268,358**
Represented by:						
Total deposits at fair value	-	2,295	11,838	-	-	**14,133**
Total deposits and other borrowings at cost	159,920	56,561	20,359	10,817	6,568	**254,225**
Total deposits and other borrowings	159,920	58,856	32,197	10,817	6,568	**268,358**

By product & geographic location	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
As at 31 March 2007						
Deposits not bearing interest	8,102	3,205	535	373	1	**12,216**
On-demand and short-term deposits	68,488	31,602	8,458	2,534	101	**111,183**
Certificates of deposit	5,946	10,726	2,501	442	-	**19,615**
Term deposits	36,554	13,322	14,747	1,094	5,012	**70,729**
Total deposits	119,090	58,855	26,241	4,443	5,114	**213,743**
Securities sold under agreements to repurchase	4,991	-	23	1,185	-	**6,199**
Borrowings	9,633	-	4,403	1,571	-	**15,607**
Fair value adjustment	-	(81)	(25)	-	-	**(106)**
Total deposits and other borrowings	133,714	58,774	30,642	7,199	5,114	**235,443**
Represented by:						
Total deposits at fair value	-	3,113	9,874	-	-	**12,987**
Total deposits and other borrowings at cost	133,714	55,661	20,768	7,199	5,114	**222,456**
Total deposits and other borrowings	133,714	58,774	30,642	7,199	5,114	**235,443**

Movement from 30 September 2007 excluding foreign exchange	Increase / (Decrease) from 30 Sep 07 Australia %	Europe %	New Zealand %	United States %	Asia %	Total Group %
Deposits not bearing interest	3.7	(8.5)	10.5	0.3	large	2.5
On-demand and short-term deposits	(2.1)	(5.2)	1.2	(61.7)	39.8	(4.8)
Certificates of deposit	36.4	54.8	(11.7)	23.3	-	34.9
Term deposits	16.9	30.4	3.2	(52.2)	(5.5)	13.4
Total deposits	9.6	12.5	0.5	(51.1)	(4.9)	7.3
Securities sold under agreements to repurchase	20.3	large	-	93.9	-	54.2
Borrowings	48.4	-	49.4	80.0	-	54.1
Total deposits and other borrowings	12.6	13.5	8.0	3.2	(4.9)	11.4

Movement from 31 March 2007 excluding foreign exchange	Increase / (Decrease) from 31 Mar 07 Australia %	Europe %	New Zealand %	United States %	Asia %	Total Group %
Deposits not bearing interest	11.4	(58.5)	18.9	-	large	(5.5)
On-demand and short-term deposits	5.0	8.5	(5.4)	(30.3)	30.3	4.4
Certificates of deposit	large	36.4	53.8	18.3	-	large
Term deposits	28.8	51.5	6.7	(28.5)	33.5	27.7
Total deposits	34.1	19.6	7.6	(22.5)	33.5	26.0
Securities sold under agreements to repurchase	(37.9)	large	-	82.5	-	(9.0)
Borrowings	79.9	-	75.2	large	-	large
Total deposits and other borrowings	34.7	20.6	17.2	69.5	33.5	30.1

12. Contributed Equity And Reserves

	As at		
	31 Mar 08	**30 Sep 07**	**31 Mar 07**
Contributed equity	**$m**	**$m**	**$m**
Issued and paid-up share capital			
Ordinary shares, fully paid	**7,932**	8,110	8,585
Other contributed equity			
National Income Securities	**1,945**	1,945	1,945
Trust Preferred Securities	**975**	975	975
Trust Preferred Securities II	**1,014**	1,014	1,014
National Capital Instruments	**397**	397	397
BNZ Income Securities	**380**	-	-
Total contributed equity	**12,643**	12,441	12,916

	Half Year to		
	Mar 08	**Sep 07**	**Mar 07**
Movements in contributed equity	**$m**	**$m**	**$m**
Ordinary share capital			
Balance at beginning of period	**8,110**	8,585	7,948
Shares issued			
Dividend reinvestment plan [1]	**108**	-	-
Executive share option plan no. 2	**20**	29	30
Paying up of partly paid shares	**-**	1	-
Net gain/(loss) realised on treasury shares	**10**	24	8
Share buy back	**-**	(546)	(654)
Exchangeable capital units converted	**-**	4	1,331
(Purchase)/sale and vesting of treasury shares	**(318)**	10	(80)
Current period equity based payments expense vested immediately	**-**	3	2
Employee share savings plan	**2**	-	-
Balance at end of period	**7,932**	8,110	8,585
National Income Securities			
Balance at beginning of period	**1,945**	1,945	1,945
Movement during period	**-**	-	-
Balance at end of period	**1,945**	1,945	1,945
Trust Preferred Securities			
Balance at beginning of period	**975**	975	975
Movement during period	**-**	-	-
Balance at end of period	**975**	975	975
Trust Preferred Securities II			
Balance at beginning of period	**1,014**	1,014	1,014
Movement during period	**-**	-	-
Balance at end of period	**1,014**	1,014	1,014
National Capital Instruments			
Balance at beginning of period	**397**	397	397
Movement during period	**-**	-	-
Balance at end of period	**397**	397	397
BNZ Income Securities			
Balance at beginning of period	**-**	-	-
Movement during period	**380**	-	-
Balance at end of period	**380**	-	-

(1) *During the 2007 year, dividend reinvestment plan shares were purchased on market for delivery to shareholders resulting in no issue of new shares.*

Reserves	As at 31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m
General reserve	**807**	866	715
Asset revaluation reserve	**102**	102	95
Foreign currency translation reserve	**(1,267)**	(860)	(393)
Cash flow hedge reserve	**302**	197	96
Equity based payments reserve	**572**	451	358
General reserve for credit losses	**116**	325	192
Available for sale investments reserve	**9**	(10)	(2)
Total reserves	**641**	1,071	1,061

Movements in reserves	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m
General reserve			
Balance at beginning of period	**866**	715	687
Transfer from/(to) retained profits	**(59)**	151	28
Balance at end of period	**807**	866	715
Asset revaluation reserve			
Balance at beginning of period	**102**	95	100
Revaluation of land and buildings	**-**	18	-
Tax on revaluation adjustments	**-**	(6)	-
Transfer to retained profits	**-**	(5)	(5)
Balance at end of period	**102**	102	95
Foreign currency translation reserve			
Balance at beginning of period	**(860)**	(393)	(135)
Currency translation adjustments	**(407)**	(467)	(258)
Balance at end of period	**(1,267)**	(860)	(393)
Cash flow hedge reserve			
Balance at beginning of period	**197**	96	52
Gains/(losses) on cash flow hedging instruments	**133**	140	62
Gains/(losses) transferred to the income statement	**18**	2	5
Tax on cash flow hedging instruments	**(46)**	(41)	(23)
Balance at end of period	**302**	197	96
Equity based payments reserve			
Balance at beginning of period	**451**	358	227
Current period equity based payments expense not yet vested immediately	**131**	100	119
Tax on equity based payments	**(10)**	(7)	12
Balance at end of period	**572**	451	358

	Half Year to		
	Mar 08	Sep 07	Mar 07
	$m	$m	$m
General reserve for credit losses			
Balance at beginning of period	**325**	192	135
Transfer from/(to) retained profits	**(209)**	133	57
Balance at end of period	**116**	325	192

	Half Year to		
	Mar 08	Sep 07	Mar 07
	$m	$m	$m
Available for sale investments reserve			
Balance at beginning of period	**(10)**	(2)	(2)
Net revaluation gains/(losses)	**(17)**	(48)	-
Impairment transferred to the income statement	**48**	40	-
Deferred income taxes	**(12)**	-	-
Balance at end of period	**9**	(10)	(2)

	Half Year to		
	Mar 08	Sep 07	Mar 07
Reconciliation of Movement in Retained Profits	$m	$m	$m
Balance at beginning of period	**16,059**	15,259	14,461
Actuarial gains/(losses) on defined benefit plans	**147**	173	271
Income tax on items taken directly to or transferred directly from equity	**(41)**	(45)	(98)
Net profit attributable to members of the Company	**2,687**	2,442	2,136
Total available for appropriation	**18,852**	17,829	16,770
Transfer from/(to) general reserve	**59**	(151)	(28)
Transfer from asset revaluation reserve	**-**	5	5
Transfer from/(to) general reserve for credit losses	**209**	(133)	(57)
Dividends paid	**(1,469)**	(1,345)	(1,294)
Distributions on other equity instruments	**(157)**	(146)	(137)
Balance at end of period	**17,494**	16,059	15,259

13. Notes to the Cash Flow Statement

(a) Reconciliation of net profit attributable to members of the members of the Company to net cash used in operating activities

	Half Year to		
	Mar 08	Sep 07	Mar 07
	$m	$m	$m
Net profit attributable to members of the Company	**2,687**	2,442	2,136
Add/(deduct): Non-cash items			
(Increase)/decrease in interest receivable	**(505)**	(890)	110
Increase in interest payable	**610**	867	55
Increase in unearned income	**43**	464	12
Fair value movements			
Assets, liabilities and derivatives held at fair value	**83**	1,828	(1,276)
Net adjustment to bid/offer valuation	**23**	(32)	-
(Decrease)/increase in personnel provisions	**(163)**	78	(129)
(Decrease)/increase in other operating provisions	**(177)**	1	(188)
Equity based payments recognised in equity or reserves	**131**	103	121
Superannuation costs - defined benefit pension plans	**1**	(1)	17
Impairment losses on non-financial assets	**30**	61	7
Charge to provide for bad and doubtful debts	**940**	400	390
Increase in provision for new business initiatives	**106**	-	-
Depreciation and amortisation expense	**264**	278	249
Revaluation losses on exchangeable capital units	**-**	3	76
Movement in life insurance policyholder liabilities	**(3,109)**	3,295	4,782
Unrealised loss/(gain) on investments relating to life insurance business	**6,160**	1,372	(2,867)
Decrease/(increase) in other assets	**251**	(3,781)	(1,060)
(Decrease)/increase in other liabilities	**(165)**	149	(10)
(Decrease)/increase in income tax payable	**(72)**	(518)	362
(Decrease)/increase in deferred tax liabilities	**(665)**	(324)	244
(Increase)/decrease in deferred tax assets	**(269)**	5	83
Deduct: Operating cash flows items not included in profit	**(14,788)**	(14,057)	(9,013)
(Deduct)/add: Investing or financing cash flows included in profit			
(Profit)/loss on Visa IPO and available for sale securities	**(242)**	8	-
Profit on sale of property, plant, equipment and other assets	**(17)**	(28)	(4)
Net cash used in operating activities	**(8,843)**	(8,277)	(5,903)

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the period as shown in the statement of cash flows is reconciled to the related items on the balance sheet as follows:

	Half Year to		
	Mar 08	Sep 07	Mar 07
Cash and cash equivalents	$m	$m	$m
Assets			
Cash and liquid assets (excluding money at short call)	**12,256**	12,796	13,761
Treasury and other eligible bills	**459**	424	660
Due from other banks (excluding mandatory deposits with supervisory central banks)	**39,065**	25,016	20,523
	51,780	38,236	34,944
Liabilities			
Due to other banks	**(50,557)**	(42,566)	(38,262)
Total cash and cash equivalents	**1,223**	(4,330)	(3,318)

(c) Non-cash financing and investing activities

	Half Year to		
	Mar 08	Sep 07	Mar 07
	$m	$m	$m
New share issues			
Dividend reinvestment plan	108	-	-
Bonus share plan	46	50	53
Movement in assets under finance lease	41	8	13

(d) Acquisitions of controlled entities

The following acquisitions were made during the half year to March 2008:

- on 31 October 2007, the Group acquired 100% of Austcorp 670 Hunter Street Fund for cash consideration.
- on 2 November 2007, the Group acquired 90% of New City Living Japan KK for cash consideration.
- on 9 November 2007, MLC Limited acquired 51% of Northward Capital Pty Ltd for cash consideration.

The operating results of the acquired entities have been included in the Group's consolidated income statement from their acquisition dates. Details of the acquisitions were as follows:

	Half Year to		
	Mar 08	Sep 07	Mar 07
	$m	$m	$m
Cash and liquid assets	13	-	-
Property, plant and equipment	329	-	-
Goodwill and other intangible assets	1	-	-
Other assets	2	-	-
Due to other banks	(249)	-	-
Deposits and other borrowings	(24)	-	-
Other liabilities	(4)	-	-
Net identifiable assets and liabilities	68	-	-
Goodwill on acquisition	3	-	-
Consideration paid, satisfied in cash	71	-	-
Less: Cash and cash equivalents acquired			
Cash and liquid assets	(13)	-	-
Due to other banks	249	-	-
Net cash outflow	307	-	-

There were no other material entities over which the Group gained control during the half year 31 March 2008. The Group holds no material interests in associates or joint venture entities as at 31 March 2008.

14. Life Insurance Operations

Income Statement Items	Half Year to Mar 08 $m	Sep 07 $m	Mar 07 $m
Premium and related revenue	**380**	365	349
Investment revenue	**(6,152)**	3,294	4,883
Fee income	**281**	286	257
Claims expense	**(239)**	(281)	(234)
Change in policy liabilities	**5,133**	(2,560)	(3,753)
Policy acquisition and maintenance expense	**(407)**	(436)	(392)
Investment management expense	**(16)**	(10)	(10)
Net life insurance income	**(1,020)**	658	1,100
(Profit)/loss before income tax expense attributable to the life insurance statutory funds and their controlled trusts	**1,292**	(692)	(1,208)
Income tax expense/(benefit) attributable to the statutory funds of the life insurance business	**(628)**	196	387
Net (profit)/loss attributable to minority interest	**844**	(329)	(665)

Related Balance Sheet Items	As at 31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m
Investments relating to life insurance business	**57,346**	62,630	59,056
Life policy liabilities	**49,580**	53,097	50,380
Managed fund units on issue	**7,673**	8,116	7,875

In accordance with Australian accounting standards, Investment revenue includes returns on assets held in the Group's investment-linked business and returns on assets held in the life insurance business. Life policy liabilities and Managed fund units on issue represent amounts owed to policy holders and unit holders of consolidated trusts. Movements in these liabilities reflect policy and unit holders' share in the performance of investment assets and accordingly the share of net life insurance income.

Negative investment market experience within domestic and global financial markets over the course of the 31 March 2008 half has had a significant impact upon individual components of the Group's life insurance operations as follows:

- a reduction in investment revenue attributable to unit linked investments and life insurance business that is largely offset by movements in amounts owing to policyholders.
- a reduction in investment revenue attributable to equity investment holdings in consolidated trusts. The minority interest holders of the trusts share in these losses; their share is reflected as the Net loss attributable to minority interests and therefore increases Net profit attributable to members of the company.
- the Income tax expense attributable to life insurance business includes both policyholder and shareholder tax across a range of products and is impacted by the negative earnings for both policyholders and shareholders.

15. Contingent Liabilities and Commitments

Legal Proceedings

Entities within the Group are defendants from time to time in legal proceedings arising from the conduct of their business.

The Group does not consider that the outcome of any proceedings, either individually or in aggregate, is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

There are contingent liabilities in respect of claims, potential claims and court proceedings against entities of the Group. The aggregate of potential liability in respect thereof cannot be accurately assessed.

Exchangeable capital units capital raising

The Group announced in February 2004 and May 2005 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 2003 and deductions for certain issue costs for the years 1998 to 2001. The ATO assessments are for $298 million of primary tax and interest and penalties of $254 million (after-tax), a total of $552 million (after-tax). As previously advised, 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.

As previously announced in May 2007, the ATO has also issued amended assessments to disallow deductions claimed for the payment of management fees associated with the ExCaps for years 1997 to 2003. These additional ATO assessments are for $9 million of primary tax and interest and penalties of $7 million (after tax), a total of $16 million (after-tax).

The ATO has advised the Group that it has reviewed the amount of interest imposed and as a result of this review it has decided to remit interest by applying reduced rates for all years, except the 2004 year.

In accordance with ATO practice on disputed assessments, the Group has paid 50% of the amounts owing under the amended assessments, a total of $307 million. These payments have been recognised as an asset by the Group in its accounts, included within other assets, on the basis that the Group expects recovery of the amount paid to the ATO. Interest may accrue on the unpaid disputed amounts. The Group has not tax-effected interest paid on the ExCaps after 1 October 2003 whilst the tax treatment is in dispute. As the ExCaps have now been redeemed no additional income tax expense arose for the 2008 half year (compared to additional income tax expense of $7 million in the 2007 year).

The Group disputes the amended assessments for the ExCaps and intends to pursue all necessary avenues of objection and appeal. Objections against the amended assessments have been lodged but as yet have not been determined. No provision has been raised for this matter. The Company continues to consider opportunities to resolve this matter.

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.

As part of this review, subsidiaries of the Group have received amended tax assessments for the 1998 to 2005 years from the IRD with respect to certain structured finance transactions. The amended assessments are for income tax of approximately NZ$416 million. As at 31 March 2008, interest of NZ$197 million (net of tax) would be payable on this amount. The possible application of penalties has yet to be considered by the IRD.

The New Zealand Government introduced new legislation, effective 1 July 2005, which addresses their concerns with banks entering into these transactions. All of the structured finance transactions of the Group's subsidiaries that are the subject of the IRD's review were terminated by that date.

The Group 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 to these transactions. The Group has 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 Group has commenced legal proceedings to challenge the IRD's assessments.

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 half year ended 31 March 2008.

Wealth Management Reinsurance

The ATO continues its review of a reinsurance contract entered into by the Australian Wealth Management business in the 1998 tax year and amended in the 2000 tax year. The ATO previously expressed the view that expenditure incurred under the reinsurance contract was not deductible under certain technical provisions of the tax law.

In August 2007, the ATO concluded its review of this matter and issued amended assessments to the Wealth Management subsidiaries that were parties to the reinsurance contract.

The ATO assessments were for $54 million of primary tax and interest and penalties of $16 million (after tax), a total of $70 million (after tax).

In accordance with ATO practice on disputed assessments, the Group has paid 50% of the amounts owing under the amended assessments. This payment has been recognised as an asset by the Group in its accounts as at 31 March 2008 on the basis that the Group expects full recovery of the amount paid to the ATO. Interest may accrue on the unpaid disputed amount. No provision has been raised for this matter.

Objections have been lodged disputing the ATO's amended assessments. The objections are currently being considered by the ATO. The Group will be making further submissions to the ATO in support of its position. At this stage a decision by the ATO in relation to the objections is expected by the end of June 2008. Should the objections be determined unfavourably by the ATO, the Group intends to pursue all necessary avenues of appeal.

Refund of current account fees and associated costs regarding the Office of Fair Trading (OFT) investigation

The trial of a number of issues between the banks and the OFT took place during January and February 2008 with Judgment being given on 24 April. The main issue of whether the charges are unfair under the Unfair Terms in Consumer Contracts Regulations 1999 has yet to be decided. The Judge held, as a preliminary issue of law, that the charges were capable of being assessed for fairness but that does not mean that the charges are to be regarded as unfair or that they are not binding upon consumers. The judgment may be the subject of an appeal to the Court of Appeal. It follows that the legal position remains uncertain.

None of the terms and conditions examined by the Court were found to be penalty clauses at common law and these included an earlier version of the terms used by Clydesdale bank.

The OFT has yet to publish the results of its market study or its enquiry into the level of charges.

Directors' Declaration

The directors of National Australia Bank Limited declare that, in the directors' opinion:

(a) as at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) the financial statements and the notes thereto, as set out on pages 74 to 102, are in accordance with the *Corporations Act 2001 (Cth)*, including:

  (i) section 304, which requires that the half-year financial report comply with the Accounting Standards made by the Australian Accounting Standards Board for the purposes of the *Corporations Act 2001 (Cth)* and any further requirements in the *Corporations Regulations 2001*; and

  (ii) section 305, which requires that the financial statements and notes thereto give a true and fair view of the financial position of the Group as at 31 March 2008, and of the performance of the Group for the six months ended 31 March 2008.

Dated this 9th day of May, 2008 and signed in accordance with a resolution of the directors.

Michael A Chaney
Chairman

John M Stewart
Group Chief Executive Officer

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To the members of National Australia Bank Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of National Australia Bank Limited (the Company), which comprises the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, consolidated recognised income and expense statement and consolidated cash flow statement for the half year ended on that date, other selected explanatory notes 1 to 15 and the directors' declaration set out on pages 74 to 103 of the consolidated entity comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report
The directors of the Company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2008 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the Report of the Directors.

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of National Australia Bank Limited is not in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2008 and of its performance for the half year ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

AJ Johnson

AJ (Tony) Johnson
Partner

Melbourne
9 May 2008

Section 6

Supplementary Information

1. Net Interest Margins and Spreads

Group	Half Year to Mar 08 %	Sep 07 %	Mar 07 %	Mar 08 v Sep 07	Mar 08 v Mar 07
Net interest spread [(1)]	1.67	1.76	1.85	(9bp)	(18bp)
Benefit of net free liabilities, provisions and equity	0.50	0.49	0.48	1bp	2bp
Net interest margin [(2)]	2.17	2.25	2.33	(8bp)	(16bp)

[(1)] *Net interest spread represents the difference between the average interest rate earned and the average interest rate incurred on funds.*

[(2)] *Net interest margin is net interest income as a percentage of average interest earning assets.*

Interest earning assets	Half Year to Mar 08 $bn	Mar 08 Mix %	Mar 07 $bn	Mar 07 Mix %	Movement in mix % of Group AIEA
Australia Banking	**247.7**	**50.8**	222.8	54.1	(3.3)
UK Region	**73.1**	**15.0**	63.3	15.4	(0.4)
New Zealand Region	**37.4**	**7.7**	34.0	8.2	(0.5)
nabCapital	**183.3**	**37.6**	145.3	35.2	2.4
Other [(1)]	**(54.1)**	**(11.1)**	(53.2)	(12.9)	1.8
Group	**487.4**	**100.0**	412.2	100.0	-

Net interest income and margins	Half Year to Mar 08 $m	Mar 08 NIM %	Mar 07 $m	Mar 07 NIM %	NIM Change
Australia Banking	**2,917**	**2.36**	2,691	2.42	(6bp)
UK Region	**970**	**2.66**	996	3.16	(50bp)
New Zealand Region	**466**	**2.49**	425	2.51	(2bp)
nabCapital	**948**	**1.03**	533	0.74	29bp
Other [(1)]	**2**	**(0.01)**	154	(0.58)	57bp
Group - Ongoing operations	**5,303**	**2.18**	4,799	2.33	(15bp)
Disposed operations	**(10)**	**(0.01)**	(10)	-	(1bp)
Group	**5,293**	**2.17**	4,789	2.33	(16bp)

Contribution to Group Margin	Impact of Change in NIM [(2)]	Impact of Change in MIX [(3)]	Impact on Group NIM
Australia Banking	(3bp)	(1bp)	**(4bp)**
UK Region	(8bp)	0bp	**(8bp)**
New Zealand Region	0bp	0bp	**0bp**
nabCapital	10bp	(3bp)	**7bp**
Other [(1)]	(6bp)	(4bp)	**(10bp)**
Group - Ongoing operations	(7bp)	(8bp)	**(15bp)**
Disposed operations	(1bp)	0bp	**(1bp)**
Group	(8bp)	(8bp)	**(16bp)**

[(1)] *Includes Other (Including Asia), Group Funding and Corporate Centre operations and intercompany eliminations.*

[(2)] *The increase/(decrease) in net interest margin assuming no change in mix of average interest earning assets.*

[(3)] *The increase/(decrease) in net interest margin caused by changes in regional mix of average interest earning assets.*

2. Loans and Advances by Industry and Geography

As at 31 March 2008	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	951	613	369	13	-	**1,946**
Agriculture, forestry, fishing and mining	6,489	3,412	6,075	-	25	**16,001**
Financial, investment and insurance	13,521	7,158	1,431	3,384	760	**26,254**
Real estate - construction	855	2,333	102	46	97	**3,433**
Manufacturing	4,766	2,945	1,893	416	11	**10,031**
Real estate - mortgage	146,588	25,177	20,647	-	683	**193,095**
Instalment loans to individuals and other personal lending (including credit cards)	9,260	6,340	1,479	-	72	**17,151**
Asset and lease financing	12,990	4,630	28	-	3	**17,651**
Commercial property services	15,803	14,530	5,967	-	-	**36,300**
Other commercial and industrial	26,330	16,998	4,446	175	369	**48,318**
Gross loans and advances [1]	237,553	84,136	42,437	4,034	2,020	**370,180**
Acceptances	51,090	10	-	-	-	**51,100**
Gross loans and advances including acceptances	288,643	84,146	42,437	4,034	2,020	**421,280**
Deduct: Unearned income and deferred net fee income	(1,880)	(854)	(25)	(4)	(3)	**(2,766)**
Provisions for doubtful debts	(1,732)	(694)	(160)	(161)	(4)	**(2,751)**
Total net loans and advances including acceptances	285,031	82,598	42,252	3,869	2,013	**415,763**

As at 30 September 2007	Australia $m	Europe $m	New Zealand $m	United States $m	Asia $m	Total $m
Government and public authorities	699	569	320	16	-	**1,604**
Agriculture, forestry, fishing and mining	6,371	2,854	5,694	-	43	**14,962**
Financial, investment and insurance	9,116	4,986	1,347	2,833	726	**19,008**
Real estate - construction	909	1,804	79	50	61	**2,903**
Manufacturing	4,639	2,663	2,094	310	10	**9,716**
Real estate - mortgage	140,406	25,109	19,614	-	680	**185,809**
Instalment loans to individuals and other personal lending (including credit cards)	9,021	5,141	1,413	-	-	**15,575**
Asset and lease financing	12,310	5,412	28	-	6	**17,756**
Commercial property services	13,641	14,635	5,396	-	56	**33,728**
Other commercial and industrial	24,989	14,362	4,570	161	186	**44,268**
Gross loans and advances [1]	222,101	77,535	40,555	3,370	1,768	**345,329**
Acceptances	49,316	6	-	-	-	**49,322**
Gross loans and advances including acceptances	271,417	77,541	40,555	3,370	1,768	**394,651**
Deduct: Unearned income and deferred net fee income	(1,868)	(889)	(24)	(4)	(3)	**(2,788)**
Provisions for doubtful debts	(1,294)	(640)	(145)	(24)	(4)	**(2,107)**
Total net loans and advances including acceptances	268,255	76,012	40,386	3,342	1,761	**389,756**

(1) *Includes loans at fair value.*

3. Average Balance Sheet and Related Interest

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

Average assets and interest income

	Half Year ended Mar 08			Half Year ended Sep 07			Half Year ended Mar 07		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	$m	$m	%	$m	$m	%	$m	$m	%
Average interest earning assets									
Due from other banks									
Australia	15,836	468	5.9	14,064	396	5.6	11,884	327	5.5
Europe	12,411	310	5.0	8,707	231	5.3	8,021	213	5.3
Other International	3,570	105	5.9	3,719	115	6.2	4,717	137	5.8
Marketable debt securities									
Australia	23,060	771	6.7	12,814	398	6.2	11,306	345	6.1
Europe	7,656	171	4.5	6,004	139	4.6	6,048	131	4.3
Other International	7,051	197	5.6	5,566	169	6.1	6,448	199	6.2
Loans and advances - housing									
Australia	142,483	5,517	7.7	137,678	5,074	7.4	131,450	4,750	7.2
Europe	25,445	761	6.0	24,954	767	6.1	24,578	696	5.7
Other International	20,819	854	8.2	20,434	812	7.9	19,088	741	7.8
Loans and advances - non-housing									
Australia	87,645	3,756	8.6	74,966	2,926	7.8	67,106	2,534	7.6
Europe	57,069	2,125	7.4	50,461	1,936	7.7	46,493	1,653	7.1
Other International	26,404	1,285	9.7	24,626	1,218	9.9	22,660	1,058	9.4
Acceptances									
Australia	50,954	2,064	8.1	48,324	1,839	7.6	44,492	1,679	7.6
Europe	10	-	-	9	-	-	15	-	-
Other interest earning assets									
Australia	4,064	154	n/a	4,110	262	n/a	2,052	19	n/a
Europe	561	37	n/a	1,303	45	n/a	2,519	55	n/a
Other International	2,392	66	n/a	3,158	41	n/a	3,344	53	n/a
Total average interest earning assets and interest revenue by:									
Australia	324,042	12,730	7.9	291,956	10,895	7.4	268,290	9,654	7.2
Europe	103,152	3,404	6.6	91,438	3,118	6.8	87,674	2,748	6.3
Other International	60,236	2,507	8.3	57,503	2,355	8.2	56,257	2,188	7.8
Total average interest earning assets and interest revenue	487,430	18,641	7.6	440,897	16,368	7.4	412,221	14,590	7.1

Average assets and interest income

	Half Year ended Mar 08			Half Year ended Sep 07			Half Year ended Mar 07		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average non-interest earning assets									
Investments relating to life insurance business [1]									
Australia	**60,835**			62,825			58,103		
Other International	**42**			40			40		
Other assets	**45,369**			38,815			30,795		
Total average non-interest earning assets	**106,246**			101,680			88,938		
Provision for doubtful debts									
Australia	**(1,353)**			(1,288)			(1,168)		
Europe	**(645)**			(694)			(684)		
Other International	**(186)**			(169)			(157)		
Total average assets	**591,492**			540,426			499,150		
Percentage of total average interest earning assets applicable to international operations	**33.5%**			33.8%			34.9%		

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

Average liabilities and interest expense

	Half Year ended Mar 08			Half Year ended Sep 07			Half Year ended Mar 07		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average interest bearing liabilities									
Term deposits and certificates of deposit									
Australia	**74,877**	**2,581**	**6.9**	47,493	1,443	6.1	46,555	1,367	5.9
Europe	**30,607**	**817**	**5.3**	27,978	737	5.3	28,068	678	4.8
Other International	**28,489**	**1,034**	**7.3**	28,353	970	6.8	27,219	870	6.4
On-demand and savings (short-term) deposits									
Australia	**73,261**	**1,850**	**5.1**	70,040	1,731	4.9	67,302	1,620	4.8
Europe	**30,945**	**506**	**3.3**	32,065	537	3.3	29,325	398	2.7
Other International	**10,942**	**233**	**4.3**	11,220	243	4.3	10,346	198	3.8
Due to other banks and official institutions									
Australia	**17,820**	**530**	**5.9**	15,809	415	5.2	12,577	314	5.0
Europe	**24,188**	**572**	**4.7**	16,037	420	5.2	11,973	330	5.5
Other International	**10,925**	**242**	**4.4**	11,175	297	5.3	11,601	277	4.8
Short-term borrowings									
Australia	**16,158**	**456**	**5.6**	21,024	591	5.6	19,392	534	5.5
Europe	**-**	**-**	**-**	-	-	-	230	6	5.2
Other International	**12,102**	**254**	**4.2**	8,783	228	5.2	7,613	198	5.2
Long-term borrowings									
Australia	**70,570**	**2,660**	**7.5**	64,405	2,103	6.5	59,065	1,602	5.4
Europe	**12,338**	**382**	**6.2**	7,412	230	6.2	4,086	110	5.4
Other International	**5,838**	**165**	**5.7**	5,405	167	6.2	4,373	121	5.5
Liability on acceptances									
Australia	**26,508**	**856**	**6.5**	35,353	1,123	6.3	33,455	1,041	6.2
Europe	**10**	**-**	**-**	1	-	-	11	-	-
Other interest bearing liabilities									
Australia	**388**	**18**	**n/a**	65	8	n/a	155	3	n/a
Europe	**25**	**-**	**n/a**	51	1	n/a	263	7	n/a
Other International	**663**	**207**	**n/a**	662	161	n/a	716	133	n/a
Total average interest bearing liabilities and interest expense by:									
Australia	**279,582**	**8,951**	**6.4**	254,189	7,414	5.8	238,501	6,481	5.4
Europe	**98,113**	**2,277**	**4.6**	83,544	1,925	4.6	73,956	1,529	4.1
Other International	**68,959**	**2,135**	**6.2**	65,598	2,066	6.3	61,868	1,797	5.8
Total average interest bearing liabilities and interest expense	**446,654**	**13,363**	**6.0**	403,331	11,405	5.6	374,325	9,807	5.3

Average liabilities and interest expense

	Half Year ended Mar 08			Half Year ended Sep 07			Half Year ended Mar 07		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Average non-interest bearing liabilities									
Deposits not bearing interest									
Australia	**9,196**			7,902			7,908		
Europe	**1,180**			1,217			2,687		
Other International	**1,161**			913			899		
Life insurance policy liabilities									
Australia	**51,911**			51,975			48,645		
Other liabilities	**51,184**			45,298			36,312		
Total average non-interest bearing liabilities	**114,632**			107,305			96,451		
Total average liabilities	**561,286**			510,636			470,776		

Average equity									
Ordinary shares	**8,012**			8,293			8,109		
Trust Preferred Securities	**975**			975			975		
Trust Preferred Securities II	**1,014**			1,014			1,014		
National Income Securities	**1,945**			1,945			1,945		
National Capital Instruments	**397**			397			397		
BNZ Income Securities	**7**			-			-		
Contributed equity	**12,350**			12,624			12,440		
Reserves	**1,075**			1,043			1,041		
Retained profits	**16,473**			15,759			14,641		
Parent entity interest	**29,898**			29,426			28,122		
Minority interest in controlled entities	**308**			364			252		
Total average equity	**30,206**			29,790			28,374		
Total average liabilities and equity	**591,492**			540,426			499,150		
Percentage of total average interest bearing liabilities applicable to international operations	**37.4%**			37.0%			36.3%		

4. Capital Adequacy

Life Insurance and Funds Management Activities

Under guidelines issued by APRA, life insurance and funds management activities are excluded from the calculation of risk-weighted assets, and the related controlled entities are deconsolidated for the purposes of calculating capital adequacy. The intangible component of the investment in these controlled entities is deducted from Tier 1 capital, with the balance of the investment deducted from the total of eligible Tier 1 and Tier 2 capital. Upon Basel II accreditation, the balance of the investment will be deducted 50% from Tier 1 capital and 50% from the total of eligible Tier 1 and Tier 2 capital. Additionally, any profits from these activities included in the Group's results are excluded from the determination of Tier 1 capital to the extent that they have not been remitted to the Company.

	As at		
	31 Mar 08	30 Sep 07	31 Mar 07
Reconciliation to shareholder's funds	$m	$m	$m
Contributed equity	**12,643**	12,441	12,916
Reserves	**641**	1,071	1,061
Retained profits	**17,494**	16,059	15,259
Minority interest	**27**	314	331
Total equity per consolidated balance sheet	**30,805**	29,885	29,567
National Capital Instruments, €400 million (1)	**688**	642	661
Residual Tier 1 Convertible Notes (1)	**597**	-	-
Treasury shares	**1,134**	1,080	1,107
Eligible deferred fee income	**249**	227	207
Adjusted total equity	**33,473**	31,834	31,542
Estimated final dividend	**(1,583)**	(1,540)	(1,420)
Estimated reinvestment under dividend reinvestment plan and bonus share plan	**728**	172	51
Banking goodwill	**(1,247)**	(565)	(553)
Wealth Management goodwill and other intangibles	**(3,897)**	(3,901)	(3,905)
Deconsolidation of Wealth Management profits (net of dividends)	**(70)**	(349)	(104)
Profit on sale arising from Wealth Management restructure (2)	**-**	451	451
Revaluation reserves	**(111)**	(102)	(94)
DTA (excluding DTA on the collective provision for doubtful debts) (3)	**(309)**	(166)	(114)
Non qualifying minority interest	**(27)**	(314)	(331)
Capitalised expenses (4)	**(130)**	(92)	(51)
Capitalised software (excluding Wealth Management)	**(902)**	(864)	(759)
Defined benefit pension surplus	**(419)**	(348)	(199)
Change in own creditworthiness	**(70)**	(10)	-
General reserve for credit losses (5)	**(116)**	(325)	(192)
Cash flow hedge reserve	**(302)**	(197)	(96)
Tier 1 capital	**25,018**	23,684	24,226

	As at		
	31 Mar 08	30 Sep 07	31 Mar 07
	$m	$m	$m
Collective provision for doubtful debts (6)	**1,782**	1,432	1,443
General reserve for credit losses (5)	**116**	325	192
Total collective provision for doubtful debts	**1,898**	1,757	1,635
Revaluation reserves	**50**	46	42
Perpetual floating rate notes	**272**	283	310
Dated subordinated debt	**11,373**	11,035	9,713
Tier 2 capital	**13,593**	13,121	11,700
Other deductions (7)	**(1,302)**	(1,313)	(1,194)
Total capital	**37,309**	35,492	34,732
Risk-weighted assets - credit risk	**379,706**	351,410	327,027
Risk-weighted assets - market risk	**4,712**	3,856	3,430
Total risk-weighted assets	**384,418**	355,266	330,457
Risk adjusted capital ratios			
Tier 1	**6.51%**	6.67%	7.33%
Tier 2	**3.54%**	3.69%	3.54%
Deductions	**(0.34%)**	(0.37%)	(0.36%)
Total capital	**9.71%**	9.99%	10.51%

	As at		
	31 Mar 08	30 Sep 07	31 Mar 07
Regulatory capital summary	$m	$m	$m
Fundamental Tier 1 capital	**27,477**	26,861	26,550
Non-innovative residual Tier 1 capital	**1,945**	1,945	1,945
Innovative residual Tier 1 capital	**4,051**	3,028	3,047
Total residual Tier 1 capital	**5,996**	4,973	4,992
Tier 1 deductions	**(8,455)**	(8,150)	(7,316)
Tier 1 capital	**25,018**	23,684	24,226
Tier 2 capital	**13,593**	13,121	11,700
Other deductions	**(1,302)**	(1,313)	(1,194)
Total capital	**37,309**	35,492	34,732

(1) *Residual Tier 1 capital instrument that is classified as debt for accounting purposes but qualifies as Tier 1 capital for regulatory purposes.*

(2) *Relates to profit, arising in the banking group, from the sale of the life and insurance businesses of Bank of New Zealand and National Australia Group Europe to NAFiM subsidiaries on 1 January 2002. With effect from 1 January 2008, the profit on sale was excluded from Tier 1 capital.*

(3) *APRA requires any excess deferred tax assets (DTA) (excluding DTA on the collective provision for doubtful debts) over deferred tax liabilities to be deducted from Tier 1 capital.*

(4) *Comprises capitalised costs associated with debt raisings and securitisations. Loan origination fees are netted against eligible deferred fee income.*

(5) *As required by APRA, the general reserve for credit losses is a specific reserve set up such that the sum of this reserve and the collective provision for doubtful debts on a post-tax basis is equal to 0.5% of credit risk-weighted assets. This is an appropriation from retained profits to non distributable reserves. It is a deduction from Tier 1 capital and qualifies as Tier 2 capital.*

(6) *Includes $255 million (pre-tax) provision for doubtful debts classified within loans recorded at fair value and trading derivatives at 31 March 2008 (30 September 2007 $202 million; 31 March 2007 $144 million).*

(7) *Includes $1,075 million investment in non-consolidated controlled entities, net of intangible component deducted from Tier 1 capital (30 September 2007 $1,075 million; 31 March 2007 $1,075 million).*

Adjusted common equity ratio reconciliation	As at 31 Mar 08 $m	30 Sep 07 $m	31 Mar 07 $m
Tier 1 capital	**25,018**	23,684	24,226
Adjusted for:			
National Income Securities	**(1,945)**	(1,945)	(1,945)
Trust Preferred Securities	**(975)**	(975)	(975)
Trust Preferred Securities II	**(1,014)**	(1,014)	(1,014)
National Capital Instruments, A$	**(397)**	(397)	(397)
National Capital Instruments, €400 million	**(688)**	(642)	(661)
Residual Tier 1 Convertible Notes	**(597)**	-	-
BNZ Income Securities, NZ $450 million	**(380)**	-	-
Other deductions	**(1,302)**	(1,313)	(1,194)
Adjusted common equity	**17,720**	17,398	18,040
Total risk-weighted assets	**384,418**	355,266	330,457
Adjusted common equity ratio	**4.61%**	4.90%	5.46%

Wealth Management capital adequacy position

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

Risk adjusted assets and off-balance sheet exposures

	Balance			Risk	Risk-adjusted balance		
	Mar 08	Sep 07	Mar 07	weights	Mar 08	Sep 07	Mar 07
	$m	$m	$m	%	$m	$m	$m
Assets							
Cash, claims on Reserve Bank of Australia, Australian Commonwealth and State Government, OECD central governments and central banks	**50,972**	40,535	40,096	-	**-**	-	-
Claims on Australian banks, local governments and banks incorporated in OECD countries	**32,072**	30,169	13,461	20	**6,414**	6,034	2,692
Housing loans [(1)]	**164,997**	157,440	157,205	50	**82,499**	78,720	78,603
All other assets	**255,523**	233,873	212,326	100	**255,523**	233,873	212,326
Total assets [(2)]	**503,564**	462,017	423,088		**344,436**	318,627	293,621

	Contract or notional amount	Credit equivalent amount	Risk	Risk-adjusted balance		
	Mar 08	Mar 08	weights	Mar 08	Sep 07	Mar 07
	$m	$m	%	$m	$m	$m
Off-balance sheet exposures						
Financial guarantees, standby letters of credit and other letters of credit	**13,802**	**12,648**	0 - 100	**8,497**	8,504	8,658
Performance related guarantees, warranties and indemnities	**4,783**	**2,391**	0 - 100	**2,320**	2,923	2,788
Commitments to provide finance facilities with residual term to maturity of over 12 months and other commitments	**123,335**	**26,126**	0 - 100	**18,175**	15,256	16,287
Foreign exchange, interest rate and other market related transactions	**3,085,860**	**27,521**	0 - 50	**6,278**	6,100	5,673
Total off-balance sheet exposures	**3,227,780**	**68,686**		**35,270**	32,783	33,406
Total risk-adjusted assets				**344,436**	318,627	293,621
Total risk-adjusted assets and off-balance sheet exposures - credit risk				**379,706**	351,410	327,027
Add: Risk-adjusted assets - market risk				**4,712**	3,856	3,430
Total assessed risk exposure				**384,418**	355,266	330,457

(1) *Housing loans approved after September 5, 1994 having a loan to market valuation ratio in excess of 80% must be risk weighted at 100%. However, these loans may qualify for the 50% risk weighting if they are covered by an adequate level of mortgage insurance provided by an acceptable lenders mortgage insurer. These are reported under all other assets.*

(2) *Total assets differ from those in the Group's balance sheet due to adoption of APRA's classification of certain items for capital adequacy purposes, particularly goodwill and provision for doubtful debts. In addition, fair values of trading derivative financial instruments have been excluded as they have been incorporated into the calculation of the credit equivalent amount of off-balance sheet exposures.*

5. Earnings per Share

Earnings per Share	Mar 08 Basic	Mar 08 Diluted	Sep 07 Basic	Sep 07 Diluted [1]	Mar 07 Basic	Mar 07 Diluted [1]
Earnings ($m)						
Net profit attributable to members of the Company	**2,687**	**2,687**	2,442	2,442	2,136	2,136
Distributions on other equity instruments	**(157)**	**(157)**	(146)	(146)	(137)	(137)
Adjusted earnings	**2,530**	**2,530**	2,296	2,296	1,999	1,999
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares	**1,626,106**	**1,626,106**	1,624,891	1,624,891	1,622,864	1,622,864
Treasury shares	**(33,508)**	**(29,712)**	(27,668)	(27,668)	(26,541)	(26,541)
Potential dilutive ordinary shares						
Performance options and performance rights	**-**	**604**	-	1,670	-	4,754
Partly paid ordinary shares	**-**	**174**	-	211	-	263
Employee share plans	**-**	**3,148**	-	1,759	-	2,461
Total weighted average ordinary shares	**1,592,598**	**1,600,320**	1,597,223	1,600,863	1,596,323	1,603,801
Earnings per share (cents)	**158.9**	**158.1**	143.7	143.4	125.2	124.6

(Half Year to)

[1] *During the half years ended 30 September 2007 and 31 March 2007, the impact of exchangeable capital units has not been included in the diluted earnings per share because they were antidilutive.*

Cash Earnings per Share	Mar 08 Basic	Mar 08 Diluted	Sep 07 Basic	Sep 07 Diluted	Mar 07 Basic	Mar 07 Diluted
Earnings ($m)						
Cash earnings [2] - ongoing operations	**2,237**	**2,237**	2,315	2,315	2,071	2,071
Potential dilutive adjustments						
Interest expense on exchangeable capital units (after tax)	**-**	**-**	-	-	-	9
Adjusted cash earnings	**2,237**	**2,237**	2,315	2,315	2,071	2,080
Weighted average ordinary shares (no. '000)						
Weighted average ordinary shares	**1,626,106**	**1,626,106**	1,624,891	1,624,891	1,622,864	1,622,864
Potential dilutive weighted average ordinary shares						
Performance options and performance rights	**-**	**604**	-	1,670	-	4,754
Partly paid ordinary shares	**-**	**174**	-	211	-	263
Employee share plans	**-**	**3,148**	-	1,759	-	2,461
Exchangeable capital units	**-**	**-**	-	286	-	17,744
Total weighted average ordinary shares	**1,626,106**	**1,630,032**	1,624,891	1,628,817	1,622,864	1,648,086
Cash earnings per share (cents)	**137.6**	**137.2**	142.5	142.1	127.6	126.2

(Half Year to)

[2] *Refer to Section 3 'Review of Group Strategy, Operations and Results' for a reconciliation of cash earnings to Group net profit.*

6. Number of Ordinary Shares

	Half Year to		
	Mar 08 No. '000	Sep 07 No. '000	Mar 07 No. '000
Ordinary shares, fully paid			
Balance at beginning of period	**1,621,066**	1,631,457	1,609,898
Shares issued			
Dividend reinvestment plan [1]	**2,748**	-	-
Bonus share plan	**1,164**	1,242	1,392
Employee share plan	**5,893**	23	1,316
Executive option plan no. 2	**860**	1,044	1,150
Exchangeable capital units converted	**-**	264	33,935
Paying up of partly paid shares	**39**	70	47
Shares bought back	**-**	(13,034)	(16,281)
	1,631,770	1,621,066	1,631,457
Ordinary shares, partly paid to 25 cents			
Balance at beginning of period	**273**	343	390
Paying up of partly paid shares	**(39)**	(70)	(47)
	234	273	343
Total number of ordinary shares on issue at end of period (including treasury shares)	**1,632,004**	1,621,339	1,631,800
Less: treasury shares	**(39,554)**	(27,463)	(26,088)
Total number of ordinary shares on issue at end of period (excluding treasury shares)	**1,592,450**	1,593,876	1,605,712

(1) *During the 2007 year, dividend reinvestment plan shares were purchased on market for delivery to shareholders resulting in no issue of new shares.*

7. Exchange Rates

	Income Statement - average Half Year to			Balance Sheet - spot As at		
	Mar 08	**Sep 07**	**Mar 07**	**Mar 08**	**Sep 07**	**Mar 07**
British Pounds	**0.4465**	0.4190	0.4020	**0.4604**	0.4366	0.4112
Euros	**0.6093**	0.6166	0.5984	**0.5810**	0.6228	0.6051
United States Dollars	**0.8978**	0.8393	0.7782	**0.9175**	0.8820	0.8070
New Zealand Dollars	**1.1561**	1.1322	1.1364	**1.1555**	1.1669	1.1306

8. Australian Life Company Margins

	Half Year to				
Sources of Operating Profit from Australian Life Companies life insurance funds	**Mar 08 $m**	**Sep 07 $m**	**Mar 07 $m**	**Mar 08 v Sep 07 %**	**Mar 08 v Mar 07 %**
Life company - planned profit margins	**133**	124	114	7.3	16.7
Life company - experience profit	**29**	23	22	26.1	31.8
Capitalised (losses)/ reversal of losses	**-**	5	-	large	-
Life company operating margins [1]	**162**	152	136	6.6	19.1
IoRE (after tax) [2]	**12**	8	12	50.0	-
Net profit of life insurance funds after minority interest	**174**	160	148	8.8	17.6

(1) *Reflects operating profit of all business types (investment or insurance) written through life insurance funds.*

(2) *Includes investment earnings on shareholders' retained profits and capital from life businesses after minority interest of $8m(HY Sep 07 $30m; HY Mar 07 $34m) and IoRE discount rate variation of $4m (HY Sep 07 ($22m); HY Mar 07 ($22m)); IoRE attributable to non life insurance funds of ($17m) (HY Sep 07 ($12m); HY Mar 07 ($13m)) is excluded.*

9. ASX Appendix 4D

10. Reconciliation between Statutory Net Profit after Tax and Cash Earnings

Half Year ended 31 March 2008	Statutory Profit $m	Net profit - Minority Interest[1] $m	MLC Adj.[1] $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Visa IPO $m	Economic Cycle Adj. $m	New Business Initiatives $m	Disposed Operations[3] $m	Cash Earnings - Ongoing $m
Net interest income	5,278	-	15	-	-	-	-	-	-	-	10	**5,303**
Net life insurance income	(1,020)	845	459	-	(277)	-	(7)	-	-	-	-	**-**
Other operating income	2,405	-	(339)	-	-	(89)	-	(242)	-	-	(45)	**1,690**
MLC net operating income	-	-	646	-	-	-	-	-	-	-	-	**646**
Net operating income	6,663	845	781	-	(277)	(89)	(7)	(242)	-	-	(35)	**7,639**
Operating expenses [2]	(3,666)	-	(71)	-	-	-	-	-	-	106	33	**(3,598)**
Operating profit pre charge to provide for doubtful debts	2,997	845	710	-	(277)	(89)	(7)	(242)	-	106	(2)	**4,041**
Charge to provide for doubtful debts	(940)	-	-	-	-	-	-	-	214	-	-	**(726)**
Operating Profit before tax	2,057	845	710	-	(277)	(89)	(7)	(242)	214	106	(2)	**3,315**
Income tax expense	(214)	-	(701)	-	47	34	2	17	(64)	(32)	-	**(911)**
Operating Profit before distributions and minority interest	1,843	845	9	-	(230)	(55)	(5)	(225)	150	74	(2)	**2,404**
Net profit - minority interest	844	(845)	-	-	-	-	-	-	-	-	-	**(1)**
Distributions	-	-	-	(157)	-	-	-	-	-	-	-	**(157)**
IoRE (after tax)	-	-	(9)	-	-	-	-	-	-	-	-	**(9)**
Net profit attributable to members of the Company	2,687	-	-	(157)	(230)	(55)	(5)	(225)	150	74	(2)	**2,237**

(1) *In order to align the statutory and management results for the MLC business the following significant reclassifications have been made between disclosure lines:*
- Life operating expenses and other operating income included in the net life insurance income have been reclassified to operating expenses and MLC net operating income lines respectively.
- MLC non-life volume related expenses have been reclassified from operating expenses to MLC net operating income. In addition, non-life other operating income has also been reclassified to MLC net operating income.
- Tax on the unit linked business has been reclassified to net life insurance income from the income tax expense line to offset with the tax included in change in policy liabilities.
- The policyholder portion of the traditional business has been eliminated.
- Income on retained earnings has been reclassified from net life insurance income and income tax to a separate disclosure item.

(2) *On a statutory basis operating expenses include bad and doubtful debts. These have been disclosed separately for the purposes of this reconciliation.*

(3) *Represents the Group's Commercial Fleet business, which was disposed on 5 March 2008.*

10. Reconciliation between Statutory Net Profit after Tax and Cash Earnings (continued)

Half Year ended 30 September 2007	Statutory Profit $m	Net profit - Minority Interest[(1)] $m	MLC Adj.[(1)] $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Excaps Gains/ Losses $m	Disposed Operations [(3)] $m	Cash Earnings - Ongoing $m
Net interest income	4,963	-	(8)	-	-	-	-	-	11	**4,966**
Net life insurance income	658	(329)	(390)	-	29	-	32	-	-	**-**
Other operating income	2,343	-	(417)	-	-	(82)	-	3	(51)	**1,796**
MLC net operating income	-	-	677	-	-	-	-	-	-	**677**
Net operating income	7,964	(329)	(138)	-	29	(82)	32	3	(40)	**7,439**
Operating expenses [(2)]	(3,769)	-	(14)	-	-	-	-	-	64	**(3,719)**
Operating profit pre charge to provide for doubtful debts	4,195	(329)	(152)	-	29	(82)	32	3	24	**3,720**
Charge to provide for doubtful debts	(400)	-	-	-	-	-	-	-	-	**(400)**
Operating Profit before tax	3,795	(329)	(152)	-	29	(82)	32	3	24	**3,320**
Income tax expense	(1,024)	-	134	-	2	29	(10)	-	(8)	**(877)**
Operating Profit before distributions and minority interest	2,771	(329)	(18)	-	31	(53)	22	3	16	**2,443**
Net profit - minority interest	(329)	329	-	-	-	-	-	-	-	**-**
Distributions	-	-	-	(146)	-	-	-	-	-	**(146)**
IoRE (after tax)	-	-	18	-	-	-	-	-	-	**18**
Net profit attributable to members of the Company	2,442	-	-	(146)	31	(53)	22	3	16	**2,315**

(1) *In order to align the statutory and management results for the MLC business the following significant reclassifications have been made between disclosure lines:*
- *Life operating expenses and other operating income included in the net life insurance income have been reclassified to operating expenses and MLC net operating income lines respectively.*
- *MLC non-life volume related expenses have been reclassified from operating expenses to MLC net operating income. In addition, non-life other operating income has also been reclassified to MLC net operating income.*
- *Tax on the unit linked business has been reclassified to net life insurance income from the income tax expense line to offset with the tax included in change in policy liabilities.*
- *The policyholder portion of the traditional business has been eliminated.*
- *Income on retained earnings has been reclassified from net life insurance income and income tax to a separate disclosure item.*

(2) *On a statutory basis operating expenses include bad and doubtful debts. These have been disclosed separately for the purposes of this reconciliation.*

(3) *Represents the Group's Commercial Fleet business, which was disposed on 5 March 2008.*

10. Reconciliation between Statutory Net Profit after Tax and Cash Earnings (continued)

Half Year ended 31 March 2007	Statutory Profit $m	Net profit - Minority Interest[(1)] $m	MLC Adj.[(1)] $m	Distri-butions $m	Treasury Shares $m	Fair Value and Hedge Ineffec. $m	IoRE Disc. Rate $m	Excaps Gains/ Losses $m	Disposed Operations [(3)] $m	Cash Earnings - Ongoing $m
Net interest income	4,783	-	6	-	-	-	-	-	10	**4,799**
Net life insurance income	1,100	(665)	(568)	-	102	-	31	-	-	**-**
Other operating income	2,182	-	(344)	-	-	(144)	-	76	(47)	**1,723**
MLC net operating income	-	-	609	-	-	-	-	-	-	**609**
Net operating income	8,065	(665)	(297)	-	102	(144)	31	76	(37)	**7,131**
Operating expenses [(2)]	(3,643)	-	(68)	-	-	-	-	-	2	**(3,709)**
Operating profit pre charge to provide for doubtful debts	4,422	(665)	(365)	-	102	(144)	31	76	(35)	**3,422**
Charge to provide for doubtful debts	(390)	-	-	-	-	-	-	-	-	**(390)**
Operating Profit before tax	4,032	(665)	(365)	-	102	(144)	31	76	(35)	**3,032**
Income tax expense	(1,231)	-	344	-	(10)	43	(9)	7	11	**(845)**
Operating Profit before distributions and minority interest	2,801	(665)	(21)	-	92	(101)	22	83	(24)	**2,187**
Net profit - minority interest	(665)	665	-	-	-	-	-	-	-	**-**
Distributions	-	-	-	(137)	-	-	-	-	-	**(137)**
IoRE (after tax)	-	-	21	-	-	-	-	-	-	**21**
Net profit attributable to members of the Company	2,136	-	-	(137)	92	(101)	22	83	(24)	**2,071**

(1) *In order to align the statutory and management results for the MLC business the following significant reclassifications have been made between disclosure lines:*
- Life operating expenses and other operating income included in the net life insurance income have been reclassified to operating expenses and MLC net operating income lines respectively.
- MLC non-life volume related expenses have been reclassified from operating expenses to MLC net operating income. In addition, non-life other operating income has also been reclassified to MLC net operating income.
- Tax on the unit linked business has been reclassified to net life insurance income from the income tax expense line to offset with the tax included in change in policy liabilities.
- The policyholder portion of the traditional business has been eliminated.
- Income on retained earnings has been reclassified from net life insurance income and income tax to a separate disclosure item.

(2) *On a statutory basis operating expenses include bad and doubtful debts. These have been disclosed separately for the purposes of this reconciliation.*

(3) *Represents the Group's Commercial Fleet business, which was disposed on 5 March 2008.*

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Section 7

Glossary of Terms

Glossary of Terms

Term	Description
Adjusted common equity (ACE) Ratio	Tier 1 capital, as defined by APRA, less residual tier 1 instruments, the tangible component of the investment in non-consolidated controlled entities, and any other items deducted from total capital, divided by risk weighted assets. This measures the core equity capital available to support banking operations.
Average assets	Represents the average of assets over the period adjusted for disposed operations.
Banking	Banking operations include the Group's: - Retail, business and agri-business banking operations operating in the Australia Region, UK Region and New Zealand Region. - Institutional Banking, Corporate Finance, Markets and Structuring and Investments business within nabCapital. - Treasury and support functions operating in the Regions and within Central Functions.
Cash earnings	Is a non-GAAP key performance measure and financial target used by the Group. Dividends paid by the Company are based on after-tax cash earnings. It is also a key performance measure used by the investment community, as well as by those Australian peers of the Group with a similar business portfolio. It does not refer to, or in any way purport to represent the cash flows, funding or liquidity position of the Group. It does not refer to any amount represented on a Cash flow statement. Cash earnings is defined as: Net profit attributable to members of the company *Less:* Distributions Treasury shares Fair value and hedge ineffectiveness IoRE discount rate variation Revaluation gains/(losses) on exchangeable capital units Net profit/(loss) on sale of controlled entities Fair value gains/losses on economic hedge of the proceeds on sale of controlled entities Significant items *Add:* Impairment of goodwill
Cash earnings on average equity	Calculated as cash earnings – ongoing divided by average shareholders' equity, excluding minority interests and other equity instruments and adjusted for treasury shares and exchangeable capital units valuation adjustments.
Cash earnings - ongoing	Cash earnings adjusted for disposed operations. The disposed operations results are excluded to assist in the interpretation of the Group's result as it facilitates a like-for-like comparison.
Cash earnings per share - basic	Calculated as cash earnings – ongoing divided by the weighted average number of shares adjusted to include treasury shares.
Cash earnings per share - diluted	Cash earnings – ongoing, adjusted for interest expense on exchangeable capital units, divided by the weighted average number of ordinary shares, adjusted to include treasury shares and exchangeable capital units.
Core Assets	Include net loans and advances to customers and banks (including leases) booked at amortised cost, but excluding all loans booked at fair value or held for trading.
Cost to Income Ratio	Represents banking operating expenses (before inter-segment eliminations) as a percentage of total banking operating revenue (before inter-segment eliminations).
Customer Deposits	Deposits (primarily Interest Bearing, Non-Interest Bearing, TDs, debentures).
Customer Funding Index (CFI)	Customer Deposits divided by Core Assets.
Disposed operations	Are operations that will not form part of the continuing Group. These include operations sold and those that have been announced to the market that have yet to reach completion. This may differ from the treatment for statutory accounting purposes but facilitates a like-for-like comparison.

Term	Description
Distributions	Payments to holders of other equity instruments issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments. Distributions are subtracted from net profit to reflect the amount that is attributable to ordinary shareholders.
Dividend Payout Ratio	Dividends paid on ordinary shares divided by cash earnings per share.
Earnings Per Share	Calculated in accordance with the requirements of AASB 133 “Earnings per Share.”
Fair value and hedge ineffectiveness	Represents volatility attributable to the Group’s application of the fair value option and ineffectiveness from designated hedge accounting relationships.
Fair value gains/losses on economic hedge of the proceeds on sale of controlled entities	Represents the fair value movement on derivatives taken out to protect against foreign exchange rate movements on the proceeds of the sale of controlled entities.
Full time equivalent employees (FTEs)	Include all permanent full time staff, part time staff equivalents and external contractors employed by third party agencies.
Impaired Assets	Consist of: - retail loans (excluding credit card loans and portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue; - non retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest; and - impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred. Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).
Impairment of goodwill	Is an impairment expense recognised on the application of an impairment test. As it relates to an intangible asset, and financial statement users generally do not regard impairment of goodwill as being useful information in analysing investments, management believes it is prudent to isolate this amount from the underlying operating result.
Insurance	Includes the provision of personal insurance by MLC.
Investments	Includes funds managed in the provision of investment and superannuation solutions by MLC.
IoRE	Investment earnings (net of tax) on shareholders retained profits and capital from life businesses, net of capital funding costs (IoRE) is comprised of three things: - investment earnings on surplus assets which are held in the Statutory Funds to meet capital adequacy requirements under the Life Act. - interest on insurance VARC (Value of Acquisition Expense Recovery Component) net of reinsurance costs. VARC is defined as the current termination value less policy liabilities, and represents the value of acquisition costs recoverable from future premiums. Interest on VARC represents the unwinding of the discount rate on VARC. - less the borrowing costs of any capital funding initiatives.
IoRE discount rate variation	Is the movement in Investment Earnings on Shareholders’ Retained Profits (IoRE) attributable to the impact of changes in long term discount rates.
Net interest margin	Net interest income as a percentage of average interest earning assets.
Net profit attributable to members of the company	Represents the Group’s statutory profit after tax and reflects the amount of net profit that is attributable to ordinary shareholders.
Net profit attributable to minority interest	Reflects the allocation of profit to minority interests in the Group, and is adjusted from net profit to reflect the amount of net profit that is attributable to ordinary shareholders.
Net Tangible Assets per Share	Net assets excluding intangible assets, minority interests, preference shares and other equity instruments divided by ordinary shares on issue at the end of the period.

Term	Description
Non-impaired assets 90+ days past due	Non-impaired assets 90+ days past due consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.
Revaluation gains/(losses) on exchangeable capital units (ExCaps)	The Group's exposure to foreign exchange risk is eliminated through the existence of certain conversion features that convert the ExCaps to equity at pre-determined exchange rates. There are no remaining ExCaps on issue at the end of the period.
Risk weighted assets	On and off balance sheet assets of the Bank are allocated a risk weighting based on the amount of capital required to support the asset. This credit risk weighted exposure is then increased by a market risk weighted exposure to determine risk weighted asset exposure.
Scorecards	A decision model incorporating algorithms that calculates a customer risk score, the outcome of which is used in the credit assessment process.
Significant items	Those items included on the face of the statutory Income Statement when it is necessary to explain the elements of financial performance. Factors to consider include materiality and the nature and function of the components of income and expenses.
Stable Funding Index (SFI)	Term Funding Index (TFI) plus Customer Funding Index (CFI).
Term Funding Index (TFI)	Term Wholesale Funding (with a remaining maturity greater than 12 months) divided by Core Assets.
Tier 1 ratio	Tier 1 capital as defined by APRA divided by risk weighted assets.
Tier 2 ratio	Tier 2 capital as defined by APRA divided by risk weighted assets.
Treasury shares	Relates to the movement in treasury share assets (direct investments in National Australia Bank Limited) caused by the movement in the share price and/or volume along with dividend income.
Weighted Average Number of Shares	Calculated in accordance with the requirements of AASB 133 'Earnings per Share.'

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