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

**FILE NO 1-9945** 

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

# FORM 6-K

### REPORT OF FOREIGN ISSUER

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

For the month of May 2006

# **National Australia Bank Limited**

ACN 004 044 937

(Registrant s Name)

Level 24

500 Bourke Street

**MELBOURNE VICTORIA 3000** 

AUSTRALIA

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

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Form 20-F ý	Form 40-F <sub>O</sub>

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

Yes O No ý

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

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### SIGNATURE PAGE

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

Date: 11 May 2006

### NATIONAL AUSTRALIA BANK LIMITED

Signature: /s/ Michaela J Healey

Name: Michaela J Healey Title: *Company Secretary* 





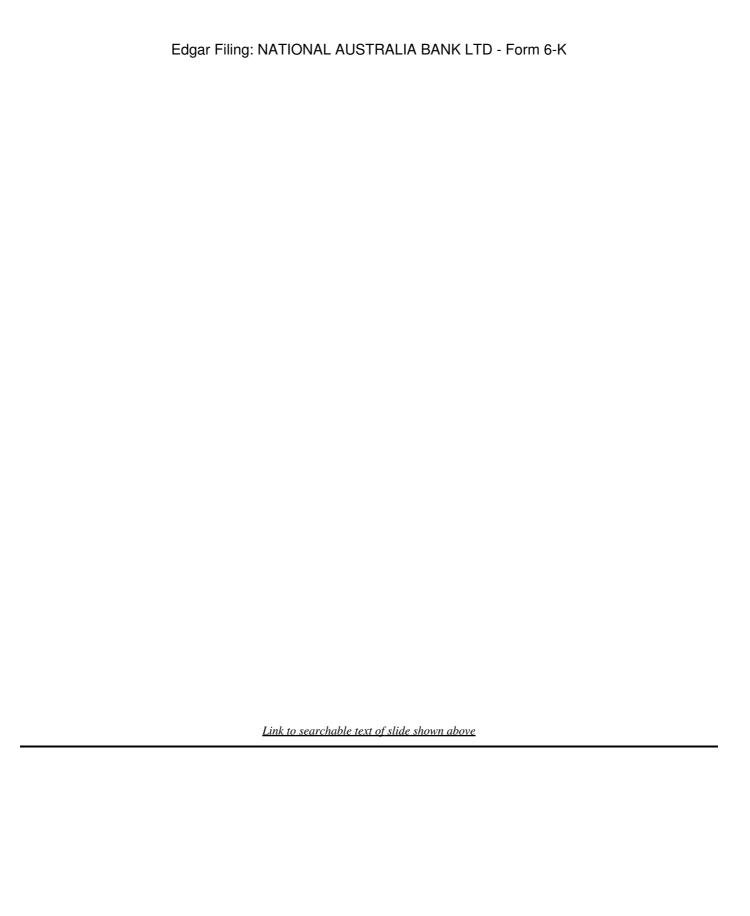










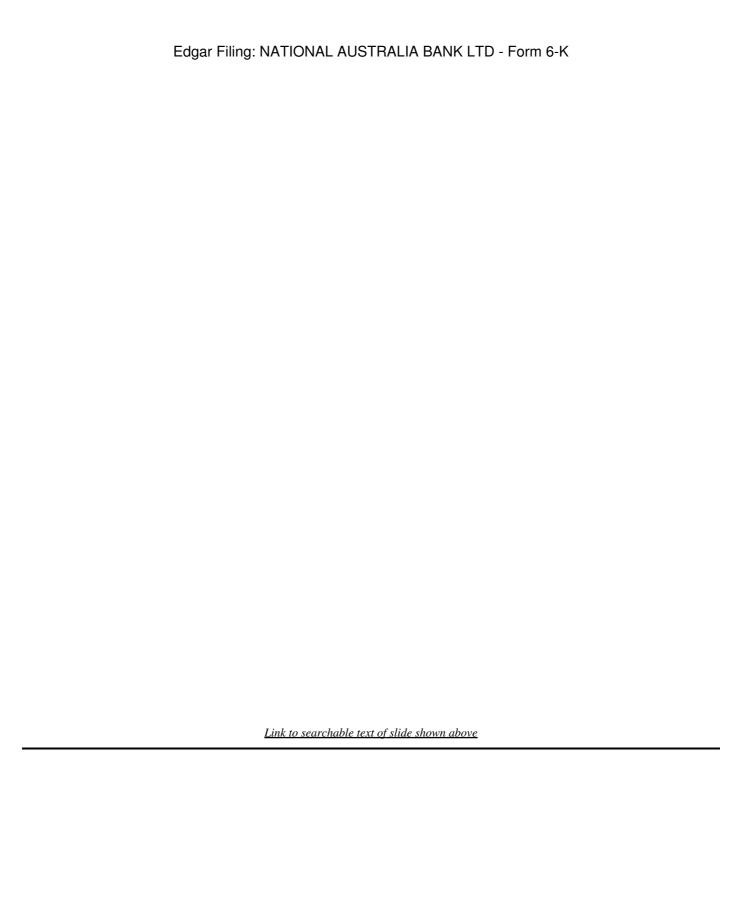


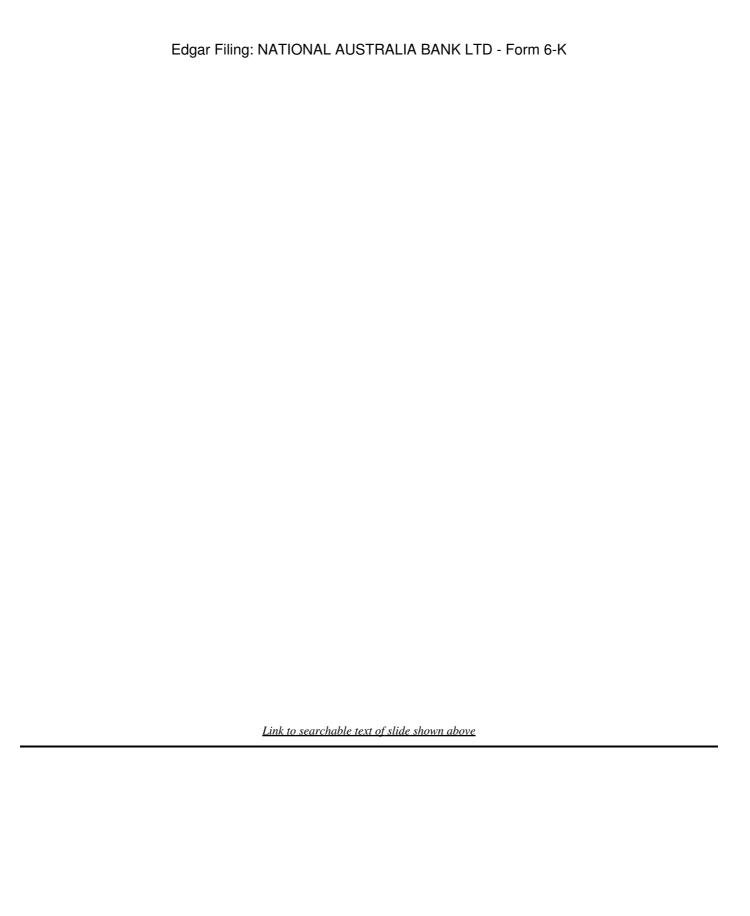


































































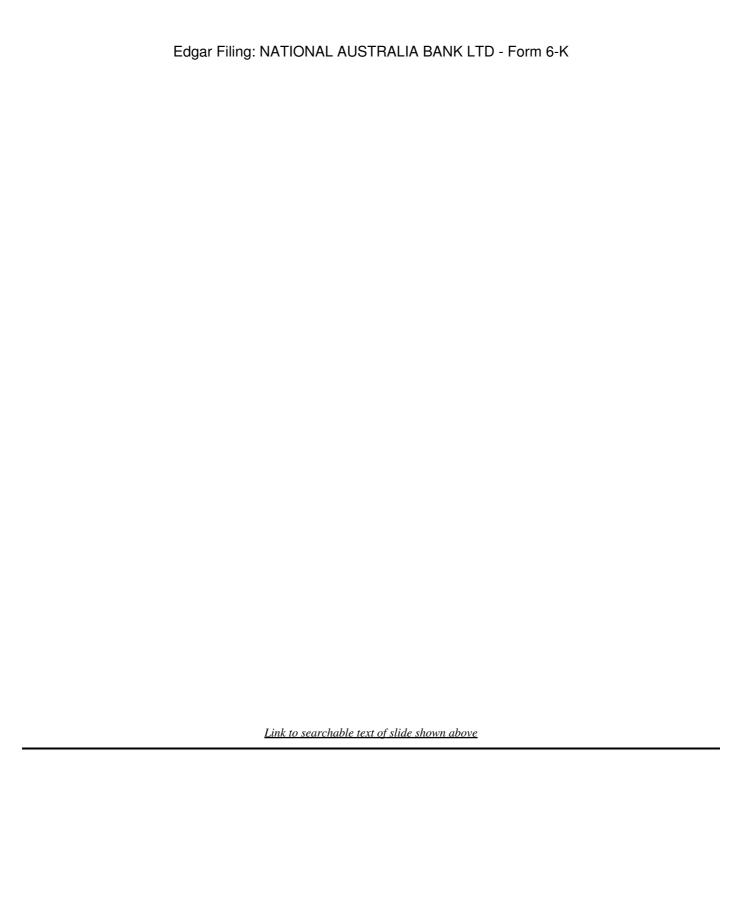














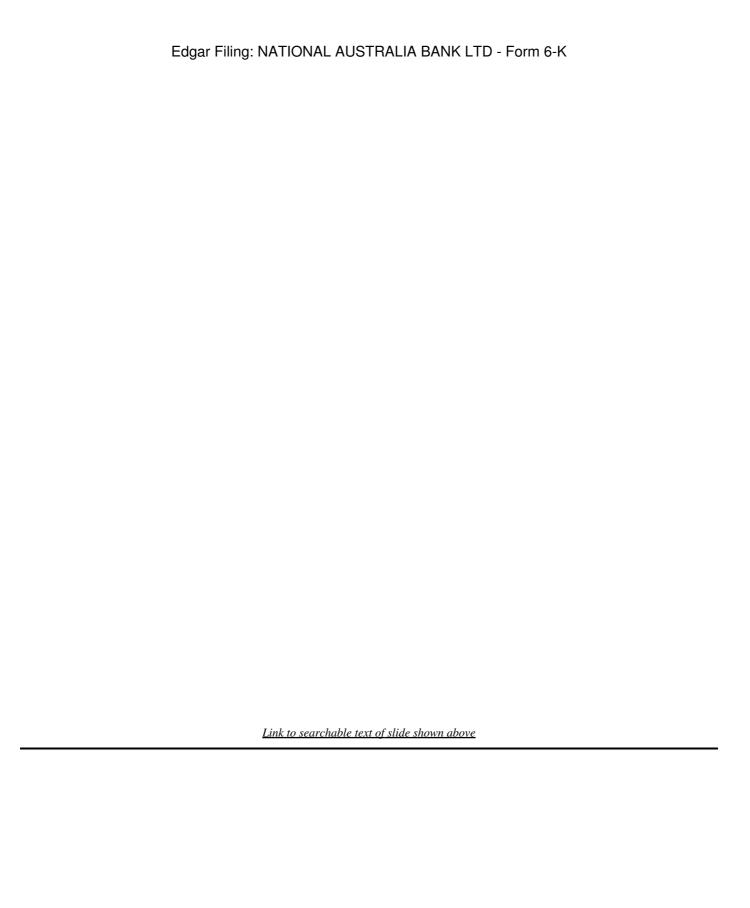


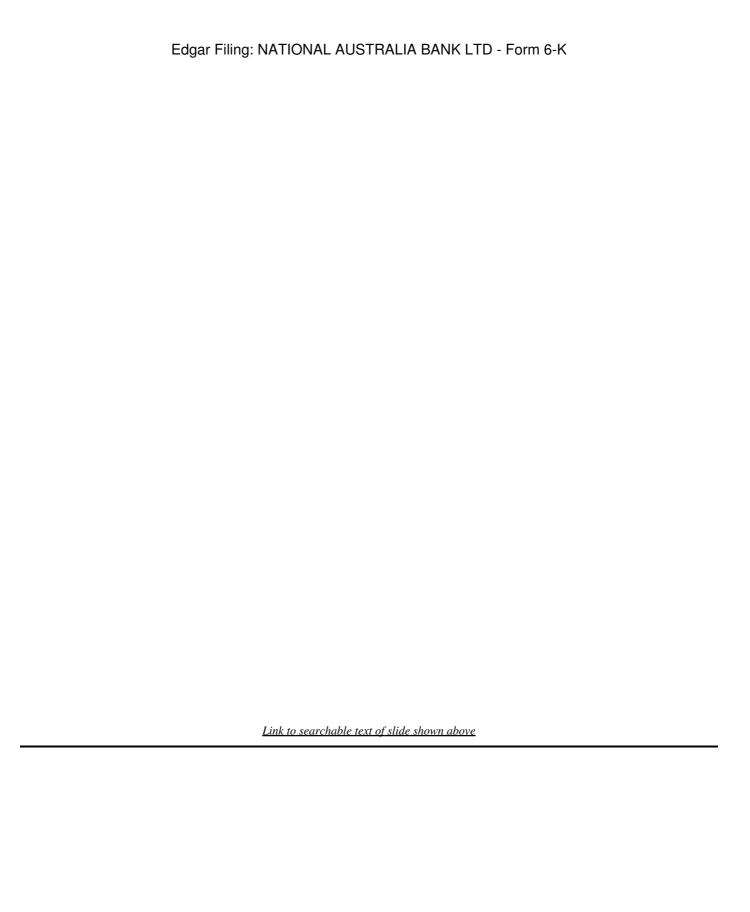


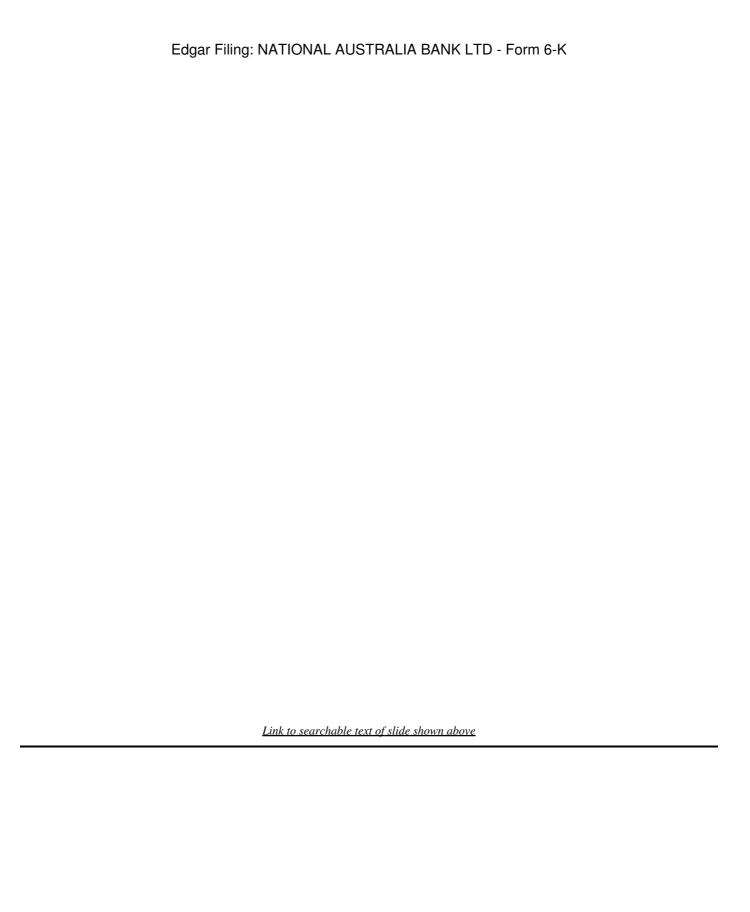




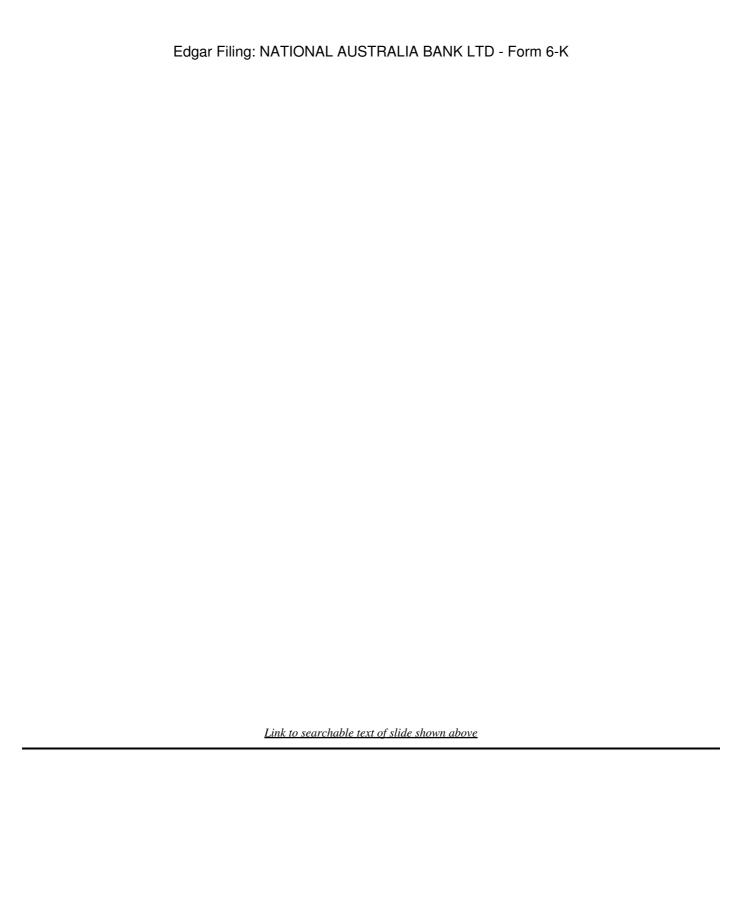












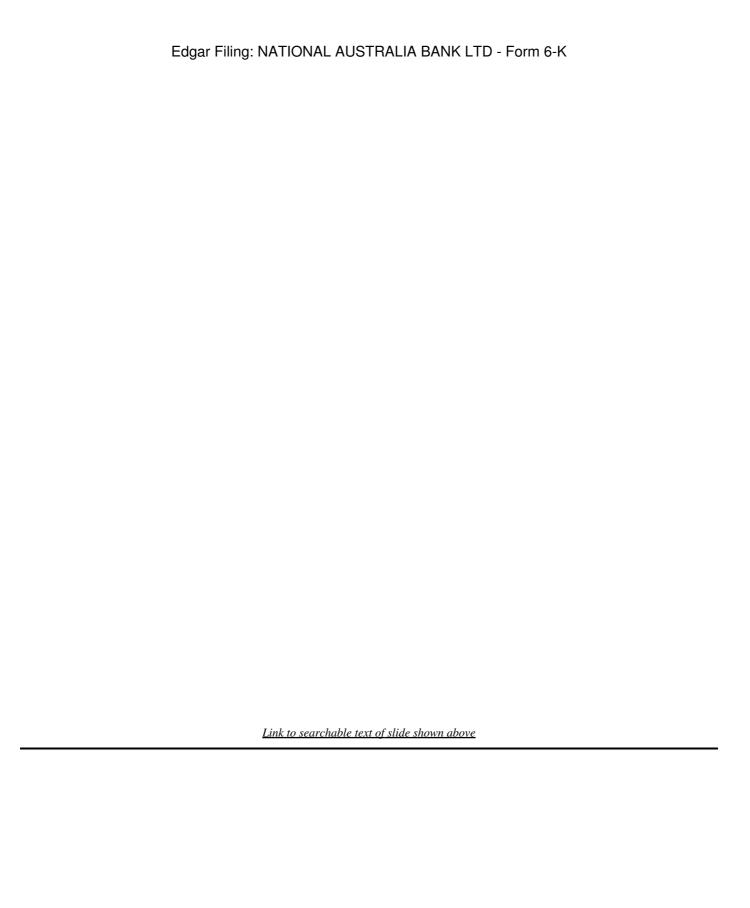
















































# Searchable text section of graphics shown above

HALF YEAR RESULTS 06 [LOGO]

John Stewart Michael Ullmer

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

11 May, 2006

[LOGO]

#### Agenda

Introduction John Stewart

Group Results & Outlook Michael Ullmer

Company Update John Stewart

Questions and Answers

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

## Focus on the fundamentals is delivering

**Culture and People** 

Regulatory & Compliance

**Simplicity** 

**Revenue Growth** 

# All APRA culture requirements closed

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

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

Introduction John Stewart

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# **Group Scorecard**

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

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

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

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

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

#### Restructuring activities and cost saves

A further 670 redundancies in the half

program 50% complete Group wide

Occupancy rationalisation accelerating with good progress in the UK

program 40% complete Group wide

Other restructuring, including asset write downs, well advanced

program 80% complete Group wide

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

70% of estimated total

# March 2006 half cash earnings by division

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

<sup>\*</sup> Includes Asia

<sup>^</sup> Excludes Irish Banks

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

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

#### Franchise scorecard\*

Number of customers

Revenue per customer

ROA

Profit/FTE

Cost/Income Ratio

Number of FTEs

Avg CRS quality

Margins (incl. acceptances)

**Customer Satisfaction** 

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

# Wealth Management core\* underlying performance

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

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

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

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

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

**Customer Satisfaction** 

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

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

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

#### Franchise scorecard\*

Number of customers

Revenue per customer

ROA

Profit/FTE

Cost/Income Ratio

Number of FTEs

Avg CRS quality

Margins

**Customer Satisfaction** 

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

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

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

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

Reported Total Income up 9.1%

[CHART]

[CHART]

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

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

HALF YEAR RESULTS 06 [LOGO]

# **Asset Quality**

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

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

[CHART]

19

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

[CHART]

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

[CHART]

	4 •	•	
Provision	ratio	romaine	COLLING
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Coverage Ratio\*

[CHART]

Coverage ratio includes Irish Banks up to 30 September 2004

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

Asset quality	transition	tο	AIFRS
Asset duality	เกลเเรเนอแ	w	AILVO

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

#### Basel II

Parallel run on track; showing a decline in RWA s

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

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

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

All culture requirements now closed by APRA

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

#### SOX

SOX operating model successfully embedded in the business

Targeting SOX 404 compliance at September 2006

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

Capital summary	
Gaining more clarity on AIFRS impacts	
Some significant issues outstanding	
Capital base adequate to absorb AIFRS changes	
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## **Capital position remains strong**

[CHART]

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

Continued focus on improving ROE and internal capital allocation

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

#### AIFRS impact on regulatory capital is significant

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

Awaiting final APRA AIFRS standards position above is therefore not final

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

Interim	dividend	of 83	cents	franked	to 80%
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[CHART]

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## Disposals announced during first half

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

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

Mar 2006 HY profit stream \$56m

ACE Capital released \$950m

Tier 1 Capital released \$780m

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

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

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

Revenue drivers moving in right direction
Excellent growth in business
NAB volume growth
YoY percentage change
[CHART]
Note: Source and Time periods
~ NAB(RBA Financial System Aggregates definitions) 2006 data based on 30/9/05-31/3/06 annualised
^ NAB(APRA Monthly Banking Statistics definitions) 31/3/04-30/9/04 annualised; 30/9/05-31/3/06 annualised
* DEXX&R: 2006 data based on 30/9/05 31/12/05 annualised
** Plan for Life: 2006 data based on 30/9/05 31/12/05 annualised

Market share gains

Change in market share, Mar 05 Mar 06

Basis points