CONCISE

ANNUAL REPORT 2006

National Australia Bank

nab

Bank of New Zealand

Yorkshire Bank

Clydesdale Bank

nabCapital
A division of National Australia Bank Limited

MLC

We're building a portfolio of strong businesses and powerful brands to generate sustainable satisfactory shareholder returns

Alison Frye is Bank of New Zealand's longest serving employee and a real customer service treasure. More than 200 customers and employees joined her at the Auckland branch, where she works as a Tellers' Support Officer, to celebrate her 50 years of service with BNZ in February.

Cover: Commonwealth discus champion Scott Martin has serious talent. His determination to prove himself – to push himself, to be the best that he could be in achieving gold in the Melbourne 2006 Commonwealth Games – drew us to supporting him.

At NAB, we're inspired by people's potential to do amazing things. It's why we look to get behind people in all fields of endeavour – on the sports ground, in business, and throughout their lives. Your success, translates to our success and then to shareholder returns. Our involvement in the Melbourne 2006 Commonwealth Games, gave us the chance to unite key customers and stakeholders across all our businesses internationally whilst celebrating the spirit of achievement. Everyone featured in this annual report aspires to greatness with their own distinct purpose and we are behind them every step of the way.

OUR BRANDS

Retail, business and corporate banking in Australia

Retail banking, wealth management and institutional financial services in New Zealand

Retail, business and corporate banking in the UK

Retail, business and corporate banking in the UK

Global institutional financial services

A division of National Australia Bank Limited

Wealth management services in Australia and the UK

CONTENTS

www.nabgroup.com

This is a concise report. To view the full annual financial report online, visit www.nabgroup.com Alternatively, to arrange for a copy of the full annual financial report to be sent to you free of charge, call Shareholder Services on 1300 367 647 from within Australia, or +61 3 9415 4299 from outside Australia.

*The financial statements and specific disclosures included in the concise financial report have been derived from the annual financial report 2006. The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position, operating, financing and investment activities of the Group as the annual financial report. All figures quoted are in Australian dollars unless otherwise stated. A reference to "$" is to an amount in Australian dollars and a reference to "£" is to an amount in British pounds sterling.

References to "NAB", the "National", "National Australia Bank" or the "Company" are to National Australia Bank Limited ABN 12 004 044 937. The "Group" refers to the National Australia Bank Limited and its controlled entities. References to 2006 are references to the NAB's financial year ended 30 September 2006, and other financial years are referred to in a corresponding manner.

Performance overview

THE 2006 RESULTS SHOW WE HAVE FACED THE ISSUES THAT CONFRONTED THE NATIONAL AUSTRALIA BANK IN 2004 AND ARE FUNDAMENTALLY CHANGING OUR CULTURE AND THE WAY WE RUN THE BUSINESS SO WE CAN CONSISTENTLY GROW SHAREHOLDER VALUE.

Revenue momentum is good, costs have been controlled and overall asset quality remains sound.

PROFITABILITY
- Net profit* increased 10.0% to $4,392 million.
- Net profit* before significant items increased 25.3% to $4,154 million.
- The 2006 result includes $238 million, of after-tax significant items, of which $223 million is due to reforms made to the United Kingdom defined benefit pension funds.

SHAREHOLDER RETURNS
- Diluted earnings per share increased 8.0% to 261.8 cents.
- 2006 dividends increased by 1 cent to 167 cents per share. In 2006, the interim dividend of 83 cents per share was franked at 80% and the final dividend of 84 cents per share was 90% franked.
- Return on average ordinary shareholder funds increased from 18.0% to 18.8%. Return on average ordinary shareholder funds, excluding significant items, increased from 14.8% to 17.7%.

BUSINESS UNIT HIGHLIGHTS

Australia
- NAB showed the largest percentage improvement among the major banks for customer satisfaction and was awarded Bank of the Year by *Money Magazine*.
- Net profit* increased 27.0% to $2,515 million in 2006. Net profit* before significant items increased 10.9% to $2,515 million.

United Kingdom
- The UK is delivering on its promises with award-winning customer service, and the continued evolution of its integrated Financial Solutions Centres (FSC) and third party distribution network delivering sustainable income growth and improved efficiency.
- Net profit* decreased 46.7% to $868 million. Net profit* before significant items increased 15.7% to $618 million.

New Zealand
- The New Zealand business continues to excel in customer service and reported solid growth, well-managed costs and careful margin management in a highly competitive market.
- Net profit* increased by 26.7% to $389 million. Net profit* before significant items increased by 22.7% to $389 million.

nabCapital
- nabCapital's strong performance is credited to successful re-invention through a broader mix of products, an increasingly global distribution network and more diversified revenue streams.
- Net profit* increased by 22.9% to $618 million. Net profit* before significant items increased by 8.0% to $623 million.

BUSINESS GROWTH
- Total assets grew by $62.2 billion or 14.7% to $484.8 billion during the year.
- Net loans and advances (including loans accounted for at fair value) increased 13.6% to $300.6 billion.
- Deposits and other borrowings (including deposits and other borrowings accounted for at fair value) increased by 9.6% to $232.9 billion.

OUR GLOBAL POSITION

As at 30 September 2006 the Group had:
- $97 billion in assets under management and administration (growth of 7%);
- $474 billion in funds under custody and investment administration; and
- 8 million banking and 2.3 million wealth management customers.

**attributable to members of the Company*

KEY GROUP PERFORMANCE MEASURES AS AT 30 SEPTEMBER 2006

$4,392m ⇧ 10%	Net profit*
18.8% ⇧ 80bps	Return on average equity
261.8cps ⇧ 19.5cps	Diluted earnings per share (after significant items)
8 million	Retail and business banking customers globally
2.3 million	Wealth management customers
38,433	FTE employees

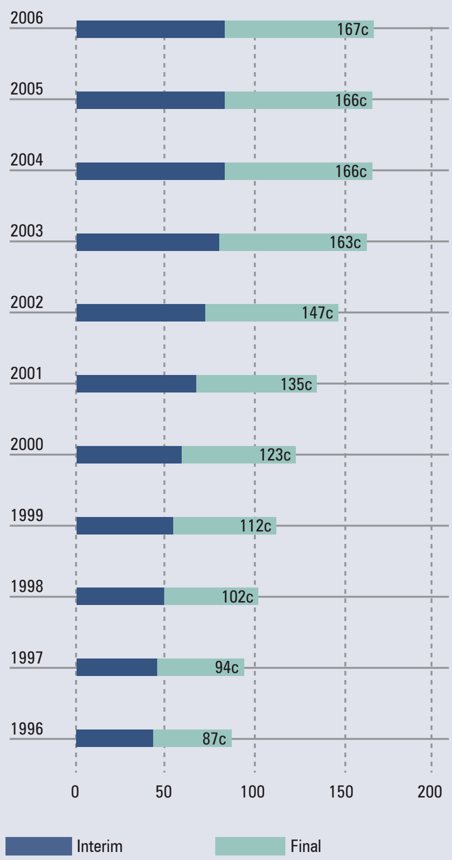
*attributable to members of the Company

OUR RETAIL NETWORK AS AT 30 SEPTEMBER 2006

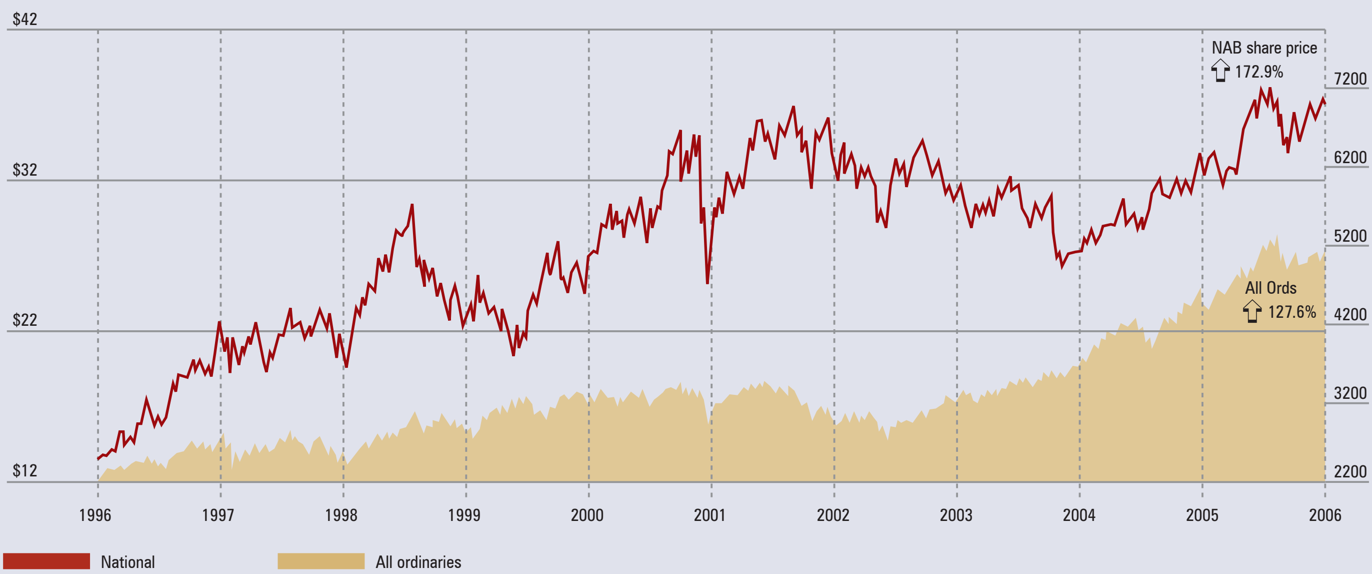
	Australia**	New Zealand	United Kingdom	Total
Number of branches	735	180	343	1,258
Other outlets*	460	-	64	524
Total	1,195	180	407	1,782
Number of ATMs	1,297	410	935	2,642
Post Office outlets	3,235	N/A	14,240	-
Internet banking	Yes	Yes	Yes	-
Phone banking	Yes	Yes	Yes	-

Notes
* 'Other outlets' includes Private Banking Suites and Business, Agribusiness and Financial Solutions Centres.
** The number of ATMs does not include non-National Australia Bank branded machines for Australia.

DIVIDEND HISTORY



SHARE PRICE PERFORMANCE



Source: IRESS - Market prices from 1 October 1996 to 29 September 2006.

AT A GLANCE

Growth in profitablility

Steady progress in business improvement

Culture change achieving early success

Total dividend 167 cents per share

Chairman's message

I AM PLEASED TO REPORT THAT YOUR COMPANY ACHIEVED GOOD GROWTH IN PROFITABILITY AND STEADY PROGRESS IN ITS BUSINESS IMPROVEMENT PROGRAM IN THE 2006 YEAR.

Net profit* increased 10.0% to $4,392 million and cash earnings** rose 21.9% to $3,967 million.

These results were achieved despite an increasingly competitive lending environment and a substantial amount of management time being devoted to improving the Bank's internal systems and complying with the requirements of new international regulatory frameworks and standards.

The Company's culture change program, initiated in 2005, is achieving early success, especially at senior levels. The program seeks to clarify individual accountability and empower employees at every level to take initiative in their day-to-day decisions and interactions.

The success of these efforts is evidenced by numerous positive developments across the Group – from a recovery in the Australian bank's market share in business lending, to the growth of the integrated Financial Solutions Centre (FSC) business in the UK, the rebuilding of nabCapital and the success of the 'Unbeatable' home loan campaign in New Zealand.

In Australia, our efforts were recognised via *Money Magazine's* Bank of the Year Award, *CFO Magazine's* Business Bank of the Year Award and *Australian Banking and Finance Magazine's* Life Insurance Company of the Year Award for MLC.

Much, however, remains to be done. The principal message being conveyed by the Board to senior management, and through them to employees, is that the Company's goal of providing sustainable satisfactory shareholder returns will only be achieved through an unwavering focus on our customers' needs, ethical behaviour at all levels and recognition in the community of our operating companies as good corporate citizens.

The investment of time and money by the Company in developing its systems to meet regulatory requirements is substantial. These investments will ultimately result in an even sharper appreciation of risk across the business.

In the meantime, such demands do result in a lesser focus on market-oriented initiatives than would otherwise be the case.

Increasingly, in the markets in which we operate, there is strong competition from non-traditional sources which are not required to meet the same regulatory standards.

The tilting of the playing field in this way works to the detriment of banks, a development that is not in the interest of either our shareholders or our economy.

At a time when governments are beginning to recognise the costly burden being placed on companies by regulation generally, this is a trend that needs to be monitored closely. During the year, the directors declared dividends totalling 167 cents per share, a small increase on that paid in 2005. As a result of the increase in net profit attributable to members of the Company, the Company's dividend pay-out ratio fell from 79.6% to 67.4% which is closer to the Board's target range of 60% to 65%.

In July 2006, Mr Robert Elstone resigned from the Board as a result of his appointment as Chief Executive of the Australian Stock Exchange. Rob's departure is a real loss to the Company, in particular given his keen appreciation of risk across all parts of the finance sector. Rob made a significant contribution during his two years on the Board and we are indebted to him for that.

Fortunately the Board is well placed in respect of finance industry expertise and Mr Paul Rizzo was able to assume the role of Chair of the Risk Committee seamlessly upon Rob's departure.

In closing, I would like to thank my fellow directors and the Company's employees for their dedication and effort over the past year.

Michael A Chaney AO
Chairman

** attributable to members of the Company*
*** before significant items*

WE LISTENED TO YOU

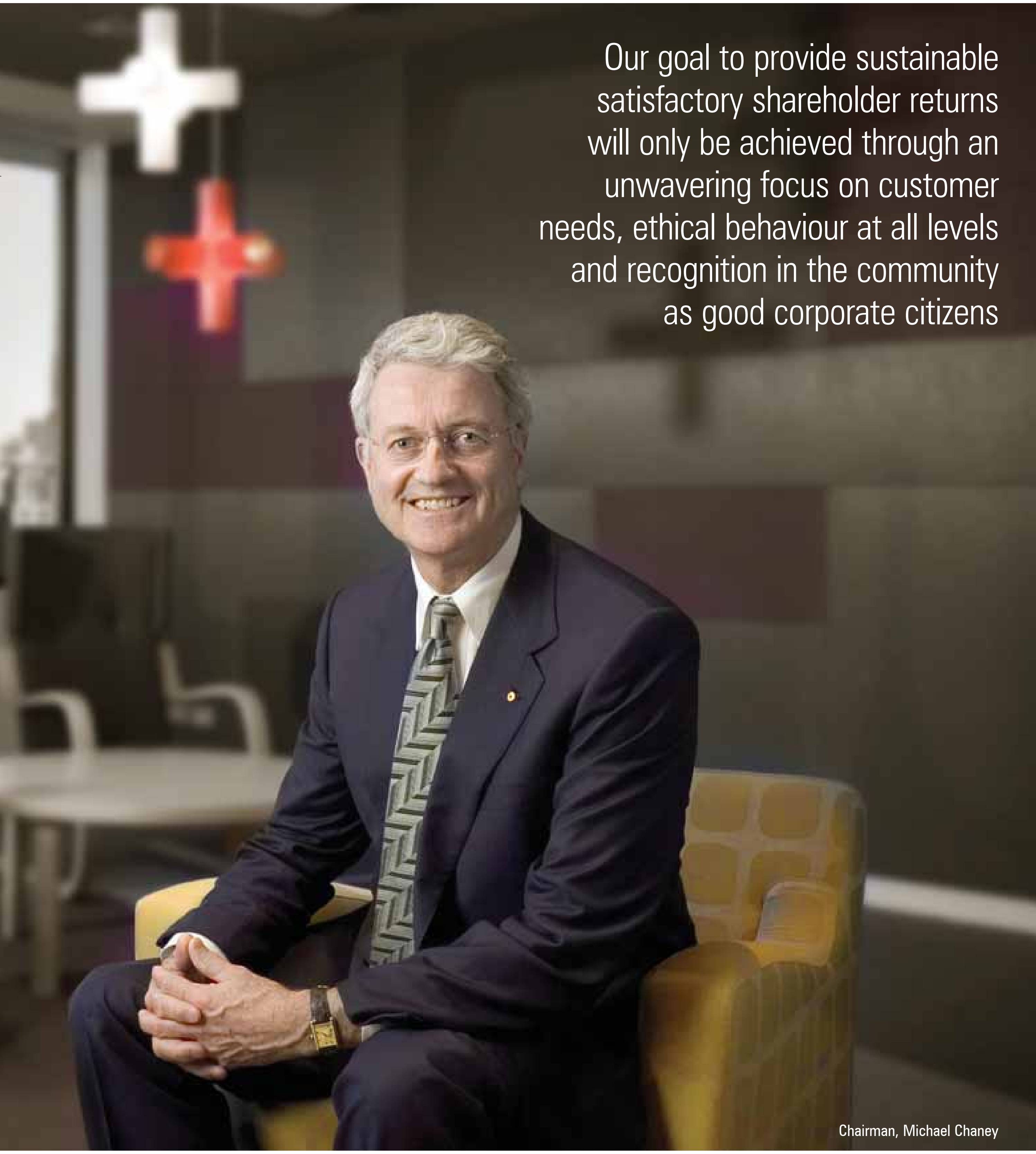
A study of National Australia Bank shareholders conducted during July 2006 underpins many of the changes to this year's concise annual report and its presentation on www.nabgroup.com

The research focused on the needs of our retail shareholders, with a view to ensuring our communications are relevant and cost-effective.

In summary, shareholders want fast and easy access to relevant information. They said the concise annual report should be shorter, less repetitious, and convey clear messages.

They encouraged us to tell the story of how the organisation has performed throughout the year, but to avoid slogans and 'marketing speak'. Shareholders wanted an easy-to-understand structure and layout, more graphs and charts and moderate use of photography.

Our goal to provide sustainable satisfactory shareholder returns will only be achieved through an unwavering focus on customer needs, ethical behaviour at all levels and recognition in the community as good corporate citizens



Chairman, Michael Chaney

This year's concise annual report has been reduced by 24 pages to 72 pages as we strive to balance open and honest communication about 2006 with the presentation of statutory information required by regulators. The layout uses more graphs. There are fewer pictures and all of the key people photographed have a relationship with the bank.

We are committed to maintaining high standards of disclosure and the integrity of external reporting making greater use of the internet – www.nabgroup.com. The site has been refreshed and the annual report can now be viewed in a user-friendly interactive format, offering key word search functionality and zoom features.

An increasing number of shareholders are electing to receive their shareholder communications electronically, thanks to the eTree program. eTree subscriptions increased from 2.4% to more than 5% of the total shareholder base during the year. Our partnership with eTree, a Computershare initiative with Landcare Australia goes a long way to help save paper, reduce company costs and in turn help the environment. More than 79,000 trees have been planted on behalf of National shareholders since we joined the program in 2005.

Thank you to shareholders who participated in the research. We hope this report assists you in understanding the benefits of your shareholding in the National.

National Australia Bank

AT A GLANCE

Net profit* increased 10.0% to $4,392 million

Business portfolio aligned to core capabilities

Share buy back

Improving customer satisfaction

Group CEO's message

NATIONAL AUSTRALIA BANK IS ABOUT TO COMMENCE THE NEXT PHASE OF ITS DEVELOPMENT FOCUSED ON CREATING SUSTAINABLE SATISFACTORY SHAREHOLDER VALUE.

The progress made in all parts of the Group during the past year was very pleasing. All of our key businesses are gaining momentum. Our portfolio is now well suited to our core capabilities and has the ability to produce sustainable growth in shareholder value.

Net profit* was up 10.0% to $4,392 million. This was affected by significant items largely in respect of the UK pension reforms in 2006 and profit on the sale of the Irish Banks and restructuring provisions in 2005. This was all part of getting the National Australia Bank 'match fit'.

In 2006, net profit* before significant items was up 25.3% to $4,154 million. This is a better reflection of the underlying performance of the Group, but was also affected by the introduction of the Australian equivalents to International Financial Reporting Standards.

In line with our commitment to active capital management we will undertake a $500 million on-market share buy back to commence in the first half of 2007. We intend to neutralise the capital impact of shares issued under the dividend reinvestment plan and various employee share plans by either buying back shares issued or purchasing shares on-market to satisfy our obligations rather than issuing new shares.

We have carefully managed margins, asset quality remains sound overall, and we continued to strive to improve customer satisfaction levels throughout the Group.

The Corporate Centre was reduced in size and is focused on creating value for shareholders, strategic development of our portfolio of businesses, financial and risk performance and governance, developing and retaining talent and capital and balance sheet management.

The establishment of a regional business model has created a more nimble, customer-focused organisation in the regions in which we operate.

In the Australian business, we developed and launched new products, built market share in target areas and managed expenses. As the major business within our portfolio, Australia also faced the largest challenge in the turnaround and made progress on all fronts. This was reflected in the increase of 27.0% in net profit* to $2,515 million and excluding significant items, was up 10.9%.

In New Zealand, despite challenging economic conditions and fierce competition, our Bank of New Zealand operation performed well. Using the 'Unbeatable' home loan campaign to position itself in a crowded market, net profit* increased 26.7% to $389 million and excluding significant items, was up 22.7%.

The United Kingdom operation differentiates National Australia Bank from other Australian banks. The net profit* of $868 million, a decrease of 46.7% (largely related to the profit on sale of the Irish Banks in 2005), represents 19.8% of overall Group net profit.

Net profit*, excluding significant items, was up 15.7% to $618 million. We successfully worked to rejuvenate the existing branch network, and expand into the southeast of England with Financial Solutions Centres targeting small to medium enterprises, and the mass affluent personal sector.

nabCapital, formerly Institutional Markets and Services increased net profit* by 22.9% to $618 million and excluding significant items was up 8.0%, while reducing the amount of capital deployed in the business. nabCapital further evolved its 'originate warehouse distribute' business model to provide greater linkage between the various parts of its business, and both borrowers and investors.

During the year we continued to develop the Corporate Social Responsibility (CSR) program within our businesses. Paying attention to broader social and environmental issues helps manage risks and identify new opportunities that add value to our business for shareholders and the communities in which we operate. This year we will produce our third CSR Report to outline our progress in this area.

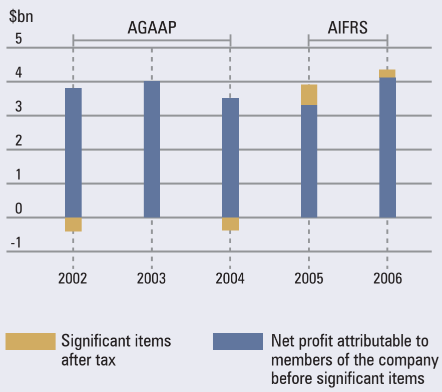
I would like to thank the Board for its support, especially in leading the culture change program. A great deal of practical work has been completed to support the new Corporate Principles and measure behaviours. Over time, I am confident this will result in a fundamental and lasting shift in the culture.

And finally, thank you to all of our staff who worked very hard to contribute towards the National Australia Bank's success in 2006.

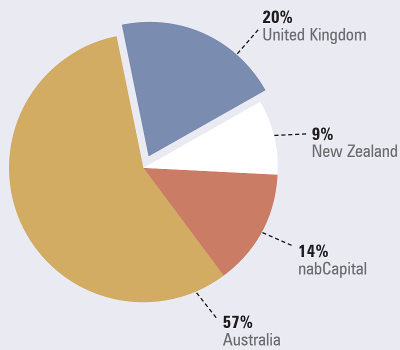
John Stewart
Group Chief Executive Officer

** attributable to members of the Company*

NET PROFIT AND SIGNIFICANT ITEMS



NET PROFIT PERCENTAGE BY BUSINESS UNIT CONTRIBUTION



All of our key businesses are gaining momentum

Group Chief Executive Officer,
John Stewart

OUR CORPORATE PRINCIPLES

1 We will be open and honest
2 We take ownership and hold ourselves accountable (for all our actions)
3 We expect teamwork and collaboration across our organisation for the benefit of all stakeholders
4 We treat everyone with fairness and respect
5 We value speed, simplicity and efficient execution of our promises

National Australia Bank

AT A GLANCE

- Prudent rebuilding of our businesses
- Disciplined management approach drives profitability
- Business lending portfolio quality remains strong
- Sharper focus on active capital management as a driver of business performance

Group CFO's report

THE 2006 RESULTS REFLECT OUR DETAILED PLANNING, HARD WORK AND CAREFUL IMPLEMENTATION OVER THE LAST TWO AND A HALF YEARS. THROUGH PRUDENT MANAGEMENT, WE HAVE BEEN REBUILDING OUR BUSINESSES TO SET THE GROUP UP FOR CONSISTENT GROWTH, ENABLING US TO DELIVER ON OUR PURPOSE OF SUSTAINABLE, SATISFACTORY SHAREHOLDER RETURNS.

Michael Ullmer
Finance Director
Group Chief Financial Officer

Our operating results were strong as a result of disciplined management of the balance between margins, revenue growth and cost control. Our asset quality remains sound.

The Group continues to evaluate its overall business portfolio to ensure alignment with our purpose. As a result, we divested our Custom Fleet business and our life insurance and wealth management companies in Asia during the year.

The annual financial report 2006, on which this concise annual report is based, is the Group's first annual report prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). This has not affected the underlying economics of the Group. However, some transactions are now reported differently.

Details of the impact of AIFRS on the Group can be found in Note 1 of this concise annual report and Note 1B of the annual financial report 2006.

For the 12 months to 30 September 2006, net profit* increased 10.0% from the prior year to $4,392 million. Net profit* before significant items increased 25.3% to $4,154 million.

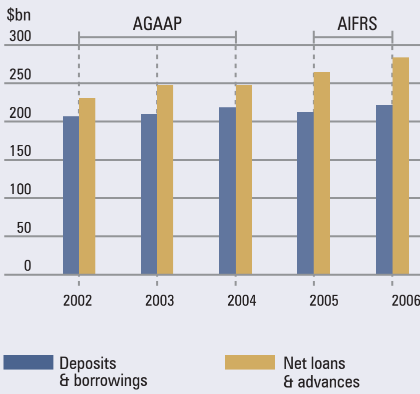
The final dividend declared for the 2006 year was 84 cents, an increase of 1 cent on the previous final dividend. The final dividend is franked to 90%. This brings the total of dividends declared in the year to 167 cents per share.

INCOME

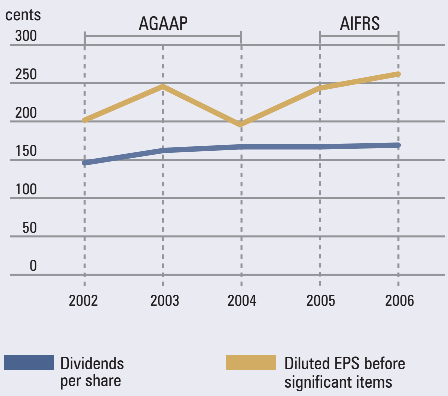
Net interest income of $8,686 million in 2006, was $1,742 million or 25.1% higher than 2005. After adjusting for AIFRS reclassifications in 2006, net interest income increased by 8.9%. This result reflects continued solid growth in housing lending and improved business lending, as well as an increase in the net interest margin from 2.13% to 2.31%.

Excluding AIFRS impacts, net interest margin has increased 11 basis points, primarily due to the reduction in low yielding assets in the Group's nabCapital business. This was partly offset by continued growth in lower margin mortgages and fixed rate lending within the retail banking businesses, as well as competitive pressures in all regions.

LOANS & ADVANCES AND DEPOSITS & BORROWINGS



DILUTED EARNINGS PER SHARE BEFORE SIGNIFICANT ITEMS & DIVIDENDS PER SHARE



Net life insurance income decreased $88 million, or 5.8%, from $1,505 million in 2005 to $1,417 million in 2006. This was driven by a decrease in investment earnings due to lower global equity markets returns, partly offset by an increase in policy liabilities and favourable claims experience.

Other operating income of $5,420 million in 2006, was $1,824 million or 25.2% lower than 2005, largely driven by a number of one-off items and AIFRS related adjustments as set out below. Excluding these adjustments, other operating income increased slightly primarily due to growth in lending fees.

Drivers of the overall outcome were:

- growth in underlying lending related fees of $136 million;
- gains on sale of businesses in 2006 (Custom Fleet) and 2005 (Irish Banks) resulting in a net year on year reduction of $1,158 million;
- changes in accounting for lending fees under AIFRS resulting in a reclassification to net interest income in 2006 of $856 million;
- reduction in gains less losses on financial instruments at fair value of $168 million (largely AIFRS driven);
- revaluation losses on exchangeable capital units of $122 million; and
- significant revenue of $319 million due to reforms made to the United Kingdom defined benefit pension funds.

EXPENSES

Operating expenses of $7,642 million in 2006 were $1,101 million or 12.6% lower than 2005.

This outcome reflects:

- on 8 May 2006, the Group sold its life insurance and related wealth management companies in Asia, resulting in a net loss from the sale of controlled entities of $63 million; and
- significant restructuring expenses of $793 million in 2005.

Excluding the expenses of disposed operations and significant restructuring expenses, operating expenses increased $104 million or 1.4%, and includes higher personnel expenses of $229 million as a result of our increased focus on performance-based remuneration and Enterprise Agreement related increases. This was partially offset by a decrease in other operating expenses of $123 million, including a decrease in operational risk losses of $69 million and a decrease in superannuation charge of $50 million primarily due to reforms made to the UK pension schemes.

CHARGE TO PROVIDE FOR DOUBTFUL DEBTS

The charge to provide for doubtful debts of $606 million in 2006 was $72 million or 13.5% higher than 2005. The increase was primarily due to weaker industry-wide patterns in UK consumer lending and emerging signs of softness in unsecured consumer lending in Australia (particularly New South Wales) in the second half of the year. This was partially offset by reduced loan loss charges in nabCapital.

BALANCE SHEET

Total assets at 30 September 2006 increased by 14.7% to $484,785 million from $422,598 million at 30 September 2005.

Net loans and advances increased $19,103 million or 7.2% to $283,777 million, reflecting strong growth in business and housing lending across all regions accompanied by sound economic conditions.

Total liabilities at 30 September 2006 increased by 16.8% to $456,813 million from $391,051 million at 30 September 2005.

With strong growth in on-demand and savings deposits, particularly in Australia and the UK, total deposits and other borrowings increased by $9,720 million or 4.6% during the year to $222,277 million. In Australia, growth resulted from the success of several internet-based and transaction products launched late in the 2005 year.

ASSET QUALITY

Asset quality levels remain sound with gross impaired assets to total lending reducing from 0.35% to 0.30%. Consistent with industry experience, signs are emerging of softer trends in consumer lending following a period of relative stability. In recognition of emerging signs that the credit cycle is turning, we heightened our focus on asset quality and improved our arrears management. The quality of the Group's business lending portfolio remains strong.

MANAGEMENT OF CAPITAL

We have sharpened our focus on the active management of capital as a driver of business performance.

Total regulatory capital represents 10.8% of risk-weighted assets. Tier 1 capital represents 7.3%.

During the year, the Group's Tier 1 capital decreased. However, the target capital ranges were also reduced and the level of capital held at year end is above the top end of the Group's revised target ranges. The reduction primarily reflects the adoption of AIFRS, offset by the capital benefit from the sales of the Custom Fleet and MLC Asia businesses along with the issue of National Capital Instruments and the conversion of exchangeable capital units into ordinary shares. The Group successfully absorbed the impacts of the adoption of AIFRS and did not require APRA transitional relief beyond 30 September 2006.

The adjusted common equity ratio reduced to 5.35% compared with 5.49% in 2005, reflecting the capital available to support the banking operations.

In line with our commitment to active capital management, the Group will commence an on-market share buy back of $500 million in the first half of 2007.

CREDIT RATINGS

There were no changes to the Group's credit ratings during the year.

	Short-term	Long-term
Standard & Poor's Corporation	A-1+	AA-
Moody's Investors Service, Inc.	P-1	Aa3
Fitch, Inc.	F1+	AA

RESTRUCTURING

In 2005 the Group established a restructuring program, with implementation of the program managed regionally.
The restructuring program is supported by an extensive investment program to ensure the benefits are sustained. At 30 September 2006, approximately 70% of the provision for costs associated with the restructuring has been utilised and over 75% of the announced FTE reductions have been achieved. Given the momentum in the program, we anticipate that the remaining benefits will be realised during 2007.

REGULATORY DEVELOPMENTS

There has been significant progress made on the remedial action plans imposed by APRA following the unauthorised foreign currency options trading incident in 2004. At 30 September 2006, 73 of 81 remedial actions have been closed by APRA, whilst the remaining eight have been submitted for closure.

All of the cultural remedial actions have been closed by APRA, and the Market Risk Model Re-accreditation application has been lodged with APRA and is awaiting approval.

The Basel II project has made positive progress on the implementation of programs to achieve advanced status under the Basel II Capital Accord, but much remains to be done.

An emerging development for the Australian and New Zealand financial services industries is the impending Anti-Money Laundering legislation. The Group is utilising the skills and experience we have developed in the United Kingdom, where the equivalent legislation has been in place for some time, to assist with this important program.

** attributable to members of the Company*

AT A GLANCE

- Market share growth reflects renewed focus on customer service
- Updated logo supports enhanced NAB brand
- New three-year Enterprise Agreement recognises a firm commitment to our people
- A commitment to micro-finance and financially vulnerable customers

AUSTRALIA

Backing customers

THE AUSTRALIAN BUSINESS HAS BEEN STABILISED AND WE ARE NOW BUILDING MOMENTUM AS WE FOCUS SQUARELY ON HELPING CUSTOMERS ACHIEVE THEIR ASPIRATIONS.

Improved customer service, product innovation and a reinvigorated marketing program have contributed to a stronger overall performance and created the platform for longer term and truly competitive growth.

CUSTOMER SATISFACTION IMPROVEMENT

We have seen significant improvements in customer satisfaction, having registered the highest increase among the four major banks since September 2005.

Personal customer satisfaction increased by 2.7% over the year (source: Roy Morgan Research – MFI, six-months moving average, September 2006).

We have re-organised into 70 retail local area markets and 95 business and private local area markets, each led by a regional executive, responsible for profitability, customer experience and community engagement.

Investing heavily in our branch network, we upgraded 198 sites and replaced teller technology across the country with a new simplified system. By December 2006, we will have opened seven new stores.

At Victoria Point in Brisbane, we opened a $1 million open plan store (incorporating smart technology) that looks more like a modern retail outlet than a traditional bank branch.

We have increased the percentage of branches with home loan sales capability to 52%, an increase of 37%.

INNOVATIVE, INTEGRATED PRODUCTS AND SERVICES

Product innovation has continued to underpin regional performance, particularly in the mortgages area where 18 months ago we didn't have a single five-star Cannex-rated mortgage product. Today, we feature eight.

We unveiled a Protected Loan package combining home lending with insurance to help customers buy their home and also protect it. We launched popular online savings accounts for retail and business customers – the iSaver and Business Cash Maximiser.

The National Portfolio Facility was released. This is our new lending solution that helps people create new income streams with a view to reducing personal debt well ahead of retirement.

We also launched Velocity NAB Credit Cards that allow customers to earn points for Virgin Blue airline's loyalty program.

Research indicates bank fees are a major issue for not-for-profit community groups and the financially vulnerable in the community. In response, we launched Community Fee Saver and Concession Card accounts that provide relief from transaction and other fees to meet the daily banking needs of these groups.

Our wealth management business, MLC, continues to work closely with the banking business. A significant proportion of MLC's new business growth came from banking channels with investment sales up by 31% and insurance sales up by 35%.

Our efforts were recognised via *Money Magazine's* Bank of the Year Award, *CFO Magazine's* Business Bank of the Year Award and *Australian Banking and Finance Magazine's* Life Insurance Company of the Year Award for MLC.

In business and private banking, our focus on relationship management led to strong growth and market share gains. Business lending growth exceeded market growth resulting in an increased share of 0.5% since September 2005 (source: RBA Financial Aggregates / NAB – market share gain from September 2005 to September 2006).

NEW VISUAL IDENTITY

A new visual identity was created this year, underscoring continuing changes being made to support the needs and aspirations of our customers.

The new visual identity received excellent exposure via our major sponsorships, in particular Melbourne's 2006 Commonwealth Games. The Games provided a unique opportunity to engage staff, build client relationships and expose our brand to a worldwide audience. Our overall brand revitalisation program was recognised with an award for excellence by the Australian Marketing Institute.

As part of the program, more than 55 high-profile NAB sites across Australia have been fully re-branded. This will continue in early 2007.

INDUSTRY AND COMMUNITY LEADERSHIP

We contributed to a number of significant industry issues throughout the year. In wealth management, MLC and Godfrey Pembroke championed the fee-for-service model in financial planning. It has been a significant step towards eliminating a perception of bias and conflict of interest prevalent in the commission-based system.

We also committed to initiatives with Good Shepherd Youth and Family Service and State Governments that will see up to $30 million in micro-finance loans allocated to individuals, families and micro-enterprises who have the desire to get ahead but are financially marginalised.

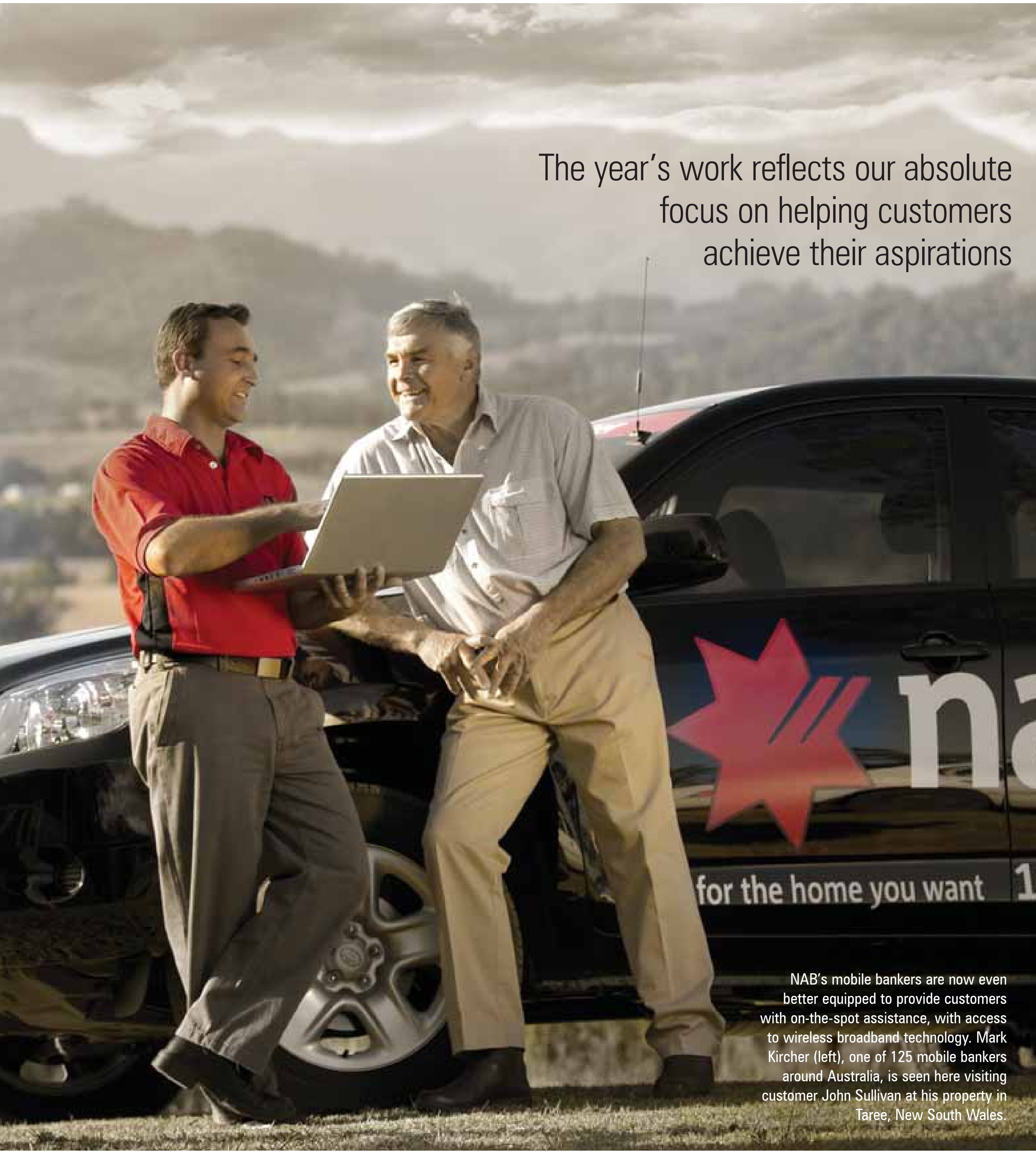
Our support of the NAB Cup, NAB AFL Auskick and the remarkably successful Australian Socceroos also strengthened our connection with communities.

OUR PEOPLE

We are evolving as a leaner, more efficient organisation, making progress in the area of culture change. But we recognise there is still more to be done.

We have simplified organisational structures, including combining the six operations, technology and risk departments that previously served Retail and Business banking separately into three unified teams.

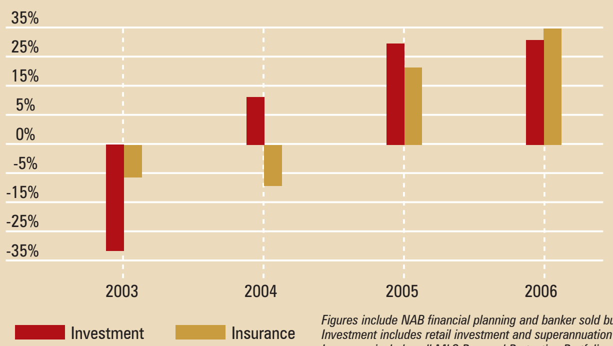
Our new three-year Enterprise Agreement was a significant step forward in the commitment to our people. This family-friendly agreement was reached after extensive consultation and feedback with our employees and the Finance Sector Union.



The year's work reflects our absolute focus on helping customers achieve their aspirations

NAB's mobile bankers are now even better equipped to provide customers with on-the-spot assistance, with access to wireless broadband technology. Mark Kircher (left), one of 125 mobile bankers around Australia, is seen here visiting customer John Sullivan at his property in Taree, New South Wales.

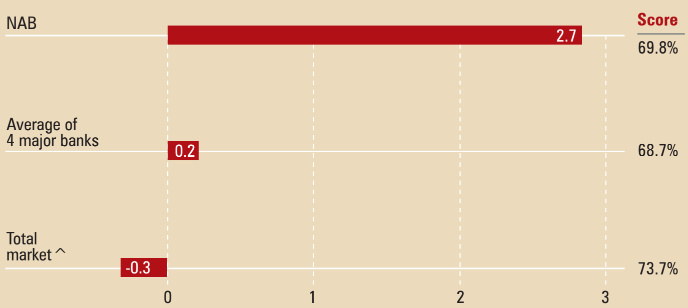
WEALTH MANAGEMENT CROSS-SELLING SUCCESS – GROWTH IN INVESTMENT AND INSURANCE SALES VIA BANK CHANNELS



Source: NAB Internal

Figures include NAB financial planning and banker sold business. Investment includes retail investment and superannuation sales. Insurance includes all MLC Personal Protection Portfolio and Loan Cover sales.

PERSONAL CUSTOMER SATISFACTION WITH MAIN FINANCIAL INSTITUTION – ANNUAL PERCENTAGE POINT CHANGE



Source: Roy Morgan Research, Base 14 years+
Satisfaction is based on customers who answered Very or Fairly satisfied.
^ Includes banks, building societies and credit unions. "Annual" refers to the six-months period ending September 2006 compared to the six-months ending September 2005.

AT A GLANCE

Profitability reflects higher income and lower expense

Continued balance sheet growth – Irish lending replaced

Financial Solutions Centre success continues

Clydebank call centre judged world's best

UNITED KINGDOM

Delivering on promises

TWO YEARS INTO OUR TURNAROUND PROGRAM, THE UK BUSINESS IS DEMONSTRATING CONTINUED RECOVERY IN PERFORMANCE AND PROFITABILITY.

The 2006 results reflected growing business momentum, while overall asset quality remained strong, despite continued pressure on the personal unsecured lending market.

We achieved significant growth in business lending through our integrated Financial Solutions Centres (FSC) and in mortgages sold through our third party distribution channel.

In line with UK industry trends, we saw an increase in write-offs for credit card and personal lending debt. We completed the sale of the Northern Bank and National Irish Bank in 2005, and in the following 19 months the growth in the UK business has more than replaced the Irish loan book's value.

INTEGRATED FINANCIAL SOLUTIONS SUCCESS

Our integrated FSCs continue to be successful demonstrating strong business growth.

There are now 74 FSCs within the UK – 36 in the south and 38 in the north. There has been continued expansion in the south, with four new centres opened and ongoing relocations and refurbishment in the north, where five centres have been relocated and a further seven centres upgraded.

Each FSC is run by a local managing partner and offers integrated business and private banking services, tailoring products and pricing to private customers, small and medium-sized businesses throughout their local markets and networks.

Our FSC network is supported by 30 non-executive chairpersons, who are highly respected within their local business communities.

Our third party distribution channel now has 450 broker relationships and £1.6 billion mortgage advances were completed during the year. More than 16,000 customers have now been introduced via this channel.

We completed our 2005 branch network consolidation program six months ahead of schedule. Despite having 20% fewer branches, our branch network continued to show improved performance in a number of areas with good growth in deposits, improvement in cross-selling and mortgage sales up on the previous year.

ENHANCING CUSTOMER SATISFACTION

During the year we made a number of changes in both Clydesdale and Yorkshire banks to enhance customer satisfaction.

Streamlined call centre arrangements now provide better service at lower cost and have resulted in a substantial increase in first call resolution – where a customer query is resolved in a single call – from 39% to 73%.

This saves customers' time, reduces the burden on counter staff, provides increased opportunities for cross sales and costs less for each transaction.

This, coupled with a new internet banking platform and new ATM software, has improved accessibility, and transactions through direct channels have grown by almost a third.

Our Clydebank call centre was judged best in the world by 'Contact Center World' during 2006.

The branch network has been reinforced with 57 flagship branches established in key locations, capable of handling the needs of small business customers in addition to retail inquiries and transactions.

We upgraded our IT infrastructure at the front line to improve customer service. Our new teller system is now live in 118 Yorkshire Bank branches enabling us to complete more transactions on-the-spot.

We are now able to access customer details immediately, reducing queue time and back office processing.

We created a new induction program for customer service officers and amalgamated the units dealing with customer complaints. The induction program incorporates our Customer Charter that outlines our customer service standards.

OUR PEOPLE DRIVE OUR BUSINESS SUCCESS

We have a broad range of People and Culture programs under way, including workshops on leadership and communications and a project to encourage more women to move into senior management. We encourage open and honest communication with employees and more than 2000 staff joined 'Straight Talking' sessions to discuss issues and concerns with senior executives throughout the year.

The year also saw the successful introduction of pension reform for the Clydesdale Bank, Yorkshire Bank and National Australia Bank defined benefit pension schemes, following consultation with the union Amicus and trustees and a positive employee ballot.

SUPPORTING OUR COMMUNITIES

Our UK business proudly supports the communities where our customers live and work.

In Scotland, Clydesdale Bank supported the successful Commonwealth Games team at the 2006 Melbourne Games. In Yorkshire, we supported the refurbishment of the Leeds Grand Theatre and Opera North – a project of great local interest.

Elsewhere, our sponsorship of cricket's The Twenty20 Cup, the *Financial Times* Golf Challenge, and our partnership with Team Halfords in the British Touring Car Championship have raised brand awareness among key business contacts.

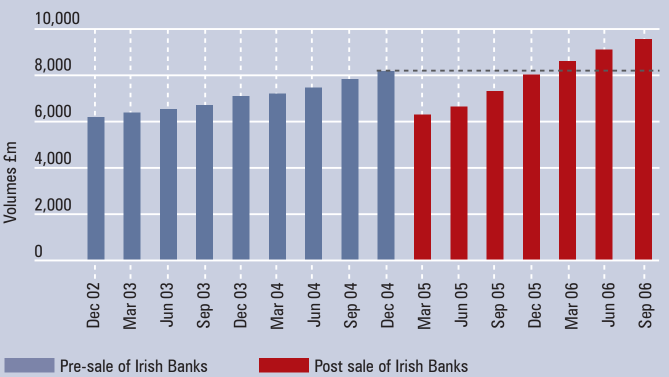
Our people demonstrated great generosity in fundraising for the British Heart Foundation, as well as donating through Give As You Earn and taking part in life saving skills classes.

Key Corporate Social Responsibility achievements include the move to an environmentally sensitive procurement policy for all suppliers and being awarded a Disability User Symbol for our commitment to good practice in employing people with disabilities.

We are very pleased with the success and evolution of our Financial Solutions Centres

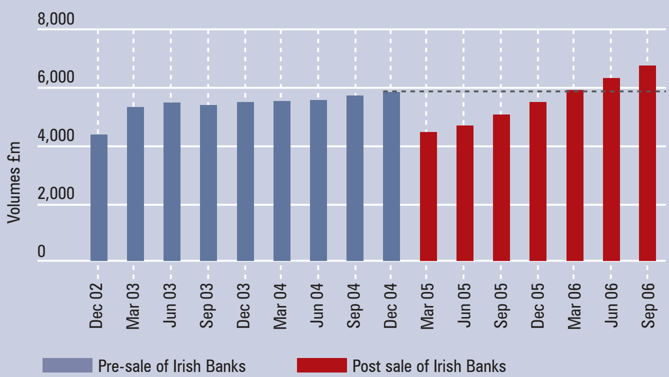
Billy Walker, Managing Director of The Benriach Distillery (left), meets Scott McKerracher, Managing Partner (right) at the Glasgow Financial Solutions Centre. Scott manages the banking relationship with the distillery, providing funding to help this young premium whisky brand grow in the UK as well as developing its export potential.

RESIDENTIAL PROPERTY LENDING – FIXED AND VARIABLE



Source: NAB Internal

BUSINESS LENDING



Source: NAB Internal

AT A GLANCE

Improved performance in competitive market

New 'switching service'

Customer contact centre judged best in Asia Pacific

'Unbeatable is back'

NEW ZEALAND

Solid performance

BANK OF NEW ZEALAND CONTINUES TO PERFORM WELL IN A HIGHLY COMPETITIVE MARKET. WE ATTRIBUTE THIS TO OUR ONGOING FOCUS ON SERVICE DELIVERY, RELATIONSHIP MANAGEMENT AS WELL AS DISCIPLINED MARGIN MANAGEMENT AND COST CONTROL.

We have continued our solid performance in business banking as well as growing in agribusiness, and youth. As the only major bank not to deal with mortgage brokers, we have increased market share in the housing sector.

We are the second largest bank in New Zealand, as measured on total lending assets and reported in each bank's general disclosure statement as at June 2006. Spending on VISA and MasterCards issued by BNZ is at 36% – more than any other single New Zealand bank.

CUSTOMER SERVICE EXCELLENCE

Customer satisfaction remains our strategic focus, an approach rewarded with our highest scores in nearly a decade as measured by research company AC Nielsen.

Our customer contact centre was judged to be New Zealand's best for the third year in a row at the annual CRM awards, and was also judged to have the best customer service in Asia Pacific at the 'Contact Center World' Asia Pacific regional finals in August.

We led innovation in banking by being the first bank in New Zealand to initiate a 'switching service' that removes the hassle from changing banks. New customers provide a limited power of attorney to BNZ and we do the work.

While maintaining our credit standards, we've streamlined lending procedures and made it easier for our small to medium enterprise customers to borrow.

We have responded to growing concerns about banking security. In April, we installed anti-skimming devices on our ATM machines and later launched NetGuard, a second factor authentication system to provide enhanced security for personal online banking customers.

We also launched text and email alerts that allow customers to more easily manage their money. Tailored alerts allow customers to get up to the minute information about their account details, including balances, overdrafts and deposits. Our new low interest credit card BNZ Lite Visa is proving popular with customers.

BRAND AND BUSINESS INVESTMENTS

Our 'Unbeatable' home loan campaign (launched in 2004) has enabled us to grow our share in a very competitive market. We entered the third year of this campaign unveiling 'Unbeatable is back' in September driving momentum into the Spring home loan rollover season.

Our new 'Pig Tales' advertising campaign, launched in March, has been warmly received. After only three weeks on air, our television commercials featuring animated piggy banks were voted number one in *AdMedia* magazine's chart of New Zealand's favourite commercials.

Within seven weeks of launch, 74% of people surveyed correctly associated the campaign's piggy bank device with Bank of New Zealand. Unprompted advertising awareness peaked in May at 41% – the highest result for BNZ since records began in September 1998.

We continue to invest in our branch network. During the year, BNZ opened two new branches. We refurbished one and relocated five other branches. In May, we announced plans to relocate our Auckland headquarters to new premises towards the end of 2008.

EMPLOYER OF CHOICE

Staff retention levels continue to improve despite an extremely tight labour market. Our talent acquisition team recruited 95% of new employees and adopted an innovative process that helps identify individuals with characteristics aligned to our culture.

BNZ continues to incorporate the Group's broad cultural agenda to support its business objectives, and 80 people were trained as culture coaches during the year to drive this program. We invest heavily in the learning and development of our employees to increase the capabilities of current managers and rising stars - those identified as future leaders. More than 274 employees completed leadership development courses during the year.

We sought to maintain our position as an employer of choice by launching new initiatives, including an employee referral program and BNZ Careers website, to build our profile with potential employees.

OUR WORK IN THE COMMUNITY

Our 15-year association with the New Zealand Department of Conservation, Bank of New Zealand Save the Kiwi Trust, continues to go from strength to strength. The funding pool increased by 21% compared to 2005, and by 67% since 2003, when the trust was established.

The Trust's Operation Nest Egg program reared and released 135 kiwi chicks into the wild. In November 2005 the Trust launched its first education resource kit in conjunction with the Government.

We contributed to the spirit of Melbourne 2006 Commonwealth Games as principal sponsor of the New Zealand team.

We continued our role for the 47th year as main sponsor of the Bank of New Zealand Katherine Mansfield Awards, one of New Zealand's most prestigious awards for literature.

BNZ continues to support tertiary education at New Zealand's eight universities. This initiative is now in its 10th year and we awarded 17 scholarships in 2006.

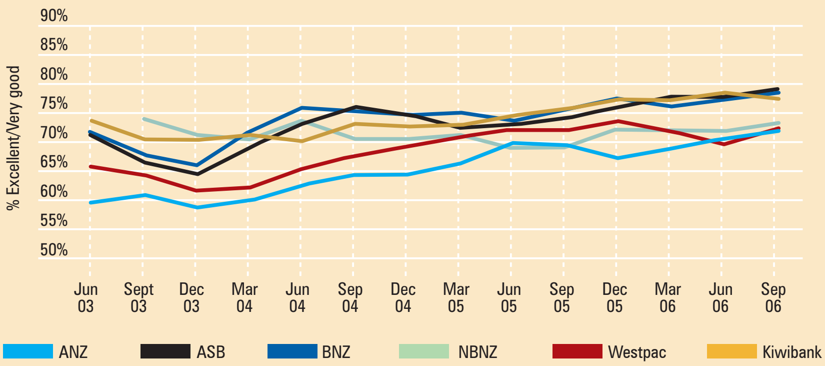
Recognising that domestic violence is a serious issue in New Zealand, we are associated with Preventing Violence in the Home, New Zealand's largest agency in the domestic violence field.

We are the naming rights sponsor of Bank of New Zealand Get Organised Auckland, the country's biggest garage sale, which will raise funds to support the Preventing Violence in the Home campaign.

Striving above and beyond to excel in satisfying more customers is our strategic focus in a highly competitive market

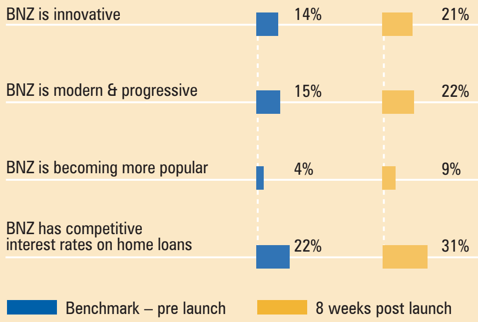
In the Matakana region north of Auckland, fifth generation winemakers Darryl and Bridget Soljan turn grapes grown in the iron-rich clay of Ascension Vineyard into sought after wine. Bank of New Zealand's expertise in business banking helps customers such as the Soljans achieve their dreams.

SATISFACTION WITH BRANCH SERVICE – BASED ON CUSTOMERS WHO HAVE VISITED A BRANCH



Source: AC Nielsen Consumer Finance Monitor, six-month rolling average – September 2006.

PIG TALES ADVERTISING CAMPAIGN IMPROVES BNZ PROFILE



Source: Colmar Brunton 2006 BNZ Brand Tracking survey.
Base: All respondents who currently have a mortgage.

AT A GLANCE

Strong performance while reducing capital deployed

Continuing growth in product and service capability

New identity launched to better reflect client expectations

Continued leadership development

nabCapital
A division of National Australia Bank Limited

NABCAPITAL

Business repositioned

THIS YEAR WE COMPLETED THE STABILISATION OF OUR BUSINESS AND REPOSITIONED IT TO BUILD CAPABILITY FOR SUSTAINABLE GROWTH.

Our strong performance was underpinned by a sharper focus on core business areas, as well as significant growth from new areas.

We increased net profit* before significant items by 8% while freeing considerable capital for the Group, although much remains to be done.

ALIGNING TO CLIENT NEEDS

Key transactions this year include Grocon Property Trust Group (GPT Group), which showcased our ability to provide financial solutions for clients, package the risk and distribute equity product to investors.

Our bond issue for GPT Group was the largest BBB sector issue ever in the Australian market for which we secured significant participation in Asia. Our involvement in the leveraged buyout of Myer Department Stores was also significant.

We enjoyed strong sales growth in Global Markets, increased origination activity in Corporate Finance, and strong deal flow in Syndications.

nabCapital maintained its strong position in Australian bonds, loan syndications and project finance league tables produced by Thomson Financial and Dealogic, whilst improving client satisfaction.

In July we reorganised ourselves to provide greater client focus and increased local accountability.

The changes better support our ‘originate warehouse distribute’ model – our ability to offer a diverse mix of funding and risk management capabilities to our clients, repackage the risk arising from those products and provide investor clients access to the subsequent range of investment opportunities.

Alongside the existing New Zealand and United Kingdom division, we created a new division for Australia, New York and Hong Kong.

This helps us support Australian businesses operating in these markets, and US and Asia-based organisations who want access to the Australian market.

We established a global Structuring & Investments business, responsible for manufacturing product for investors and managing our asset book.

Our Global Markets division continues to focus on traded products and financial risk management solutions, and building our ability to distribute a wide range of product for retail and institutional investors.

In October 2006 we launched nabCapital – our new name and brand identity, to better reflect the services we provide and our alignment to both issuer and investor clients.

INVESTING IN OUR BUSINESS

In February, we officially opened our new dealing room in Sydney. The facility seats up to 200 employees involved in trading, product management, sales and origination.

During the year we established a Securitisation team in New York to add to the capability of the existing teams in Australia, New Zealand and the UK. Following its creation last year, our Structured Property Finance team has built momentum acting as a solutions provider and lead arranger to repackage property assets for Australian corporates, and manufacturing equity investment securities for sale to investors.

To broaden our product range and increase our opportunities in Australia’s growing infrastructure sector, we took a 49% stake in the Flinders group of companies.

We also initiated the Strategic Investment Program. This is a three-year program to deliver key technology initiatives to improve simplicity, flexibility and cost effectiveness in our business and technology platforms.

PEOPLE, LEADERSHIP AND CULTURE

In addition to ongoing training and development for all employees, we extended availability of our Resilience program across Australia and in New York.

The program provides practical health and wellbeing support to employees and will be made available across all regions over the coming year.

More than two-thirds of our employees took part in work to assess our culture.

Flowing from this, we launched initiatives to more clearly define our leadership behaviours and to improve communication.

We established leadership development programs targeting our high potential employees and future leaders.

Our revised structure pushes greater leadership accountability through the business. We also established a smaller and more strategically focused executive committee.

COMMUNITY INVOLVEMENT

Our community activity includes both industry-wide programs and support for employee-led initiatives.

In Australia, we are committed to playing a leading role with the Financial Markets Foundation for Children, managing the foundation’s key fundraising event for the next two years.

In the UK we launched a community investment program, aligned to work by Clydesdale Bank and Yorkshire Bank, which encourages employees to take part in community activities, including fundraising, Give As You Earn and volunteering.

Across nabCapital, we have encouraged and supported team-based and individual employee activities. Employees in our Service Delivery Operations team worked with Melbourne City Mission to develop a sensory garden for people with severe disabilities.

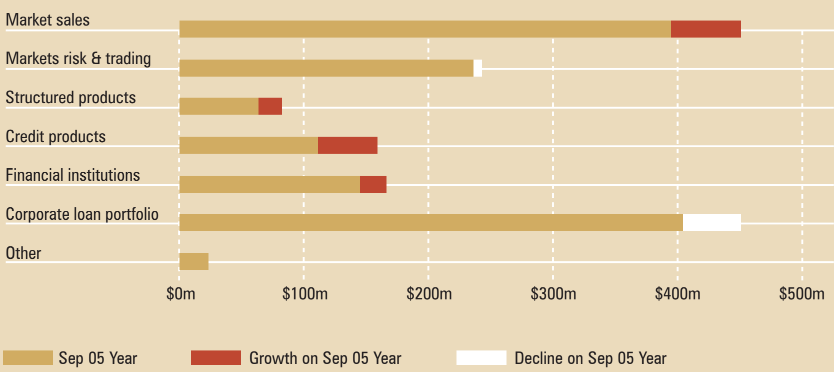
In New York, 30 employees have volunteered during the year with the Yorkville Common Pantry which delivers emergency food supplies to disadvantaged neighbourhoods in New York.

** attributable to members of the Company*

We are gaining traction as we find new ways to meet the borrowing, risk management and investment needs of our clients globally

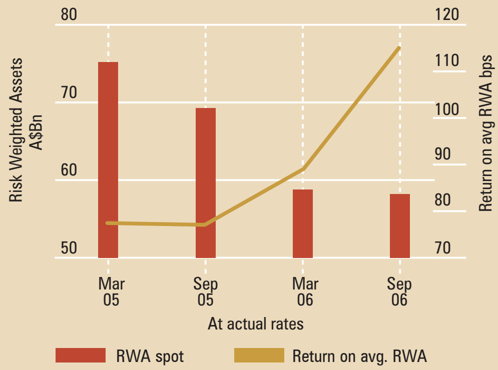
nabCapital backs clients to succeed. Based on our long- term relationship with Grocon, we generated an integrated debt and equity solution for the development of 41,000 square metres of office and retail space at 750 Collins Street, Melbourne. In doing so we created an attractive opportunity for retail and institutional investors. Pictured are Grocon's Chief Executive Officer, Daniel Grollo, (third from right) and Chief Financial Officer, Stephen Scanlon, (far right) with representatives from nabCapital.

TOTAL INCOME UP 6.1%



Source: NAB Internal

CAPITAL MANAGEMENT IMPROVES SHAREHOLDER RETURNS



Source: NAB Internal

National Australia Bank Limited

NATIONAL AUSTRALIA BANK IS AN INTERNATIONAL FINANCIAL SERVICES ORGANISATION WITH HEADQUARTERS IN MELBOURNE, AUSTRALIA.

Our four key businesses are:

- Australia - NAB and MLC brands;
- United Kingdom - Clydesdale Bank and Yorkshire Bank brands;
- New Zealand - Bank of New Zealand brand; and
- nabCapital, formerly Institutional Markets & Services, which operates internationally.

OUR STRUCTURE

We are building a portfolio of businesses and strong brands operating under a regional business model that is supported by a streamlined corporate centre.

The Corporate Centre supports the regional businesses to set performance targets and policies, and to identify business development opportunities and foster innovation.

The Corporate Centre is also responsible for shareholder and Group-related prudential opportunities and obligations, including external reporting.

We continue to consider a range of options to optimise our domestic and international operations, including a non-operating holding company. We are participating in industry-wide consultation with regulators.

Consideration of various structural options involves a range of complex issues, and any subsequent decision on a particular path is expected to take some time to complete.

STRATEGY

The Group's corporate purpose is to generate sustainable satisfactory returns to shareholders. Our strategies are focused on the turnaround of the Group and building new avenues for growth.

There has been, and continues to be a focus on:

- Re-invigorating our franchise and brand
- Improving our core infrastructure
- Accelerating cultural change around our Corporate Principles
- Enhancing our disciplined approach to performance improvement
- Improving regulatory and key stakeholder engagement
- Strengthening risk and capital management
- Leveraging our distinctive capabilities to create new and differentiated growth opportunities.

PEOPLE AND CULTURE

Having the right culture is central to creating sustainable growth in shareholder returns.

GROUP EXECUTIVE TEAM

CORPORATE CENTRE

John Stewart
Group Chief Executive Officer

Michael Ullmer
Finance Director
Group Chief Financial Officer

Cameron Clyne
Executive General Manager, Group Development

Michael Hamar
Group Chief Risk Officer

AUSTRALIA

Ahmed Fahour
Executive Director & CEO

Incorporates:
National Australia Bank and MLC brands; Retail banking, Business banking; Wealth management; Corporate banking; Transactional services; Custody services; Asia (retail banking and wealth management)

UNITED KINGDOM

Lynne Peacock
CEO

Incorporates:
Clydesdale Bank, Yorkshire Bank and MLC brands; Retail banking; Business banking; Wealth management; Corporate banking

NABCAPITAL

John Hooper
CEO

Incorporates:
nabCapital brand; Institutional Banking; Corporate Finance; Global Markets; Structuring & Investments

NEW ZEALAND

Peter Thodey
CEO

Incorporates:
Bank of New Zealand brand; Retail banking; Business banking; Wealth management; Corporate banking; Transactional services; Custody services

Our people drive our results and they deserve full credit for the turnaround of our businesses. We continue to focus on the development of our people to help them keep doing the right things the right way for our customers.

Our Corporate Principles underpin everything we say and do. These principles are a key factor in our performance management and reward framework ensuring our people are rewarded for the way they behave and do their jobs, rather than just the outcomes they achieve.

Our five core principles are:

- We will be open and honest
- We take ownership and hold ourselves accountable (for all our actions)
- We expect teamwork and collaboration across our organisation for the benefit of all stakeholders
- We treat everyone with fairness and respect
- We value speed, simplicity and efficient execution of our promises.

COMPLIANCE AND RISK MANAGEMENT

We continue to invest in infrastructure to improve our governance processes, risk management systems and organisational culture across the Group.

We have made positive progress with our internal market risk model re-accreditation and have applied for the highest level of accreditation under Basel II.

A range of work is being undertaken to achieve these outcomes and the accreditation process will continue through calendar year 2007.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is about creating long-term value for shareholders and the communities in which we operate by delivering sustainable business growth.

In March 2006, our Board approved the Group's second three-year CSR strategy. This is the framework for each of our businesses to set priorities and develop action plans to address diverse sustainability trends internationally.

The key elements of our CSR strategy are to improve business performance, build an open and honest culture and engage actively with stakeholders.

We aim to achieve this by focusing on six key areas:

- governance and accountability
- creating a great place to work
- working with our supply chain
- managing our environmental impacts – both direct and indirect
- caring for our customers and providing them with products and services to meet their evolving needs and expectations
- investing in local communities.

UK Head of P&C Strategy and Development Hilary Crowe (centre) outlines the potential to implement 'Closing the Gap' glass ceiling initiative for women across the UK business during a series of workshops.

CSR HIGHLIGHTS 2006

Our CSR strategy and agenda

- CSR policy statement developed and approved by Board.

Governance

- 2005 CSR Report published in accordance with Global Reporting Index (GRI) Sustainability Reporting Guidelines.
- Developed and implemented 'fit and proper' and governance policies for our directors, senior managers and auditors in response to APRA's Prudential Standard 520 and 510.
- Reviewed and updated our insider trading policy and disclosure policy.

Community

- Invested a total of $20.5 million dollars in local communities through our Corporate Community Investment (CCI) activities, matched giving and staff volunteering.
- Improved our reporting and measurement systems for CCI across the Group.
- Bank of New Zealand became a principal partner with Preventing Violence in the Home – an agency in the domestic violence field.
- nabCapital launched a community investment program for UK employees to undertake volunteering, Give As You Earn and community fundraising.

People

- Held our second Global Union conference in Glasgow between regional unions and representatives from our businesses.
- New Enterprise Agreements signed in Australia, UK and New Zealand.
- Pension reforms successfully implemented in UK.
- Awarded the ability to use the 'Two Tick' Disability User Symbol in the UK for our commitment to employment, retention, training and career development of disabled employees.
- Reduced lost time injury frequency in all regions.

Customers

- Award-winning customer contact centres in the UK and New Zealand.
- Multi-language website launched in September in Australia in Chinese and Korean.
- Announced $30 million funding commitment to micro-finance initiatives in Australia over the next three years and expanded access to the 'stepUP' loan in Australia in partnership with community organisations.
- New banking and insurance products developed for financially vulnerable customers in Australia.
- Opened 57 new flagship branches in key locations in the UK to help meet the needs of small business customers.

Supply chain

- New waste management contracts in place in Australia.
- New CSR procurement policy.

Environment

- Purchased 100% Climate Levy Exempt power in the UK.
- Completed partial refurbishment of Clydesdale Bank head office incorporating water and energy saving features.
- Completed first stage of research on climate risks and opportunities in corporate banking.
- Implemented changes to Australian car fleet to reduce greenhouse emissions from fleet by 10% over the next three years.
- Completed energy assessments at selected Bank of New Zealand branch and corporate office sites to identify energy and greenhouse emissions reductions of 1021 GJ and 637 tonnes CO_2-equivalents.

Benchmarking

- Maintained our position in the Dow Jones Sustainability and FTSE4Good Indices.
- Maintained our AA rating in the RepuTex Social Responsibility Rating and significantly improved our performance in the governance and social impact areas.
- Finalists in the Environmental, Social, Government & Community Service Award Category of the Trans Tasman Business Awards 2006.

Further details of our CSR strategy and performance are included in our 2006 CSR Report available on line at www.nabgroup.com

Mr Michael A Chaney

- Non-Executive Director since December 2004
- Chairman since September 2005

Mr Chaney is a highly respected business leader, with significant experience in a range of industries, including finance. He joined the Board shortly before retiring from Wesfarmers Limited, where he spent 22 years in various roles, including Managing Director and Chief Executive Officer from 1992 until July 2005.

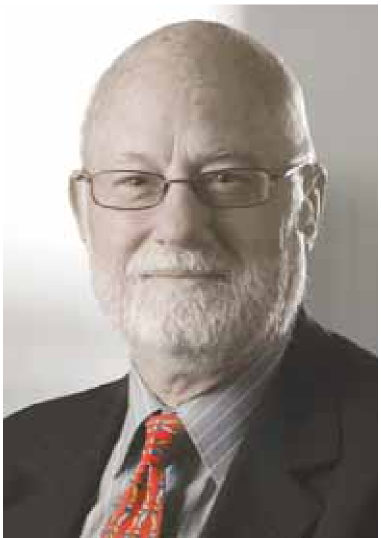
Mr John M Stewart

- Executive Director since 2003
- Managing Director and Group Chief Executive Officer since February 2004

Mr Stewart brings international banking and finance experience to the Board, having spent 26 years in the UK banking industry, including leadership positions at Woolwich PLC and Barclays PLC.

Our Board of Directors

Our Board comprises talented and deeply committed individuals with diversity of experience across industries and geographies. Key responsibilities of the Board include: stakeholder interests; future strategy; review of past



Mr Peter JB Duncan

- Non-Executive Director since 2001

Mr Duncan adds vast international experience to the Board, having spent 36 years with Royal Dutch/Shell Group of companies in Australia, New Zealand, South America, Europe and South East Asia.

Mr Daniel T Gilbert

- Non-Executive Director since September 2004

Mr Gilbert represents an important customer group for the NAB – small and medium businesses – having co-founded Gilbert + Tobin, a successful Australian law firm. He also brings not-for-profit experience to the Board, through extensive work in social justice issues and the arts.

Ms Jillian S Segal

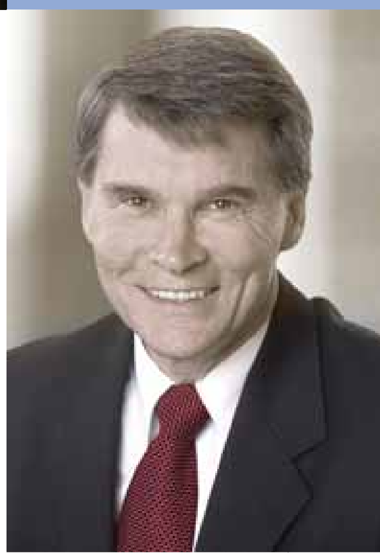
- Non-Executive Director since September 2004

Ms Segal brings legal and regulatory knowledge to the Board, as a former Commissioner of the Australian Securities & Investments Commission and as a current Director of Australian Stock Exchange Limited.

Mr John G Thorn

- Non-Executive Director since October 2003

With 37 years' experience at PricewaterhouseCoopers (PwC), Mr Thorn brings insights in professional services and auditing, having been a member of PwC's Global Audit Management Group.



Mr Michael Ullmer

- Group Chief Financial Officer since September 2004
- Finance Director since October 2004

Mr Ullmer brings more than 30 years' experience in financial services and risk management to the Board, including seven years with Commonwealth Bank of Australia. As a former partner with Coopers & Lybrand and KPMG, he also contributes significant financial advisory expertise.

Mr Ahmed Fahour

- CEO Australia since September 2004
- Executive Director since October 2004

Mr Fahour brings almost 20 years' experience in international economics and financial services, including corporate and investment banking, consumer banking and investment management, predominantly with Boston Consulting Group and Citigroup. He is also an honorary Business Ambassador for Melbourne's North.

performance; integrity of external reporting; risk management and compliance; executive review, succession planning and culture; and, Board performance. The Board's formal charter can be found on www.nabgroup.com

Mrs Patricia Cross

- Non-Executive Director since December 2005

Mrs Cross has 25 years of experience in banking and finance including senior executive roles with Chase Manhattan Bank, Banque Nationale de Paris and NAB in the U.S, Europe and Australia.

Mr Thomas (Kerry) McDonald

- Non-Executive Director since December 2005

Mr McDonald has more than 40 years' experience across a range of sectors, including as a senior executive at Comalco in both Australia and New Zealand. He is a director and consultant to a range of organisations in New Zealand and Australia and has been a Bank of New Zealand director since 1991.

Mr Paul J Rizzo

- Non-Executive Director since September 2004

Mr Rizzo adds extensive banking and financial management experience to the Board having held senior management or director positions with Telstra Corporation Limited and in banking, Commonwealth Bank of Australia, Australia and New Zealand Banking Group, State Bank of Victoria and NM Rothchild Australia Holdings Ltd. His former directorships include Seven Network and IBM GSA.

Mr Geoffrey A Tomlinson

- Non-Executive Director since 2000

Mr Tomlinson spent almost 30 years with the National Mutual Group (including six years as Group Managing Director and Chief Executive Officer), bringing valuable financial services industry experience to the Board of the NAB.

Mr G Malcolm Williamson

- Non-Executive Director since May 2004

Mr Williamson brings to the Board extensive international experience in the financial arena as a former Chief Executive Officer of Visa International and having had senior leadership positions across a number of other financial services businesses.

Concise Financial Report

CORPORATE GOVERNANCE SUMMARY

CORPORATE GOVERNANCE IS A FUNDAMENTAL PART OF OUR CULTURE AND OUR BUSINESS PRACTICES.

Our full corporate governance statement is set out in the full annual financial report 2006. You can view a copy at www.nabgroup.com

In summary, our corporate governance framework includes:

- Management and oversight: The Company has a formal Board Charter that details the functions and responsibilities of the Board. The Group Chief Executive Officer has delegated authority from the Board to manage the day-to-day affairs of the Group.
- Board structure: A majority of directors on the Board, including the Chairman, are independent directors. Details of the skills, experience, expertise and term of office of our directors are set out on pages 24 to 27.
- Responsible and ethical decision making: The Company has adopted a formal Code of Conduct and Insider Trading Policy that promote consistent ethical behaviour, transparency and accountability in the Group.
- Integrity of financial reporting: Our Audit Committee reviews and oversees the accounting and financial reporting processes of the Group, including internal and external auditing processes, to ensure integrity of financial reporting.
- Timely and balanced disclosure: Our Disclosure Policy requires timely and accurate disclosure to our shareholders and the market about material matters of the Group in accordance with our legal and regulatory obligations.
- Shareholder rights: We engage in regular communications with our shareholders through a range of forums and publications. These provide information about the Group and enable our shareholders to exercise their rights in an informed manner.
- Risk management: As a financial services organisation, risk assessment and management is an essential part of our day-to-day business. The Company has implemented a robust risk management framework overseen by the Risk Committee and various management committees.
- Enhancement of performance: The Board, its committees, individual directors and key executives are subject to periodic performance reviews. External experts are engaged as required to review the Board's activities and to assist in continuous improvement processes to enhance the effectiveness of the Board.
- Remuneration: The remuneration of our directors and key executives is linked to the Group's performance, Corporate Principles and ethical standards. Our Remuneration Committee continuously reviews and assesses our remuneration policy to enhance corporate and individual performance.
- Stakeholders' interests: Our Corporate Principles are reinforced by our Code of Conduct, which requires the observance of strict ethical guidelines. Our Code of Conduct applies to all employees, directors and temporary workers.

ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES

Under recommendation 7.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice recommendations, the Group Chief Executive Officer and the Group Chief Financial Officer are required to state to the Board in writing that the certifications they give to the Board under Recommendation 4.1 (as to the integrity of the Company's financial statements) are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The statement given to the Board by the Group Chief Executive Officer and Group Chief Financial Officer with respect to the Company's financial statements for the six months ended 31 March 2006 was qualified by reference to matters that had been previously reported (namely, the discovery in 2004 of unauthorised trading in foreign currency options and the extent of manual processes necessary in order to compensate for certain identified systems deficiencies). Those matters, and the steps taken to address them, are described in more detail on page 57 of the full annual financial report for 2006.

Throughout 2006 the Company complied with the recommendations contained in the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice recommendations in all other respects.

IMPROVEMENTS DURING THE YEAR

To further enhance our corporate governance, we made the following improvements during the year:

- Critical review and continuous improvement in the effectiveness and efficiency of our financial and risk reporting and the performance of our Board and management risk committees.
- During the year we updated our Insider Trading Policy and reviewed our Disclosure Policy. Both are available on www.nabgroup.com
- We also implemented 'Fit and Proper' and governance policies for our directors, senior managers and auditors that involves a review and validation of their credentials and backgrounds in accordance with APRA Prudential Standard 520 and 510.
- In response to shareholder feedback, we are beginning to improve the style and content of our shareholder communications.

Report of the directors

The directors of National Australia Bank Limited (Company) present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the year ended September 30, 2006.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the Group during the year were banking services, credit and access card facilities, leasing, housing and general finance, international banking, investment banking, wealth management, funds management, life insurance, and custodian, trustee and nominee services.

REVIEW OF OPERATIONS AND GROUP RESULTS

FINANCIAL PERFORMANCE SUMMARY

	Group	
	2006 $m	**2005 $m**
Net interest income	**8,686**	6,944
Net life insurance income	**1,417**	1,505
Other income	**5,420**	7,244
Operating expenses	**(7,642)**	(8,743)
Charge to provide for doubtful debts	**(606)**	(534)
Profit before income tax expense	**7,275**	6,416
Income tax expense	**(2,134)**	(1,814)
Net profit	**5,141**	4,602
Net profit attributable to minority interests	**(749)**	(610)
Net profit attributable to members of the Company	**4,392**	3,992

Net profit attributable to members of the Company of $4,392 million in 2006, increased $400 million or 10.0% compared with 2005.

Net interest income of $8,686 million in 2006, was $1,742 million or 25.1% higher than 2005. This result reflects continued solid growth in housing lending and improved business lending, as well as an increase in the net interest margin from 2.13% to 2.31%. The increase also reflects the reclassification of bill acceptance income from loan fees (classified within other operating income in 2005) to net interest income in 2006.

The increase in margins has occurred as a result of AIFRS changes during 2006, which has favourably impacted the net interest margin by 7 basis points. After adjusting for AIFRS impacts during the 2006 year, the net interest margin has increased 11 basis points, primarily due to the reduction in low yielding assets in the Group's businesses. These impacts have been partly offset by continued growth in lower margin mortgages and fixed rate lending within the retail banking businesses, as well as competitive pressures in all regions.

Net life insurance income decreased $88 million from $1,505 million in 2005 to $1,417 million in 2006. This was driven by a decrease in investment earnings resulting from a downturn in global equity markets, partly offset by an increase in policy liabilities and favourable claims experience.

Other operating income of $5,420 million in 2006, was $1,824 million or 25.2% lower than 2005. This outcome reflects:

- significant revenue of $319 million due to reforms made to the United Kingdom defined benefit pension funds resulting in the recognition of past service revenue;
- significant revenue being the net profit of $1,354 million on the sale of Northern Bank Limited and National Irish Bank Limited (Irish Banks) in 2005;
- lower loan fees of $690 million reflecting changes in accounting policy from October 1, 2005 resulting in the reclassification of bill acceptance fees to net interest income and the reclassification of certain loan related fees to net interest income under effective yield requirements, partly offset by growth in third party distribution channels;
- on July 31, 2006 the Group sold its Custom Fleet businesses resulting in a net profit from the sale of controlled entities of $196 million before tax;
- gains less losses on financial instruments at fair value decreased by $168 million or 26.3% mainly due to a reduction in trading income of $255 million offset by non trading fair value adjustments of $87 million. Trading income reduced largely due to the inclusion of derivative costs associated with short term funding under AIFRS. Under AIFRS, derivatives associated with funding activities are fair valued and recognised in trading income. Previously under AGAAP, these costs were treated as hedges and accrual accounted, and incorporated as part of net interest income; and
- revaluation losses on exchangeable capital units of $122 million in 2006.

Operating expenses of $7,642 million in 2006 were $1,101 million or 12.6% lower than 2005. This outcome reflects:

- on May 8, 2006 the Group sold its life insurance and related wealth management companies in Asia resulting in a net loss from the sale of controlled entities of $63 million; and
- significant restructuring expenses of $793 million in 2005.

Excluding the expenses of disposed operations and significant restructuring expenses, operating expenses increased $104 million or 1.4%, reflecting increased personnel expenses of $229 million as a result of the Group's focus on performance based remuneration and Enterprise Bargaining Agreement related increases. This was partially offset by a decrease in other operating expenses of $123 million. This includes a decrease in operational risk losses of $69 million and a decrease in superannuation charge of $50 million primarily due to reforms made to the UK pension schemes.

The charge to provide for doubtful debts of $606 million in 2006, was $72 million or 13.5% higher than 2005. The increase was primarily due to the deterioration identified in specific consumer segments in Australia in the second half of the year.

Income tax expense of $2,134 million in 2006, was $320 million or 17.6% higher than 2005. The increase in income tax expense in 2006 reflects higher operating profits before tax in all businesses, partly offset by a reduction in tax expense attributable to the statutory funds of the life insurance business. In addition, in 2005, income tax expense was impacted by a one-off tax benefit of $372 million in relation to the non-assessable profit on the sale of the Irish Banks, partly offset by the significant income tax item in respect of the settlement of a tax dispute with the Australian Taxation Office of $97 million in respect of the TrUEPrS^{SM} tax matter.

Report of the directors

BALANCE SHEET SUMMARY

	Group	
	2006 $m	**2005 $m**
Assets		
Cash and liquid assets	**12,768**	8,441
Due from other banks	**24,372**	15,595
Trading derivatives	**13,384**	13,959
Trading securities	**13,740**	15,154
Investments – available for sale	**1,493**	3,860
Investments – held to maturity	**1,388**	7,466
Investments relating to life insurance business	**54,784**	49,783
Other financial assets at fair value	**22,123**	-
Loans and advances	**283,777**	264,674
Due from customers on acceptances	**41,726**	27,627
All other assets	**15,230**	16,039
Total assets	**484,785**	422,598
Liabilities		
Due to other banks	**37,489**	36,322
Trading derivatives	**12,008**	12,613
Other financial liabilities at fair value	**17,680**	1,487
Deposits and other borrowings	**222,277**	212,557
Liability on acceptances	**32,114**	27,627
Life policy liabilities	**46,475**	42,123
Bonds, notes and subordinated debt	**65,006**	41,490
Other debt issues	**2,274**	1,559
All other liabilities	**21,490**	15,273
Total liabilities	**456,813**	391,051
Total equity	**27,972**	31,547
Total liabilities and equity	**484,785**	422,598

Total assets at September 30, 2006 increased by 14.7% to $484,785 million from $422,598 million at September 30, 2005.

Net loans and advances (including loans at fair value) increased $35,877 million or 13.6% to $300,551 million at September 30, 2006. This increase primarily reflects strong growth in housing lending across all regions and continued sound economic conditions, as well as solid business term lending growth.

Due from customers on acceptances increased $14,099 million or 51.0% from $27,627 million at September 30, 2005 to $41,726 million at September 30, 2006. This increase is partly offset by a corresponding increase in liabilities from acceptances. However, as a result of AIFRS transition changes, acceptances repurchased by the Company as part of trading activities have been reclassified from trading securities to acceptances. Excluding the impact of this reclassification, volumes have grown 15.9% during the year as bill acceptances continue to be a product favoured by business customers due to favourable pricing and flexibility.

Investments relating to life insurance business increased by $5,001 million or 10.0% during the 2006 year to $54,784 million. This increase primarily reflects growth in funds under management. The increase was largely offset by an increase in life policy liabilities of $4,352 million or 10.3% to $46,475 million as the movement in investment assets primarily reflects returns made on policyholder contributions to the investment linked businesses.

Amounts due from other banks increased by $8,777 million or 56.3% to $24,372 million at September 30, 2006. This increase was driven by the Group's decision to reduce risk-weighted assets such as marketable debt securities, and reinvest funds in reverse repurchase assets due to its zero risk weighting.

Marketable debt securities (trading securities, available for sale and held to maturity investments) decreased $9,859 million or 37.2% to $16,621 million at September 30, 2006. The decrease in these securities reflects the 2006 AIFRS transition adjustments, including the accounting for acceptances repurchased by the Company and the reclassification of certain securities to other financial assets at fair value.

Total liabilities at September 30, 2006 increased by 16.8% to $456,813 million from $391,051 million at September 30, 2005.

Deposits and other borrowings (including those at fair value) increased by $20,342 million or 9.6% during the year to $232,899 million. This increase reflects sound growth in on-demand and savings deposits, particularly in Australia and the UK and term deposits growth in the UK and New Zealand, partly offset by a decrease in certificates of deposits in Australia reflecting the Group's current strategy of reducing its reliance on short-term borrowings and lengthening its debt maturity profile.

Bonds, notes and subordinated debt (including those at fair value) increased by $27,131 million or 65.4% to $68,621 million at September 30, 2006. The Group has a number of funding programs available, and the increase reflects further issues of the Group's Euro and Domestic medium-term notes programs undertaken to fund asset growth and re-finance maturing short-term and long-term debt. Group subsidiaries also issued debt under the Group's US$30 billion global medium term program.

Total equity in the Group decreased from $31,547 million at September 30, 2005 to $27,972 million at September 30, 2006. However, excluding the impact minority interests relating to the life insurance business of $6,224 million which were reclassified to liabilities from October 1, 2005 under AIFRS, total equity increased by $2,649 million during the year. Total parent entity interest in equity increased by $2,481 million to $27,804 million at September 30, 2006. This increase primarily reflects ordinary share issues, dividend reinvestment and conversion of exchangeable capital units to ordinary shares, as well as the $400 million issue of National Capital Instruments in September 2006.

DIRECTORS

Details of directors of the Company in office at the date of this report, and each director's qualifications, experience and special responsibilities (or holding office during the year) are below:

MR MICHAEL A CHANEY

AO, BSc, MBA, Hon. LLD Western Australia, FAIM, FAICD

Term of office: Chairman since September 2005 and director since December 2004.

Independent: Yes

Skills & Experience: 22 years with Wesfarmers Limited, including Managing Director and Chief Executive Officer from 1992 until July 2005. Three years with investment bank Australian Industry Development Corporation, 1980 to 1983.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*

- Director of Woodside Petroleum Ltd (since December 2005)
- Chairman of Gresham Partners Holdings Limited (since July 2005 – director since 1985)

Report of the directors

- Director of Centre for Independent Studies (since October 2000)
- Chairman of Australian Research Alliance for Children and Youth Limited (since July 2002)
- President of Business Council of Australia (since October 2005)
- Chancellor of University of Western Australia (since January 2006)
- Council member of Australian National Gallery (since December 2000)
- Member of JP Morgan International Advisory Council (since October 2003)
- Governor of the Committee for the Economic Development of Australia (CEDA) (since July 2005)
- Former Director of BHP Billiton Limited (from May 1995 to November 2005) & BHP Billiton Plc (from June 2001 to November 2005)

Board Committee membership
- Chairman of the Nomination Committee

MR JOHN M STEWART
BA, ACII, FCIB

Term of office: Director since August 2003. Managing Director and Group Chief Executive Officer from February 2004.

Independent: No

Skills & Experience: 26 years in banking and finance in the United Kingdom including four years as Group Chief Executive of Woolwich PLC until its acquisition by Barclays PLC in 2000 when he was appointed Deputy Group Chief Executive of Barclays PLC.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- Member of the Business Council of Australia (since August 2005)

MRS PATRICIA A CROSS
BSc (Hons), FAICD, FAIM

Term of office: Director since December 2005.

Independent: Yes

Skills & Experience: 25 years in international banking and finance, including management and senior executive roles in Europe, the United States and Australia with Chase Manhattan Bank, Banque Nationale de Paris and National Australia Bank. Mrs Cross is a Fellow of the Finance and Treasury Association and was a founding member of the Financial Sector Advisory Council to the Federal Treasurer serving for five years until 2003. In 2003, she received a Centenary Medal for service to Australian society through the finance industry.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- Director of Wesfarmers Limited (since February 2003)
- Qantas Airways Limited (since January 2004)
- Director of Murdoch Childrens Research Institute (since August 2005)

Board Committee membership
- Member of the Risk Committee
- Member of the Nomination Committee

MR PETER JB DUNCAN
BE (Chem) (1st Class Hons), DBS (with Distinction)

Term of office: Director since November 2001.

Independent: Yes

Skills & Experience: 36 years with Royal Dutch/Shell Group of companies, including senior finance and general management positions in Australia, New Zealand, South America, Europe and South East Asia. He was Chairman of the Shell Group of Companies in Australia and New Zealand. Former Chairman of the Australian Institute of Petroleum.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- Chairman of Cranlana Programme (since August 2006)
- Chairman of Scania Australia Pty Limited (since August 2003)
- Director of Orica Limited (since June 2001)
- Former Director of GasNet Australia Limited (from October 2001 to September 2005)
- Former Director of CSIRO (from June 2002 to September 2005)
- Governor of the Committee for the Economic Development of Australia (CEDA) (since March 2003)
- President of the Australian German Association (from September 2001 to 2005)

Board Committee membership
- Chairman of the Remuneration Committee
- Member of the Nomination Committee

MR AHMED FAHOUR
BEc (Hons), MBA, FAIM

Term of office: Director since October 2004. Chief Executive Officer, Australia since September 2004.

Independent: No

Skills & Experience: 20 years in economics and finance, most recently as Chief Executive Officer, Australia and New Zealand, Citigroup in 2004, and he held senior management positions in Citigroup from 2000 to 2003 including Chief Executive Officer and Vice Chairman of Citigroup Investment Ltd. Previously Managing Director, iFormation Private Equity Group and a director of Boston Consulting Group from 1995 to 1999. He is an honorary Business Ambassador for Melbourne's North.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- Rip Curl Group Pty Ltd. (since July 2004)

MR DANIEL T GILBERT
AM, LLB

Term of office: Director since September 2004.

Independent: Yes

Skills & Experience: 30 years in commercial law, specialising in technology and corporate law.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- Managing Partner of Gilbert + Tobin (which he co-founded in 1988)
- Former Chairman of Australian Film, Television & Radio School (from 2000 to July 2006)

Board Committee membership
- Member of the Audit Committee
- Member of the Nomination Committee

Report of the directors

MR THOMAS (KERRY) MCDONALD
BCom, MCom (Hons), AFID, FNZIM

Term of office: Director since December 2005.

Independent: Yes

Skills & Experience: 40 years in economic consulting, energy, resources, logistics and banking in Australia and New Zealand with a particular interest in organisation performance and improvement. He was a senior executive of Comalco from 1981 and Managing Director and member of the Comalco Group Executive Committee from 1988 to 2000.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- Chairman of Bank of New Zealand (director since August 1991)
- Chairman of Advanced Dynamics NZ Ltd (since April 2003)
- Deputy Chairman of NZ Institute of Economic Research (since October 2002) (Trustee and Director since 1989)
- Vice Chairman of Oceana Gold Limited (director since December 2003)
- Director of Ports of Auckland (from August 2002)
- Director of Gough Gough & Hamer Limited (since August 2000)
- Former Director of Carter Holt Harvey Limited (from April 1998 until December 2005)
- Former Director of Dux Industries Limited (from March 2001 to November 2005)
- Former NZ Chairman of Australia-New Zealand Leadership Forum (from 2004 to 2006)
- Trustee and Member of the Board of Management of the NZ Business & Parliament Trust
- Life Member of Australia New Zealand Business council
- Member of the Governing Board of Antarctica New Zealand (since July 2003)
- Member of National Council and Wellington Chairman, Institute of Directors, New Zealand

Board Committee membership
- Member of the Audit Committee
- Member of the Nomination Committee

MR PAUL J RIZZO
BCom, MBA

Term of office: Director since September 2004.

Independent: Yes

Skills & Experience: 36 years in banking and finance. Formerly Dean and director of Melbourne Business School from 2000 to 2004, Group Managing Director, Finance and Administration, Telstra Corporation Limited from 1993 to 2000, senior roles at Commonwealth Bank of Australia from 1991 to 1993, Chief Executive Officer of State Bank of Victoria in 1990 and 24 years with Australia and New Zealand Banking Ltd from 1966 to 1990.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- Director of BlueScope Steel Limited (since May 2002)
- Consultant director to Mallesons Stephen Jaques (since August 2002)
- Director of Villa Maria Society (since July 2006)
- Chairman of the Foundation for Very Special Kids (since July 2004)

Board Committee membership
- Chairman of the Risk Committee
- Member of the Audit Committee
- Member of the Nomination Committee

MS JILLIAN S SEGAL
AM, BA, LLB, LLM (Harvard), FAICD

Term of office: Director since September 2004.

Independent: Yes

Skills & Experience: 20 years as a lawyer and regulator, most recently at the Australian Securities and Investments Commission from 1997 to 2002 as Commissioner and then Deputy Chairman and as Chairman of the Board of the Banking & Financial Services Ombudsman from 2002 to 2004. She was an environmental and corporate partner and consultant at Allen Allen & Hemsley and worked for Davis Polk & Wardwell in New York.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- Director of Australian Stock Exchange Limited (since July 2003)
- Member of Australia Council's Major Performing Arts Board (since February 2003)
- Member of University of New South Wales Council (since February 2006)
- President of the Administrative Review Council (since September 2005)

Board Committee membership
- Member of the Risk Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee

MR JOHN G THORN
FCA

Term of office: Director since October 2003.

Independent: Yes

Skills & Experience: 37 years in professional services with PricewaterhouseCoopers, over 20 years as a partner responsible for significant international and Australian clients. Australian National Managing Partner and a member of the Global Audit Management Group until 2003.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- Director of Amcor Limited (since December 2004)
- Director of Caltex Australia Limited (since June 2004)
- Director of Salmat Limited (since September 2003)

Board Committee membership
- Chairman of the Audit Committee
- Member of the Nomination Committee

MR GEOFFREY A TOMLINSON
BEc

Term of office: Director since March 2000.

Independent: Yes

Skills & Experience: 29 years with the National Mutual Group, six years as Group Managing Director and Chief Executive Officer until 1998.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- Chairman of National Wealth Management Holdings (since August 2000) subsidiary of the National
- Chairman of Dyno Nobel Limited (since February 2006)
- Chairman of Programmed Maintenance Services Ltd. (since October 1999)
- Director of Amcor Limited (since March 1999)
- Former Deputy Chairman of Hansen Technologies (director since March 2000)
- Former Director of Funtastic Limited (from May 2000 to May 2006)
- Former Director of Mirrabooka Investments Limited (from February 1999 to March 2006)
- Former Director of Reckon Limited (from June 1999 to August 2004)

Board Committee membership
- Member of the Remuneration Committee
- Member of the Nomination Committee

MR MICHAEL J ULLMER
BSc (Maths) (Hons), FCA, SF Fin

Term of office: Director since October 2004. Group Chief Financial Officer from September 2004.

Independent: No

Skills & Experience: 32 years in banking and finance, including seven years with Commonwealth Bank of Australia as Group Executive, Institutional and Business Services from 2002 to 2004 and Group Executive, Financial and Risk Management from 1997 to 2002. Formerly partner of Coopers & Lybrand from 1992 to 1997 and 20 years with KPMG including partner from 1982 to 1992.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- Former Director of Sydney Symphony Pty Ltd (from February 1996 to March 2005)

MR G MALCOLM WILLIAMSON

Term of office: Director since May 2004.

Independent: Yes

Skills & Experience: 49 years in banking and finance in the United Kingdom and the United States. He served with Barclays PLC from 1957 to 1985, reaching the position of Regional General Manager, London. This was followed by a period as a member of the Post Office board and Managing Director of Girobank PLC. In 1989, he joined Standard Chartered PLC and became Group Chief Executive. In 1998, he moved to the United States and took up the role of President and Chief Executive Officer of Visa International, which he held until 2004.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- Chairman of National Australia Group Europe Limited and select subsidiaries (since June 2004)
- Chairman of Signet Group PLC (director since November 2005 and Chairman since June 2006)
- Deputy Chairman and Senior Independent Director Resolution PLC (since September 2005)
- Director of JP Morgan Cazenove Holdings (since April 2005)
- Chairman of CDC Group PLC (director since January 2004 and Chairman since July 2004)
- Director of the Prince of Wales International Business Leaders Forum (since February 2006)
- Director of Group 4 Securicor PLC (since May 2004)
- Former Chairman of Britannic Group PLC (from October 2004 to September 2005)
- Former Director of Securicor PLC (from April 2004 to May 2004)

Board Committee membership
- Member of the Nomination Committee

COMPANY SECRETARIES

Details of company secretaries of the Company in office at the date of this report, and each company secretary's qualifications and experience are below:

Ms Michaela J Healey LLB, FCIS was appointed Company Secretary in April 2006. She has experience in a range of corporate legal roles in listed companies and was formerly Company Secretary of Orica Limited and North Limited. The Company Secretary advises and supports the Board to enable the Board to fulfill its role.

Mr Brendan T Case BEc, GDip App Fin, Dip Fin Plan, CPA, ACIS joined the Group in 1997 and has held the position of Associate Company Secretary since 2003. He is Head of the Risk Committee and the Audit Committee Secretariat. He has senior management experience in corporate finance, corporate governance and financial planning.

Mr Garry F Nolan was Company Secretary from June 1992 until September 29, 2006.

BOARD CHANGES

MR ROBERT G ELSTONE
BA (Hons), MA (Econ), MCom

Term of office: Director from September 2004 to July 5, 2006. Mr Robert Elstone retired as non-executive director and Chairman of the Risk Committee on July 5, 2006 following his appointment as Managing Director and Chief Executive Officer of the Australian Stock Exchange. (Mr Paul Rizzo was appointed Chairman of the Risk Committee upon Mr Elstone's retirement.)

Skills & Experience: 25 years in financial and senior management roles and has been Managing Director and Chief Executive Officer of SFE Corporation Limited since 2000. Formerly Finance Director of Pioneer International Limited from 1995 to 2000 and Chief Financial Officer of Air New Zealand Limited from 1991 to 1994. Mr Elstone is an Honorary Fellow of the Finance and Treasury Association and has completed the senior management programs at the Harvard and Stanford business schools.

Directorships of listed entities within the last three years, other directorships and offices *(current & recent)*
- SFE Corporation Limited related entities, including the Sydney Futures Exchange, SFE Clearing Corporation and Austraclear Limited

Report of the directors

DIRECTORS' AND OFFICERS' INDEMNITY

THE COMPANY'S CONSTITUTION

Article 21 of the Company's constitution provides:
Every person who is or has been an officer is entitled to be indemnified out of the property of the Company to the 'relevant extent' against:

- every liability incurred by the person in the capacity as an officer (except a liability for legal costs); and
- all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil, criminal or of an administrative or investigatory nature, in which the officer becomes involved in that capacity, unless:
- the Company is forbidden by statute to indemnify the person against the liability or legal costs; or
- an indemnity by the Company of the person against the liability or legal costs would, if given, be made void by statute.

The reference to the 'relevant extent' means to the extent and for the amount that the officer is not otherwise entitled to be indemnified and is not actually indemnified.

The Company may also pay, or agree to pay, whether directly or through an interposed entity, a premium for a contract insuring a person who is or has been an officer against liability incurred by the person in their capacity as an officer, including a liability for legal costs, unless:

- the Company is forbidden by statute to pay or agree to pay the premium; or
- the contract would, if the Company paid the premium, be made void by statute.

The Company may enter into a contract with an officer or former officer to give:

- effect to the rights of the officer or former officer conferred by Article 21; and
- an officer or former officer access to papers, including those documents provided from or on behalf of the Company or a related body corporate of the Company to the officer during their appointment and those documents which are referred to in such documents or were made available to the officer for the purpose of carrying out their duties as an officer.

Article 21 does not limit any right the officer otherwise has. In the context of Article 21, 'officer' means a director, secretary or executive officer of the Company or of a related body corporate of the Company.

The Company has executed deeds of indemnity in terms of Article 21 in favour of each director of the Company and certain non-executive directors of related bodies corporate of the Company. Some Companies within the Group have extended equivalent deeds of indemnity in favour of directors of those companies.

DIRECTORS' AND OFFICERS' INSURANCE

During the year, the Company, pursuant to Article 21, paid a premium for a contract insuring all directors, secretaries, executive officers and officers of the Company and of each related body corporate of the Company. The insurance does not provide cover for the independent auditors of the Company or of a related body corporate of the Company.

In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

DIVIDENDS

The directors have declared a final dividend of 84 cents per fully paid ordinary share, 90% franked, payable on December 12, 2006. The proposed payment amounts to approximately $1,352 million.

Dividends paid since the end of the previous financial year:

- the final dividend for the year ended September 30, 2005 of 83 cents per fully paid ordinary share, 80% franked, paid on December 19, 2005. The payment amount was $1,327 million.
- the interim dividend for the year ended September 30, 2006 of 83 cents per fully paid ordinary share, 80% franked, paid on July 13, 2006. The payment amount was $1,334 million.

Information on the dividends paid and declared to date is contained in note 7 in the annual financial report 2006.

The franked portion of these dividends carries imputation tax credits at a tax rate of 30%, reflecting the current Australian company tax rate of 30%. For non-resident shareholders of the Company for Australian taxation purposes, the unfranked portion of the dividend will be declared to be conduit foreign income. Accordingly, for non-resident shareholders the unfranked portion of the dividend will not be subject to Australian withholding tax.

The extent to which future dividends will be franked, for Australian taxation purposes, will depend on a number of factors including the proportion of the Group's profits that will be subject to Australian income tax and any future changes to Australia's business tax system.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

CLAIM FOR COMPENSATION FOR FOREIGN CURRENCY OPTIONS TRADING LOSSES

In September 2005, the Company issued letters of demand claiming compensation exceeding $539 million against ICAP PLC and another broker in relation to the foreign currency options trading losses announced in January 2004.

The Company is seeking compensation for losses including foreign currency trading losses, additional expenses and loss of profit as a result of the disruption to foreign currency options trading services. The Company has also indicated its intention to seek exemplary damages against ICAP PLC and another broker in any proceedings brought against those firms. The Company has conducted a detailed forensic investigation over the course of more than a year in preparing its claims, and has also had regard to evidence gained during inquiries by APRA and PricewaterhouseCoopers.

The Company is confident it has a strong case to seek compensation from the parties involved in the foreign currency options trading losses. While the Company would prefer to resolve its claims against those parties by negotiation, it may be necessary for it to bring legal proceedings against them to enforce its rights.

NEW ONGOING EMPLOYMENT ARRANGEMENT FOR THE COMPANY'S GROUP CHIEF EXECUTIVE OFFICER JOHN STEWART

The Company announced in December 2005 that the Company's Group Chief Executive Officer John Stewart agreed to terms of a new ongoing employment arrangement.

UK STAFF SUPPORT CHANGES TO UK PENSION SCHEMES

The Group announced in March 2006 that its UK staff have supported a series of reforms to their final salary and defined contribution pension schemes.

Key aspects of the reforms to the defined benefit schemes are as follows:

- All defined benefits accrued to March 31, 2006 are unaffected and the defined benefit schemes remain non-contributory; and
- From April 1, 2006, the defined benefit schemes moved to a structure known as "career average", under which members earn "blocks" of pension every year. Rather than receiving a pension based solely on a final salary at retirement, the proposed structure builds pension benefits year-on-year based on a member's annual salary.

The Group has made a one-off contribution of GBP100 million across its three UK defined benefit schemes during the 2006 financial year. This contribution reduces the deficit with no resulting material income statement impact.

Report of the directors

EVENTS SUBSEQUENT TO BALANCE DATE

The Group announced in November 2006 that based upon its strong capital position at year end and commitment to active capital management, that it intends to commence an on-market share buyback program of $500 million (or approximately 13 million shares) in the first half of the 2007 financial year.

No further matter, item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report that, in the opinion of the directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

FUTURE DEVELOPMENTS

In the opinion of the directors, disclosure of any further future developments would be likely to result in unreasonable prejudice to the interests of the Group.

PROCEEDINGS ON BEHALF OF THE COMPANY

There are no proceedings brought or intervened in, or applications to bring or intervene in proceedings, on behalf of the Company by a member or other person entitled to do so under section 237 of the *Corporations Act* 2001 (Cth).

ENVIRONMENTAL REGULATION

The Group can perform a key role, as a global provider of financial products and services, to contribute to environmental sustainability of communities in which it operates. The Group's approach to environmental sustainability is outlined in its environmental policy at www.nabgroup.com, and the Group's management of direct and indirect environmental impacts is outlined in the 2006 Corporate Social Responsibility Report.

The operations of the Group are not subject to any particular or significant environmental regulation under law of the Australian Commonwealth Government or of a state or territory, but the Group can incur environmental liabilities as a lender. The Group has developed credit policies to ensure this is managed appropriately.

ROUNDING OF AMOUNTS

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

EXECUTIVE PERFORMANCE OPTIONS AND PERFORMANCE RIGHTS

Performance options and performance rights are granted by the Group under the National Australia Bank Executive Share Option Plan No. 2 (executive share option plan) and the National Australia Bank Performance Rights Plan (performance rights plan). The executive share option plan was approved by shareholders at the annual general meeting in January 1997, and the performance rights plan at the 2002 annual general meeting. *Refer to the remuneration report for a description of the key terms and conditions of the executive share option plan and the performance rights plan*.

All performance options and performance rights that have not expired are detailed in note 41 in the annual financial report 2006. Each performance option or performance right is for one fully paid ordinary share in the Company. The number and terms of performance options and performance rights granted by the Company during 2006 (and since the end of the year) over ordinary shares by the Group under the executive share option plan and the performance rights plan, and the Company's valuation of those performance options and performance rights at grant date are shown in the table below:

Grant date	Exercise period[1]	Exercise price[2]	Held at September 30, 2006 (No.)	Lapsed during the period[3] (No.)	Granted since October 1, 2005 (No.)	Fair value as at grant date [4]
Performance options						
Dec 19, 2005	Feb 7, 2008 - Feb 6, 2010	$31.78	60,384	-	60,384	$165,452
Feb 6, 2006	Feb 7, 2008 - Feb 6, 2010	$34.53	111,500	-	111,500	$360,145
Feb 6, 2006	Feb 6, 2009 - Aug 6, 2011	$34.53	7,063,326	361,222	7,424,548	$27,183,313
Feb 20, 2006	Feb 6, 2009 - Aug 6, 2011	$34.53	477,487	43,800	521,287	$1,887,542
Feb 22, 2006	Feb 6, 2009 - Aug 6, 2011	$34.53	443,000	-	443,000	$1,320,140
Mar 10, 2006	Feb 6, 2009 - Aug 6, 2012	$34.53	500,000	-	500,000	$1,550,000
May 3, 2006	Feb 6, 2009 - Aug 6, 2011	$34.53	51,300	-	51,300	$238,545
May 3, 2006	Feb 6, 2009 - Aug 6, 2011	$37.55	29,773	-	29,773	$111,649
Jul 31, 2006	Feb 6, 2009 - Aug 6, 2011	$34.53	16,875	-	16,875	$81,675
Jul 31, 2006	Feb 6, 2009 - Aug 6, 2011	$35.50	108,125	-	108,125	$430,337

(Continued on page 30).

Report of the directors

Grant date	Exercise period(1)	Exercise price(2)	Held at September 30, 2006 (No.)	Lapsed during the period(3) (No.)	Granted since October 1, 2005 (No.)	Fair value as at grant date (4)
Performance rights						
Dec 19, 2005	Feb 7, 2008 - Feb 6, 2010	$1.00	15,098	-	15,098	$258,327
Feb 6, 2006	Feb 6, 2009 - Aug 6, 2011	$1.00	1,725,784	90,119	1,815,903	$46,973,561
Feb 20, 2006	Feb 6, 2009 - Aug 6, 2011	$1.00	119,446	10,949	130,395	$3,227,137
Feb 22, 2006	Feb 6, 2009 - Aug 6, 2011	$1.00	110,750	-	110,750	$1,950,308
Mar 10, 2006	Feb 6, 2009 - Aug 6, 2012	$1.00	140,000	-	140,000	$2,452,800
May 3, 2006	Feb 6, 2009 - Aug 6, 2011	$1.00	20,269	-	20,269	$395,448
Jul 31, 2006	Feb 6, 2009 - Aug 6, 2011	$1.00	4,221	-	4,221	$127,179
Jul 31, 2006	Feb 6, 2009 - Aug 6, 2011	$1.00	27,033	-	27,033	$543,904

(1) Performance options and performance rights generally expire on the last day of their exercise period.

(2) A notional sum of $1.00 is payable by the holder on exercise of all performance rights exercised on any particular day.

(3) Performance options and performance rights generally lapse 30 days after the end of an individual holder's employment unless otherwise determined by the Board in accordance with their terms attaching to each grant of performance options and performance rights.

(4) Fair values of performance options and performance rights are based on a numerical pricing model. For the purposes of this table, the fair value at grant date represents the full fair value in the year of grant and has not been allocated over the expected life of the performance option or performance right. Refer above and to note 41 in the annual financial report 2006 for further information.

PERFORMANCE OPTIONS AND PERFORMANCE RIGHTS ON ISSUE AND NUMBER EXERCISED

There are currently 46,955,239 performance options and 6,674,647 performance rights which are exercisable, or may become exercisable in the future, under the respective plans.

There were 1,639,130 fully paid ordinary shares of the Company issued during the year as a result of performance options granted being exercised, for a total consideration of $40,769,090. There were 748,060 fully paid ordinary shares of the Company issued since the end of the year as a result of performance options granted being exercised, for a total consideration of $19,201,098. No performance rights were exercised during the relevant time. The amount paid on issue of each of these shares is set out in note 41 in the annual financial report 2006.

No person holding an option has or had, by virtue of the performance option, a right to participate in a share issue of any body corporate other than the Company.

The holders of exchangeable capital units have the right to exchange those units for ordinary shares in the Company or, at the Company's option, cash. *Refer to note 33 in the annual financial report 2006 for the full details of the number and terms of exchangeable capital units issued by the Group.*

Report of the directors

DIRECTORS' MEETINGS

The table below shows the number of directors' meetings held (including meetings of Board committees) and number of meetings attended by each of the directors of the Company during the year:

Directors	Directors' meetings of the Company		Audit Committee meetings of the Company attended by members of the Committee		Risk Committee meetings of the Company attended by members of the Committee		Remuneration Committee meetings of the Company	
	Scheduled meetings attended	Scheduled meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held
MA Chaney	10	10	-	-	-	-	-	-
PA Cross[4]	8	8	-	-	9	9	-	-
PJB Duncan[6]	10	10	-	-	4	4	6	6
RG Elstone[3]	8	8	-	-	11	11	-	-
A Fahour	10	10	-	-	-	-	-	-
DT Gilbert	10	10	12	12	-	-	-	-
TK McDonald[4]	8	8	8	8	-	-	-	-
PJ Rizzo	10	10	12	12	13	13	-	-
JS Segal[5]	10	10	4	4	9	9	6	6
JM Stewart[8]	10	10	-	-	2	4	-	-
JG Thorn[7]	10	10	12	12	-	-	1	1
GA Tomlinson	10	10	-	-	-	-	6	6
MJ Ullmer	10	10	-	-	-	-	-	-
GM Williamson	10	10	-	-	-	-	-	-

Directors	Nomination Committee meetings of the Company		Directors' meetings of controlled entities[1]		Additional meetings[2]
	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
MA Chaney	1	1	4	4	4
PA Cross[4]	1	1	4	4	-
PJB Duncan[6]	1	1	4	4	1
RG Elstone[3]	1	1	4	4	1
A Fahour	-	-	7	10	-
DT Gilbert	1	1	4	4	1
TK McDonald[4]	1	1	30	30	-
PJ Rizzo	1	1	4	4	6
JS Segal[5]	1	1	4	4	-
JM Stewart[8]	-	-	5	5	1
JG Thorn[7]	1	1	4	4	6
GA Tomlinson	1	1	41	41	1
MJ Ullmer	-	-	4	4	7
GM Williamson	1	1	26	26	-

(1) Reflects the number of meetings held during the time the director held office during the year. Where a controlled entity holds Board meetings in a country other than the country of residence of the director, or where there may be a potential conflict of interest, the number of meetings held is the number of meetings the director was expected to attend, which may not be every board meeting held by the controlled entity during the year.

(2) Reflects the number of additional formal meetings attended during the year by each Director, including committee meetings (other than Audit Committee, Risk Committee, Remuneration Committee or Nomination Committee) where any two Directors are required to form a quorum.

(3) Mr Elstone resigned as a Director of National Australia Bank Limited on July 5, 2006.

(4) Mrs Cross and Mr McDonald were appointed as Directors of National Australia Bank Limited on December 1, 2005.

(5) Ms Segal ceased to be an Audit Committee member after the Audit Committee meeting held on December 3, 2005 and was appointed a member of Risk Committee effective December 3, 2005.

(6) Mr Duncan ceased to be a Risk Committee member after the Risk Committee meeting held on December 1, 2005.

(7) Mr Thorn ceased to be a member of the Remuneration Committee in December 2005.

(8) Mr Stewart ceased to be a member of the Risk Committee after the Risk Committee meeting held on December 1, 2005.

Report of the directors

DIRECTORS' AND EXECUTIVES' INTERESTS

The tables below show the interests of each director and executive in the issued ordinary shares and National Income Securities of the Group, and in registered schemes made available by the Group as at the date of this report. No director or senior executive held an interest in Trust Preferred Securities, Trust Preferred Securities II, National Capital Instruments or exchangeable capital units of the Company.

Directors	Fully paid ordinary shares of the Company	Performance options over fully paid ordinary shares of the Company(1)	Performance rights over fully paid ordinary shares of the Company(1)	National Income Securities	Registered schemes
MA Chaney(2)	22,322	-	-	-	-
PA Cross(2)	10,194	-	-	-	-
PJB Duncan(2)	12,127	-	-	-	-
RG Elstone(2)	-	-	-	-	-
A Fahour	389,534	444,000	111,000	-	-
DT Gilbert(2)	8,897	-	-	1,253	-
TK McDonald	2,000	-	-	-	-
PJ Rizzo(2)	3,397	-	-	-	-
JS Segal(2)	9,527	-	-	180	-
JM Stewart	69,579	1,675,000	418,750	-	-
JG Thorn(2)	6,138	-	-	-	-
GA Tomlinson(2)	32,625	-	-	350	-
MJ Ullmer	22,138	259,000	64,750	-	-
GM Williamson	6,396	-	-	-	-

Senior executives(3)	Fully paid ordinary shares of the Company	Performance options over fully paid ordinary shares of the Company(1)	Performance rights over fully paid ordinary shares of the Company(1)	National Income Securities	Registered schemes
CA Clyne	7,059	173,750	43,438	-	-
MJ Hamar	13,419	71,250	17,813	-	-
JE Hooper	26,432	257,344	50,586	-	-
LM Peacock	37,655	445,732	111,433	-	-
PL Thodey	1,896	654,620	88,655	-	-

(1) Exercise price, exercise period, expiry date and fair value of performance options and performance rights for those issued during the year are disclosed in note 52 in the annual financial report 2006.

(2) Includes shares acquired under Non-Executive Director Share Plan operated through the National Australia Bank Staff Share Ownership Plan.

(3) Senior executives in current employment with the Group as at September 30, 2006 where information on shareholdings is disclosed in note 52 in the annual financial report 2006.

There are no contracts, other than those disclosed above, to which directors are a party, or under which the directors are entitled to a benefit and that confer the right to call for or deliver interests in a registered scheme made available by the Company or a related body corporate. All of the directors have disclosed interests in organisations not related to the Group and are to be regarded as interested in any contract or proposed contract that may be made between the Company and any such organisations.

PAST EMPLOYMENT WITH EXTERNAL AUDITOR

Ernst & Young has been the Company's external auditor since January 31, 2005. There is no person who has acted as an officer of the Group during the year who has previously been a partner at Ernst & Young when that firm conducted the Company's audit.

Report of the directors

NON-AUDIT SERVICES

Fees paid or due and payable to the external auditor, Ernst & Young, for non-audit services provided by the external auditor to the Group during the year to September 30, 2006 are set out in the table below:

	Group 2006 $'000
Audit-related fees (regulatory)	
APRA reporting (attestation in connection with the Company's Basel II accreditation program)	705
National Custodian Services Auditing Guidance Statement (AGS) 1026 reports	665
APRA reporting (attestation relating to Prudential Standard APS 310 and tripartite review)	649
Regulatory audits/attestations for Wealth Management entities (in all regions)	425
Other regulatory audits/attestations (in all regions)	190
UK regulatory audits/attestations	84
New Zealand regulatory audits/attestations	58
Audit of the Company's Australian Financial Services Licence	77
Asia regulatory audits/attestations	26
Total audit-related fees (regulatory)	**2,879**
Audit-related fees (non-regulatory)	
Agreed-upon procedures on results announcements	395
Provision of audit commentary on the Group's proposed accounting treatment for transactions	388
Procedures with regard to the reconciliation of half-year financials under Australian GAAP to US GAAP	464
Audit of employee benefit plans	84
Other (including procedures in relation to the Group's corporate social responsibility report)	89
Total audit-related fees (non-regulatory)	**1,420**
Tax fees	
Tax services to expatriate employees	1,134
Provision of standard tax compliance software to Wealth Management Australia	2
Total tax fees	**1,136**
All other fees	
Sub-lease of office space to BNZ on commercial terms	664
Regulatory or compliance audits/attestations for Wealth Management entities (in all regions) unrelated to the audit or review of the Group's financial statements	391
Other regulatory audits/attestations (in all regions) unrelated to the audit or review of the Group's financial statements	76
Total all other fees	**1,131**
Total non-audit services fees	**6,566**

Fees exclude goods and services tax, value added tax or equivalent taxes.

Ernst & Young issued several comfort letters to underwriters in connection with the Company's funding programs. The fees paid or due and payable to Ernst & Young for these services during the year to September 30, 2006 total $331,611. These services are classified by the Audit Committee as audit services.

Ernst & Young also provides audit and non-audit services to non-consolidated securitisation vehicles sponsored by the Group, non-consolidated trusts of which a Group entity is trustee, manager or responsible entity and non-consolidated Group superannuation or pension funds. The fees paid or due and payable to Ernst & Young for these services during the year to September 30, 2006 total $2,476,314.

In accordance with advice received from the Audit Committee, the directors are satisfied that the provision of non-audit services during the year to September 30, 2006 by Ernst & Young is compatible with the general standard of independence for auditors imposed by the *Corporations Act* 2001 (Cth). The directors are so satisfied because the Audit Committee has assessed each service, having regard to auditor independence requirements of applicable laws, rules and regulations, and concluded in respect of each non-audit service or type of non-audit service that the provision of that service or type of service would not impair the independence of Ernst & Young.

A description of the Audit Committee's pre-approval policies and procedures is set out on page 63 of the annual financial report 2006. Details of the services provided by Ernst & Young to the Group during 2006 and the fees paid or due and payable for those services are set out in note 53 in the annual financial report 2006. A copy of Ernst & Young's independence declaration is set out on the following page.

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF NATIONAL AUSTRALIA BANK LIMITED

In relation to our audit of the financial report of National Australia Bank Limited (the Company) and its controlled entities (the Group) for the financial year ended September 30, 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act* 2001 (Cth) or any applicable code of professional conduct, other than that the spouse of one employee of Ernst & Young held a minor investment in a superannuation account with an associate of the Group, while that employee was engaged in the audit.

In my opinion, due to the nature of this contravention and the rectification steps which were promptly taken upon identification of this contravention, this matter has not impaired our audit independence for the year ended September 30, 2006.

Ernst & Young

Ernst & Young

SJ Aldersley
Partner

November 30, 2006

Report of the directors

Remuneration Report

REMUNERATION COMMITTEE

ROLE

The Remuneration Committee charter (which is approved by the Board) sets out the membership, responsibilities, authority and activities of the Remuneration Committee. The charter is available at www.nabgroup.com

The Remuneration Committee:

- oversees the Group's general remuneration strategy;
- monitors, reviews and makes recommendations to the Board concerning:
  - remuneration policy and Total Reward for the Group Chief Executive Officer, and for senior executives who report directly to him;
  - remuneration arrangements for non-executive Board directors (as listed on page 50;
  - arrangements for recruiting, retaining and terminating senior executives;
  - key appointments and proposals for the executive succession planning process; and
- supports the Board with monitoring the Group's culture, and the process for managing behaviours against quality gates and standards.

The Board has delegated authority to the Remuneration Committee to approve:

- changes to the factors regarding the measurement of Total Business Return (TBR) which impacts the Group's employee short-term and long-term incentive programs;
- incentive pool amounts for general employee incentive programs;
- offers under existing employee share, performance option and performance rights plans, including setting terms of issue (within the total number of securities approved by the Board); and
- fees payable to non-executive directors of controlled entity boards.

MEMBERSHIP AND MEETINGS

The Remuneration Committee met seven times during the year (*attendance is set out on page 31*). Committee members at September 30, 2006 were:

Mr Peter JB Duncan (Chairman);
Ms Jillian S Segal; and
Mr Geoffrey A Tomlinson.

The Remuneration Committee invites the Chairman of the Board and members of management to assist its deliberations (except concerning their own remuneration). It also took specialist remuneration advice during the year from external advisers.

REWARD PHILOSOPHY

The Company's philosophy is to manage a 'Total Reward' framework designed to:

- link employee rewards to creating sustainable value for shareholders;
- attract, recognise and foster top talent;
- recognise capabilities and promote opportunities for career and professional development;
- motivate people with energy and passion;
- reward those who deliver superior performance;
- provide fair and consistent rewards, benefits and conditions within an integrated global strategy;
- provide rewards that are competitive within the global markets in which the Group operates; and
- build a partnership between employees and other shareholders through employee ownership of Company shares and securities.

THE STRUCTURE OF TOTAL REWARD – SETTING THE NATURE OF REWARD

Total Reward comprises fixed remuneration, and 'at risk' remuneration, which is made up of short-term incentive (STI) and long-term incentive (LTI). Each of these components is discussed in further detail in the following sections.

An appropriate target reward mix is determined for each management level with at risk rewards increasing with the level of responsibility and the criticality of the person's role.

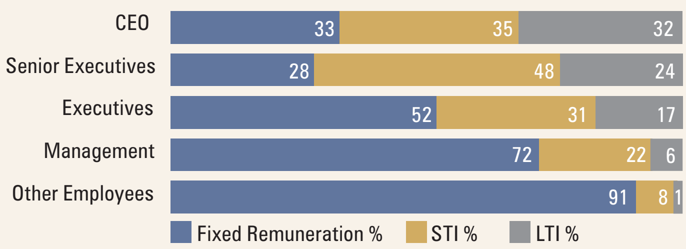
The target Total Reward mix for the Group Chief Executive Officer is:

- 25% to 35% fixed remuneration;
- 30% to 35% STI; and
- 30% to 50% LTI.

The target Total Reward mix for the senior executive team (executive general managers (EGMs)) is:

- 25% to 50% fixed remuneration;
- 25% to 50% STI; and
- 15% to 35% LTI.

The next graph shows the actual average percentage Total Reward mix for each level as at September 30, 2006. The mix for each individual may vary according to market relativity and with appropriate management approval.



This data is as at the point in time on September 30, 2006 and does not match the remuneration data shown from page 45 for the whole year to September 30, 2006.

MARKET RELATIVITY – SETTING TOTAL REWARD BENCHMARKS

The Group targets fixed remuneration at the market median (50th percentile) being paid in the finance industry in the global markets in which the Group operates and in any other relevant specialist markets. STI and LTI targets are set between the median and the upper quartile of the relevant market.

An individual's actual remuneration is set:

- within parameters approved by the Board and the Remuneration Committee (such as the size of STI pool as described on page 36);
- by the degree of achievement of performance measures under the performance management framework; and
- by assessment of the individual's talent and potential under the executive talent framework.

The performance management and executive talent frameworks are set out in detail at www.nabgroup.com

INDIVIDUAL PERFORMANCE AND TALENT – THE IMPACT OF THE INDIVIDUAL ON TOTAL REWARD

The Group's performance management framework includes:

- setting 'quality gates', which are threshold measures for compliance and behaviour for each individual;
- setting corporate Key Performance Indicators (KPIs) for the Group, which roll down into individual KPIs for each employee via an individual scorecard. KPIs include both financial and non-financial measures; and
- a peer review process where peer managers compare and calibrate the performance of their collective group reports.

Report of the directors

For management employees, the performance management process is followed with assessment under the executive talent framework. This considers an individual's potential capability, and identifies employees who can contribute to the organisation's performance through strong leadership behaviour as well as performance.

The performance management and executive talent frameworks are designed to drive superior rewards for employees who have the best relative performance and potential, with:

- fixed remuneration levels set at a higher market percentile and in the higher part of the range;
- a greater STI multiple; and
- a larger LTI reward

as described in the following sections.

FIXED REMUNERATION LINKED TO MARKET MEASURES

Up to 25% of employees may be ranked with the highest scores under the performance management framework. Their individual fixed remuneration is then linked to higher fixed remuneration market measures (55th to 60th percentiles) rather than to median market measures. For all employees, individual remuneration is set between 80% and 120% around the applicable market percentile, but the 100% to 120% part of the range is limited to exceptional circumstances and these higher scoring performers.

SHORT TERM INCENTIVE (STI) REWARDS

The Group measures each employee's performance firstly against their individual scorecard (KPIs) and then against the scorecard outcomes for their peers. Each scorecard is a balance of measures including financial, customer, community, employees, process improvements and quality. The measures are selected for their alignment to the Group's direction. Through the scorecard approach and subsequent peer review, the STI program is structured to reward the highest achievers against key individual, business and Group performance outcomes.

To receive an STI reward a person must generally achieve a threshold level of performance and achieve their specified quality gates (as described above). Their performance relative to that of their peers may earn rewards between zero and two times their STI Target amount (referred to as their STI multiple). Only the most outstanding performers (10% or less employees) may receive an STI multiple of more than 1.6. The total for all employees is limited to the size of the funded STI pool (described below).

Executive directors (listed on page 42) must receive at least half of any STI reward as Company shares (subject to any required shareholder approval). This aligns their outcomes with shareholder interests. Specific terms (including restrictions and forfeiture conditions) apply to the shares, which are approved by shareholders.

The majority of other employees receive any STI reward above their STI Target as Company shares (subject to legal or tax constraints and to nominal threshold values). These 'above target' shares:

- are held in trust with restrictions on employees trading for at least 1 year; and
- are subject to forfeiture conditions including on termination for serious misconduct, resignation or not achieving individual quality gates in the first year after allocation.

Australian employees are able to nominate a longer holding period of up to 10 years, with forfeiture only on termination for serious misconduct during this extended period.

The employee receives any dividends paid on these shares. The Remuneration Committee believes these restrictions instil an appropriate focus on Group performance beyond the current year, help to ensure that targets are consistently achieved and encourage an appropriate level of shareholding by employees.

Employees in Australia may also express a preference to receive a portion of their STI reward (up to their target) in superannuation contributions or in Company shares (or both). This does not apply to employees overseas. The shares are held in trust with restrictions on trading for between 1 and 10 years (unless the employee leaves the Group earlier) with the shares forfeited on termination for serious misconduct involving dishonesty. Employees receive any dividends on the shares.

LONG TERM INCENTIVE (LTI) REWARDS

In shares:

Most employees participate in the general share-based LTI program (subject to minimum service criteria). The Remuneration Committee determines the program's value based on Group performance, which was measured by movement in Economic Value Added (EVA®) for the 2001 to 2004 offers and by a balanced scorecard of outcomes for the 2005 and 2006 offers including cash earnings. The shares are held in trust with restrictions on employees trading for three years, though they receive any dividends. *EVA® is a registered trademark of Stern Stewart & Co.*

In performance options and performance rights:

LTI in the form of performance options and performance rights is a key mechanism for recognising executive potential and talent in the Group. It is primarily offered to two groups of employees: management (less than 5,000 individuals); and the top 5% of the Group's salesforce. Details of the terms and conditions for LTI granted up to September 30, 2006 are shown on page 39.

The executive talent framework provides an objective basis for determining appropriate long-term rewards. Through this process, individual LTI allocations transparently recognise current contribution, future capability and potential contribution to the Group's performance over coming years. An executive's talent score will determine the individual's eligibility for an LTI reward and also the amount of LTI granted to them.

JOINING AND RETENTION AWARDS

Commencement awards are only entered into with Executive General Managers (EGM) approval, to enable 'buy-out' of equity from previous employment for significant new hires. The amount and timing of any benefits must be based on evidentiary information. The awards are primarily provided in the form of Company shares, performance options and performance rights, subject to restrictions and certain forfeiture conditions, including forfeiture on resignation. Cash is only used in limited circumstances.

Similarly, the Company provides limited retention awards (with EGM approval) for key individuals in roles where retention is critical over a medium-term timeframe (two to three years). These are normally provided in the form of shares with a minimum two-year restriction period, subject to performance standards and certain forfeiture conditions, including staggered forfeiture on resignation before key milestones are achieved.

GROUP AND BUSINESS PERFORMANCE – THE IMPACT OF COLLECTIVE PERFORMANCE ON TOTAL REWARD

SIZE OF THE STI REWARD POOL

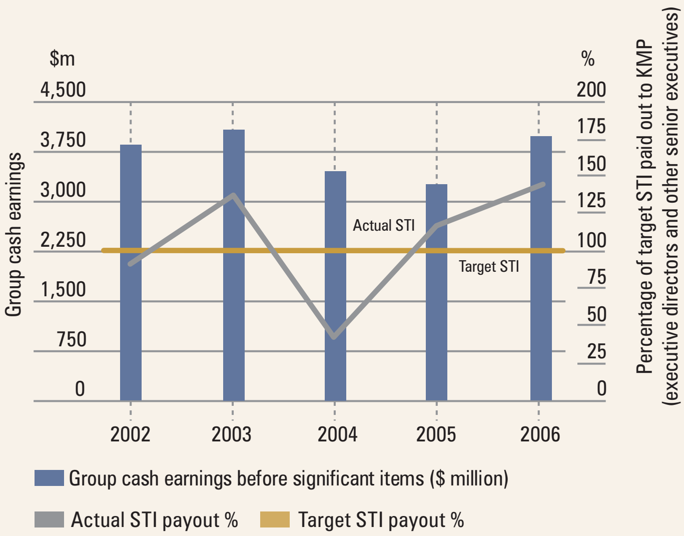
For 2006 the performance of the Group and the size of the pool for STI payments is determined by Total Business Return (TBR). TBR links growth in cash earnings (before significant items) and return on equity (ROE). TBR correlates closely with Total Shareholder Return (TSR) as defined on page 39 but can also be measured on a regional basis. A more extensive description of TBR is located at www.nabgroup.com

Report of the directors

The Group's annual operating plan and the TBR target are approved by the Board. At the end of the performance period, the Remuneration Committee then determines the size of the STI reward pool, taking into account the quality of the TBR result and the agreed performance sensitivities. If Group performance falls below the target TBR level, the size of the STI reward pool decreases at a greater rate.

The following graph shows the average of individual payments (as a % of individual STI Target) for Key Management Personnel (executive directors and other senior executives) as defined on page 42. The graph shows how the average STI% relates to the Group's earnings (cash earnings before significant items) from 2002 to 2006:

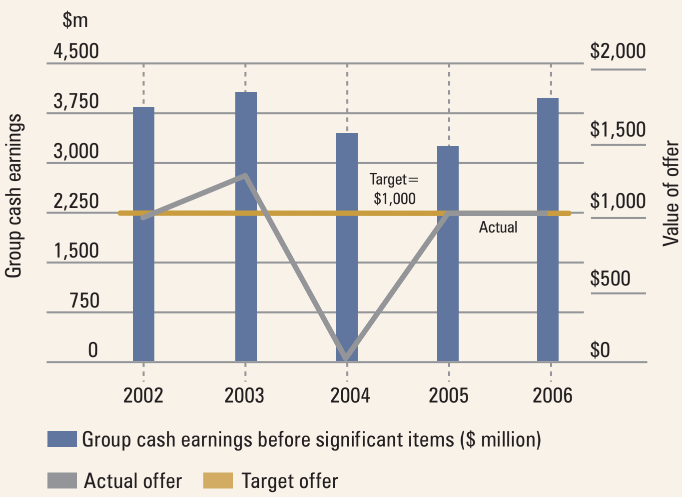
RELATIONSHIP BETWEEN STI AWARDS AND GROUP PERFORMANCE



LTI REWARD IN COMPANY SHARES

In December 2006, the Company will allocate approximately $1,000 in Company shares to most employees under a general employee share offer, in respect of Group performance against a scorecard of objectives for the 2006 financial year. The following graph shows the approximate value of the share award from 2002 to 2006 compared with Group earnings (cash earnings before significant items).

VALUE OF EMPLOYEE SHARE OFFER AGAINST GROUP PERFORMANCE



The target annual offer (i.e. for 'on target' Group performance) is A$1,000, with the actual offer value varying according to the actual level of Group performance.

LTI REWARD IN PERFORMANCE OPTIONS AND PERFORMANCE RIGHTS

Full details of terms and conditions of LTI allocations are shown on page 39 and the link between company performance and LTI reward received by executives is demonstrated on page 38.

The performance hurdles for the performance options and performance rights directly links rewards for the most senior 80 (approximately) positions to NAB's TSR performance compared with the TSR performance of companies in two peer groups – Top 50 companies and Top financial companies. TSR and the determination of the peer groups are described on page 39 and peer group lists are available at www.nabgroup.com

In grants made during 2006, the performance hurdle on performance options granted to other employees is based on regional ROE performance and regional cash earnings (RCE) growth against targets set in each regional business plan. The hurdle on their performance rights is based on relative earnings per share (EPS) growth measured against the financial services peer group (the same group as for the TSR hurdle above). A description of the changes to the performance hurdle anticipated for grants made during 2007 is set out below.

All of these performance hurdles are measured over a three to five year period, aligning any rewards for employees to the outcomes for other shareholders over the same timeframe. The value of any LTI reward (if and when any securities vest) also depends on the market value of the Company's ordinary shares at the time of exercise.

The combination of performance options and performance rights is designed to reduce the number of securities issued. Fewer performance rights are issued as they have a higher financial value than traditional performance options. Performance rights (with their exercise price of $1 per batch exercised) also continue to motivate employees even when the share price is below the strike price of the performance options – as long as they vest by the Company outperforming its peers. Details of the terms and conditions for LTI granted up to September 30, 2006 are shown on page 39, and the fair valuation model used is detailed on page 48. No terms and conditions have been altered after the applicable grant date.

The terms of the Group's Insider Trading Policy specifically prohibit directors and employees from protecting the value of unvested LTI with derivative instruments. Employees are able to protect the value of vested LTI in limited circumstances. Further details on the Insider Trading Policy are set out in the Corporate governance section on page 60 in the annual financial report 2006.

REVIEW OF THE LTI PROGRAM FOR 2007 TO ENSURE ONGOING CULTURAL CHANGE

The Remuneration Committee reviews the structure of the LTI program annually. It seeks advice from external remuneration advisers, considers best practice in the Australian and international markets, considers market commentary and consults with stakeholders.

This year's review was designed to reinforce ongoing cultural change, to transparently link to the new regional business model, and to improve alignment and line of sight between individual participants and their impact on the business.

For participants in the LTI program, other than those in the most senior 80 (approximately) positions, the performance hurdle measure on both the performance options and the performance rights will be 3-year cumulative growth in Group/Regional TBR against business operation plan. TBR is described in the 'Size of the STI reward pool' section above.

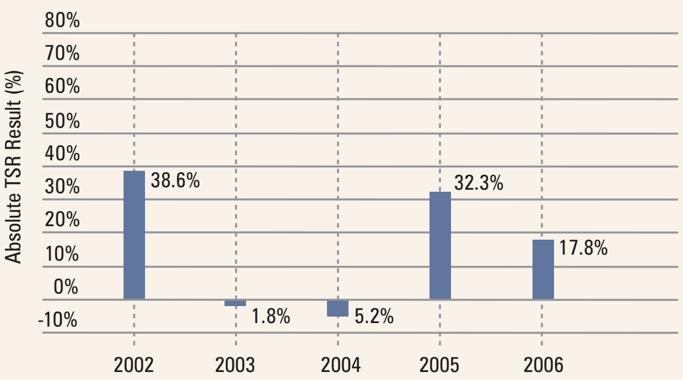
The changes take effect from October 1, 2006. They will not affect the most senior 80 (approximately) positions in the Group – being the EGMs and each of their leadership teams. For them, the TSR performance hurdle will continue to operate.

Report of the directors

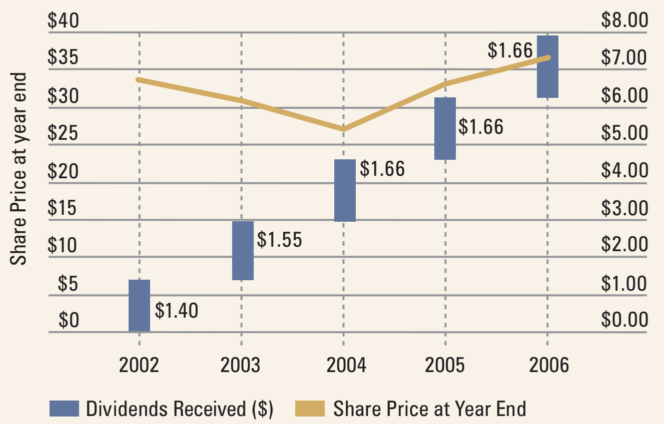
COMPANY PERFORMANCE AND THE VALUE OF LTI GRANTED

The graphs below show absolute annual TSR performance, share price growth and dividends received by shareholders within each of the last 5 financial years.

5 YEAR ABSOLUTE TSR PERFORMANCE



SHARE PRICE AND DIVIDENDS RECEIVED



The table below shows the value of LTI reward from the main grants made to employees from 2000 to 2003. The table includes the three-year absolute TSR from grant to initial test date for each allocation. It illustrates the link between long-term performance of the Group and individual reward (the value of each option at the initial test date). Vesting has only occurred where the Group has returned superior TSR performance against the selected peer group. The table also tracks the relative TSR performance (as at September 30, 2006) of grants made from 2004 to 2006, which are still within the restriction period and not yet in the testing period.

	Vesting			Value on vesting			Shareholder wealth		
Allocations not yet in testing period									
Year of allocation	**Start of test period**	**Theoretical Relative TSR percentile at Sep 30, 2006**			**Exercise price**		**Dividends from grant to Sep 30, 2006**	**Share price movement from grant to Sep 30, 2006**	**Absolute TSR result from grant to Sep 30, 2006[2]**
2006	February 6, 2009	62nd			$34.53		$0.83	$2.17	12%
2005	February 7, 2008	55th			$29.93		$2.49	$6.77	34%
2004	January 16, 2007	22nd			$30.25		$4.15	$6.45	39%
Allocations in testing period									
Year of allocation	**Start of test period**	**Relative TSR percentile ranking at initial test date**	**Percentage of options that vested at initial test date[1]**	**Closing share price at test date**	**Exercise price of options**	**Value of each option at initial test date**	**Dividends from grant to initial test date**	**Share price movement from grant to initial test date**	**Three-year absolute TSR from grant to initial test date[2]**
2003	March 21, 2006	14th	0%	$36.00	$30.46	-	$4.95	$5.54	39%
2002	June 14, 2005	12th	0%	$30.97	$36.14	-	$4.87	($5.17)	-
2001	March 23, 2004	50th	50%	$31.45	$27.85	$3.60	$4.45	$3.60	29%
2000	March 23, 2003	88th	100%	$30.90	$21.29	$9.61	$4.05	$9.61	65%

(1) For each of the vested allocations (2000 and 2001) shown in the table, vesting has only occurred on the initial test date as shown. Although the hurdles are tested on an ongoing basis, no further vesting has occurred, and no vesting has occurred in respect of the 2002 and 2003 grants as shown.

(2) Absolute TSR movement is calculated on the basis that all dividends and distributions are reinvested in Company shares.

Report of the directors

SUMMARY OF ALL LONG-TERM EQUITY INSTRUMENTS ON ISSUE

Terms and conditions	Grant dates: March 2000 – September 2001	June 2002	March 2003 – June 2004	September 2004 – December 2005	February 2006 – July 2006
Securities granted	Performance options		Performance options and performance rights		
Frequency of offers	One major annual allocation of LTI awards, with later, smaller grants (as required) generally for executives who join the Group after the annual allocation.				
Basis for determining individual LTI allocation	Based on seniority and assessed future value of the individual		Based on individual assessments of performance and potential under the Group's annual Executive Talent Review.		
Restriction period	There is an initial restriction period of three years, when no performance testing is performed.		The restriction period may be less than three years (but always greater than two) for grants that refer to a previous performance hurdle date, eg. grants on April 2005 and July 2005 have an 'effective date' of February 2005, and refer back to the February 2005 performance hurdle for determination of vesting. So for those grants, the restriction periods are less than three years.		
Performance testing period	The restriction period is followed by a performance period during which the performance hurdle is tested up until three months before the expiry date.				The performance hurdle is tested on 3 occasions over a 24 month performance period – which ends 6 months before the expiry date.
Expiry date of securities	The securities lapse on the eighth anniversary of the grant date. Vested securities may be exercised until the expiry date. Any securities that do not vest in the performance period lapse.		When an 'effective date' is used, and the restriction period is shorter than three years (as above), then the expiry date will also be correspondingly earlier than eight years.	The securities will lapse on the fifth anniversary of the date of grant (unless an 'effective date' and shorter restriction period applies as above).	The securities will lapse five years and six months after the date of grant (unless an 'effective date' and shorter restriction period applies as above).
Performance hurdle measures	Total Shareholder Return (TSR) - that is, the return a shareholder receives through dividends (and any other distributions) plus capital gains over the relevant period. It is calculated on the basis that all dividends and distributions are reinvested in Company shares.				The previous TSR performance hurdle remains for the 80 most senior positions in the Group. The performance hurdle measure for all other employees is: for performance options – regional ROE performance and regional RCE growth against 3 to 5 year business plan, and for performance rights – Group EPS growth against a financial services peer group.
Reasons for the performance hurdles	The TSR hurdle was considered most relevant for shareholders over the medium to long term and particularly relevant for the most senior executives in the Company.				The new performance hurdle is intended to significantly increase the line of sight between business performance and the performance outcomes for regional executives. This strongly supports the new regional business model.

(Continued on page 40).

Report of the directors

Terms and conditions	Grant dates: March 2000 – September 2001	June 2002	March 2003 – June 2004	September 2004 – December 2005	February 2006 – July 2006
Performance hurdle peer groups (peer group listing is available at www.nabgroup.com)	The vesting (and exercise) of the securities is determined by growth in the Company's TSR from the grant date, compared with that of the top 50 companies in the S&P ASX100 by market capitalisation (excluding the Company and property trusts), determined as at the effective date of the grant.			Half the performance options and half the performance rights are tested against top 50 companies as shown to the left. The vesting (and exercise) of the remaining half of the securities is determined by the Company's TSR growth relative to the top 12 financial services companies in the S&P ASX200 by market capitalisation, excluding the Company determined as at the effective date of the grant.	For the 80 most senior positions in the Group, the TSR peer groups remain the same (as described to the immediate left). The new EPS growth hurdle for the performance rights for other executives uses the same financial services peer group as used in the TSR hurdle.
Rationale for peer group selection	Peer group selection attempts to approximate the types of companies that investors might choose as an alternative to investing in the Company. The size of the peer groups is an important consideration. A larger peer group helps to reduce volatility, and means that any change in the members of the group composition (due to liquidations, etc), should have less of an impact.			Using two peer groups in tandem prevents the possibility of all of the securities vesting if the Company performs poorly relative to other organisations in the financial services business sector.	Using the same financial services peer group for both the TSR and the EPS hurdles (as described above) maintains a link between the outcomes for senior and other executives, and ensures that the EPS hurdle is equally challenging.
Measuring the performance hurdles and reasons for choosing these testing methods	Each TSR comparison to the relevant peer group data is averaged over five trading days to prevent vesting being based on any short-term spike in TSR results. Performance is tested daily during the performance period - although for practical reasons, performance tests are generally conducted quarterly.		The TSR comparison is averaged over 30 trading days to better ensure that any short-term spike in TSR results does not impact on vesting.	In addition to the 30-day averaging, the relevant TSR percentile must be maintained for 30 consecutive trading days (ie. vesting only occurs if there is sustained TSR performance).	Daily testing has been replaced with three separate hurdle tests at the 3rd, 4th, and 5th anniversary of the grant (or 'effective') date. Each test uses 30-day averaged TSR, and the available RCE, ROE, and EPS data for the Company and for each peer organisation. Each participant's allocation is divided into three equal tranches, with tranche 1 tested on the 3rd and 4th anniversaries, tranche 2 tested on the 4th and 5th anniversaries, and tranche 3 tested only once, on the 5th anniversary date. This change minimises retesting of the performance hurdle, yet maintains employee focus on the 3 to 5 year time horizon.
Vesting of securities	Vesting occurs to the extent that the performance hurdle is satisfied as shown below. Vesting does not occur during the restriction period (unless the maximum life of the securities has been shortened due to the end of the individual's employment as described below).				

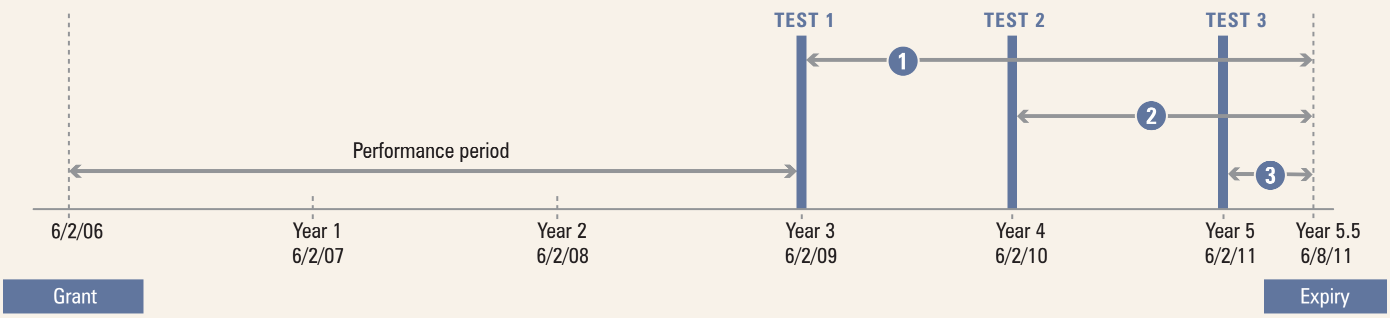
(Continued on page 41).

Report of the directors

Terms and conditions	Grant dates				
	March 2000 – September 2001	**June 2002**	**March 2003 – June 2004**	**September 2004 – December 2005**	**February 2006 – July 2006**
TSR performance hurdle vesting schedule	No vesting occurs below the 25th percentile performance of the peer group. A quarter of the securities vest at the 25th percentile. A further 1% vesting per percentile continues up to the point where half of the securities would vest at the 50th percentile, and then 2% further vesting per percentile up to 100% vesting at (and above) the 75th percentile.	No vesting occurs below the 50th percentile performance of the peer group. Half of the securities vest at the 50th percentile with 2% further vesting per percentile up to 100% being vested at (and above) the 75th percentile.		No vesting occurs below the 51st percentile performance of each peer group. Half of the securities vest at the 51st percentile with 2% further vesting per percentile up to 100% being vested at (and above) the 76th percentile.	For the TSR and EPS hurdle tests, no vesting occurs below the 51st percentile performance of each peer group. 35% of the securities vest at the 51st percentile with 2.6% further vesting per percentile up to 100% being vested at (and above) the 76th percentile. For the ROE/RCE hurdle test, no vesting occurs if ROE is more than 1 percentage point below plan. Once this threshold is met, 35% of the performance options vest at 90% of RCE planned growth, with 2.2% further vesting per % achievement up to 100% of the options being vested when RCE growth is at (or above) 120% of plan.
Lapsing of securities	Securities will lapse if unexercised on or before their expiry date as above. Securities will also generally lapse 30 days (or such shorter time as determined at the time of grant) after an executive ceases to be employed by the Group - unless the Board determines otherwise (generally only in cases of retirement, redundancy, contract completion, death, or total and permanent disablement). For some grants if an executive ceases employment with the Group as the result of death or total and permanent disablement, the securities may be automatically retained. For some grants, securities retained in such cases may be exercised before the end of the restriction period and regardless of the level of achievement of the performance hurdle.			In addition to the terms shown on the left, where the Board determines that securities may be retained at the end of an individual's employment during the restriction period, then only a pro-rated amount of securities may be retained, and for a maximum of two years from the date of cessation. This does not apply to securities provided on commencement. (Generally, the Board will allow securities to be retained in this way only in cases of retirement, redundancy, contract completion, death, or total and permanent disablement.)	
Board discretion	The Board may allow security holders to exercise the securities regardless of the normal criteria if certain events occur, including a takeover offer or announcement to the holders of fully paid ordinary shares in the Company.				

The following table illustrates the structure of the performance hurdle in relation to performance options and performance rights, which has applied to grants since January 1, 2006. This example is based on the February 6, 2006 allocation.

LIFE CYCLE OF FEBRUARY 2006 GRANT OF PERFORMANCE OPTIONS AND PERFORMANCE RIGHTS



1 Maximum Exercise Period – Tranche 1 (Tests 1&2)   2 Maximum Exercise Period – Tranche 2 (Tests 2&3)   3 Maximum Exercise Period – Tranche 3 (Test 3 only)

REMUNERATION FOR KEY MANAGEMENT PERSONNEL AND NAMED EXECUTIVES

KEY MANAGEMENT PERSONNEL (KMP)

The remainder of the Remuneration report shows remuneration information for the KMP of the Group and the Company as defined in AASB 124 'Related Party Disclosures'. These individuals have been divided into three separate groups for ease of reference:

- KMP (non executive directors), being those individuals listed on page 49;
- KMP (executive directors), being those individuals listed in the table below. These individuals are all KMP both of the Company and of the Group. All of these individuals were also KMP during 2005 and continue to hold the same position in 2006; and
- KMP (other senior executives), being those individuals who, in addition to the executive directors, have been members of the Group Executive Committee during 2006. These individuals are listed on page 44. These individuals are all KMP both of the Company and of the Group. All of these individuals were also KMP during 2005 and continue to hold the same position in 2006. They are the five named Group executives who received the highest remuneration for the year.

FIVE NAMED EXECUTIVES OF THE COMPANY

In addition, some of the following tables include information for Mr George Frazis and Mr Stephen J Tucker (as 'other named executives'). Together with Mr John E Hooper, Ms Lynne M Peacock and Mr Peter L Thodey, they are the five named Company executives who received the highest remuneration for the year.

SUMMARY OF REMUNERATION FOR KMP (EXECUTIVE DIRECTORS)

The following table summarises the remuneration arrangements for KMP (executive directors).

	Mr JM Stewart	Mr A Fahour	Mr MJ Ullmer
Position	Director (executive) appointed August 11, 2003 Group Chief Executive Officer – commenced February 2, 2004	Director (executive) commenced October 7, 2004 Executive Director and Chief Executive Officer, Australia – commenced September 1, 2004	Director (executive) commenced October 7, 2004 Finance Director and Group Chief Financial Officer – commenced September 1, 2004
Term of employment agreement	No fixed term. A new employment agreement was entered into in January 2006.	4 years from September 1, 2004	4 years from September 1, 2004
Notice period	Employee – six months Company – six months' notice plus 12-month termination payment	Employee – 13 weeks Company – 52 weeks	Employee – 13 weeks Company – 52 weeks
Total employment cost (TEC)(1)	TEC at September 30, 2006: $2,750,000	TEC at September 30, 2006: $1,515,863	TEC at September 30, 2006: $1,060,967
Review of TEC	TEC will not be reviewed until October 2008.	TEC is reviewed annually, with the most recent review in October 2006, with no increase in the TEC shown above. The figures above include superannuation adjustments in July 2006. The next review is scheduled around October 2007.	
	➤ A portion of TEC may be taken in the form of packaged benefits (such as a motor vehicle and parking), and includes fringe benefits tax and employer superannuation contributions.(2)		
Short-term incentive	$1,472,500 in cash $1,472,500 in shares (represents 114% of Mr Stewart's 2006 pro-rated target of $2,583,333 – based on TEC under his former and current contracts (new contract effective February 1, 2006)). Target STI – 100% of TEC	$1,683,000 in cash $1,683,000 in shares (represents 171% of 2006 target) Target STI – 130% of September 30, 2006 TEC	$777,000 in cash $777,000 in shares (represents 146% of 2006 target) Target STI – 100% of September 30, 2006 TEC
	➤ STI remuneration is determined annually according to the Group's STI plan – *see page 36 for details*. The rewards above are for performance for the period October 1, 2005 to September 30, 2006. The cash portion was paid in November 2006. The issue of the shares is subject to any required shareholder approval at the Company's annual general meeting (AGM) on January 31, 2007 on the terms and conditions set out in the Notice of Meeting. If approved, it is intended that the shares will be allocated in February 2007. ➤ The Board determines STI Targets (as a percentage of TEC) annually for the coming year. Each year, the Board also determines reasonable performance measures and targets for assessing each executive director. After the end of each financial year, the Board reviews each executive director's performance against these measures and targets. The Board may elect to award an STI reward for exceptional individual performance of up to 150% of Target STI for Mr Stewart and up to 200% of Target STI for Mr Fahour and Mr Ullmer. ➤ At least half of the STI remuneration must be provided in the form of Company shares (subject to any required shareholder approval). Shares are held in trust for each executive director under the terms of the National Australia Bank Staff Share Ownership Plan. During this time, the executive directors are entitled, through the trustee, to receive dividend payments and to exercise voting rights attaching to those shares. The shares may be forfeited in some circumstances.		

(Continued on page 43).

	Mr JM Stewart	Mr A Fahour	Mr MJ Ullmer
Long-term incentive	None to be allocated in February 2007[(3)]	Performance options and performance rights (estimated financial value $2,274,000 at the time of grant)	Performance options and performance rights (estimated financial value $1,220,112 at the time of grant)
	➤ The performance options and performance rights shown above are for assessments as at September 30, 2006. The granting of this LTI is subject to shareholder approval at the Company's AGM on January 31, 2007. If approved, the LTI will be allocated in February 2007. Continued LTI allocations are not guaranteed as they are subject to annual assessments. ➤ When each executive director's employment with the Company ends, the retention of any performance options and performance rights granted to them during their employment will be determined according to the terms of grant under the respective plans. ➤ The method used to value the performance options and performance rights, as prescribed by AASB 124 'Related Party Disclosures', is set out on page 48. The performance hurdle is detailed on page 39. ➤ Subject to shareholder approval at the Company's AGM on January 31, 2007, an allocation of shares is intended to be made to Mr Ullmer to strengthen the retention position for him as Finance Director and Group Chief Financial Officer and to ensure the successful completion of a series of long-term projects underway, which are critical to the Group. Mr Ullmer would be restricted from trading these shares until January 2011 and the successful completion of the identified projects. Full terms and conditions of the issue of these shares are set out in the Notice of AGM		
Other benefits	➤ Executive directors are eligible to participate in other benefits that are normally provided to executives employed by the Company, subject to any overriding legislation prevailing at the time including the *Corporations Act* 2001 (Cth) and the United States *Sarbanes-Oxley Act of 2002*.		

(1) Total Employment Cost (TEC) is the Group's primary measure of fixed remuneration – which includes superannuation and non-monetary benefits but excludes leave accrued not taken. It does not include STI or LTI payments.

(2) The Company is not required by Australian law to provide superannuation contributions in connection with Mr Stewart's employment due to the type of Australian visa issued to him. However, under the employment agreement, the Company agrees to pay annual superannuation contributions to the National Australia Bank Group Superannuation Fund. Those contributions form part of Mr Stewart's annual fixed remuneration. Mr John M Stewart may, in lieu of receiving those Australian superannuation benefits, elect to participate in a pension or other scheme in the United Kingdom. Again, any such payments form part of Mr Stewart's fixed pay.

(3) Mr John M Stewart was offered an LTI allocation at the commencement of his previous three-year employment agreement in 2004, which was designed to cover his contract period and to tie the value of any reward to the change in shareholder wealth over that agreement period. 900,000 performance options and 210,000 performance rights (combined estimated annualised value $0.917 million based on a grant date of January 31, 2005) were subsequently awarded in February 2005 following shareholder approval at the January 31, 2005 AGM. If Mr Stewart resigns before February 2, 2007 (which was the end of his original employment agreement), then he will retain the performance options and performance rights on a pro-rata basis calculated from his appointment date of February 2, 2004 to the date of termination. Such performance options and performance rights will have two years from the date of his resignation to satisfy the performance conditions after which they will lapse if not exercised.
Mr Stewart was offered a further 500,000 performance options and 140,000 performance rights upon signing his new employment agreement in January 2006. This grant was approved by shareholders at the January 30, 2006 AGM, and subsequently awarded in March 2006. If Mr Stewart resigns before February 6, 2009, then he will retain the performance options and performance rights on a pro-rata basis calculated from February 6, 2006 (the performance hurdle effective date) to the date of termination.
Such performance options and performance rights will have two years from the date of his resignation to satisfy the performance conditions after which they will lapse if not exercised.

EMPLOYMENT AGREEMENTS FOR KMP (OTHER SENIOR EXECUTIVES) AND OTHER NAMED EXECUTIVES

Remuneration and other terms of employment for KMP (other senior executives) and other named executives of the Company and the Group are formalised in individual employment agreements. Each of these agreements provides for performance-related cash bonuses, fringe benefits plus other benefits, including participation, if eligible, in performance option and performance rights plans and termination benefits. Termination payments are generally calculated as the Company notice period multiplied by TEC. Details of the arrangements as at September 30, 2006 are set out below.

Name	Position	Term of agreement/contract and date commenced, if during the year	TEC $(1)	Target STI(2)	Notice period – Employee	Notice period – Company(3)
Cameron A Clyne	Executive General Manager, Group Development	No fixed term.	600,548	75%	13 weeks	52 weeks
George Frazis	Executive General Manager, Business and Private Banking Australia	4 years.	725,661	75%	13 weeks	26 weeks
Michael J Hamar	Group Chief Risk Officer	4 years.	725,661	80%	13 weeks	26 weeks
John E Hooper	Chief Executive Officer, nabCapital	No fixed term.	775,707	130%	13 weeks	52 weeks
Lynne M Peacock	Chief Executive Officer, United Kingdom	No fixed term.	GBP 535,000	100%	Three months	12 months
Peter L Thodey	Managing Director and Chief Executive Officer, Bank of New Zealand	No fixed term. Current contract commenced October 3, 2005.	NZD 650,000	100%	Six months	12 months
Stephen J Tucker	Executive General Manager, Wealth Management Australia	No fixed term.	650,000	75%	13 weeks	26 weeks

(1) Total Employment Cost (TEC) is the Group's primary measure of fixed remuneration – which includes superannuation and non-monetary benefits but excludes leave accrued not taken. It does not include STI or LTI payments. In this table, TEC is expressed in the currency agreed in the employment agreement.

(2) Target STI as a percentage of TEC is subject to achievement of individual and Group performance goals and to passing the compliance and behaviour 'quality gates'. The Target STI percentage (of TEC shown above) is earned for an 'on-target' individual and Group performance. The size of the STI reward pool as determined by the Remuneration Committee acts as a multiplier to these individual STI targets. Individual performance is overlaid, with individual outcomes being in the range from nil to 200% based on individual performance under the performance framework, resulting in a further increase or reduction in individual outcomes.

(3) Termination payments calculated as the Company notice period multiplied by TEC are payable if the Company terminates the executive's employment agreement on notice and without cause, and makes payment in lieu of notice. Termination payments are not generally payable on resignation, summary termination or unsatisfactory performance, although the Board may determine exceptions to this. Performance options and performance rights generally lapse 30 days (or such shorter time as determined at the time of grant) after employment ends – unless otherwise determined by the Board. In certain circumstances and depending on the terms of grant, in cases such as contract completion, death, retirement, retrenchment, or total and permanent disablement, the Board may consider each case on its individual merits and may allow the executive to retain some or all of their performance options and performance rights for a period of time no later than up to the relevant expiry date of the securities. Vesting and exercise of the securities remain subject to the applicable performance hurdle. Certain shares held in trust are forfeited in certain circumstances that depend on the relevant program. These circumstances can include termination for serious misconduct involving dishonesty, resignation, failure to meet compliance gates in the 12 months after allocation, summary termination or breach of the Company's Code of Conduct.

REMUNERATION FOR KMP (EXECUTIVE DIRECTORS), KMP (OTHER SENIOR EXECUTIVES) AND OTHER NAMED EXECUTIVES

(each of these employee groups is defined on page 42)

The following table shows details of the nature and amount of each element of the remuneration paid or payable for services provided to the Company and to the Group for the year to September 30, 2006 (including STI and LTI amounts in respect of performance during the year to September 30, 2006). All individuals listed are paid in Australian dollars – with the exception of Ms Lynne M Peacock, who is paid in GBP (converted here at a rate of A$1.00 = GBP 0.4150 for 2006) and Mr Peter L Thodey who is paid in NZD (converted here at a rate of A$1.00 = NZD 1.1432 for 2006).

Performance options and performance rights in relation to the performance year to September 30, 2006 are anticipated to be granted in February 2007. No performance options or performance rights have been granted to the listed individuals since the end of 2006. No retirement benefits were paid or payable to the listed individuals in 2006.

		Short-term benefits			Post-employment benefits		Equity-based benefits			
		Cash salary fixed[(1)] $	Cash STI at risk[(2)] $	Non-monetary fixed[(3)] $	Super-annuation fixed[(4)] $	Other long-term benefits[(5)] $	Shares at risk[(6)] $	Options and rights at risk[(7)] $	Termination benefits[(8)] $	Total $
Executive directors										
JM Stewart	**2006**	**2,505,339**	**1,472,500**	**113,948**	**80,000**	**-**	**1,578,235**	**2,655,020**	**-**	**8,405,042**
	2005	2,123,713	1,402,500	82,742	78,768	-	891,789	1,653,324	-	6,232,836
A Fahour	**2006**	**1,538,022**	**1,683,000**	**3,983**	**41,743**	**-**	**2,454,312**	**775,498**	**-**	**6,496,558**
	2005	1,617,654	-	4,781	12,624	-	2,955,309	418,750	-	5,009,118
MJ Ullmer	**2006**	**955,160**	**777,000**	**7,435**	**103,251**	**-**	**730,210**	**461,446**	**-**	**3,034,502**
	2005	986,159	640,500	7,595	12,624	-	402,329	261,719	-	2,310,926
Other senior executives										
LM Peacock	**2006**	**1,041,583**	**1,572,771**	**372,799**	**246,968**	**-**	**636,838**	**903,731**	**-**	**4,774,690**
	2005	1,033,431	1,207,644	229,518	245,167	-	265,069	567,845	-	3,548,674
JE Hooper	**2006**	**857,650**	**1,230,271**	**5,566**	**13,222**	**12,920**	**309,361**	**401,463**	**-**	**2,830,453**
	2005	758,679	975,000	5,245	87,968	-	198,099	238,123	-	2,263,114
PL Thodey	**2006**	**589,528**	**693,667**	**20,569**	**-**	**42,101**	**135,086**	**829,009**	**-**	**2,309,960**
	2005	566,806	569,182	24,098	-	-	73,628	661,992	-	1,895,706
MJ Hamar	**2006**	**602,964**	**708,245**	**47,184**	**104,103**	**-**	**121,297**	**132,467**	**-**	**1,716,260**
	2005	509,835	493,323	28,391	62,818	-	269,420	70,892	-	1,434,679
CA Clyne	**2006**	**594,065**	**549,501**	**-**	**41,512**	**-**	**106,830**	**349,471**	**-**	**1,641,379**
	2005	576,723	358,215	-	12,624	-	29,604	222,375	-	1,199,541
Total KMP	**2006**	**8,684,311**	**8,686,955**	**571,484**	**630,799**	**55,021**	**6,072,169**	**6,508,105**	**-**	**31,208,844**
Total KMP[(9)]	2005	10,772,600	7,811,498	566,008	660,785	103,616	5,260,943	6,056,609	2,109,639	33,341,698
Other named executives										
G Frazis	**2006**	**672,805**	**702,563**	**-**	**13,222**	**-**	**732,189**	**304,402**	**-**	**2,425,181**
	2005	546,399	410,230	-	11,367	-	413,989	144,136	-	1,526,121
SJ Tucker	**2006**	**599,288**	**641,845**	**-**	**85,899**	**10,833**	**518,228**	**422,663**	**-**	**2,278,756**
	2005	584,738	410,234	3,897	80,982	-	130,721	258,781	-	1,469,353
Total	**2006**	**9,956,404**	**10,031,363**	**571,484**	**729,920**	**65,854**	**7,322,586**	**7,235,170**	**-**	**35,912,781**
Total[(9)]	2005	11,903,737	8,631,962	569,905	753,134	103,616	5,805,653	6,459,526	2,109,639	36,337,172

(1) Includes cash salary and short-term compensated absences such as annual leave entitlements accrued but not taken during the year.

(2) Includes all short-term performance-based remuneration awarded for the performance year to September 30, 2006 in the form of cash. Amounts paid in the form of superannuation contributions (upon employee nomination in respect to amounts up to STI Target for Australian employees only) and in Company shares (upon employee nomination for amounts up to their STI Target and as required by the Company in respect of amounts awarded above STI Target) are shown in the Superannuation and Shares columns respectively. The revision to accounting standards requires such allocation, where under the previous accounting standard the full amount of STI awarded for the performance year to September 30, 2005 was included in 'STI bonus at risk' in the 2005 financial report, irrespective of the form in which it was provided. 2005 comparative figures have been restated in line with the approach detailed above. STI amounts provided in the form of shares for the year ended September 30, 2005 were therefore disclosed in full as 'STI bonus at risk' in the 2005 financial report, but a relevant portion is included again in the 2006 report within the calculations for the Shares column.

Refer to page 36 for further information regarding STI arrangements for employees (including KMP (other senior executives) and other named executives). All STI payments to such individuals are made in November, following the end of the performance year on September 30 (whether paid as cash, shares, or superannuation). Please refer to page 42 for further information regarding STI arrangements for executive directors (for whom at least 50% of the value of STI rewards paid (and payable) are paid in the form of Company shares following approval by shareholders at the relevant AGM). Mr George Frazis and Mr Stephen J Tucker also participate in an Australian Leadership Team stretch incentive program, which entails rewards in the form of cash and shares upon achievement of business efficiency targets within the Australian region. The cash portion of this reward for the performance year to September 30, 2006 is included in the 'Cash STI at risk' column, while the 2006-portion ($270,128 each) of the total value of the shares is included in the 'Shares at risk' column (with a further 2007-portion ($270,871 each) to be included next year unless all of the shares are forfeited upon resignation, or upon the targets not being met for the September 30, 2007 performance year).

Separate disclosure of the nature and value of the STI rewards is included in the following section 'Short-term and long-term incentive remuneration'.

(3) Includes motor vehicle benefits and parking. Also includes $324,610 in regard to UK National Insurance contributions for Ms Lynne M Peacock, and health fund benefits for Mr John M Stewart and Mr John E Hooper. Fringe benefits tax on non-monetary benefits is included within the value of the benefit. The portion of Ms Peacock's non-monetary benefit in 2005 which related to UK National Insurance contributions has been restated from $2,065 to $183,874 to include the period of time Ms Peacock resided in the UK during the year. The 2005 misstatement was discovered while compiling this report.

(4) Includes Company contributions to superannuation and allocations by employees made by way of salary sacrifice. Individuals based in Australia may also nominate to be provided all or part of amounts up to STI Target in the form of additional Company superannuation contributions. No such elections were made by KMP and other named executives for 2006. For Mr Stephen J Tucker, who is a member of a defined benefit plan, the amount included for remuneration purposes is the annual benefit received by Mr Tucker during the year, and may or may not reflect the contributions made. Mr Tucker's 2005 figure has been restated accordingly.

(Continued on page 46).

(5) Includes long service entitlements accrued but not taken during the year.

(6) Represents the 2005 and 2006 portions of share-based payments paid or payable to KMP and other named executives. The value of each share allocation is spread over the length of time that forfeiture or performance conditions apply (vesting period). For example, shares that are intended to be granted to KMP (other senior executives) and to other named executives in November 2006 in respect of rewards above STI Target for the performance year to September 30, 2006 are expensed over the period from October 1, 2005 (the start of the relevant performance period) through to November 2007 (end of vesting period when the primary forfeiture conditions no longer apply).

The amounts disclosed in the 'Shares at risk' column for 2005 and 2006 therefore do not reflect the payments made in respect of only each financial year. They include relevant portions of 2005 and 2006 year STI rewards as described above and in footnote (2), and relevant portions of 2005 awards (and 2006 awards for Ms Lynne M Peacock and Mr Peter L Thodey) provided under the general employee share offer (excludes executive directors) as described on page 37. They also include relevant portions of Commencement shares (as described on page 36) provided to Mr Ahmed Fahour in 2004 (some with ongoing performance condition), and to Mr Michael J Hamar and Mr George Frazis in 2005 with performance conditions which have been met during the 2005 and 2006 years. For Mr Stephen J Tucker, the 2005 amount includes shares allocated under the Wealth Management Ownership program (5% of notional benefit salary provided in the form of shares) and for Mr John E Hooper, the 2005 amount includes Retention shares allocated in 2004 in respect of his acting role as head of nabCapital, with retention conditions which were met during the 2005 year.

(7) Performance options and performance rights are issued as part of the Group's LTI program. Allocations are generally made in the week following the AGM each year in respect of assessments for the preceding year to September 30. Continued allocations are not guaranteed as they are subject to annual assessments. The exercise price of the performance options is determined by the volume weighted average price of the Company's ordinary shares traded on the ASX over the week following the AGM. No terms of vested performance options or rights were altered during the reporting period. The amount included in remuneration each year is the grant date fair value which has been amortised on a straight line basis over the expected vesting period. Refer to page 48 for an explanation of fair value basis used to determine remuneration.

(8) No listed executives had post-employment benefits that required approval by members of the Company in accordance with the Corporations Act 2001 (Cth).

(9) Group aggregate totals in respect of the financial year ended September 30, 2005 do not equal the sum of 2005 amounts disclosed for 2006 KMP and named executives, as there are differences in the individuals identified as KMP in 2005. The aggregate totals for KMP 2005 includes 14 individuals for the period they held the position of KMP, i.e. for full or part year, during 2005, and the grand total for 2005 includes those individuals plus remuneration for named executives in 2005.

In addition to remuneration benefits above, the Company paid an insurance premium for a contract insuring all KMP of the Company or Group (or both) as officers. It is not possible to allocate the benefit of this premium between individuals. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the premium paid.

SHORT-TERM AND LONG-TERM INCENTIVE REMUNERATION

The design of the share, performance option, and performance rights plans (and the expected outcome for executives) seeks to conform with the guidelines set out in 'Executive Share and Option Scheme Guidelines', Guidance Note 12, Investment and Financial Services Association, which specifies the key principles that should be considered in designing incentive schemes, and the process for shareholder approval of the schemes. The principal difference to the guidelines is that performance rights issued by the Company have a nominal exercise price and that any performance options whose exercise price is set at a date other than at the date of grant could potentially have an exercise price lower (or higher) than the market price prevailing at or around the date of grant. The Group's various employee equity plans are discussed in detail in note 41 of the annual financial report 2006.

The following table calculates the amounts shown in the previous table to show the proportions that are linked to Company performance.

	Remuneration not linked to Company performance[1]	Performance related remuneration			Total
		Cash-based	Equity-based		
		Cash STI at risk	Shares at risk	Options and rights at risk	
	%	%	%	%	%
Executive directors					
JM Stewart	31%	18%	19%	32%	100%
A Fahour	24%	26%	38%	12%	100%
MJ Ullmer	35%	26%	24%	15%	100%
Other senior executives					
LM Peacock	35%	33%	13%	19%	100%
JE Hooper	31%	44%	11%	14%	100%
PL Thodey	28%	30%	6%	36%	100%
MJ Hamar	44%	41%	7%	8%	100%
CA Clyne	39%	33%	7%	21%	100%
Other named executives					
G Frazis	28%	29%	30%	13%	100%
SJ Tucker	30%	28%	23%	19%	100%

(1) Includes cash salary fixed, non-monetary fixed, superannuation fixed, other long-term benefits, and termination benefits as shown in the table on page 45.

Report of the directors

PERCENTAGE OF STI TARGET AWARDED IN RESPECT OF THE PERFORMANCE YEAR TO SEPTEMBER 30, 2006

The following table shows the percentage of each individual's STI Target awarded in respect of the performance year to September 30, 2006.

	STI Target as % of fixed remuneration(1)	STI awarded as % of fixed remuneration	STI Cash awarded 2006 $	% of STI bonus	STI Shares awarded 2006 $	% of STI bonus	Total cash and shares 2006 $	2005 $
Executive directors								
JM Stewart(2)	96%	109%	1,472,500	50%	1,472,500	50%	2,945,000	2,805,000
A Fahour(2)	124%	213%	1,683,000	50%	1,683,000	50%	3,366,000	2,880,000
MJ Ullmer(2)	99%	146%	777,000	50%	777,000	50%	1,554,000	1,281,000
Other senior executives								
LM Peacock	78%	142%	1,572,771	67%	788,675	33%	2,361,446	1,775,312
JE Hooper	113%	194%	1,230,271	71%	492,729	29%	1,723,000	1,141,000
PL Thodey	87%	117%	693,667	91%	69,979	9%	763,646	726,958
MJ Hamar	77%	103%	708,245	91%	71,755	9%	780,000	493,323
CA Clyne	71%	112%	549,501	77%	165,499	23%	715,000	420,000
Other named executives								
G Frazis	123%	197%	702,563	52%	646,204	48%	1,348,767	1,039,001
SJ Tucker	113%	156%	641,845	59%	441,143	41%	1,082,988	977,464

(1) 'Fixed remuneration' includes cash salary fixed, non-monetary fixed, superannuation fixed, other long-term benefits and termination benefits (as shown in the table on page 45). STI Target as a percentage of fixed remuneration differs from STI Target as a percentage of TEC, as described on page 45.
(2) The issue of the share component for executive directors is subject to required shareholder approval.

RANGE OF POTENTIAL SHORT-TERM AND LONG-TERM INCENTIVE PAYMENTS IN RESPECT OF THE PERFORMANCE YEAR TO SEPTEMBER 30, 2006

The following table shows the composition and aggregate minimum and maximum values of STI and LTI payments earned by each individual in respect of the performance year to September 30, 2006.

	Short-term incentives (STI)					Long-term incentives (LTI)	
	Paid %	Forfeited(1) %	Deferred(2) %	Minimum deferred value(3) $	Maximum deferred value $	Minimum value (all deferred)(3) $	Maximum value (all deferred)(4) $
Executive directors							
JM Stewart	50%	-	50%	-	1,472,500	-	-
A Fahour	50%	-	50%	-	1,683,000	-	2,274,000
MJ Ullmer	50%	-	50%	-	777,000	-	1,220,112
Other senior executives							
LM Peacock	67%	-	33%	-	788,675	-	810,000
JE Hooper	71%	-	29%	-	492,729	-	960,000
PL Thodey	91%	-	9%	-	69,979	-	722,250
MJ Hamar	91%	-	9%	-	71,755	-	580,529
CA Clyne	77%	-	23%	-	165,499	-	780,000
Other named executives							
G Frazis	52%	-	48%	-	646,204	-	675,000
SJ Tucker	59%	-	41%	-	441,143	-	590,625

(1) All of the listed individuals have earned in excess of their Target STI for the 2006 performance year, with no portion of Target STI forfeited.
(2) Deferred STI is the shares component from the table above. The shares are held in trust with restrictions on trading for a minimum of one year (or longer if nominated by the employee). Various forfeiture conditions apply as set out on page 36.
(3) Shares allocated as deferred STI rewards are subject to forfeiture conditions, and performance options and performance rights granted as LTI rewards lapse on cessation of employment or if performance hurdles are not achieved. The minimum deferred value for both is therefore shown as zero.
(4) The maximum deferred value of LTI rewards is the anticipated fair value (based on the fair value of recent allocations) of the performance options and performance rights at grant date, which is anticipated to be in February 2007.

Report of the directors

FAIR VALUE BASIS USED TO DETERMINE EQUITY REMUNERATION

The disclosure of the allocation of fair value of performance options and performance rights in the earlier tables is based upon the requirements of AASB 124 "Related Party Disclosures". Under these guidelines, each year a portion of the fair value of all unvested performance options and rights is included in the individuals' remuneration for disclosure purposes. This portion of the fair value is based on a straight-line allocation of fair value over the vesting period of each unvested performance option or performance right. Under AIFRS, only performance options and performance rights granted after November 7, 2002 that were unvested at January 1, 2005 are included in the remuneration calculation.

Performance options and rights granted as part of executive remuneration have been valued using a numerical pricing model. The model takes account of factors including: the exercise price(s); the current level and volatility of the underlying share price; the risk-free interest rate; expected dividends on the underlying share; current market price of the underlying share; and the expected life of the securities. The probability of the performance hurdle being reached has been taken into consideration in valuing the securities. *For further details, refer to note 41 in the annual financial report 2006.* The fair value and exercise price per performance option and performance right (at grant) are set out below for grants provided to KMP (executive directors), KMP (other senior executives) and other named executives.

	Performance options		Performance rights		Exercise Period[(2)]	
	Fair value	Exercise Price	Fair value	Exercise Price[(1)]		
Grant Date	$	$	$	$	From	To
February 6 & February 20, 2006	$3.39	$34.53	$18.23	-	February 6, 2009	August 6, 2011
February 22, 2006[(3)]	$2.98	$34.53	$17.61	-	February 6, 2009	August 6, 2011
March 10, 2006[(3)]	$3.10	$34.53	$17.52	-	February 6, 2009	August 6, 2012

(1) The total exercise price payable on the exercise of performance rights is $1 for the total number exercised on any one calendar day.

(2) These performance options and performance rights are granted in 3 tranches (in 4 tranches for those allocated to Mr John M Stewart on March 10, 2006). Each tranche has a different testing schedule, vesting period, and exercise period. The exercise period shown here is the total exercise period covering all tranches. All vested and unexercised securities lapse at the end of this exercise period.

(3) Approval of the granting of these performance options and performance rights to the executive directors was provided by shareholders at the AGM held on January 30, 2006. The 'grant date' for the purposes of calculating the fair value and for share-based payments purposes is therefore January 30, 2006.

VALUE OF PERFORMANCE OPTIONS AND PERFORMANCE RIGHTS GRANTED

The following tables show the value of performance options and performance rights issued to each individual as part of their remuneration that were granted, exercised, lapsed or vested during the year to September 30, 2006. The performance options and performance rights are rights to acquire ordinary shares, subject to certain conditions being met, under the Company's National Australia Bank Executive Share Option Plan No. 2 (executive share option plan) and the National Australia Bank Performance Rights Plan (performance rights plan). No performance options or performance rights are granted to KMP (non-executive directors). *The terms and conditions of each performance option and right, including a summary of the performance hurdle required to be met in order to vest, are set out on page 39.*

No amounts are paid by individuals for the issue of performance options and performance rights. All shares issued upon the exercise of performance options and performance rights are paid for in full by the individual based on the relevant exercise price. Under the executive share option plan a loan may be available to executives if and when they wish to exercise their performance options – subject to applicable laws and regulations (including the United States *Sarbanes-Oxley Act of 2002*). The rules of the executive share options plan provide that the rate of interest on such a loan shall be the Company's base lending rate plus any margin determined by the Board. Dividends payable in respect of a share loan are applied firstly towards payment of any interest which is due, and secondly towards repayment of the principal amount outstanding under the loan. *For further information on the executive share option plan refer to note 41 in the annual financial report 2006.*

	Number of performance options					Value of performance options			
	Granted	Grant	Exercised	Lapsed	Vested	Granted[(1)]	Exercised	Lapsed	Total
	No.	Date	No.	No.	No.	$	$	$	$
Executive directors									
JM Stewart	500,000	Mar 10, 2006	-	-	-	1,550,000	-	-	1,550,000
A Fahour	284,000	Feb 22, 2006	-	-	-	846,320	-	-	846,320
MJ Ullmer	159,000	Feb 22, 2006	-	-	-	473,820	-	-	473,820
Other senior executives									
LM Peacock	195,732	Feb 6, 2006	-	-	-	663,531	-	-	663,531
JE Hooper	82,344	Feb 6, 2006	-	-	-	279,146	-	-	279,146
PL Thodey	67,120	Feb 20, 2006	-	-	-	227,537	-	-	227,537
MJ Hamar	31,250	Feb 6, 2006	-	-	-	105,938	-	-	105,938
CA Clyne	63,750	Feb 6, 2006	-	-	-	216,113	-	-	216,113

(Continued on page 49).

Report of the directors

	Number of performance options					Value of performance options			
	Granted No.	Grant Date	Exercised No.	Lapsed No.	Vested No.	Granted[1] $	Exercised $	Lapsed $	Total $
Other named executives									
G Frazis	90,250	Feb 6, 2006	-	-	-	305,948	-	-	305,948
SJ Tucker	79,750	Feb 6, 2006	-	-	-	271,268	-	-	271,268

	Number of performance rights					Value of performance rights			
	Granted No.	Grant Date	Exercised No.	Lapsed No.	Vested No.	Granted[1] $	Exercised $	Lapsed $	Total $
Executive directors									
JM Stewart	140,000	Mar 10, 2006	-	-	-	2,452,800	-	-	2,452,800
A Fahour	71,000	Feb 22, 2006	-	-	-	1,250,310	-	-	1,250,310
MJ Ullmer	39,750	Feb 22, 2006	-	-	-	699,998	-	-	699,998
Other senior executives									
LM Peacock	48,933	Feb 6, 2006	-	-	-	892,049	-	-	892,049
JE Hooper	20,586	Feb 6, 2006	-	-	-	375,283	-	-	375,283
PL Thodey	16,780	Feb 20, 2006	-	-	-	305,899	-	-	305,899
MJ Hamar	7,813	Feb 6, 2006	-	-	-	142,431	-	-	142,431
CA Clyne	15,938	Feb 6, 2006	-	-	-	290,550	-	-	290,550
Other named executives									
G Frazis	22,563	Feb 6, 2006	-	-	-	411,323	-	-	411,323
SJ Tucker	19,938	Feb 6, 2006	-	-	-	363,470	-	-	363,470

(1) Value of performance options and performance rights granted is determined as the fair value at grant date multiplied by the total number of performance options or performance rights granted. The value of performance options and performance rights disclosed above represents the full value over the vesting period – which is greater than one year.

KMP (NON-EXECUTIVE DIRECTOR) REMUNERATION

The following persons were KMP (non-executive directors) of the Group and Company at September 30, 2006:

Name	Position	Date commenced, if during year
MA Chaney	Chairman	-
PA Cross	Director	December 1, 2005
PJB Duncan	Director	-
DT Gilbert	Director	-
TK McDonald	Director	December 1, 2005
PJ Rizzo	Director	-
JS Segal	Director	-
JG Thorn	Director	-
GA Tomlinson	Director	-
GM Williamson	Director	-

The following person resigned from his position as a KMP (non-executive director) of the Group and Company during the year ended September 30, 2006:

Name	Position	Date resigned
RG Elstone	Director	July 5, 2006

Report of the directors

REMUNERATION POLICY

The fees paid to KMP (non-executive directors) on the Board are based on advice and data from the Group's remuneration specialists and from external remuneration advisers. This advice takes into consideration the level of fees paid to board members of other major Australian corporations, the size and complexity of the Group's operations, the activities of the Group and the responsibilities and workload requirements of Board members.

Fees are established annually for the Chairman and non-executive directors on the Board. Additional fees are paid, where applicable, for participation in Board committees and for serving on the boards of controlled entities. The fees include compulsory Company contributions to superannuation. As part of its annual review of fees paid to the Chairman and non-executive directors, the Board decided, at its meeting in November 2006, that no increases to fees would be made in respect of the Company's 2007 financial year.

The total fees paid by the Group to members of the Board, including fees paid for their involvement on Board committees, are kept within the total approved by shareholders from time to time. Shareholders approved a maximum fee pool of $3.5 million per annum at the Company's annual general meeting held on December 19, 2003.

At the Company's annual general meeting held in December 2003, shareholders approved the continuation of the KMP (non-executive directors) share arrangement under the Non-Executive Director's Share Plan (which is operated through the National Australia Bank Staff Share Ownership Plan). Under this arrangement, shares are provided to Australian-resident KMP (non-executive directors) as part of their remuneration. For all KMP (non-executive directors), a minimum of 10% of fees and a maximum of 40% is provided by way of shares issued to or acquired by the KMP. The trustee of the National Australia Bank Staff Share Ownership Plan determines the issue date of shares under the Plan in its sole discretion.

During 2002, the Board decided not to enter into any new contractual obligations to pay retirement allowance benefits to KMP (non-executive directors) appointed after December 31, 2002. At the Company's annual general meeting held on December 19, 2003, a proposal was approved permitting directors of the Company and its controlled entities who had accrued retirement benefits to apply those benefits, frozen as at December 31, 2003, to either cash (to be paid on retirement), to additional superannuation contributions or to the acquisition of shares in the Company (to be held in trust until retirement). Where directors elected to apply those benefits toward shares held in trust, the dividends earned on those shares are applied to the acquisition of further Company shares in the week up to and including the date of allocation, less $0.01, rounded down to the nearest whole number, on the Company's dividend payment date (*refer footnote 1 to the following table*).

All directors can elect to set aside part of their remuneration as additional Company superannuation contributions.

The appointment letters for the KMP (non-executive directors) set out the terms and conditions of their appointments. These terms and conditions are in conjunction with, and subject to, the Company's constitution and the charters and policies approved by the Board from time to time *(refer to the 'corporate governance' section on page 59 in the annual financial report 2006*).

KMP (NON-EXECUTIVE DIRECTOR) REMUNERATION

The following table shows details of the nature and amount of each element of the emoluments of each of the KMP (non-executive directors) of the Company relating to services provided in the 2006 year. No performance options or performance rights have been granted to KMP (non-executive directors) during or since the end of 2006.

		Short-terms benefits			Post-employment benefits(1)		Equity-based benefits			
Current		Cash salary and fees(2) fixed $	Bonus at risk $	Non-monetary fixed $	Super-annuation(3) fixed $	Other long-term benefits $	Shares fixed(4) $	Options and rights at risk $	Termination benefits $	Total $
M A Chaney(5)	**2006**	**497,913**	**-**	**-**	**100,587**	**-**	**66,500**	**-**	**-**	**665,000**
	2005	116,665	-	-	11,491	-	11,250	-	-	139,406
PA Cross(6)	**2006**	**104,414**	**-**	**-**	**10,253**	**-**	**64,500**	**-**	**-**	**179,167**
PJB Duncan	**2006**	**183,578**	**-**	**-**	**12,276**	**-**	**34,563**	**-**	**-**	**230,417**
	2005	176,083	-	-	18,512	-	30,072	-	-	224,667
DT Gilbert	**2006**	**48,692**	**-**	**-**	**80,308**	**-**	**86,000**	**-**	**-**	**215,000**
	2005	147,218	-	-	15,903	-	29,750	-	-	192,871
TK McDonald(6)	**2006**	**269,042**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**269,042**
PJ Rizzo	**2006**	**208,945**	**-**	**-**	**12,501**	**-**	**24,605**	**-**	**-**	**246,051**
	2005	200,135	-	-	-	-	19,000	-	-	219,135
JS Segal	**2006**	**138,849**	**-**	**-**	**12,276**	**-**	**81,375**	**-**	**-**	**232,500**
	2005	123,982	-	-	15,976	-	54,356	-	-	194,314
JG Thorn	**2006**	**165,688**	**-**	**-**	**46,253**	**-**	**30,976**	**-**	**-**	**242,917**
	2005	164,217	-	-	18,367	-	40,500	-	-	223,084
GA Tomlinson	**2006**	**270,779**	**-**	**-**	**12,276**	**-**	**119,214**	**-**	**-**	**402,269**
	2005	326,605	-	-	30,220	-	10,767	-	-	367,592
GM Williamson	**2006**	**561,446**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**561,446**
	2005	507,122	-	-	-	-	-	-	-	507,122
Former										
RG Elstone	**2006**	**164,023**	**-**	**-**	**-**	**-**	**18,044**	**-**	**-**	**182,067**
	2005	176,255	-	-	**-**	-	17,804	-	-	194,059
Total	**2006**	**2,613,369**	**-**	**-**	**286,730**	**-**	**525,777**	**-**	**-**	**3,425,876**
	2005(7)	2,362,701	-	-	153,468	-	283,998	-	-	2,800,167

(1) No retirement benefits have been accrued by directors since January 1, 2004. In accordance with shareholder approval given at the Company's annual general meeting on December 19, 2003 to freeze contractual entitlements, the value of accumulated retirement benefits of Mr Peter JB Duncan and Mr Geoffrey A Tomlinson were provided to them during 2004 in the form of shares to be held on trust until retirement. The value of the accrued benefits provided at that time was: Mr Duncan $104,855; and Mr Tomlinson $272,608. The dividends earned on those shares were applied to the acquisition of further Company shares in the week up to and including the date of allocation, less $0.01, rounded down to the nearest whole number, on the Company's dividend payment date. During 2006, 197 shares were acquired in this way in respect of Mr Duncan and 512 shares were acquired in respect of Mr Tomlinson. From December 31, 2003, neither new nor existing non-executive directors are entitled to additional retirement benefits.

(2) Non-executive directors' remuneration represents fees in connection with their roles, duties and responsibilities as a non-executive director, and includes attendance at meetings of the Board, Board committees and boards of controlled entities and includes payments of $110,709 (2005: $nil) to Mr T Kerry McDonald, $191,852 (2005: $160,890) to Mr Geoffrey A Tomlinson and $371,446 (2005: $362,230) to Mr G Malcolm Williamson in respect of services performed as non-executive directors of controlled entity boards and committees.

(3) Reflects compulsory Company contributions to superannuation and, where applicable, includes additional contributions made by the Company, in lieu of payment of fees, at the election of the non-executive director. Mr Robert Elstone and Mr Paul Rizzo had elected to have their employer superannuation contribution paid as cash remuneration. In July 2006, Mr Rizzo elected to make salary sacrifice contributions to superannuation.

(4) Represents the value of newly-issued ordinary shares in the Company that were allocated to Australian non-executive directors. The price used to determine the number of shares was the volume weighted average price of the Company's ordinary shares traded on the ASX during the one week up to and including the date of allocation.

(5) Mr Michael Chaney was appointed Chairman with effect from September 29, 2005.

(6) Mrs Patricia Cross and Mr T Kerry McDonald were appointed as non-executive directors in December 2005 and accordingly the remuneration shown is for the period December 1, 2005 to September 30, 2006.

(7) This is the total for non-executive directors that was disclosed in last year's annual financial report and differs from the 2005 total in respect of the current non-executive directors due to changes in non-executive directors during the 2005 year.

Report of the directors

KMP (NON-EXECUTIVE DIRECTOR) FEES

The total fees paid by the Group to non-executive members of the Board, including fees paid for their involvement on Board committees, are kept within the total pool approved by shareholders from time to time. The following table shows details of the components of KMP (non-executive director) remuneration paid in the form of Board and committee fees:

	Board and committee remuneration						
	Board	**Audit Committee**	**Risk Committee**	**Remuneration Committee**	**Nomination Committee**	**Meetings of controlled entities**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Current							
MA Chaney	665,000	-	-	-	-	-	665,000
PA Cross(1)	158,334	-	20,833	-	-	-	179,167
PJB Duncan	190,000	-	8,333	32,084	-	-	230,417
DT Gilbert	190,000	25,000	-	-	-	-	215,000
TK McDonald(1)(2)	158,333	-	-	-	-	110,709	269,042
PJ Rizzo	190,000	25,000	31,051	-	-	-	246,051
JS Segal	190,000	4,167	20,833	17,500	-	-	232,500
JG Thorn	190,000	50,000	-	2,917	-	-	242,917
GA Tomlinson	190,000	-	-	20,417	-	191,852	402,269
GM Williamson(2)	190,000	-	-	-	-	371,446	561,446
Former							
RG Elstone	144,132	-	33,333	-	-	4,602	182,067
Total	**2,455,799**	**104,167**	**114,383**	**72,918**	**-**	**678,609**	**3,425,876**

(1) Mrs Patricia Cross and Mr T Kerry McDonald were appointed as non-executive directors in December 2005 and accordingly the fees shown are for the period December 1, 2005 to September 30, 2006.

(2) The fees that were paid to Mr McDonald and Mr Williamson in respect of their services performed as non-executive directors of controlled entity boards and committees were paid in New Zealand dollars and sterling respectively. The exchange rates used to convert those fees to Australian dollars were A$1.00 = GBP0.4150 and NZ$1.1432 respectively.

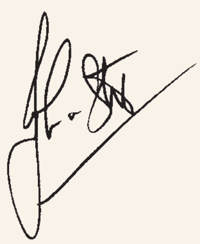
Included in the table above is remuneration paid as Company shares. The price used to determine the number of Company shares was the volume weighted average price of the Company's ordinary shares traded on the ASX during the one week up to and including the date of allocation.

Certain disclosures required by AASB 124 'Related Party Disclosures' are contained within this remuneration report. Pages 35 to 52 of this report have been audited as required.

DIRECTORS' SIGNATURES

This report of directors signed in accordance with a resolution of the directors:

Michael A Chaney
Chairman



John M Stewart
Group Chief Executive Officer

November 30, 2006

Selected financial data

For the year ended 30 September	2006 $m	2005 $m
Income statement summary		
Net interest income	**8,686**	6,944
Net life insurance income	**1,417**	1,505
Gains less losses on financial instruments at fair value	**471**	639
Other income[1]	**4,615**	5,251
Significant revenue	**334**	1,354
Operating expenses[2]	**(7,642)**	(7,995)
Charge to provide for doubtful debts	**(606)**	(534)
Significant expenses	-	(748)
Profit before income tax expense	**7,275**	6,416
Income tax expense	**(2,134)**	(1,814)
Net profit	**5,141**	4,602
Net profit attributable to minority interest	**(749)**	(610)
Net profit attributable to members of the Company	**4,392**	3,992

As at 30 September	2006 $m	2005 $m
Balance sheet summary		
Investments relating to life insurance business	**54,784**	49,783
Loans and advances	**283,777**	264,674
Total assets	**484,785**	422,598
Total risk-weighted assets[3]	**318,323**	289,833
Deposits and other borrowings	**222,277**	212,557
Life policy liabilities	**46,475**	42,123
Bonds, notes and subordinated debt	**65,006**	41,490
Other debt issues	**2,274**	1,559
Net assets	**27,972**	31,547
Contributed equity	**12,279**	10,828
Ordinary shares	**7,948**	6,894
Other equity instruments[4]	**4,331**	3,934
Total equity (excludes minority interest)	**27,804**	25,323

Selected financial data

As at 30 September	2006 $	2005 $
Shareholder information		
Earnings per share[5]		
Basic	**2.63**	2.46
Diluted	**2.62**	2.42
Dividends per share[6]	**1.67**	1.66
Dividends per American depositary share (ADS)[6]	**8.35**	8.30
Dividend payout ratio (%)[6]	**67.35**	79.56

	2006 %	2005 %
Selected financial ratios		
Average equity (ordinary shareholder funds) to average total assets (excluding statutory funds)[7]	**5.4**	5.5
Return on average assets[8]	**0.9**	0.9
Return on average equity (ordinary shareholder funds)[8]	**18.8**	18.0
Average net interest spread	**1.88**	1.69
Average net interest margin	**2.31**	2.13
Gross impaired assets to gross loans and acceptances[9]	**0.30**	0.35
Total provisions for doubtful debts to gross impaired assets	**191.3**	235.8
Capital – risk asset ratios		
Tier 1	**7.3**	7.9
Total	**10.8**	10.5

	2006	2005
Other information		
Employees		
Full-time equivalent[10]	**38,433**	38,933

(1) In 2006, other income includes the net profit (before tax) from the sale of the Custom Fleet business.
(2) In 2006, operating expenses includes the net loss (before tax) from the sale of the MLC Asia businesses.
(3) The calculation to determine the market risk capital component of risk-weighted assets at 30 September 2006 and 30 September 2005 was carried out under the Standard Method as directed by APRA. The Standard Method as prescribed by the APRA Prudential Standard (APS 113), limits recognition of portfolio effects on outstanding positions and is substantially more restrictive on the rules regarding the matching of positions.
(4) Equity instruments comprise preference shares, National Income Securities, Trust Preferred Securities, Trust Preferred Securities II and National Capital Instruments.
(5) Refer to notes 8 and 57 in the annual financial report 2006 for an explanation of earnings per share.
(6) Dividend amounts for a year represent the final and interim dividend in respect of that year, irrespective of when they are declared, determined and publicly recommended and includes issues under the bonus share plan in lieu of cash and the dividend reinvestment plan. Dividends and book value per ordinary share and per American depositary share (ADS) calculations are based on year-end fully paid equivalent ordinary shares, adjusted for loans and rights issues as appropriate. Dividend payout ratio is the dividend amounts for a year divided by cash earnings before significant items.
(7) Statutory funds are excluded given the significant restrictions imposed on these assets by life insurance legislation, regulations and the regulators thereunder. However, current Australian accounting requirements do not allow for these assets and liabilities to be separated and disclosed separately on the balance sheet.
(8) Return represents net profit attributable to members of the Company after deducting distributions on other equity instruments.
(9) In 2006, this includes loans accounted for at fair value.
(10) Full-time equivalent employees (FTEs) includes part-time staff (pro-rated) and non-payroll FTEs (ie. contractors).

Consolidated income statement

For the year ended 30 September	2006 $m	2005 $m
Interest income	**25,553**	21,103
Interest expense	**(16,867)**	(14,159)
Net interest income	**8,686**	6,944
Premium and related revenue	**887**	906
Investment revenue	**6,375**	7,531
Claims expense	**(565)**	(590)
Change in policy liabilities	**(4,456)**	(5,570)
Policy acquisition and maintenance expense	**(791)**	(739)
Investment management expense	**(33)**	(33)
Net life insurance income	**1,417**	1,505
Gains less losses on financial instruments at fair value	**471**	639
Other operating income	**4,419**	5,251
Net profit from the sale of controlled entities	**196**	-
Significant revenue		
Pensions revenue	**319**	-
Net profit/(loss) from the sale of National Europe Holdings (Ireland) Limited	**15**	1,354
Total other income	**5,420**	7,244
Personnel expenses	**(3,869)**	(3,807)
Occupancy-related expenses	**(523)**	(539)
General expenses	**(3,187)**	(3,649)
Charge to provide for doubtful debts	**(606)**	(534)
Net loss from the sale of controlled entities	**(63)**	-
Significant expenses		
Restructuring costs	**-**	(793)
Foreign currency options trading losses reversal	**-**	34
Reversal of prior years restructuring provision	**-**	11
Total operating expenses	**(8,248)**	(9,277)
Profit before income tax expense	**7,275**	6,416
Income tax expense	**(2,134)**	(1,814)
Net profit	**5,141**	4,602
Net profit attributable to minority interest	**(749)**	(610)
Net profit attributable to members of the Company	**4,392**	3,992
Basic earnings per share (cents)	**262.6**	246.3
Diluted earnings per share (cents)	**261.8**	242.3
Dividends per ordinary share (cents)		
Interim	**83**	83
Final	**84**	83

Consolidated balance sheet

As at 30 September	2006 $m	2005 $m
Assets		
Cash and liquid assets	**12,768**	8,441
Due from other banks	**24,372**	15,595
Trading derivatives	**13,384**	13,959
Trading securities	**13,740**	15,154
Investments – available for sale	**1,493**	3,860
Investments – held to maturity	**1,388**	7,466
Investments relating to life insurance business	**54,784**	49,783
Other financial assets at fair value	**22,123**	-
Hedging derivatives	**480**	-
Loans and advances	**283,777**	264,674
Due from customers on acceptances	**41,726**	27,627
Property, plant and equipment	**1,877**	3,829
Investments in controlled entities and joint venture entities	**-**	16
Goodwill and other intangible assets	**5,203**	5,458
Deferred tax assets	**1,631**	1,734
Other assets	**6,039**	5,002
Total assets	**484,785**	422,598
Liabilities		
Due to other banks	**37,489**	36,322
Trading derivatives	**12,008**	12,613
Other financial liabilities at fair value	**17,680**	1,487
Hedging derivatives	**333**	-
Deposits and other borrowings	**222,277**	212,557
Liability on acceptances	**32,114**	27,627
Life policy liabilities	**46,475**	42,123
Current tax liabilities	**532**	145
Provisions	**1,618**	1,847
Bonds, notes and subordinated debt	**65,006**	41,490
Other debt issues	**2,274**	1,559
Defined benefit pension scheme liabilities	**313**	985
Managed fund units on issue	**7,249**	-
Deferred tax liabilities	**1,490**	1,226
Other liabilities	**9,955**	11,070
Total liabilities	**456,813**	391,051
Net assets	**27,972**	31,547
Equity		
Contributed equity	**12,279**	10,828
Reserves	**1,064**	814
Retained profits	**14,461**	13,681
Total equity (parent entity interest)	**27,804**	25,323
Minority interest in controlled entities	**168**	6,224
Total equity	**27,972**	31,547

Consolidated recognised income and expense statement

For the year ended 30 September	2006 $m	2005 $m
Actuarial gains/(losses) from defined benefit pension plans	**207**	(107)
Cash flow hedges		
Gains/(losses) taken to equity	**77**	-
Transferred to income statement	**2**	-
Revaluation of land and buildings	**11**	(6)
Exchange differences on translation of foreign operations	**357**	(538)
Income tax on items taken directly to or transferred directly from equity	**(72)**	42
Net income recognised directly in equity	**582**	(609)
Net profit	**5,141**	4,602
Total net income recognised	**5,723**	3,993
Attributable to		
Members of the parent	**4,974**	3,383
Minority interest	**749**	610
Total net income recognised	**5,723**	3,993
Effect of changes in accounting policy(1)		
Net decrease in retained profits	**(893)**	-
Net decrease in reserves	**(420)**	-
Effect of change in accounting policy	**(1,313)**	-

(1) This represents the impact of the initial application of AASB 132 "Financial Instruments: Disclosure and Presentation", AASB 139 "Financial Instruments: Recognition and Measurement", AASB 1038 "Life Insurance Contracts", and AASB 4 "Insurance Contracts". Refer to note 1B in the annual financial report 2006 for further information.

Consolidated cash flow statement

For the year ended 30 September	2006 $m	2005 $m
Cash flows from operating activities		
Interest received	**24,501**	20,967
Interest paid	**(15,232)**	(13,942)
Dividends received	**16**	2
Life insurance		
Premiums received	**7,869**	7,594
Investment and other revenue received	**1,848**	1,853
Policy payments	**(7,308)**	(6,837)
Fees and commissions paid	**(396)**	(350)
Net trading revenue received/(paid)	**1,745**	609
Other operating income received	**5,540**	5,203
Cash payments to employees and suppliers		
Personnel expenses paid	**(3,816)**	(3,881)
Other operating expenses paid	**(4,135)**	(4,249)
Goods and services tax paid	**(101)**	(33)
Cash payments for income taxes	**(1,940)**	(1,416)
Cash flows from operating activities before changes in operating assets and liabilities	**8,591**	5,520
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	**(1)**	6
Net payments for and receipts from transactions in acceptances	**(3,271)**	-
Net funds advanced to and receipts from customers for loans and advances	**(30,137)**	(34,649)
Net acceptance from and repayment of deposits and other borrowings	**14,629**	10,430
Movement in life insurance business investments		
Purchases	**(7,036)**	(12,575)
Proceeds from disposal	**5,545**	8,922
Net movement in other life insurance assets and liabilities	**(406)**	1,449
Net payments for and receipts from transactions in treasury bills and other eligible bills held for trading and not part of cash equivalents	**(223)**	-
Net payments for and receipts from transactions in trading securities	**(3,803)**	9,160
Net payments for and receipts from trading derivatives	**(1,507)**	456
Net funds advanced to and receipts from other financial assets at fair value	**(2,638)**	(572)
Net funds advanced to and receipts from other financial liabilities at fair value	**6,929**	1,069
Net decrease/(increase) in other assets	**447**	(542)
Net (decrease)/increase in other liabilities	**2,640**	101
Net cash used in operating activities	**(10,241)**	(11,225)

(Continued on page 59).

Consolidated cash flow statement

For the year ended 30 September	2006 $m	2005 $m
Cash flows from investing activities		
Movement in investments – available for sale		
Purchases	**(18,704)**	(4,465)
Proceeds from disposal	**1,354**	1,384
Proceeds on maturity	**19,877**	3,560
Movement in investments – held to maturity		
Purchases	**(16,856)**	(27,155)
Proceeds from disposal and on maturity	**17,718**	30,184
Movement in shares in controlled entities and joint venture entities		
Purchases	**-**	(18)
Proceeds from disposal	**-**	106
Proceeds from sale of controlled entities, net of cash disposed and costs to sell	**1,020**	2,335
Purchase of property, plant equipment and software	**(1,300)**	(1,483)
Proceeds from sale of property, plant, equipment and software, net of costs	**755**	774
Net cash provided by investing activities	**3,864**	5,222
Cash flows from financing activities		
Repayments of bonds, notes and subordinated debt	**(8,337)**	(6,679)
Proceeds from bonds, notes and subordinated debt, net of costs	**28,528**	13,837
Proceeds from issue of ordinary shares, net of costs	**42**	45
Net proceeds from issue of Trust Preferred Securities II, net of costs	**-**	1,014
Net proceeds from issue of National Capital Instruments, net of costs	**1,076**	-
Dividends and distributions paid	**(2,555)**	(2,416)
Net cash provided by financing activities	**18,754**	5,801
Net increase/(decrease) in cash and cash equivalents	**12,377**	(202)
Cash and cash equivalents at beginning of year	**(12,459)**	(12,531)
Effects of exchange rate changes on balance of cash held in foreign currencies	**(224)**	274
Cash and cash equivalents at end of year	**(306)**	(12,459)

Notes to the concise financial statements

1. Principal Accounting Policies

The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of an entity as the annual financial report 2006. Accordingly, to gain a full understanding, this concise financial report should be read in conjunction with the annual financial report 2006.

The annual financial report 2006 on which this concise financial report is based is the Group's first annual financial report to be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). Comparative amounts have been reclassified to accord with changes in presentation made in 2006 unless otherwise stated. AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" (AASB 1) has been applied in preparing the full financial report. A full description of the accounting policies adopted is contained in Note 1A of the annual financial report 2006.

The annual financial reports of the Group prepared up to and including the year ended 30 September 2005 had been prepared in accordance with Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. A summary of the impact of the transition to AIFRS is below. A full description and detailed reconciliations of the effect of the transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in note 1B of the full annual financial report.

EXPLANATION OF TRANSITION TO AIFRS

Reconciliation of Equity as at 1 October 2004:	**$m**
Total equity as reported under AGAAP as at 30 September 2004	29,766
AIFRS 1 October 2004 adjustments to total equity	
Impacts on retained earnings	
Recognition of defined benefit pension liability	(1,286)
Recognition of defined benefit pension asset	130
Derecognition of net prepaid pension asset	(575)
Derecognition of EMVONA	(729)
Leasing adjustments	(90)
Transfer to executive share option reserve	(34)
Transfer from foreign currency translation reserve	166
Revenue and expense recognition – investment contracts	(100)
Reversal of market value decrement on treasury shares	94
Transfer to asset revaluation reserve	(150)
Other	(55)
Tax effect of transitional adjustments and application of tax-effect accounting	609
Impacts on contributed equity	
Derecognition of treasury shares	(645)
Impacts on reserves	
Transfer from retained earnings to executive share option reserve	34
Transfer from foreign currency translation reserve to retained earnings	(166)
Increase to asset revaluation reserve	114
Total adjustments to equity as at 1 October 2004	(2,683)
Total equity measured under AIFRS as at 1 October 2004	27,083

Notes to the concise financial statements

1. Principal Accounting Policies (continued)

Reconciliation of Equity as at 30 September 2005:	**$m**
Total equity as reported under AGAAP as at 30 September 2005	34,280
Total adjustments to equity as at 1 October 2004	(2,683)
AIFRS adjustments to net profit for the year ended 30 September 2005	(140)
AIFRS 30 September 2005 adjustments to total equity	
Impacts on retained earnings	
Actuarial movements on defined benefit pension plans	(68)
Derecognition of dividend income and realised gains/losses on treasury shares	37
Transfer from asset revaluation reserve	31
Transfer to foreign currency translation reserve	(62)
Impacts on contributed equity	
Recognition of share-based payments	21
Recognition of realised gains/losses on treasury shares	(27)
Derecognition of treasury shares	(7)
Impacts on reserves	
Adjustment to executive share option reserve	76
Adjustment to foreign currency translation reserve	124
Adjustment to asset revaluation reserve	(35)
Total adjustments to equity for the year ended 30 September 2005	(50)
Total equity measured under AIFRS as at 30 September 2005	31,547

When preparing the Group's annual financial report 2006, the application of certain accounting, valuation and consolidation methods have been amended to comply with AIFRS. The comparative figures in respect of 2005 are not prepared in accordance with AASB 132, AASB 139, AASB 1038 and AASB 4 as these standards are only applicable from 1 October 2005.

The Group has taken the exemption available under AASB 1 to apply AASB 132, AASB 139, AASB 1038 and AASB 4 from 1 October 2005. At the date of transition to these standards at 1 October 2005, the following adjustments were recognised. A full explanation of the impact of these adjustments is provided in note 1B of the full annual financial report.

Notes to the concise financial statements

1. Principal Accounting Policies (continued)

Reconciliation of Assets, Liabilities and Equity as at 1 October 2005	AIFRS 30 Sep 2005 $m	Transition $m	Reclassification $m	AIFRS 1 Oct 2005 $m
Assets				
Cash and liquid assets	8,441	-	(560)	7,881
Due from other banks	15,595	-	(12)	15,583
Trading derivatives	13,959	330	(35)	14,254
Trading securities	15,154	5	(5,512)	9,647
Investments – available for sale	3,860	-	45	3,905
Investments – held to maturity	7,466	-	(4,389)	3,077
Investments relating to life insurance business	49,783	9	-	49,792
Other financial assets at fair value	-	477	18,463	18,940
Hedging derivatives	-	292	353	645
Loans and advances	264,674	(56)	(14,434)	250,184
Due from customers on acceptances	27,627	(293)	6,433	33,767
Property, plant and equipment	3,829	-	-	3,829
Investments in controlled entities and joint venture entities	16	-	-	16
Goodwill and other intangible assets	5,458	-	-	5,458
Deferred tax assets	1,734	175	-	1,909
Other assets	5,002	(150)	79	4,931
Total assets	422,598	789	431	423,818
Liabilities				
Due to other banks	36,322	-	(418)	35,904
Trading derivatives	12,613	474	-	13,087
Other financial liabilities at fair value	1,487	311	9,295	11,093
Hedging derivatives	-	(25)	2,938	2,913
Deposits and other borrowings	212,557	54	(8,347)	204,264
Liability on acceptances	27,627	(202)	-	27,425
Life policy liabilities	42,123	378	431	42,932
Current tax liabilities	145	(1)	-	144
Provisions	1,847	-	-	1,847
Bonds, notes and subordinated debt	41,490	235	(530)	41,195
Other debt issues	1,559	879	-	2,438
Defined benefit pension scheme liabilities	985	-	-	985
Managed fund units on issue	-	-	6,224	6,224
Deferred tax liabilities	1,226	150	-	1,376
Other liabilities	11,070	(151)	(2,938)	7,981
Total liabilities	391,051	2,102	6,655	399,808
Net assets	31,547	(1,313)	(6,224)	24,010
Equity				
Contributed equity	10,828	-	-	10,828
Reserves	814	(420)	-	394
Retained profits	13,681	(893)	-	12,788
Total equity (parent entity interest)	25,323	(1,313)	-	24,010
Minority interest in controlled entities	6,224	-	6,224	-
Total equity	31,547	(1,313)	(6,224)	24,010

Notes to the concise financial statements

1. Principal Accounting Policies (continued)

The major consequence of applying these additional standards has been that the Group has had to recognise additional derivative financial instruments on the balance sheet and remeasure these at fair value, reclassify various items on the balance sheet and make adjustments to its calculations for loan loss provisions and insurance policy liabilities.

CURRENCY OF PRESENTATION

The presentation currency used in this concise financial report is Australian Dollars unless otherwise stated.

ROUNDING OF AMOUNTS

In accordance with Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998, all amounts have been rounded to the nearest million dollars, except where indicated.

Notes to the concise financial statements

2. Segment information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group results are based on the business segments as reviewed separately by the chief operating decision maker, the Group Chief Executive Officer, as well as other members of senior management.

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 comprises Markets, Corporate Loan Portfolio, Structured Products, Credit Products, Financial Institutions and a Support Services unit, to provide products across the Group's business base. The Group's 'Other' business segment includes Corporate Centre, Group Funding, and other unallocated items which are not considered to be separate reportable operating segments.

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 normally at arm's length between segments operating in different countries.

BUSINESS SEGMENTS

Year ended 30 September 2006	Australia Region $m	United Kingdom Region $m	New Zealand Region $m	nabCapital $m	Other $m	Inter-segment eliminations $m	Total Group $m
Net interest income[1]	4,839	1,840	775	937	295	-	8,686
Non-interest income[2]	10,017	1,106	527	576	122	-	12,348
Significant revenue	-	348	-	(7)	(7)	-	334
Inter-segment revenue/(expenses)	53	38	(2)	3	80	(172)	-
Total revenue after interest expense	14,909	3,332	1,300	1,509	490	(172)	21,368
Other expenses[3]	(10,244)	(2,059)	(684)	(600)	(506)	-	(14,093)
Inter-segment (expenses)/revenue	(55)	(43)	(40)	(134)	100	172	-
Total expenses excluding interest expense	(10,299)	(2,102)	(724)	(734)	(406)	172	(14,093)
Profit/(loss) before income tax expense	4,610	1,230	576	775	84	-	7,275
Income tax (expense)/benefit	(1,346)	(362)	(187)	(157)	(82)	-	(2,134)
Net profit/(loss)	3,264	868	389	618	2	-	5,141
Net profit attributable to minority interest	(749)	-	-	-	-	-	(749)
Net profit/(loss) attributable to members of the Company	2,515	868	389	618	2	-	4,392
Total assets[4]	278,815	64,439	33,624	146,127	19,930	(58,150)	484,785
Total liabilities[4]	269,813	57,600	31,101	136,377	20,072	(58,150)	456,813

Notes to the concise financial statements

2. Segment information (continued)

Year ended 30 September 2005	Australia Region $m	United Kingdom Region $m	New Zealand Region $m	nabCapital $m	Other $m	Inter-segment eliminations $m	Total Group $m
Net interest income(1)	3,837	1,794	739	502	72	-	6,944
Non-interest income(2)	11,758	1,199	538	931	(99)	-	14,327
Significant revenue	-	1,258	-	-	96	-	1,354
Inter-segment revenue/(expenses)	90	50	14	(4)	83	(233)	-
Total revenue after interest expense	15,685	4,301	1,291	1,429	152	(233)	22,625
Significant expenses	(406)	(217)	(14)	(83)	(28)	-	(748)
Other expenses(3)	(11,327)	(2,202)	(774)	(635)	(523)	-	(15,461)
Inter-segment (expenses)/revenue	(50)	(50)	(49)	(131)	47	233	-
Total expenses excluding interest expense	(11,783)	(2,469)	(837)	(849)	(504)	233	(16,209)
Profit/(loss) before income tax expense	3,902	1,832	454	580	(352)	-	6,416
Income tax (expense)/benefit	(1,311)	(202)	(147)	(77)	(77)	-	(1,814)
Net profit/(loss)	2,591	1,630	307	503	(429)	-	4,602
Net profit attributable to minority interest	(610)	-	-	-	-	-	(610)
Net profit/(loss) attributable to members of the Company	1,981	1,630	307	503	(429)	-	3,992
Total assets(4)	247,403	52,068	31,576	151,390	(1,234)	(58,605)	422,598
Total liabilities(4)	241,352	42,295	30,282	143,224	(7,497)	(58,605)	391,051

(1) Net interest income includes interest on capital employed by business segments. It is impracticable to disclose gross interest revenue on a business segment basis due to the Group's business segmental management reporting system's usage of net interest income as an operating measure rather than gross interest income and gross interest expense.

(2) Non-interest income consists of life insurance income (premium and related revenue and investment revenue), gains less losses on financial instruments at fair value, other operating income and net profit from the sale of the Custom Fleet business.

(3) Other expenses consists of life insurance expenses (claims expense, change in policy liabilities, policy acquisition and maintenance expense and investment management expense), personnel expenses, occupancy-related expenses, general expenses, charge to provide for doubtful debts and net loss from the sale of the MLC Asia businesses.

(4) Total assets and total liabilities for the business segments represent average September balances in accordance with how senior management views the business segments. Consolidation adjustments have been included within the 'Other' segment to align total assets and total liabilities to the Group's balance sheet.

Notes to the concise financial statements
3. Individual items included in profit from ordinary activities

NET PROFIT FROM THE SALE OF CONTROLLED ENTITIES – CUSTOM FLEET BUSINESS

On 31 July 2006, the Group sold its Custom Fleet business to GE Commercial Finance. The assets and liabilities of these entities no longer form part of the Group. The profit arising from the sale was as follows:

	Proceeds from sale $m	Cost of assets sold $m	Profit on sale (before tax) $m	Income tax expense $m	Profit on sale (after tax) $m
Custom Fleet business	571	(375)	196	(25)	171

PENSIONS REVENUE

During the 2006 year, an agreement was reached between the UK, staff members and trustees to reforms to the United Kingdom pension schemes. This has resulted in significant revenue amounting to $319 million ($223 million after tax). This amount consists of past service gain revenue of $387 million, expected return on asset revenue of $274 million, offset by interest costs of $231 million and current service costs of $111 million.

SALE OF NATIONAL EUROPE HOLDINGS (IRELAND) LIMITED

On 28 February 2005, the Group sold to Danske Bank A/S all of the share capital of National Europe Holdings (Ireland) Limited. National Europe Holdings (Ireland) Limited was the immediate parent entity of Northern Bank Limited and National Irish Bank Limited (Irish Banks). The assets and liabilities of National Europe Holdings (Ireland) Limited and the Irish Banks no longer form part of the Group. The profit arising from the sale was as follows:

	Proceeds from sale $m	Cost of assets sold $m	Profit on sale (before tax) $m	Income tax expense $m	Profit on sale (after tax) $m
National Europe Holdings (Ireland) Limited	2,493	(1,139)	1,354	(34)	1,320

During the 2006 year, $15 million of provisions and other costs expected to be incurred in respect of the sale of the Irish Banks were written back to the income statement as these costs are no longer expected to be incurred.

NET LOSS FROM THE SALE OF CONTROLLED ENTITIES – MLC ASIA BUSINESSES

On 8 May 2006, the Group sold to AXA Asia Pacific Holdings its life insurance and related wealth management companies in Asia. The assets and liabilities of these entities no longer form part of the Group. The loss arising from the sale was as follows:

	Proceeds from sale $m	Cost of assets sold $m	Loss on sale (before tax) $m	Income tax benefit $m	Loss on sale (after tax) $m
MLC Asia businesses	565	(628)	(63)	-	(63)

RESTRUCTURING COSTS

During the 2005 year, the Group recognised restructuring expenses and provisions amounting to $793 million ($576 million after tax). These costs are expected to be recovered through ongoing efficiency and productivity enhancements, streamlined functions and ongoing cost reductions. The restructuring initiatives comprise a fundamental reorganisation of the management and organisational structure of the Group to a regional model, including the integration of the retail banking, corporate banking and wealth management businesses in Australia, the streamlining of operations and reconfiguration of distribution networks in the United Kingdom, the refocusing of the nabCapital business, as well as other streamlining and business efficiency programs, property rationalisation and decommissioning systems in all business segments. The details of this amount are set out as follows:

	Personnel $m	Occupancy $m	Other $m	Total $m
Total restructuring costs	439	137	217	793

In addition, during the 2002 year, the Group recognised significant restructuring costs of $580 million resulting from the Positioning for Growth initiatives. In 2005, excess provisions totalling $11 million ($7 million after tax) were written back to the income statement.

FOREIGN CURRENCY OPTIONS TRADING LOSSES AND REVERSAL OF RESIDUAL RISK PROVISION

In January 2004, the Company announced that it had identified losses relating to unauthorised trading in foreign currency options and had established a structured process to review and resolve all issues arising from this matter.

The Company recognised a total loss of $360 million before tax, or $252 million after tax, arising from the unauthorised foreign currency options trading. This total loss consisted of losses arising from the removal of fictitious trades from the foreign currency options portfolio of $185 million and a further loss of $175 million arising from a risk evaluation and complete mark-to-market revaluation of the foreign currency options portfolio in January 2004. Included within the total loss of $360 million was a valuation allowance for long-dated and illiquid trading derivatives in other portfolios of $26 million as at 30 September 2004.

In the 2005 year, following a detailed review of the residual risk in the remaining portfolio, $34 million ($24 million after tax) was written back to the income statement.

Notes to the concise financial statements

4. Dividends and distributions

	Amount per share cents	Total amount $m	Franked amount per share %
Dividends recognised by the Company for the years shown below at 30 September:			
2006			
Final 2005 ordinary – paid 19 December 2005 ($1,062 million – franked 66.4 cents; $265 million – unfranked 16.6 cents)	**83**	**1,327**	**80**
Interim 2006 ordinary – paid 13 July 2006 ($1,067 million – franked 66.4 cents; $267 million – unfranked 16.6 cents)	**83**	**1,334**	**80**
Deduct: Bonus shares in lieu of dividend	**n/a**	**(107)**	**n/a**
Total dividends paid		**2,554**	
2005			
Final 2004 ordinary – paid 8 December 2004 ($1,289 million – franked 83 cents)	83	1,289	100
Interim 2005 ordinary – paid 13 July 2005 ($1,038 million – franked 66.4 cents; $259 million – unfranked 16.6 cents)	83	1,297	80
Deduct: Bonus shares in lieu of dividend	n/a	(132)	n/a
Total dividends paid		2,454	
Franked dividends declared or paid during the year or declared after year end were franked at a tax rate of 30%.			
Proposed final dividend			
On 3 November 2006, the directors declared the following dividend:			
Final 2006 ordinary ($1,217 million – franked 75.6 cents; $135 million – unfranked 8.4 cents)	**84**	**1,352**	**90**

The final 2006 ordinary dividend is payable on 12 December 2006. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 September 2006 and will be recognised in subsequent financial reports.

AUSTRALIAN FRANKING CREDITS

The franking credits available to the Group at 30 September 2006, after allowing for tax payable in respect of the current reporting period's profit that will be subject to Australian income tax and the receipt of dividends recognised as receivable at balance date, are estimated to be $525 million (2005: $455 million). Franking credits to be utilised as a result of the payment of the proposed final dividend are $525 million (2005: $455 million). The extent to which future dividends will be franked will depend on a number of factors including the level of the profits that will be subject to Australian income tax and any future changes to Australia's business tax system.

NEW ZEALAND IMPUTATION CREDITS

The Company is now able to attach available New Zealand imputation credits to dividends paid. As a result, New Zealand imputation credits of NZ$0.09 per share will be attached to the final 2006 ordinary dividend payable by the Company. New Zealand imputation credits are only relevant for shareholders who are required to file New Zealand income tax returns.

Notes to the concise financial statements

5. Asset quality disclosures

	2006 $m	2005 $m
Total impaired assets[(1)]		
Gross		
Australia	**836**	761
Overseas	**221**	266
	1,057	1,027
Specific provision for doubtful debts		
Australia	**137**	201
Overseas	**47**	115
	184	316
Net		
Australia	**699**	560
Overseas	**174**	151
Total net impaired assets	**873**	711

(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 loans when they become 180 days past due (if not written off).

Notes to the concise financial statements

6. Events subsequent to balance date

The Group announced in November 2006 that based upon its strong capital position at year end and commitment to active capital management, that it intends to commence an on-market share buyback program of $500 million (or approximately 13 million shares) in the first half of the 2007 year.

No further matter, item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report that, in the opinion of the directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the future years.

Directors' declaration

The directors of National Australia Bank Limited declare that, in their opinion, the accompanying concise financial report of the Group, comprising National Australia Bank Limited and its controlled entities for the year ended 30 September 2006 as set out on pages 55 to 69:

a) has been derived from, or is consistent with, the full financial report for the year; and

b) complies with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

Dated this 30th of November, 2006 and signed in accordance with a resolution of the directors.

Michael A Chaney
Chairman

John M Stewart
Group Chief Executive Officer

Independent auditor's report

ERNST & YOUNG

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

Independent audit report to the members of National Australia Bank Limited

SCOPE

THE CONCISE FINANCIAL REPORT, REMUNERATION DISCLOSURES AND DIRECTORS' RESPONSIBILITY

The concise financial report comprises the income statement, balance sheet, recognised income and expense statement, cash flow statement, accompanying notes to the financial statements and the directors' declaration for the Group for the year ended 30 September 2006. The Group comprises both National Australia Bank Limited (the "Company") and its controlled entities.

The Company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 "Related Party Disclosures" ("remuneration disclosures"), under the heading "Remuneration report" on pages 35 to 52 of the "Report of the directors", as permitted by Corporations Regulation 2M.6.04.

The directors of the Company are responsible for preparing a concise financial report that complies with Accounting Standard AASB 1039 "Concise Financial Reports", in accordance with the *Corporations Act* 2001. This includes responsibility for the oversight of the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report. The directors are also responsible for the remuneration disclosures contained in the Report of the directors.

AUDIT APPROACH

We conducted an independent audit on the concise financial report in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 "Related Party Disclosures". The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports" and the remuneration disclosures comply with Accounting Standard AASB 124 "Related Party Disclosures".

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, the information to provide evidence supporting that the amounts and disclosures in the concise financial report and the remuneration disclosures are consistent with the full financial report; and
- Examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report and the remuneration disclosures that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the Group for the year ended 30 September 2006. Our audit report on the full financial report was signed on 30 November 2006, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

INDEPENDENCE

We are independent of the Company and the Group and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act* 2001. We have given to the directors of the Company a written Auditor's Independence Declaration, signed on 30 November 2006, a copy of which is included in the Report of the directors. In addition to our audit of the full and concise financial reports and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements of the full financial report. The provision of these services has not impaired our independence.

AUDIT OPINION

In our opinion:

1. the concise financial report of National Australia Bank Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports"; and
2. the remuneration disclosures that are contained on pages 35 to 52 of the Report of the directors comply with Accounting Standard AASB 124 "Related Party Disclosures".

Ernst & Young

Ernst & Young

SJ Aldersley

SJ Aldersley
Partner
Melbourne, Australia
30 November 2006

Shareholder information

ANNUAL FINANCIAL REPORT 2006

A copy of our annual financial report is available upon request.
You can view our report online at www.nabgroup.com or request your copy from Shareholder Services by email at web.queries@computershare.com.au or by telephone on 1300 367 647 (Australia) or +61 3 9415 4299 (Overseas).

ANNUAL GENERAL MEETING

When: 31 January 2007
Where: Hall G
Adelaide Convention Centre
Address: North Terrace, Adelaide, South Australia 5000
Time: 9.00am

NATIONAL AUSTRALIA BANK LIMITED

Chairman
Mr Michael A Chaney
AO, BSc, MBA, Hon. LLD W. Aust, FAIM, FAICD

Group Chief Executive Officer
Mr John M Stewart
BA, ACII, FCIB

Company Secretary
Ms Michaela J Healey
LLB, FCIS

Registered office
35th Floor
500 Bourke Street
Melbourne Victoria 3000
Australia
Tel: +61 3 8641 3500
Fax: +61 3 8641 4927

Auditor
Ernst & Young
Chartered Accountants
8 Exhibition Street
Melbourne Victoria 3000
Australia
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777

Ten largest registered fully paid ordinary shareholders of the Company as at 10 November 2006

	Number of shares	%
National Nominees Limited	208,612,594	12.81
Westpac Custodian Nominees Limited	174,531,994	10.72
Chase Manhattan Nominees Limited	171,843,200	10.56
ANZ Nominees Limited, CASH INCOME A/C	53,878,561	3.31
Citicorp Nominees Pty Limited	50,267,005	3.09
Queensland Investment Corporation	26,781,615	1.65
Cogent Nominees Pty Limited	25,251,522	1.55
AMP Life Limited	15,136,040	0.93
HSBC Custody Nominees (Australia) Limited	14,732,546	0.91
National Australia Trustees Limited	12,805,245	0.79
	753,840,322	**46.32**

Ten largest registered National Income Securities (NIS) holders as at 10 November 2006

	Number of Securities	%
Chase Manhattan Nominees Ltd	1,486,089	7.43
ANZ Nominees Limited CASH INCOME A/C	1,097,252	5.49
Westpac Custodian Nominees Limited	806,665	4.03
National Nominees Limited	486,466	2.43
Australian Foundation Investment Company Limited	407,721	2.04
RBC Dexia Investor Services Australia Nominees Pty Limited, MLCI A/C	319,910	1.60
UBS Wealth Management Australia Nominees Pty Ltd	259,420	1.29
Citicorp Nominees Pty Limited	229,060	1.15
Cogent Nominees Pty Limited, SMP ACCOUNTS	201,152	1.00
The University of Sydney	199,713	1.00
	5,493,448	**27.46**

CONTACT DETAILS

Principal Share Register
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
Australia

Postal address
GPO Box 2333
Melbourne Victoria 3001
In Australia
Local call: 1300 367 647
Fax: (03) 9473 2500
Outside Australia:
Tel: +61 3 9415 4299
Fax: +61 3 9473 2500
Email: web.queries@computershare.com.au

UK Branch Share Register
C/- Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bedminster Down
Bristol BS99 7NH
United Kingdom
Tel: +44 (870) 703 0197
Fax: +44 (870) 703 6101
Email: web.queries@computershare.com.uk

United States ADR Depositary, Transfer Agent and Registrar
The Bank of New York
Investor Services
Church Street Station
PO Box 11258
New York NY 10286 -1258
United States of America
US Toll Free
Tel: +1 (888) 269 2377
Email: shareowners@bankofny.com
Website: www.adrbny.com

2007 DIARY DATES*

10 May 2007
Announcement of half yearly results

7 June 2007
Record date for interim dividend

12 July 2007
Payment date for interim dividend

9 November 2007
Announcements of full year results

15 November 2007
Record date for final dividend

11 December 2007
Payment date for final dividend

30 January 2008
2007 Annual General Meeting

* Dates are subject to change

NAB PLANTS OVER 79,000 TREES THROUGH ETREE

Since 2004, NAB has proudly supported eTree. With your support, we have registered over 19,000 email addresses through eTree, which has facilitated the planting of over 79,000 trees across Australia and New Zealand. Your effort goes a long way to help save paper, reduce company costs, and most importantly, preserve our natural environment.
We encourage more shareholders to help us reduce our impact on the environment through eTree by registering your email address at www.eTree.com.au/nab to receive your annual report and other shareholder communications electronically.
You will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) to register.

To find out more about eTree visit www.eTree.com.au.

Design and production: Text Pacific Publishing
Cover image: Getty Images
Photography: Gavin Blue

www.nabgroup.com

61289A1106