

NATIONAL AUSTRALIA BANK LTD
Form 6-K
August 25, 2006

FILE NO 1-9945

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

For the month of August 2006

National Australia Bank Limited

ACN 004 044 937
(Registrant's Name)

Level 24
500 Bourke Street
MELBOURNE VICTORIA 3000
AUSTRALIA

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

Form 20-F

Form 40-F

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

Yes

No

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

Group Corporate Affairs
500 Bourke Street, Melbourne
Victoria 3000
Australia

www.nabgroup.com

ABN 12 004 044 937

ASX Announcement

Monday, 21 August 2006

Bank of New Zealand General Disclosure Statement

National Australia Bank today released the General Disclosure Statement for the Bank of New Zealand. This is prepared quarterly to meet a regulatory requirement.

Due to the transition to the New Zealand equivalents to International Financial Reporting Standards it is important to review the notes section if making comparisons with prior periods.

For example, the introduction of fair value for financial instruments added pre-tax income of NZ\$33 million not included as income in the prior period.

Full details of the Bank of New Zealand performance will be provided at the 2006 full year profit announcement on November 3.

For further information:

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Bank of New Zealand
General Short Form Disclosure Statement

For the nine months ended 30 June 2006

No. 42

General Short Form Disclosure Statement
For the nine months ended 30 June 2006

This General Short Form Disclosure Statement has been issued by Bank of New Zealand for the nine months ended 30 June 2006 in accordance with the Registered Bank Disclosure Statement (Off-Quarter New Zealand Incorporated Registered Banks) Order 2005 (the Order).

In this General Short Form Disclosure Statement, unless the context otherwise requires:

- a) Banking Group means Bank of New Zealand and all of its controlled entities; and
- b) Words and phrases defined by the Order have the same meanings.

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Bank of New Zealand Corporate Information

Address for Service

The name of the Registered Bank is Bank of New Zealand (referred to either by its full name or as the Bank or the Company) and its address for service is Level 14, BNZ Tower, 125 Queen Street, Auckland, New Zealand.

Details of Incorporation

The Bank was incorporated on 29 July 1861 under The New Zealand Bank Act 1861. On 14 March 1989, the Bank became, by virtue of an Order in Council made pursuant to section 4 of the Bank of New Zealand Act 1988, a company limited by shares incorporated and registered under the Companies Act 1955. On 24 March 1997, the Bank was reregistered under the Companies Act 1993.

Voting Securities and Power to Appoint Directors

National Australia Group (NZ) Limited, National Australia Bank Limited and National Equities Limited are the only holders of a direct or indirect qualifying interest in the voting securities of the Bank. There are 2,470,997,499 voting securities of the Bank. National Australia Group (NZ) Limited is the registered and beneficial holder of 2,470,997,499 voting securities. Neither National Australia Bank Limited (the ultimate parent company) nor National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited) is the registered or the beneficial holder of any of the voting securities of the Bank but each has a relevant interest in all of such securities by virtue of National Australia Group (NZ) Limited being related to them in terms of section 5(7) of the Securities Markets Act 1988.

The ultimate parent company has the power under the Bank's constitution to appoint any person as Director of the Bank or to remove any person from the office of Director, from time to time by giving written notice to the Bank. All appointments of Directors must be approved by the Reserve Bank of New Zealand.

Guarantors

The material obligations of the Bank are not guaranteed.

Insurance Business

The Banking Group does not conduct any Insurance Business, as defined in clause 3(i) of Bank of New Zealand's Conditions of Registration set out on pages 41 and 42.

Ultimate Parent Bank

Ultimate Parent Bank and Address for Service

The ultimate parent bank of Bank of New Zealand is National Australia Bank Limited whose address for service is Level 13, 140 William Street, Melbourne, Victoria 3000, Australia.

Legally Enforceable Restrictions that may Materially Inhibit National Australia Bank Limited's Legal Ability to Provide Material Financial Support to Bank of New Zealand

National Australia Bank Limited does not guarantee the obligations of Bank of New Zealand.

Pursuant to the Banking Act 1959 (Cth), the Australian Prudential Regulation Authority has issued a legally enforceable prudential standard which restricts associations between an authorised deposit-taking institution (such as National Australia Bank Limited) and its related entities.

Any provision of material financial support to Bank of New Zealand by National Australia Bank Limited would need to comply with the following pertinent requirements of the prudential standard:

1. National Australia Bank Limited should not undertake any third-party dealings with the prime purpose of supporting the business of Bank of New Zealand. National Australia Bank Limited must avoid giving any impression

of its support unless there are formal legal arrangements in place providing for such support.

2. National Australia Bank Limited should not hold unlimited exposures to Bank of New Zealand.
3. National Australia Bank Limited should not enter into cross-default clauses whereby a default by Bank of New Zealand on an obligation (whether financial or otherwise) is deemed to trigger a default of National Australia Bank Limited in its obligations.
4. In determining limits on acceptable levels of exposure to Bank of New Zealand, the Board of Directors of National Australia Bank Limited should have regard to the level of exposures which would be approved for unrelated entities of broadly equivalent credit status, and the impact on National Australia Bank Limited's stand-alone capital and liquidity positions, as well as its ability to continue operating, in the event of a failure of any related entity to which National Australia Bank Limited is exposed.
5. National Australia Bank Limited's exposure to Bank of New Zealand cannot exceed 50% of National Australia Bank Limited's stand-alone capital base, and its aggregate exposure to all related authorised deposit-taking institutions cannot exceed 150% of that capital base. Exposures in excess of these limits require the prior approval of the Australian Prudential Regulation Authority.

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The Australian Prudential Regulation Authority has broad powers under the Banking Act 1959 (Cth) to give legally enforceable directions to National Australia Bank Limited in circumstances, for example, where it considers that National Australia Bank Limited has not complied with prudential standards or that it is in the interests of National Australia Bank Limited's deposit holders to do so. In the event that National Australia Bank Limited becomes unlikely to be able to meet its obligations or is about to suspend payments, the Australian Prudential Regulation Authority has the power to take control of National Australia Bank Limited's business or appoint an administrator to National Australia Bank Limited's affairs.

The priority of the creditors of National Australia Bank Limited in the event that National Australia Bank Limited is unable to meet its obligations is governed by various Australian laws, including the Banking Act 1959 (Cth). That Act provides that the assets of National Australia Bank Limited in Australia are to be available to meet its deposit liabilities in Australia in priority to all other liabilities.

Directorate

Communications addressed to the Directors and responsible persons, or any of them, may be sent to Level 14, BNZ Tower, 125 Queen Street, Auckland, New Zealand.

Change in Directors

Change in Directors of the Bank since the date of the previous Disclosure Statement, being 13 June 2006, is as follows:

Ross Edward Pinney, retired as a Director on 28 July 2006.

Responsible Persons

Messrs. Thomas Kirriemuir McDonald and Peter Leonard Thodey, whose occupations, professional qualifications, countries of residence, and directorships are disclosed in the General Disclosure Statement for the six months ended 31 March 2006, have been authorised in writing to sign this Disclosure Statement in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, on behalf of the other Directors, being:

Cameron Anthony Clyne
Edwin Gilmour Johnson
Dr. Susan Carrel Macken
Heughan Bassett Rennie, C.B.E., Q.C.
Janine Laurel Smith
John Douglas Storey, O.N.Z.M.

Income Statement

For the nine months ended 30 June 2006

Dollars in Millions	Note	Consolidated Unaudited 9 Months 30/6/06	Unaudited 9 Months 30/6/05	Unaudited 12 Months 30/9/05
Interest income		2,795	2,328	3,163
Interest expense		1,980	1,589	2,175
Net interest income		815	739	988
Gains less losses on financial instruments at fair value	2	108	55	76
Other operating income		266	282	383
Total operating income		1,189	1,076	1,447
Operating expenses		538	540	733
Total operating profit before impairment losses on credit exposures and income tax expense		651	536	714
Impairment losses on credit exposures	12	36	17	34
Total operating profit before income tax expense		615	519	680
Income tax expense		190	145	160
Net profit from continuing activities		425	374	520
Net profit from discontinued operations	8	23	7	5
Net profit attributable to shareholder of Bank of New Zealand		448	381	525

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Due to the adoption of NZ IAS 32 Financial Instruments: Disclosure and Presentation, NZ IAS 39 Financial Instruments: Recognition and Measurement and NZ IFRS 4 Insurance Contracts on 1 October 2005, some numbers in the current financial period may not be comparable to the previous reporting periods. Please refer to Note 1 Principal Accounting Policies and Note 28 Transition to New Zealand Equivalents to International Financial Reporting Standards for further details.

Statement of Recognised Income and Expense
For the nine months ended 30 June 2006

Dollars in Millions	Note	Consolidated Unaudited 9 Months 30/6/06	Unaudited 9 Months 30/6/05	Unaudited 12 Months 30/9/05
Changes in items recognised directly in equity during the period:				
Net actuarial losses on defined benefit pension plan				(2)
Net change in asset revaluation reserve				2
Net change in foreign currency translation reserve		7	(1)	
Net change in cash flow hedge reserve		(1)		
Total changes in items recognised directly in equity during the period		6	(1)	
Net profit attributable to shareholder of Bank of New Zealand		448	381	525
Total recognised income and expense for the period	17	454	380	525

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Due to the adoption of NZ IAS 32 Financial Instruments: Disclosure and Presentation, NZ IAS 39 Financial Instruments: Recognition and Measurement and NZ IFRS 4 Insurance Contracts on 1 October 2005, some numbers in the current financial period may not be comparable to the previous reporting periods. Please refer to Note 1 Principal Accounting Policies and Note 28 Transition to New Zealand Equivalents to International Financial Reporting Standards for further details.

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Balance Sheet
As at 30 June 2006

Dollars in Millions	Note	Consolidated Unaudited 30/6/06	Unaudited 30/6/05	Unaudited 30/9/05
Assets				
Cash and balances with central banks	4	127	196	132
Due from other financial institutions	5	1,008	392	720
Trading securities	6	3,527	1,584	1,163
Other money market placements	7	991	728	615
Assets held for sale	8	604		
Investments available for sale	9	50		
Investments held to maturity	10	55	1,022	1,072
Loans and advances to customers	11	41,303	36,582	37,829
Derivative financial instruments		1,538	855	897
Amounts due from related entities		184	179	170
Property, plant and equipment		90	570	554
Deferred tax assets		111	125	159
Goodwill and other intangible assets		62	105	107
Other assets		677	612	565
Total assets		50,327	42,950	43,983
Financed by:				
Liabilities				
Due to central banks and other financial institutions	14	2,746	2,500	1,685
Other money market deposits	15	9,553	7,546	8,081
Trading liabilities		266	117	245
Liabilities associated with assets held for sale	8	49		
Deposits from customers	16	21,957	20,318	20,685
Derivative financial instruments		1,672	1,497	1,321
Bonds and notes		3,876	638	583
Amounts due to related entities		5,207	6,173	7,114
Current tax liabilities		47	12	12
Deferred tax liabilities		69	97	63
Subordinated loans from related entities		1,205	905	905
Other liabilities		699	504	501
Total liabilities		47,346	40,307	41,195
Shareholder's equity				
Contributed equity		1,451	1,451	1,451
Reserves	18	2	(1)	2
Retained profits		1,528	1,193	1,335
Total shareholder's equity	17	2,981	2,643	2,788
Total liabilities and shareholder's equity		50,327	42,950	43,983

Each of the 2,470,997,499 ordinary shares entitles the shareholder to one vote at any meeting of shareholders.

The paid in capital is included in tier one capital of the Banking Group.

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The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Due to the adoption of NZ IAS 32 Financial Instruments: Disclosure and Presentation, NZ IAS 39 Financial Instruments: Recognition and Measurement and NZ IFRS 4 Insurance Contracts on 1 October 2005, some numbers in the current financial period may not be comparable to the previous reporting periods. Please refer to Note 1 Principal Accounting Policies and Note 28 Transition to New Zealand Equivalents to International Financial Reporting Standards for further details.

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Cash Flow Statement
For the nine months ended 30 June 2006

Dollars in Millions	Consolidated Unaudited 9 Months 30/6/06	Unaudited 9 Months 30/6/05	Unaudited 12 Months 30/9/05
Cash flows from operating activities			
Cash was provided from:			
Interest income	2,741	2,245	3,079
Net trading income and derivative financial instruments		158	174
Other income	407	411	550
Cash was applied to:			
Interest expense	(1,939)	(1,562)	(2,117)
Net trading income and derivative financial instruments	(99)		
Operating expenses	(549)	(523)	(686)
Net cash flows from operating activities before changes in operating assets and liabilities	561	729	1,000
Changes in operating assets and liabilities arising from cash flow movements			
Cash was provided from:			
Decrease in due from other financial institutions (term)*	307	90	
Increase in deposits from customers*	1,272	1,314	1,681
Increase in due to central banks and other financial institutions (term)*	282	1,182	
Increase in other liabilities	178		
Cash was applied to:			
Increase in due from other financial institutions (term)*			(276)
Increase in loans and advances to customers*	(3,475)	(2,633)	(3,899)
Increase in other assets	(209)	(82)	(91)
Increase in other money market placements*	(376)	(143)	(30)
Increase in trading securities and trading liabilities*	(2,344)	(828)	(315)
Decrease in due to central banks and other financial institutions (term)*			(147)
Decrease in other liabilities		(88)	(324)
Net changes in operating assets and liabilities	(4,365)	(1,188)	(3,401)
Net cash flows from operating activities before income tax	(3,804)	(459)	(2,401)
Cash was applied to:			
Taxes and subvention payments	(130)	(132)	(213)
Net cash flows from operating activities	(3,934)	(591)	(2,614)

* The amounts shown represent the net cash flows for the interim financial period.

Due to the adoption of NZ IAS 32 Financial Instruments: Disclosure and Presentation, NZ IAS 39 Financial Instruments: Recognition and Measurement and NZ IFRS 4 Insurance Contracts on 1 October 2005, some numbers in the current financial period may not be comparable to the previous reporting periods. Please refer to Note 1 Principal Accounting Policies and Note 28 Transition to New Zealand Equivalents to International Financial Reporting Standards for further details.

Dollars in Millions	Note	Consolidated Unaudited 9 Months 30/6/06	Unaudited 9 Months 30/6/05	Unaudited 12 Months 30/9/05
Cash flows from investing activities				
Cash was provided from:				
Proceeds on maturity of investments available for sale			5	5
Proceeds on maturity of investments held to maturity		1,037	1,813	2,612
Proceeds from sale of controlled entities	8			50
Proceeds from sale of property, plant and equipment		70	78	117
Cash was applied to:				
Acquisition of intangible assets		(18)	(4)	(9)
Purchase of investments held to maturity			(1,953)	(2,791)
Purchase of property, plant and equipment		(167)	(181)	(247)
Net cash flows from investing activities		922	(242)	(263)
Cash flows from financing activities				
Cash was provided from:				
Increase in bonds and notes*		3,293	109	54
Increase in other money market deposits*		1,486		
Increase in subordinated loans from related entities		300		
Other related entity funding*			1,432	2,380
Cash was applied to:				
Decrease in other money market deposits*			(848)	(313)
Ordinary dividend		(335)	(235)	(235)
Other related entity funding*		(1,921)		
Net cash flows from financing activities		2,823	458	1,886
Net decrease in cash and cash equivalents		(189)	(375)	(991)
Cash and cash equivalents at beginning of period		(1,062)	(71)	(71)
Cash and cash equivalents at end of period		(1,251)	(446)	(1,062)
Cash and cash equivalents at end of period comprises:				
Cash and balances with central banks (call)	4	127	139	132
Due from other financial institutions (call)	5	686	186	91
Due to central banks and other financial institutions (call)	14	(2,064)	(771)	(1,285)
Total cash and cash equivalents		(1,251)	(446)	(1,062)

* The amounts shown represent the net cash flows for the interim financial period.

Due to the adoption of NZ IAS 32 Financial Instruments: Disclosure and Presentation, NZ IAS 39 Financial Instruments: Recognition and Measurement and NZ IFRS 4 Insurance Contracts on 1 October 2005, some numbers in the current financial period may not be comparable to the previous reporting periods. Please refer to Note 1 Principal Accounting Policies and Note 28 Transition to New Zealand Equivalents to International Financial Reporting Standards for further details.

Dollars in Millions	Note	Consolidated Unaudited 9 Months 30/6/06	Unaudited 9 Months 30/6/05	Unaudited 12 Months 30/9/05
Reconciliation of net profit attributable to shareholder of Bank of New Zealand to net cash flows from operating activities				
Net profit attributable to shareholder of Bank of New Zealand		448	381	525
Add back non-cash items in net profit:				
Depreciation and amortisation expense		80	114	149
Increase in accrued interest payable		40	26	56
Increase in other operating expenses			21	42
Increase in provision for tax		72	15	
Movement in allowance for impairment losses on credit exposures	12	36	18	37
Movement in provision for impairment losses on non-financial assets				11
Unrealised gains less losses on financial instruments at fair value			90	75
Deduct non-cash items in net profit:				
Decrease in provision for tax				(52)
Decrease in other operating expenses		(8)		
Increase in accrued interest receivable		(16)	(18)	(1)
Other non-cash interest items		(14)	(49)	(54)
Revaluation gains on property, plant and equipment				(2)
Unrealised gains less losses on financial instruments at fair value		(207)		
Deduct operating cash flows not included in profit:				
Net change in operating assets and liabilities		(4,365)	(1,188)	(3,401)
Add investing or financing cash flows included in profit:				
Loss on sale of property, plant and equipment				1
Deduct investing or financing cash flows included in profit:				
Gain on sale of operating lease assets			(1)	
Net cash flows from operating activities		(3,934)	(591)	(2,614)

Netting of cash flows

Certain cash flows (as indicated by *) are shown net as these cash flows are received and disbursed on behalf of customers and therefore reflect the activities of customers rather than those of the Bank.

Cash and cash equivalents consist of cash and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Movements in cash and cash equivalents do not represent a cash inflow in the normal sense. Rather, they represent changes in the net inter-bank funding on the balance sheet dates. These balances fluctuate widely in the normal course of business.

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Due to the adoption of NZ IAS 32 Financial Instruments: Disclosure and Presentation, NZ IAS 39 Financial Instruments: Recognition and Measurement and NZ IFRS 4 Insurance Contracts on 1 October 2005, some numbers in the current financial period may not be comparable to the previous reporting periods. Please refer to Note 1 Principal Accounting Policies and Note 28 Transition to New Zealand Equivalents to International Financial Reporting Standards for further details.

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Notes to and Forming Part of the Interim Financial Statements
For the nine months ended 30 June 2006

Note 1 Principal Accounting Policies

These interim financial statements are general purpose financial reports prepared in accordance with the requirements of the Financial Reporting Act 1993, Companies Act 1993 and the Registered Bank Disclosure Statement (Off-Quarter New Zealand Incorporated Registered Banks) Order 2005.

These interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). NZ GAAP comprises New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards and Interpretations as appropriate for profit-orientated entities. The Banking Group adopted NZ IFRS on 1 October 2005.

The accounting policies used in the preparation of these interim financial statements are consistent with the accounting policies used in the preparation of the General Disclosure Statement for the six months ended 31 March 2006.

Under NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, the Banking Group's final opening balance sheet is to be prepared in accordance with the accounting policies effective as at the date of its first complete set of NZ IFRS compliant financial statements, being 30 September 2006.

These accounting policies may need to be adjusted when applied to the first complete set of NZ IFRS compliant financial statements to reflect the effects of both changes in financial reporting requirements arising from new or revised standards or interpretations subsequent to the date of preparation of these interim financial statements, or changes in the Banking Group's circumstances or operations.

Statement of compliance and comparative amounts

Compliance with NZ IFRS ensures that these interim financial statements and the notes thereto, comply with International Financial Reporting Standards. These interim financial statements have been prepared in accordance with NZ IFRS including NZ IAS 34 Interim Financial Reporting.

Comparatives for the nine months ended 30 June 2005 and year ended 30 September 2005 have been restated, where appropriate, to comply with NZ IFRS. The Banking Group has chosen to take advantage of the exemption available within NZ IFRS 1 and has not restated comparatives in respect of the application of NZ IAS 32 Financial Instruments: Disclosure and Presentation, NZ IAS 39 Financial Instruments: Recognition and Measurement and NZ IFRS 4 Insurance Contracts. Reconciliations of NZ IFRS income statement, balance sheet and equity for the year ended 30 September 2005 and the nine months ended 30 June 2005 to that previously published under NZ GAAP are contained within note 28.

Comparative information relating to 30 September 2005 is disclosed in this General Short Form Disclosure Statement as being unaudited. This is because Ernst & Young have performed an independent audit review of the impact of the transition to NZ IFRS on this comparative information rather than a full-scope audit. The next full-scope audit will be performed for the year ending 30 September 2006.

In preparing information to comply with the requirements of NZ IFRS 1, the Banking Group has applied exemptions relating to the following areas of transition to NZ IFRS:

- business combinations undertaken prior to 1 October 2004 have not been restated;
- the fair value of certain items of property, plant and equipment as at 1 October 2004 have been deemed as cost at that date;
- any foreign currency revaluation reserves have been set to zero as at 1 October 2004;
- no adjustment for share based payments granted by the Bank's ultimate parent, National Australia Bank Limited, on or before 7 November 2002 has been reflected in the interim financial statements; and
- certain previously recognised financial instruments have been designated on initial recognition as at 1

October 2005 as financial assets or financial liabilities at fair value through profit or loss.

Changes in accounting policies

In addition to the adoption of NZ IFRS, the Banking Group applied a change in accounting policy on 1 October 2005 in accordance with NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets in respect of provisions for maintenance recognised on motor vehicles leased through its wholly owned controlled entity, Custom Fleet (NZ) Limited. Previously maintenance expense had been recorded through the income statement when incurred. A maintenance provision has been created to accrue the total estimated maintenance expense over the life of the lease on a straight line basis. Actual expenditure is matched against the provision and any provision remaining at the termination of the lease is taken to the income statement.

The revised accounting policy matches the lease revenue and expense. The change had the following impact on the interim financial statements:

Dollars in Millions	30/6/06	30/6/05	30/9/05
Balance sheet			
Other liabilities		9	9
Liabilities associated with assets held for sale	9		
Retained earnings balance at beginning of period	(6)	(6)	(6)
Deferred tax assets		3	3
Assets held for sale	3		

It is not practicable to determine the amount of the adjustment that would be required had the policy been applied to periods other than those presented in the interim financial statements, as retrospective information is not available from management information systems.

Income Statement Notes

Dollars in Millions	Consolidated Unaudited 9 Months 30/6/06	Unaudited 9 Months 30/6/05	Unaudited 12 Months 30/9/05
Note 2 Gains less Losses on Financial Instruments at Fair Value			
Net gain in the fair value of financial assets designated at fair value through profit or loss	6		
Net gain in the fair value of financial liabilities designated at fair value through profit or loss	11		
Ineffectiveness arising from hedging relationships	15		
Net gain attributable to derivatives used for hedging purposes that do not qualify as designated and effective hedging instruments	1		
Other trading income:			
Foreign exchange trading derivatives	75	51	51
Interest rate related trading derivatives	(1)	3	23
Net gain in the fair value of financial assets and liabilities held for trading	2	1	2
Bid/offer adjustment	(1)		
Total gains less losses on financial instruments at fair value	108	55	76

Included in the net gain in the fair value of financial assets designated at fair value through profit or loss for the nine months ended 30 June 2006 is \$7 million of losses relating to the movement in the fair value of derivatives used for hedging purposes that do not qualify as designated and effective hedging instruments.

Note 3 Segment Analysis**Business segments**

For the purposes of this note a business segment is a distinguishable component of the entity that is engaged in providing groups of related products and services and that is subject to risks and returns that are different from those of other business segments. Separate financial information for each segment is reported to the Board of Directors and Managing Director for the purposes of evaluating performance.

The Banking Group's business is organised into four operating segments: Financial Services New Zealand, Corporate and Institutional Banking, Other and Discontinued Operations. Financial Services New Zealand is the retailing arm of the Banking Group, providing a full range of financial services to customers. Corporate and Institutional Banking is responsible for the Banking Group's relationships with large corporations and institutions. It comprises Corporate Banking, Financial Institutions, Markets, Specialised Finance and a services unit. Other includes segments which are not considered to be separate reportable operating segments. Discontinued Operations refer to the Banking Group's fleet management and car leasing business. Refer to note 8 for details on the sale of these operations.

Revenues and expenses directly associated with each business segment are included in determining their result. Transactions between business segments are based on agreed recharges between segments. Segment revenue represents revenue directly attributable to a segment and a portion of the Banking Group's revenue that can be allocated to a segment on a reasonable basis. Segment result represents segment revenue less segment expenses and impairment losses on credit exposures and before income taxes.

Dollars in Millions	Consolidated Financial Services New Zealand	Corporate and Institutional Banking	Other	Discontinued Operations	Total
For the nine months ended 30 June 2006 (Unaudited)					
Segment revenue	947	167	75		1,189
Segment result	451	112	52	35	650

**For the nine months ended 30 June 2005
(Unaudited)**

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Segment revenue	882	130	64		1,076
Segment result	387	93	39	9	528

**For the year ended 30 September 2005
(Unaudited)**

Segment revenue	1,181	174	92		1,447
Segment result	507	114	59	6	686

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Asset Notes

Dollars in Millions	Consolidated Unaudited 30/6/06	Unaudited 30/6/05	Unaudited 30/9/05
Note 4 Cash and Balances with Central Banks			
Notes and coins	127	139	132
Loans and advances to central banks		57	
Total cash and balances with central banks	127	196	132
Cash and balances with central banks were recorded as:			
At amortised cost	127	196	132
Total cash and balances with central banks	127	196	132
Note 5 Due from Other Financial Institutions			
Transaction balances with other financial institutions	169	151	87
Securities purchased under agreements to resell with other financial institutions	204	89	522
Loans and advances due from other financial institutions	635	152	111
Total amounts due from other financial institutions	1,008	392	720
Due from other financial institutions comprise of:			
Call advances	686	186	91
Term advances	322	206	629
Total amounts due from other financial institutions	1,008	392	720
Due from other financial institutions were recorded as:			
At amortised cost	491	392	720
Designated at fair value through profit or loss	517		
Total amounts due from other financial institutions	1,008	392	720
Note 6 Trading Securities			
Treasury bills	1,392	256	179
Government securities	174	118	83
Bank bills	1,686	877	553
Promissory notes	233	268	337
Other securities	42	65	11
Total trading securities	3,527	1,584	1,163

Included in trading securities as at 30 June 2006 were assets of \$164 million encumbered through repurchase agreements

(30 June 2005: \$108 million; 30 September 2005: \$49 million) and \$949 million used to secure deposit obligations (30 June 2005: nil; 30 September 2005: nil).

Dollars in Millions	Consolidated Unaudited 30/6/06	Unaudited 30/6/05	Unaudited 30/9/05
Note 7 Other Money Market Placements			
Money market placements with non-financial institutions	651	496	615
Securities purchased under agreements to resell with non-financial institutions	340	232	
Total other money market placements	991	728	615
Other money market placements were recorded as:			
At amortised cost	340	728	615

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Designated at fair value through profit or loss	651		
Total other money market placements	991	728	615

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Note 8 Investments in Controlled Entities**Incorporation of controlled entities**

BNZ International Funding Limited, a wholly owned controlled entity of Bank of New Zealand, was incorporated on 2 June 2005, with contributed equity of \$100,000. The purpose of this entity is to generate offshore wholesale funding for the Banking Group through the issuance of commercial paper and medium term debt securities through its London branch.

Sale of controlled entities

On 30 June 2005, BNZ International Limited sold the voting rights in Amber Liquid Investments Limited, a controlled entity of the Banking Group, for consideration of \$2,550.

On 27 September 2005, BNZ Investments Limited sold 100% of the share capital in Screen Holdings No. 3 Limited to an unrelated party for consideration of \$50 million.

The disposal of the controlled entities had the following impact on the Banking Group's consolidated balance sheet:

Dollars in Millions	Consolidated Unaudited 30/6/06	Unaudited 30/6/05	Unaudited 30/9/05
Cash proceeds from sale of controlled entities			50
Impact on net assets			
Cash and balances with central banks		500	500
Loans and advances to customers		(500)	(500)
Other assets			(50)
Total impact on net assets			(50)

Winding up of controlled entities

On 17 February 2006, the following controlled entities were wound up:

Name	Country of Incorporation	Principal Activities
Quill Financing Limited	New Zealand	Non-trading
Peterel Financing Limited	New Zealand	Non-trading
Maroro Leasing Limited	New Zealand	Non-trading

On 7 April 2006, the Banking Group wound up the following controlled entities:

Name	Country of Incorporation	Principal Activities
Screen Holdings No. 5 Limited	New Zealand	Non-trading
Screen Holdings No. 6 Limited	New Zealand	Non-trading

On 19 June 2006, the Banking Group wound up the following controlled entity:

Name	Country of Incorporation	Principal Activities
Flamingo Holdings Incorporated	United States	Non-trading

The winding up of these companies had no impact on the Banking Group's consolidated balance sheet.

Assets held for sale and discontinued operations

In November 2005, National Australia Bank Limited announced that it was undertaking a process to seek expressions of interest for its wholly owned fleet leasing and management business. This includes Custom Fleet (NZ) Limited, a wholly owned controlled entity of the Banking Group. As at 28 March 2006, the assets and liabilities of Custom Fleet (NZ) Limited were classified as being held for sale. The results arising from Custom Fleet (NZ) Limited have been classified as discontinued operations.

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The net profit from discontinued operations shown in the income statement comprised:

Dollars in Millions	Consolidated Unaudited 9 Months 30/6/06	Unaudited 9 Months 30/6/05	Unaudited 12 Months 30/9/05
Interest income	1	1	2
Interest expense	24	22	30
Net interest expense	(23)	(21)	(28)
Other operating income	141	142	188
Total operating income	118	121	160
Operating expenses	83	111	152
Total operating profit before impairment losses on credit exposures and income tax expense	35	10	8
Impairment losses on credit exposures		1	2
Total operating profit before income tax expense	35	9	6
Income tax expense	12	2	1
Net profit from discontinued operations	23	7	5

On 28 March 2006, the Banking Group ceased charging depreciation in respect of assets classified as being held for sale. The after-tax impact of this has been to increase Net profit from discontinued operations for the nine months ended 30 June 2006 by \$17 million.

The assets and liabilities of Custom Fleet (NZ) Limited as at 30 June 2006 comprised:

Dollars in Millions	Consolidated Unaudited 30/6/06
Assets	
Loans and advances to customers	4
Property, plant and equipment	490
Deferred tax assets	7
Goodwill and other intangible assets	54
Other assets	49
Assets held for sale	604
Liabilities	
Current tax liabilities	15
Deferred tax liabilities	14
Other liabilities	20
Liabilities associated with assets held for sale	49

Dollars in Millions	Consolidated Unaudited 9 Months 30/6/06	Unaudited 9 Months 30/6/05	Unaudited 12 Months 30/9/05
Cash flows from discontinued operations comprise of:			
Cash flows from operating activities	87	91	122
Cash flows from investing activities	(89)	(88)	(116)
Net cash flows from discontinued operations	(2)	3	6

Subsequent events

Custom Fleet (NZ) Limited was sold on 31 July 2006 to an unrelated party for consideration of A\$115 million.

The sale of Custom Fleet (NZ) Limited is estimated to have the following impact on the Banking Group's consolidated balance sheet:

Dollars in Millions	Consolidated Unaudited
Cash proceeds from sale of controlled entity	140
Impact on net assets	
Cash and balances with central banks	440
Assets held for sale	(604)
Liabilities associated with assets held for sale	49
Total impact on net assets	(115)
Gain on sale of controlled entity	25

Dollars in Millions	Consolidated Unaudited 30/6/06	Unaudited 30/6/05	Unaudited 30/9/05
Note 9 Investments Available for Sale			
Other investments	50		
Total investments available for sale	50		
Note 10 Investments Held to Maturity			
Treasury bills	5	962	1,022
Other securities	50	60	50
Total investments held to maturity	55	1,022	1,072

Included in held to maturity investments of the Bank as at 30 June 2006 were no assets encumbered through repurchase agreements (30 June 2005: nil; 30 September 2005: nil) and no assets used to secure deposit obligations (30 June 2005: \$326 million; 30 September 2005: \$268 million).

Dollars in Millions	Consolidated Unaudited 30/6/06	Unaudited 30/6/05	Unaudited 30/9/05
Note 11 Loans and Advances to Customers			
Overdrafts	1,679	1,622	1,601
Credit card outstandings	1,210	1,155	1,155
Lease finance	12	20	31
Housing loans	19,864	17,417	18,019
Other term lending	18,627	16,458	17,115
Other lending	116	114	126
Total gross loans and advances to customers	41,508	36,786	38,047
Deduct:			
Allowance for impairment losses on loans and advances to customers	141	201	214
Unearned future income on lease finance	1	3	4
Deferred income	23		
Hedge adjustment on fair value instruments	40		
Total deductions	205	204	218
Total net loans and advances to customers	41,303	36,582	37,829
Total net loans and advances to customers were recorded as:			
At amortised cost	29,058	36,582	37,829
Designated at fair value through profit or loss	12,245		
Total net loans and advances to customers	41,303	36,582	37,829

Dollars in Millions	Consolidated Other Impaired Assets Unaudited 30/6/06	Restructured Assets Unaudited 30/6/06	Other Assets Under Administration Unaudited 30/6/06	Past Due Assets Unaudited 30/6/06	Total Unaudited 30/6/06		
Note 12 Allowance for Impairment Losses on Credit Exposures							
Allowance for impairment losses on credit exposures							
Allowance for impairment losses on individual financial assets							
Balance of specific provisions at beginning of period under previous NZ GAAP	37			2	39		
Adjustment required upon transition to NZ IFRS	(2)		(2)	(4)
Balance at beginning of period under NZ IFRS	35				35		
Charge to income statement	26				26		
Amounts written off	(42)			(42)	
Recovery of amounts written off in previous periods	8				8		
Provisions relating to assets held for sale	(5)			(5)	
Balance at end of period	22				22		
Allowance for impairment losses on groups of financial assets							
Balance of general provision at beginning of period under previous NZ GAAP					175		
Adjustment required for collective impairment upon transition to NZ IFRS					(65)	
Balance of collective impairment at beginning of period under NZ IFRS					110		
Charge to income statement					10		
Provisions relating to assets held for sale					(1)	
Balance at end of period					119		
Total allowance for impairment losses on credit exposures					141		

The above table reflects allowances for impairment losses on financial assets held at amortised cost. A credit adjustment on financial assets designated at fair value through profit or loss is incorporated into the carrying value of those assets and therefore is not included in the above table.

Dollars in Millions	Consolidated Other Impaired Assets Unaudited 30/6/05	Restructured Assets Unaudited 30/6/05	Other Assets Under Administration Unaudited 30/6/05	Past Due Assets Unaudited 30/6/05	Total Unaudited 30/6/05
Specific provisions for doubtful debts					
Balance at beginning of period	21			2	23
Transfer from general provision	6			7	13
Amounts written off	(2)		(13)
Recovery of amounts written off in previous periods	1			6	7
Balance at end of period	26			2	28
General provision for doubtful debts					
Balance at beginning of period					169
Transfer to specific provisions					(13
Charge to income statement continuing activities					17
Charge to income statement discontinued operations					1
Other					(1
Balance at end of period					173
Total allowance for impairment losses on credit exposures					201

30 September 2005 (Unaudited)

Specific provisions for doubtful debts					
Balance at beginning of period	21			2	23
Transfer from general provision	21			9	30
Amounts written off	(6)		(17)
Recovery of amounts written off in previous periods	1			8	9
Balance at end of period	37			2	39
General provision for doubtful debts					
Balance at beginning of period					169
Transfer to specific provisions					(30
Charge to income statement continuing activities					34
Charge to income statement discontinued operations					3
Other					(1
Balance at end of period					175
Total allowance for impairment losses on credit exposures					214

Upon transition to NZ IFRS, the Banking Group has applied an incurred loss basis to the calculation of allowances for impairment losses in groups of financial assets. Under previous NZ GAAP, the Banking Group used an expected loss methodology.

Prior to 1 October 2005 (the date at which NZ IAS 39 was adopted), specific provisions were recognised against past due assets where the Banking Group expected to incur a loss in relation to particular portfolios (where payment of principal or interest are contractually past due between 90 to 180 days), however, specific identification of individual balances was impracticable. Following the adoption of NZ IAS 39 impairment losses were no longer recognised against these facilities as they formed part of the allowance for impairment losses on groups of

financial assets.

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Note 13 Asset Quality

The Banking Group provides for impairment losses on credit exposures as disclosed in note 12. Accordingly, when management determines that recovery of a loan is doubtful, the principal amount and accrued interest on the obligation are written down to estimated net realisable value and interest charges are no longer recognised in the income statement.

Pre-allowance balances at end of period

Dollars in Millions	Consolidated Unaudited 30/6/06	Unaudited 30/6/05	Unaudited 30/9/05
Other impaired assets	54	113	115
Restructured assets			
Other assets under administration	2	3	2
Past due assets	40	65	44
Total pre-allowance balances	96	181	161

Past due loans are not necessarily doubtful. Gross amounts for the Banking Group have been stated without taking into account security available for such loans. The Banking Group did not have any assets acquired through security enforcement as at 30 June 2006 (30 June 2005: nil; 30 September 2005: nil).

As at 30 June 2006, the Banking Group has no customer outstanding balances for loans designated at fair value through profit or loss that were deemed to be impaired (on transition to NZ IFRS on 1 October 2005: \$20 million).

Off-balance sheet impaired assets

There were no off-balance sheet facilities included in the above end of period balance as at 30 June 2006 (30 June 2005: nil; 30 September 2005: nil). No allowance for impairment losses on individual off-balance sheet credit related commitments had been made as at 30 June 2006 (30 June 2005: nil; 30 September 2005: nil).

Liability Notes

Dollars in Millions	Consolidated Unaudited 30/6/06	Unaudited 30/6/05	Unaudited 30/9/05
Note 14 Due to Central Banks and Other Financial Institutions			
Transaction balances with other financial institutions	478	453	389
Securities sold under agreements to repurchase from other financial institutions	426	327	153
Deposits from central banks	184	265	203
Deposits from other financial institutions	1,658	1,455	940
Total due to central banks and other financial institutions	2,746	2,500	1,685
Due to central banks and other financial institutions comprise of:			
Call	2,064	771	1,285
Term	682	1,729	400
Total due to central banks and other financial institutions	2,746	2,500	1,685
Due to central banks and other financial institutions were recorded as:			
At amortised cost	2,438	2,500	1,685
Designated at fair value through profit or loss	308		
Total due to central banks and other financial institutions	2,746	2,500	1,685

Dollars in Millions	Consolidated Unaudited 30/6/06	Unaudited 30/6/05	Unaudited 30/9/05
Note 15 Other Money Market Deposits			
Money market deposits from non-financial institutions	2,523	2,594	2,586
Certificates of deposit	3,064	3,306	3,764
Commercial paper	3,966	1,646	1,731
Total other money market deposits	9,553	7,546	8,081
Other money market deposits were recorded as:			
At amortised cost		7,546	8,081
Designated at fair value through profit or loss	9,553		
Total other money market deposits	9,553	7,546	8,081
Note 16 Deposits from Customers			
Demand deposits not bearing interest	543	574	654
Demand deposits bearing interest	8,676	8,499	8,227
Term deposits	12,738	11,245	11,804
Total deposits from customers	21,957	20,318	20,685

Shareholder s Equity Notes

Dollars in Millions	Consolidated Unaudited 30/6/06	Unaudited 30/6/05	Unaudited 30/9/05
Note 17 Shareholder s Equity			
Total shareholder s equity at beginning of period	2,788	2,504	2,504
Adjustments required as a result of changes in accounting policy			
Retained profits		(6)	(6)
Total adjustments required as a result of changes in accounting policy		(6)	(6)
Adjustments required as a result of transition to NZ IFRS			
Cash flow hedge reserve (refer to note 28)	(6)		
Retained profits (refer to note 28)	80		
Total adjustments required as a result of transition to NZ IFRS	74		
Total adjusted shareholder s equity at beginning of period	2,862	2,498	2,498
Total recognised income and expenses for the period	454	380	525
Transactions with owners during the period			
Ordinary dividend	(335)	(235)	(235)
Total transactions with owners during the period	(335)	(235)	(235)
Movement in shareholder s equity for the period	119	145	290
Total shareholder s equity at end of period	2,981	2,643	2,788

Dollars in Millions	Consolidated Unaudited 30/6/06	Unaudited 30/6/05	Unaudited 30/9/05
Note 18 Reserves			
Asset revaluation reserve	2		2
Foreign currency translation reserve	7	(1)	
Cash flow hedge reserve	(7)		