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Media Release

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ANZ National performs well in first nine months

ANZ National Bank today announced a profit of $848 million for the nine months ended 30 June 2007, up 6% on the June 2006 result.

After adjusting the headline profit for non-core items[1], the underlying profit before provisions increased by 6% ($70 million) over the corresponding June 2006 period. A very strong performance by the Retail, Rural and Corporate businesses, with profit before provisions growth of 13%, was offset by a lower Institutional result. The underlying net profit after tax was impacted by a lift in provisions following unsustainably low provisioning charges in the corresponding June 2006 period. There have been minimal changes to the credit risk profile across the portfolio and the Bank has seen continued benign credit conditions in 2007.

June 2007 Nine Month Performance Summary

- Net profit after tax of $848 million, a 6% increase over the June 2006 period ($803 million).
- Underlying profit before provisions of $1,295 million, a 6% increase over the June 2006 period ($1,225 million). Refer Appendix for the "Underlying" calculations.
- Underlying cost-to-income ratio decreased to 43.3% compared to 43.5% in the June 2006 period.
- Net loans and advances were up NZ$8,675 million (11% for the period) on the June 2006 position. Total customer deposits were up NZ$3,155 million (8% for the period) on the June 2006 position.

Revenue growth of 5% was driven by a strong 8% growth in the Retail, Rural and Corporate businesses. This was partially offset by a lower revenue contribution from the Markets business in 2007, reflecting an exceptionally strong performance in the first half of 2006, and the unwind of structured finance transactions in 2007. Net interest income growth reflected strong lending and deposit growth, with net loans and advances increasing by $8.7 billion or 11% over June 2006, to $85.1 billion (mortgages grew by

[1] Non-core items are: integration costs, the results of discontinued structured finance transactions, discontinued Truck Leasing Limited operations, the $76 million post-tax gain from the sale of FleetPartners, ineffective hedge fair value gains/losses, the $15 million post tax receipt from Lloyds TSB Group plc relating to an adjustment to the purchase price for The National Bank of New Zealand Limited Group ('Lloyds receipt'), and the impact of the change in the company tax rate from 33% to 30% for the 2008/09 income year on deferred tax balances.

$6.0 billion since June 2006 to $48.4 billion, an increase of 14%) and total deposits increased by $2.9 billion or 5% over June 2006. Customer deposits grew by $3.2 billion since June 2006 to $43.6 billion, an increase of 8%.

Headline costs were 1% lower in the period, driven by the inclusion of integration costs ($49 million) and Commerce Commission settlement costs ($10 million) in the prior period numbers. Underlying costs of $990 million were up 5% due to annual increases in salaries, an increase in the number of customer-facing staff and investment in business initiatives, partly offset by control of discretionary expenditure.

Provision for credit impairment increased $51 million from negligible levels in 2006. The individual provision charge increased $11 million, mainly reflecting an exceptionally low charge last year due to recoveries of past provisions. The collective provision charge increased $40 million, largely due to a provision writeback in the nine months to June 2006 following the reassessment of the retail portfolio risk profile in the December quarter of 2005. The collective provision charge for the June 2007 period was largely driven by lending growth, with minimal impact from changes to the risk profile across the portfolio. Credit conditions remain benign.

ANZ National Bank Chief Executive Graham Hodges said the Bank had performed very well for the nine months to June 30 2007.

“Our underlying performance is the strongest we have seen for some time,” Mr Hodges said. “Our market share has grown in a number of businesses and is holding up well across the board, which again supports our decision to maintain our multiple brand strategy, including our two leading banking brands.”

“Our focus over the past year or more has been to achieve strong revenue growth so we can continue to reinvest in our businesses and deliver for our customers. This strategy is working.”

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APPENDIX – KEY CALCULATIONS OF UNDERLYING RESULT

Continuing operations		9 MTH JUN 07 $m	9 MTH JUN 06 $m
Net operating income			
Headline net operating income		2,277	2,189
Adjusted for:	Discontinued business	-	(1)
	Mark to market of ineffective hedges	8	(3)
	Lloyds receipt	-	(15)
Underlying net operating income		**2,285**	**2,170**
Operating expenses			
Headline operating expenses		992	1,005
Adjusted for:	Integration costs	-	(49)
	Commerce Commission settlement	-	(10)
	Discontinued business	(2)	(1)
Underlying operating expenses		**990**	**945**
Underlying profit before provisioning		**1,295**	**1,225**
Provision for credit impairment		**56**	**5**
Profit after income tax from continuing operations			
Headline profit after income tax		772	799
Adjusted for:	Integration costs (post tax)	-	33
	Discontinued business	1	(3)
	Mark to market of hedges	5	(2)
	Impact of change in company tax rate	27	-
	Commerce Commission settlement	-	7
	Lloyds receipt	-	(15)
Underlying profit after income tax		**805**	**819**