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General Disclosure Statements for nine months to 30 June 09

New Zealand business is strong and sound, but reduced profit reflects challenging economic environment

Wellington: ANZ National Bank today released the General Disclosure Statements for the New Zealand business for the nine months to 30 June 2009. Net profit after tax of NZ\$478 million declined 43 per cent compared with the same period in 2008 (\$833m).

"This result reflects the tough recessionary times in which we are operating," ANZ National Chief Executive Officer Jenny Fagg said.

"The General Disclosure Statements reflect the strength and soundness of ANZ National, and the significant contribution we are making to the New Zealand economy in this challenging environment."

ANZ National is one of New Zealand's largest companies with about 9,000 staff, and \$126 billion in assets. As such, it accounts for around 1 per cent of New Zealand's GDP.

"Increased provision for credit impairment is one of the key drivers of our financial performance in this period, reflecting the environment as households and businesses come to terms with the effect of the global downturn."

Provisions for the nine months to June 09 are \$532m, up from \$167m in the previous comparable period. Provisions for the full year to September 09 are expected to be approaching three times those of the 2008 year.

Also impacting the result was an after tax provision charge of \$147m (increased from \$116m at 31 March 2009) to meet the obligations to investors in the ING Diversified Yield and ING Regular Income Funds. This follows the offer accepted by investors by which they will get the bulk of their money over five years.

Operating expenses were well controlled across all businesses.

Underlying profit before provisions was up 14 per cent from the same period last year, largely due to a significant (69 per cent) profit increase in the Institutional businesses. This is driven by exceptional Markets trading results in the first half in highly volatile market conditions. This result is not expected to be repeated in the remainder of the financial year.

"The declining net interest margin is the other major factor on our business performance, reflecting higher wholesale funding costs, competition for deposits and adverse pre-payments driven by interest rate falls," Ms Fagg said.

"The underlying net interest margin for our core Retail, Commercial and Rural businesses have decreased by 26 basis points since the same period in 2008, a continuation of the downward trend over the last three quarters.

"The overall results demonstrate that our business, like other businesses in New Zealand, continues to be directly affected by the economic downturn.

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“Despite the higher funding costs we are facing, thanks to ANZ National’s strong foundations, we have been able to continue lending and supporting the New Zealand economy. Earlier in the year we made a commitment to provide \$4 billion in new lending to farms and businesses and we are well on track to meet or exceed that target.

“We are also maintaining good liquidity levels and remain well capitalised.

“Strong backing by our parent has facilitated direct funding of New Zealand assets. Following the establishment of the ANZ Banking Group Limited New Zealand Branch, we have to date been able to secure an additional \$10 billion of funding through the sale of mortgage assets to our parent.

“The global financial crisis has seen many overseas financial institutions requiring taxpayer bailouts. In New Zealand this hasn’t been necessary and it’s highlighted the importance of a strong and stable banking industry to New Zealand’s economy and to our customers. ANZ Group is one of 11 banks globally with a credit rating of ‘AA’ from Standard & Poor’s,” Ms Fagg concluded.

The **Reconciliation of Underlying Core Profit table** is attached.

Background note to journalists

- The figures used have been taken from the *Australia and New Zealand Banking Group Limited NZ Branch General Disclosure Statement for 9 months to 30 June 2009* [“NZ Branch GDS”].
- As such the *NZ Branch GDS* provides a more complete picture of ANZ’s operations in NZ and more consistency with ANZ Group reporting where the results of the New Zealand business are reported at a total New Zealand geographic level.
- The *NZ Branch GDS* mainly comprises the financial results of ANZ National, but also includes its NZ parent company ANZ Holdings and the NZ Branch of ANZ Banking Group Ltd.
- The *ANZ National General Disclosure Statement for the 9 months to 30 June 2009* has also been published today and includes the financial results of ANZ National Bank Ltd and all its subsidiaries.
- ANZ National is a subsidiary of Australia and New Zealand Banking Group Limited (ANZ).
- The underlying Net Interest Margin (NIM) refers to the NIM for our core banking business (Retail, Commercial and Rural).
- The General Disclosure Statements are available on www.anznational.co.nz

For media inquiries contact:

Virginia Tracey-Clitherow
Tel: 09 262 3244 or 0275-618 995.

Astrid Smeele
Tel: 04 4366754 or 027 4907 336

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Reconciliation of underlying core profit

9 months to 30 June 2009

	9 months to 30 June 09 (\$m)	9 months to 30 June 08 (\$m)	Change
Adjusted net interest income ¹	1,620	1,570	3%
Other external operating income	886	723	23%
Net operating income	2,506	2,293	9%
Operating expenses	1,064	1,032	3%
Underlying profit before provisioning	1,442	1,261	14%
Comprising:			
Retail	518	580	-11%
Commercial	404	393	3%
Wealth	12	29	-59%
Institutional	488	289	69%
Other	20	(30)	167%
Underlying profit before provisioning	1,442	1,261	14%
Provision for credit impairment	532	167	large
Profit before income tax	910	1,094	- 17%
Income tax expense	270	349	- 23%
Underlying net profit after tax	640	745	- 14%
Non core items:			
Organisational transformation costs	(19)	0	n/a
ANZ share of ING NZ investor settlement	(147)	0	n/a
Non-continuing businesses	(2)	(2)	0%
Significant items	0	93	-100%
Economic hedging - fair value gains/losses	7	(2)	Large
Other	(1)	(1)	0%
Headline net profit after tax	478	833	-43%
Headline net interest margin¹	1.97%	2.05%	-0.08%
Underlying NZ businesses net interest margin²	2.19%	2.45%	-0.26%

¹ Net Interest Income and other external operating income have been adjusted for higher funding benefits associated with unrealised trading losses (reclassification from net interest income to other external operating income).

² Underlying net interest margin refers to the net interest margin for our core Retail, Commercial and Rural businesses.

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