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Media Release

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ANZ National performs well in first three months

ANZ National Bank today announced a profit of $350m for the three months ended 31 December 2006, up 28% on the December 2005 result. The headline result was boosted by a number of significant items including the sale of the FleetPartners business.

December 2006 Three Month Performance Summary

- Net Profit After Tax of $350 million, a 28% increase over the December 2005 quarter ($274 million).
- Underlying Profit Before Provisions ("PBP") of $423 million, an 8% increase over the December 2005 quarter ($390 million). Refer Appendix for an outline of the "Underlying" calculations.
- Good underlying revenue growth of 8% on December 2005 quarter. Underlying cost-to-income ratio improved to 44.2% compared to 44.6% in the December 2005 quarter.
- Net loans and advances increased by $8.6 billion or 12% on December 2005. Total customer deposits increased by $5.9 billion or 12% on December 2005.

The result was driven by good revenue growth, with headline revenue up 4% and underlying revenue up 8% on the December 2005 period. Underlying net interest income increased by 12%, with strong lending and deposit growth across most businesses being partly offset by the impact of a competitive market. Underlying other operating income fell by 3% reflecting the above average Markets performance in December 2005. Fees and other income increased by 5%.

Headline costs were 1% lower in the period, with the impact of reduced integration activity ($26m), offsetting increases in personnel costs. Underlying costs of $335 million were up 7% (refer Appendix) due to annual salary increases, rental increases and timing of advertising and project costs. With the good revenue growth, the underlying cost to income ratio improved from 44.6% for December 2005 to 44.2% for December 2006.

The provisioning charge was $25m, an increase of $24m on the December 2005 period. The Individual Provision charge increased by just $4m whilst the Collective Provision charge increased by $20m. The increase in the Collective Provision charge reflected both volume growth over the year and the impact of a reassessment of the retail portfolio risk profile in the December 2005 period.

ANZ National Bank maintained strong balance sheet growth with net loans and advances increasing by $8.6 billion or 12% over December 2005, to $79.6 billion.

Mortgages grew by $5.3 billion since December 2005 to $44.9 billion, an increase of 13%. Customer deposits grew by $5.9 billion since December 2005 to $53.4 billion, an increase of 12%.

Commenting on the result, ANZ National Bank Chief Executive Officer Graham Hodges said. "We are continuing to deliver good revenue and profit growth in a very competitive market environment, as well as reinvesting in our business.

"In the last twelve months all of our businesses have focused on our customer propositions in order to retain and attract new customers. This is being recognised by our customers, with ANZ Retail Banking's customer satisfaction at the highest level for many years and The National Bank maintaining its already strong customer satisfaction levels.

"In addition, we are working closely with communities across New Zealand in areas such as financial literacy and staff volunteering programmes," Mr Hodges said.

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APPENDIX – KEY CALCULATIONS OF UNDERLYING RESULT[1]

	3 MTH DEC 06 $m	3 MTH DEC 05 $m
Net operating income		
Headline net operating income	763	737
Adjusted for: Discontinued business	-	(1)
Mark to market of hedges	(5)	(17)
Lloyds receipt	-	(15)
Underlying net operating income	**758**	**704**
Operating expenses		
Headline operating expenses	335	340
Adjusted for: Integration costs	-	(26)
Underlying operating expenses	**335**	**314**
Underlying profit before provisioning	**423**	**390**
Provision for credit impairment	**25**	**1**
Profit after income tax		
Headline profit after income tax	350	274
Adjusted for: Integration costs (post tax)	-	17
Discontinued business	-	(4)
Gain on sale of FleetPartners[2]	(79)	-
Mark to market of hedges	(3)	(11)
Lloyds receipt	-	(15)
Underlying profit after income tax	**268**	**261**

[1] Significant items excluded in the calculation of underlying profit are: integration costs, the run-off of discontinued structured finance transactions, discontinued Truck Leasing Limited operations, the $79 million post-tax gain from the sale of FleetPartners, mark to market of hedges income, and 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').

[2] The gain on sale of FleetPartners includes the recognition of certain previously unrecognised tax balances.