

**MEDIA RELEASE**

**FOR IMMEDIATE RELEASE**

Thursday 23 October 2008

**ANZ National Bank reports a solid annual result in a slowing economy**

**Wellington:** Today ANZ National Bank reported a \$1.163 billion net profit after tax for the year ended 30 September 2008, in line with the \$1.168 billion for 2007 (GDS reporting).

The performance reflected the 'two speed' New Zealand economy, with strong performances in the rural and business segments contrasting with a weakening in household sector activity through the course of the year. Volatile international credit markets have also impacted local conditions.

Mr Graham Hodges, ANZ National Bank Chief Executive Officer said: "This is a solid result in a slowing economy, and demonstrates the bank's strength and ability to withstand a challenging environment."

"Despite the economic conditions, ANZ National has provided security and confidence for our customers; and we have continued to work hard to meet community expectations with responsible, sustainable banking, Mr Hodges said.

The New Zealand result has been led by strong performances by the Markets business, which has benefited from volatility in the global market, and Rural Banking reflecting increased activity from strengthening commodity prices especially in the dairy sector.

Corporate & Commercial has experienced strong lending growth in line with increased activity and strong customer balance sheets.

UDC Finance has delivered a good performance in the context of a significant shakeout in the finance company sector.

"UDC stands head and shoulders above the rest of the finance company sector with its strong credit rating and performance allowing the business to distinguish itself from other troubled industry participants," said Mr Hodges.

Performance in Retail Banking has been adversely impacted by slowing mortgage activity, greater competition for deposits and increased provisions in response to rising pressures on household cashflows. Throughout 2008, consumers have faced higher interest rates and increased costs of living.

As has been signalled during the year, customer arrears and provisions have risen significantly but from very low levels.

Individual provisions have risen to 21 basis points (or one fifth of one percent of the lending book), largely due to increasing arrears in the household and small-medium enterprise sectors. Write-offs remain relatively low at 10 basis points. The collective provision charge has increased by 10 basis points reflecting a modest

weakening in credit quality (4 basis points) and a 'cycle adjustment' charge of NZ\$54 million (6 basis points) as a prudent response to the expected impact into 2009 of reduced consumer spending.

Today's result reinforces the ongoing strength and stability of the Bank in what have been turbulent market conditions.

The Bank has a well-diversified funding mix with a strong domestic deposit base. It was well positioned going into the current environment with a successful retail bond issue in the domestic market and a benchmark five year offshore raising in July.

The liquid asset portfolio remains prudent at around NZ\$8 billion at the end of September 2008. Our recently established residential mortgage-backed securitisation programme adds to our funding options and is available for use in domestic market operations conducted by the Reserve Bank of New Zealand.

ANZ National maintains a very strong capital position with Tier 1 capital about twice the regulatory minimum. The AA credit rating from Standard & Poor's puts it (and its parent, Australia and New Zealand Banking Group Limited) among only 14 banking groups in the world left with a AA credit rating.

Earlier this month, ANZ National signalled its intention to opt into the recently announced New Zealand Government deposit guarantee scheme.

Overall, as well as having a strong and stable financial position, the Bank has maintained its leading position in most segments in the New Zealand marketplace.

ANZ National continues to support the New Zealand community through its long standing sponsorship programmes, including The Cancer Society's Daffodil Day, the Royal New Zealand Plunket Society, New Zealand Cricket and most recently the ANZ Championship netball competition.

The commitment to local communities is ongoing through the volunteer leave programme (staff have given over 24,000 volunteer hours this year), the ANZ National Staff Foundation and ongoing support of improved financial literacy in New Zealand.

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**FINANCIAL SUMMARY – Year ended 30 September 2008**

	<b>Net Profit after Tax</b>	
	<b>2008 NZ\$m</b>	<b>2007 NZ\$m</b>
<b>*ANZ National Bank General Disclosure Statement</b>	<b>1,163</b>	<b>1,168</b>
<b>ANZ Banking Group Reporting</b>		
**New Zealand Businesses (Retail, Corporate and Commercial, Rural, Private Banking, UDC)	715	815
New Zealand Institutional	263	215
New Zealand Banking	978	1,030
New Zealand Shareholders functions	(62)	(55)
Non- Core Items	74	64
New Zealand Geographic	990	1,039

\*The ANZ National 2008 General Disclosure Statement for the 12 months to 30 September 2008 will be published by 30 November 2008.

\*\*The financial information presented by ANZ Banking Group in today's Annual Results presentation relates to "New Zealand Businesses".