

MEDIA RELEASE

For Immediate Release (3pp)

Monday 25 February 2008

ANZ National posts strong performance in first three months

ANZ National Bank today announced an after tax profit of \$310 million for the three months ended 31 December 2007. After adjusting the headline profit for non-core items¹ such as the gain from selling Fleetpartners in 2006, net profit after tax grew 12% on the same period last year.

December 2007 Three Month Performance Summary

- Headline NPAT of \$310 million was down from the \$350 million earned in the December 2006 quarter, with the prior period benefiting from the \$79 million post tax gain from the sale of the FleetPartners business.
- NPAT adjusting for non-core items¹ of \$300 million, a 12% increase over the December 2006 period (\$269 million).
- Underlying Profit Before Provisions of \$471 million, an 11% increase over the December 2006 period (\$426 million).
- The Provision for credit impairment charge of \$32 million remains at very low levels, and overall credit quality remains strong across all segments.
- Underlying cost-to-income ratio decreased to 42.6% compared to 44.0% in the December 2006 period.
- Net loans and advances were up NZ\$10,232 million (13% for the period) on December 2006. Total customer deposits were up NZ\$3,797 million (9% for the period) on December 2006.

There were strong performances by the Rural, Corporate and UDC businesses and solid performances by the Retail and Institutional businesses. Market share is holding up well across the board, with market share gains achieved in mortgages, consumer finance, rural and in the business markets.

¹ Non-core items are: the results of discontinued structured finance transactions, discontinued Truck Leasing Limited operations, the \$79 million post-tax gain from the sale of FleetPartners, ineffective hedge fair value gains/losses.

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Growth of underlying net operating income of 8% was driven by contributions across all businesses. Net interest income growth was driven by strong lending and deposit growth. Net loans and advances increased by \$10.2 billion or 13% over December 2006, to \$89.9 billion (mortgages grew by 14% to \$51.4 billion). Total deposits increased by 11% over December 2006, with customer deposits increasing by 9% to \$45.8 billion. Net interest income was impacted by a reduction in income from derivatives positions which was offset by an increase in net trading gains.

Expenses were 4% higher in the December 2007 period, driven mainly by an increase in personnel costs due to annual increases in salaries, an increase in the number of customer-facing staff and investment in business initiatives which have been partly offset by control of discretionary expenditure.

The Provision for credit impairment charge of \$32 million remains at very low levels, and overall credit quality remains strong across all segments. Customer arrears remain at very low levels, despite a modest upward trend in arrears in the quarter.

ANZ National Bank Chief Executive Graham Hodges said: "The Bank has continued to gain market share in core business segments despite very competitive market conditions. Overall, financial performance has been very solid in the face of slowing activity in the housing and consumer finance markets and the rising cost of funding due to turmoil in the global credit markets."

"In 2008 our focus remains on strengthening and growing our core customer businesses, improving our efficiency and maintaining strength in our balance sheet and liquidity management."

"With higher interest rates still flowing through to borrowers and depositors, we expect a continued slowing in economic activity over the course of 2008."

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APPENDIX – KEY CALCULATIONS OF UNDERLYING RESULT

	3 MTH DEC 07 \$m	3 MTH DEC 06 \$m
Continuing operations		
Net operating income		
Headline net operating income	836	763
Adjusted for: Mark to market of ineffective hedges	(15)	(2)
Underlying net operating income	821	761
Operating expenses	350	335
Underlying profit before provisioning	471	426
Provision for credit impairment	32	25
Profit after income tax from continuing operations	310	271
Mark to market of hedges	(10)	(2)
Underlying profit after income tax	300	269