



Media Release

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ANZ New Zealand performance improves as economy begins recovery

Australia and New Zealand Banking Group Ltd (ANZ) today announced its 2010 interim results (March 2010 half year), reporting an improved performance for ANZ New Zealand¹ reflecting lower provisions and a solid business performance.

ANZ New Zealand Chief Executive Officer Jenny Fagg said: "ANZ New Zealand has delivered an improved financial performance as New Zealand starts to emerge from the downturn.

"The New Zealand economy has stabilised in a number of areas although the recovery is somewhat uneven at this early stage. There are signs of a lift in business conditions although growth remains subdued. As a result there has been a significant reduction in provisions for credit impairment across the business - dropping to \$330 million from \$598 million in the preceding half. This has been the main driver of an increase in underlying profit to \$372 million in the half, off a low base in the preceding half.

"Credit quality is slowly improving particularly in the retail sector but some uncertainty remains around the rural and commercial sectors," Ms Fagg said.

Key Points

- Underlying profit (before statutory adjustments) of \$372 million compared to \$134 million in the preceding half. This is down 25 per cent on the prior corresponding period (pcp).
- Provisioning charge for credit impairment of \$330 million, down 45 per cent from \$598 million in the preceding half (up 13 per cent pcp).
- Costs tightly managed, down 5 per cent on the preceding half (excluding impact of ING NZ acquisition).
- Lending volumes subdued due to new lending being offset by customer deleveraging.
- Well-capitalised.
- Margins up by 6 basis points as the phased re-pricing of the fixed lending book recovered higher funding costs, offset by the impact of removal or reduction of 29 fees, benefiting customers by around \$55 million on an annualised basis.

Ms Fagg added: "Clearly with the magnitude of issues in the United States and Europe, we are going to see lower economic growth around the world compared to the decade prior to the financial crisis. In New Zealand we expect growth of almost 2 per cent in 2010 after the economy contracted in 2009.

¹ ANZ New Zealand comprises our retail brands The National Bank and ANZ, our wholesale business and other branded businesses: UDC, ING NZ, Bonus Bonds, Direct Broking and Eftpos New Zealand Ltd.

"Commodity prices have lifted sharply and the NZD/AUD is supporting the tourism and manufacturing sectors. However, drought conditions are affecting agricultural production and there is continuing weakness in rural land prices. Retail spending is subdued and there is uncertainty over pending changes in tax treatment in the housing sector. We continue to see both businesses and households moving to pay off debt.

"As a result, balance sheet growth has remained subdued. Deposits and lending in the household and business sectors were broadly flat – influenced by the continued deleveraging in the market, and by businesses seeking out more diversified funding streams as they retire bank debt.

"New lending does however continue. We were the biggest rural lender in 2009, lending more than \$2 billion, while new home loans in the March 2010 half totalled \$4.5 billion."

Supporting New Zealand exporters and other customers

Ms Fagg said she was pleased ANZ New Zealand continued to help business customers diversify their funding bases and access a broader range of funding alternatives both domestically and offshore - as evidenced by the recent USD bond issue for Transpower in Hong Kong.

"We have used our experience and international network to facilitate the raising of \$2.7 billion for New Zealand borrowers in 2009 which is 45 per cent of the total debt capital markets issuance. Many of the recent deals we have led support infrastructure development in New Zealand involving corporates such as Transpower, Contact Energy, Mighty River Power and Watercare Services.

"Supporting our small business customers through the recession has also been a priority. For example, in 2009 The National Bank ran more than 150 free business workshops which assisted more than 5000 businesses," Ms Fagg said.

"Our staff have also continued to support our personal customers through the Financial Wellbeing Programme. We have now assisted about 7300 customers since August 2008 and the programme has gone on to win two gold awards for Customer and Market Insights and Strategic Vision at the recent 2009 RSVP / Nexus Marketing Association awards in New Zealand."

Helping customers through easier and more convenient banking

"A key focus has been to make banking easier and more convenient so people can bank where and when they choose. As well as weekend opening hours at selected shopping mall branches, we have also removed and reduced fees - benefiting customers by more than \$1 million each week.

"We were also pleased to see our ANZ home loans recognised as offering outstanding value to customers by Canstar Cannex," Ms Fagg concluded.

A summary of the key financials is attached.

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Summary of Key Financials

New Zealand Region

	Half year Mar 10 \$M	Half year Sep 09 \$M	Half year Mar 09 \$M	Movt Mar 10 v. Sep 09 \$M	Movt Mar 10 v. Mar 09 \$M	Movt Mar 10 v. Sep 09 %	Movt Mar 10 v. Mar 09 %
Net interest income	1,149	1,114	1,188	35	(39)	3%	-3%
Other external operating income	433	413	516	20	(83)	5%	-16%
Operating income	1,582	1,527	1,704	55	(122)	4%	-7%
Operating expenses	(730)	(734)	(714)	4	(16)	-1%	2%
Profit before credit impairment and income tax	852	793	990	59	(138)	7%	-14%
Provision for credit impairment	(330)	(598)	(291)	268	(39)	-45%	13%
Profit before income tax	522	195	699	327	(177)	large	-25%
Income tax expense	(150)	(61)	(205)	(89)	55	large	-27%
Underlying profit	372	134	494	238	(122)	large	-25%
Adjustments to statutory profit	14	(361)	(73)	375	87	large	large
Profit	386	(227)	421	613	(35)	large	-8%
Consisting of:							
Retail	137	75	168	62	(31)	83%	-18%
Commercial	59	(13)	133	72	(74)	large	-56%
Wealth	21	6	7	15	14	large	large
Operations & Support	-	(2)	11	2	(11)	-100%	-100%
New Zealand Businesses	217	66	319	151	(102)	large	-32%
Institutional	194	127	240	67	(46)	53%	-19%
Other	(39)	(59)	(65)	20	26	-34%	-40%
Underlying profit	372	134	494	238	(122)	large	-25%
Adjustments to statutory profit	14	(361)	(73)	375	87	large	large
Profit	386	(227)	421	613	(35)	large	-8%