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ANZ National remains profitable in tough conditions, positions for growth

Wellington: Australia and New Zealand Banking Group Limited (ANZ), of which ANZ National Bank is a wholly owned subsidiary, today announced its Annual Results for the year ended 30 September 2009.

ANZ National Chief Executive Officer (CEO) Jenny Fagg said New Zealand's contribution reflected the New Zealand economic downturn, which was more protracted and pronounced than in Australia, and also the impact of one-off adjustments.

In the New Zealand region, underlying profit decreased 32 per cent to \$628 million for the year, largely driven by an almost three-fold increase in credit provisions as households and business felt the impacts of the recession. Underlying profit before provisions increased 8 per cent.

"The economic conditions helped our Institutional business to deliver a very strong result by taking advantage of market volatility in the first half. Institutional achieved a 36 per cent increase in revenue in the full year compared to 2008," Jenny Fagg said.

"However, these same conditions impacted the financial performance of the retail, wealth and commercial businesses.

"Net interest margins (NIM) in these businesses fell 26 basis points to 2.14 per cent over the year. This was due to intense deposit competition and higher wholesale funding costs, as well as the timing lag in re-pricing fixed rate lending and the increased costs from early repayments of fixed rate mortgages. Revenue in these businesses declined by 4 per cent," Ms Fagg said.

Net profit after tax for the September 2009 year decreased 80 per cent to \$194m compared to the previous year, impacted by one-off adjustments of \$434m, principally provisioning on the Conduit tax matter and the ING investor Offer.

"Despite the difficult operating environment, ANZ National continues to be profitable, costs have been well-managed and we have very strong liquidity, funding and capital. We hold a dominant market share, leading all the key customer segments," Ms Fagg said.

"We are well positioned for future growth, focussing on the core of our business – our people, our processes and the products and services we deliver to our customers.

"Looking ahead, a focus of our growth strategy will be to leverage the existing strengths of our two main brands, ANZ and The National Bank. Our acquisition of ING NZ's funds management and life insurance businesses, made possible by ANZ's global strength in

the wake of the international credit crisis, will enhance our wealth management position in New Zealand.¹

"I am pleased that ANZ National has been able to continue to support the New Zealand economy in this tough operating environment. Our strength means that we have continued to lend to the business and rural sectors, and we have been working hard to support retail customers affected by the downturn.

"Our Financial Wellbeing programme established a Customer Management Team which interacts daily with frontline staff to find sustainable solutions for customers in financial difficulty. Since August 2008, the team has provided advice and restructuring solutions for more than 4,700 customers representing total lending of over NZ\$1.2 billion," Ms Fagg concluded.

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New Zealand region – Summary of Key Financials

	Full year Sep 2009 NZDm	Full year Sep 2008 NZDm	Movt Sep 09 v. Sep 08 %
Net interest income	2,302	2,031	13%
Other external operating income	929	1,018	-9%
Operating income	3,231	3,049	6%
Operating Expenses	(1,448)	(1,398)	4%
Profit before credit impairment and income tax	1,783	1,651	8%
Provision for credit impairment	(889)	(300)	Large
Profit before income tax	894	1,351	-34%
Income tax expense	(266)	(430)	-38%
Underlying Profit	628	921	-32%
Adjustments to arrive at statutory profit	(434)	69	Large
Profit	194	990	-80%
Consisting of:			
Retail	240	422	-43%
Commercial	119	329	-64%
Wealth	11	29	-62%
Operating & Support	10	6	67%
New Zealand Businesses	380	786	-52%
Institutional	362	279	30%
Other	(114)	(144)	-21%
Underlying profit	628	921	-32%
Adjustments to arrive at statutory profit	(434)	69	Large
Profit	194	990	-80%

¹ Settlement of the ING acquisition remains subject to regulatory approvals