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Media Release

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ANZ National Bank continues mortgage, deposit growth

ANZ National Bank today announced a profit of NZ$235m[1] for the June 2005 quarter, with strong operational performance impacted by the effects of price competition on margins.

The result reflects solid asset and deposit growth offset by reduced net interest margins from earlier intense price competition and the run-off of structured finance transactions. Integration costs were higher as ANZ National Bank commenced major systems implementation, which is progressing well.

June 2005 Quarter Performance Summary

- **Operating profit after tax, excluding goodwill amortisation and integration costs, of NZ$235 million in line with the June 2004 quarter ($237 million).**
- **Cost-to-income ratio, excluding goodwill amortisation and integration costs, decreased to 43.7% from 43.9% in the June 2004 quarter.**
- **Net loans and advances were up NZ$1,707 million (11% annualised) on the March 2005 quarter and up 11.3% for the June year.**
- **Total customer deposits were up NZ$1,195 million (11% annualised) on the March 2005 quarter and up 6.3% for the June year.**
- **Net interest margin was down 17 basis points to 2.56% compared with the June 2004 quarter, and down 7 basis points compared to the March quarter.**

ANZ National Bank Chief Executive Sir John Anderson said: "In a difficult environment this is a credible performance in line with the sector. We have continued to grow the business at the same time as finalising a complex integration program and investing in our business to position us for the future.

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[1] Pre goodwill and integration costs

"We have added almost 550 new staff in the nine months to 30 June – mostly in frontline roles in each of the brands. We have opened seven new branches since we brought the two banks together; we have introduced new products such as ANZ's Online Call Account and the National Bank's FirstHome mortgage option for first home buyers, and we've given up revenue to make ANZ's personal fee structure in New Zealand more competitive and sustainable," Sir John said.

ANZ National Bank maintained its leading position among New Zealand banks with net loans and advances increasing 11.5% in the June year and by NZ$1,707 million (11% annualised) to NZ$66.3 billion in the June quarter.

Total mortgage growth was NZ$1,026 million for the June quarter - up from NZ$678 million in the June quarter 2004, and an increase of 12.3% over the last 12 months. Customer deposits increased 6.3% in the June year, after significant growth of NZ$1,195 million (11% annualised) to NZ$45.4 billion in the June quarter.

Underlying costs, excluding goodwill and integration, at NZ$296 million for the quarter were flat against NZ$293 million in the June 2004 quarter, leaving the underlying cost-to-income ratio at 43.7%.

Sir John Anderson added: "With the focus on regulatory and integration issues now largely behind us, we are now well placed to take the businesses forward by leveraging our leading position and the strength of our two brands. Customers are telling us they like what we are doing – The National Bank continues to enjoy the highest customer satisfaction of any of the major banks and ANZ's customer satisfaction levels in the June quarter remained near seven-year highs."

Earlier this month ANZ National Bank successfully completed the first stage of the domestic systems relocation and transferred its general ledger and related systems from Australia back to New Zealand and is on target to complete the integration of the business by 31 December 2005.

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APPENDIX – KEY CALCULATIONS

	QUARTER TO JUN-05 $m	QUARTER TO JUN-04 $m
Headline profit after tax	169	192
Add back: Goodwill amortisation	45	40
Integration costs (post-tax)	21	5
Underlying profit after tax	235	237
Headline operating expenses	373	339
Add back: Goodwill amortisation	45	40
Integration costs	32	6
Underlying operating expenses	296	293