ANZ National Bank Limited

Ground Floor
1-9 Victoria Street
P O Box 540, Wellington
New Zealand
Phone: 64 4 463 9400
Fax: 64 4 494 4290

Media Release

For Release: 28 February 2006

ANZ National Bank records strong December Quarter result

ANZ National Bank today announced a profit of NZ$274m for the December 2005 quarter[1], up 19% on the previous corresponding quarter, with good momentum emerging in operating performance.

The result reflects solid asset and deposit growth, lower credit provisioning charges and stronger earnings from Institutional Markets. In addition $15 million post tax was received as income in the December 2005 quarter from Lloyds TSB Group plc relating to an adjustment to the purchase price for The National Bank of New Zealand Limited Group ('Lloyds receipt').

These favourable impacts were offset by reduced net interest margins in Retail, Rural and Corporate businesses from price competition, the run-off of discontinued structured finance transactions and higher integration costs.

December Quarter 2005 Performance Summary

- Profit after tax of NZ$274 million, a 19% increase over the December 2004 quarter ($230 million).
- Underlying profit after tax of $247 million, an 8% increase over the December 2004 quarter ($228 million). Refer Appendix for an outline of the "Underlying" calculations.
- Underlying cost-to-income ratio decreased to 44.1% from 45.1% in the December 2004 quarter.
- Net loans and advances were up NZ$1,801 million (10% annualised) on the September 2005 position and up 13% from December 2004. Total customer deposits were up NZ$2,058 million (18% annualised) on the September 2005 position and up 10% from December 2004.

---

[1] The December 2005 quarter was the first financial reporting period for ANZ National Bank under IFRS. Comparative figures have not been restated for NZ IAS 32:Financial Instruments: Disclosure and Presentation, NZ IAS 39: Financial Instruments: Recognition and Measurement and NZ IFRS 4: Insurance Contracts.

ANZ National Bank maintained good balance sheet growth with net loans and advances increasing 13.1% in the 12 months to December and by NZ$1,801 million (10% annualised) to NZ$70.9 billion in the December quarter.

Total mortgage growth was NZ$1,256 million for the December quarter - up from growth of NZ$1,141 million in the December 2004 quarter, and an increase of 13.6% in the 12 months to December 2005 to NZ$39.6 billion. Customer deposits increased 9.5% in the 12 months to December, after growth of NZ$2,058 million (18% annualised) to NZ$47.5 billion in the December quarter.

Underlying costs of NZ$316 million were up 4% on the same period last year (refer Appendix), with an increased focus on efficiency helping offset continuing investment in branches and staff.

An improved Institutional Markets performance (capital markets and foreign exchange earnings) was the main driver of the stronger Institutional segment result for the quarter. Good lending growth drove an improved result in the Relationship Banking segment.

The ongoing impact from last year's intense price competition in mortgages, and the cost of the ongoing enhancement to the customer service proposition, constrained growth in the retail banking businesses. Restructuring, and competitive pressures on lending volumes and margins impacted the UDC performance for the quarter.

The credit environment remains benign, and this was reflected in a lower provisioning charge. The application of IFRS doubtful debts provisioning methodology also favourably impacted the provisioning charge.

Adjusting the headline profit for the impacts of adopting IFRS which are not reflected in the December 2004 results, relating to changed accounting treatment of derivative valuations, yield related fee income, credit provisioning and hedging relationships, and excluding integration costs, the Lloyds receipt and the run-off of discontinued structured finance transactions, profit after tax increased by 8% over the December 2004 quarter.

For media enquiries contact:

Cynthia Brophy
General Manager Corporate Affairs
Tel: +64-4-802 2382 or +64-21-832 500
Email: cynthia.brophy@anznational.co.nz

For analyst enquiries contact:

Stephen Higgins
Head of Investor Relations
Tel: +61-3-9273 4185 or +61-417-379 170
Email: higgins@anz.com

APPENDIX – KEY CALCULATIONS OF UNDERLYING RESULT

			QUARTER TO DEC-05 $m	QUARTER TO DEC-04 $m
Headline profit after tax			274	230
Add back:	Integration costs (post tax)		17	8
	IFRS adjustments			
		Mark to market of hedges	(12)	-
		Credit provisioning	(21)	-
		Fee income amortisation	6	-
	Lloyds receipt		(15)	-
	Discontinued business (structured finance)		(2)	(10)
Underlying profit after tax			**247**	**228**
Headline operating expenses			342	316
Add back:	Integration costs		(26)	(12)
	Discontinued business (structured finance)		-	(1)
Underlying operating expenses			**316**	**303**
Headline net operating income			742	679
Add back:	IFRS adjustments			
		Mark to market of hedges	(17)	-
		Fee income amortisation	8	-
	Lloyds receipt		(15)	-
	Discontinued business (structured finance)		(1)	(7)
Underlying net operating income			**717**	**672**