

For immediate release  
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## **HBOS Australia delivers strong first-half profit growth**

### **Result endorses strategic path**

HBOS Australia has today announced a 23 per cent increase in underlying profit before tax to \$316 million for the half year to 30 June 2006, compared with the corresponding period last year.

HBOS Australia Chief Executive David Willis said that the excellent result reflected the underlying strength in the organisation's five business streams and was a strong endorsement of the growth strategy adopted more than two years ago.

The result was underpinned by strong growth in mortgages and deposits, continued success in attracting new customers nationally, and growth in national market share.

"At this stage in our overall development, we are ahead of strategic and financial objectives," Mr Willis said.

"We have achieved significant gains in national business, brand awareness and market share as a result of our strategy to acquire customers through a combination of service and market leading products offering customers a better deal.

"It is extremely encouraging that we have been able to achieve profitable growth in such a competitive market, while supporting our national expansion through significant investment in systems, infrastructure, people and product development."

During the period solid growth was made in lending (up an annualised 26% to \$52.3bn) and deposits (up an annualised 16% to \$22.9bn). The online deposit product TeleNet maintained its market leading position and lifted its best available rate to 6.4% per annum. In addition BankWest was Australia's fastest growing mortgage bank and had the fastest growing credit card business, largely as a result of Lite MasterCard and Zero MasterCard.

The Business Bonus and Business TeleNet designed to capture the SME and commercial markets were also launched with encouraging early signs. The Top 200 fund gained further momentum during the period.

An important development was the expansion of transactional services available to east coast customers with the rollout of more than 350 BankWest-branded ATMs in the first half of 2006 as the BankWest 7-Eleven partnership was implemented. In addition, three new Business Banking Centres were opened in the six months with more planned for the second half.

Mr Willis said that while the success of a number of strategic initiatives launched through the Retail, Business and Insurance and Investment businesses was encouraging, the continued strength and growth of the Corporate and Asset Finance businesses was a major contributor to the organisation's overall performance.

"Capital Finance, our asset finance business, developed further business with motor dealers and our corporate division BOS International generated strong business and maintained its market leading position as transaction arranger," he said.

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“During the first half costs were slightly lower than the second half of 2005 as we sought to consolidate and realise the benefits from a number of new initiatives introduced over the previous financial year.

“However, further investment to support our growth plans, largely as a result of new staff recruitment, increased systems infrastructure and the continued expansion of our physical distribution on the east coast, will impact on second half costs in the current year.”

HBOS plc Chief Executive Andy Hornby said: “We are delighted with the success of our Australian operations and the progress being made, particularly in the areas of customer acquisition and market share growth.

“HBOS is committed to the long-term in Australia where we believe there is significant opportunity to become a major financial services provider by challenging the status quo.”

#### **HBOS Australia Financial highlights compared to the six months to 30 June 2005:**

- Net operating income up 27% to \$753m;
- Net interest income up 27% to \$572m;
- Non-interest income rose by 28% to \$181m (H1 2005 \$141m);
- Fee income up 13% to \$137m;
- Underlying operating expenses up 21% to \$352m;
- Customer deposits up 29% to \$22.9bn;
- Advances up 31% to \$52.3bn.

HBOS Australia's parent company HBOS plc also announced its full year results today. The highlights included:

- Profits before tax up 17% to £2,654m (\$6,476m);
- Underlying operating income up 11% to £5,795m (\$14,140m);
- Net interest income up 8% to £3,647m (\$8,899m);
- Underlying non-interest income up 16% to £2,148m (\$5,241m);
- Total underlying operating expenses up 7% to £2,369m (\$5,780m);
- Loans and advances up 10% annualised to £361.6b (\$882.3b);
- Earnings per share up 15% to 47p (114c).

Attached to this Media Release is a summary of HBOS Australia's results.

#### Media inquiries

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