Media Release

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ANZ confirms earnings guidance unaffected by Telstra-PCCW Reach settlement

Following today's announcement by Telstra and PCCW regarding their Reach joint venture, ANZ confirmed the additional provisioning associated with the settlement between Reach and its syndicate bankers is not material to ANZ and its 2004 earnings guidance remains unchanged.

While no formal disclosure is required, given market interest in the Reach settlement ANZ has issued a clarification of its exposure and expected provisioning.

ANZ's credit exposure to Reach is $US80 million (A$115 million) as part of a US$1.2 billion syndicated term loan facility provided by eight international banks.

The commercial settlement between Reach and its syndicate bankers will result in ANZ making a further specific provision of approximately A$50 million in the current half. ANZ confirmed it had raised a specific provision for Reach in its first-half results.

ANZ Chief Operating Officer Dr Bob Edgar said: "The Reach credit loss is extremely disappointing. ANZ's role in the banking syndicate was a result of our domestic banking relationship with Telstra at the time and their formal request for our participation. Today's settlement finalises our involvement. The additional provision will be taken within ANZ's already strong level of provisioning.

"In recent years we have substantially reduced our exposure to the telecommunications sector which now represents under 1% of total lending assets. More than two thirds of our exposure to the sector is now in domestic assets in Australia or New Zealand.

"This has been part of a long-term strategy to materially improve overall average credit quality by the derisking of offshore portfolios, reducing client concentration risk and increasing the emphasis on personal lending assets.

"The additional specific provision will not impact on the outlook for 2004 earnings as we continue to expect specific provisions to be below 2003 levels and the current Economic Loss Provision charge for expected credit losses. We continue to expect a full-year earnings in line with market expectations with cash earnings per share growth of at least 9 per cent[*]," Dr Edgar said.

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[*] As previously advised, excludes goodwill, significant transactions, expenditure on integration of The National Bank of New Zealand and adjusting for the bonus element of the rights issue.