



# Media Release

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## **ANZ reaffirms earnings outlook**

ANZ today issued a shareholder update confirming it remains on track to deliver a record result and meet market expectations of at least 9% cash earnings per share growth for 2004.\*

ANZ Chief Executive Officer Mr John McFarlane said: "Our performance so far this year is pleasing. The strength of our earnings in core businesses means we have the flexibility to deliver on market expectations while we invest in our franchise for future growth."

ANZ's personal banking businesses in Australia have performed particularly strongly for the third year in succession and have increased market share. This is significant as until recent times these businesses have not been ANZ's traditional strength. Asset growth in Mortgages is up 19% and deposit growth is up 11% annualised.

Corporate and Small Business is again expected to deliver strong earnings growth underpinned by lending growth of 17% and deposit growth of 10% annualised, whereas subdued demand in institutional markets combined with continued de-risking, will result in a flat Institutional performance.

Performance in New Zealand has been reasonable given amalgamation and integration. There is evidence our two-brand strategy is beginning to work and non-systems integration is on track. Systems integration remains complex as a result of the need to build on the strengths of the two retail franchises and accommodate different infrastructures.

Interest margins will continue to decline in the second half. Growth in mortgages, funded largely at wholesale rates, together with margin squeeze from rising interest rates have been the main contributors. Some price competition has also been noticeable.

Mr McFarlane commented: "There has been much said recently regarding net interest margins and competition. Banking is a competitive industry and margins have been contracting for many years. Our approach continues to be to price competitively, but not sub-economically, to maintain our customer franchise and share."

Beyond the previously announced provisions on Telstra's Reach joint venture, credit quality continues to be relatively benign, reflecting the strength of the Australian and New Zealand economies. Arrears levels in our consumer businesses remain at very low levels and the commercial sector is healthy. Although we expect Specific Provisions to be lower in full year 2004 than in 2003, our Economic Loss Provision Charge will increase moderately, largely due to the inclusion of The National Bank of New Zealand.

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\* Excludes significant transactions, incremental expenditure on the integration of The National Bank of New Zealand, goodwill amortisation, and adjusting for the bonus element of the rights issue.

ANZ will expand on the strong performance of its Australian Personal Division at a market briefing on Wednesday, 8 September 2004 and will report its Full Year Results for the period ended 30 September 2004 on 26 October 2004.

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