Media Release

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ANZ confirms earnings outlook

ANZ today issued a shareholder update confirming an unchanged earnings growth outlook for the year of around 8%, broadly in line with market consensus for full-year 2003 bottom-line after tax profit growth (excluding significant transactions in the prior year).

The announcement has been made in the light of public shareholder meetings in Melbourne and Adelaide this week.

ANZ Chief Executive Officer Mr John McFarlane said: “Recent overall momentum has been broadly consistent with market expectations. Mortgage demand has remained strong, offset by a difficult interest rate climate and low institutional loan demand.”

“We will provide guidance on 2004 at our 2003 Full Year Results in October. Early indicators are that 2004 will be more challenging for the industry as a whole than 2003. Credit card interchange reform, a difficult interest rate environment, the strong Australian Dollar and a softening outlook for housing all increase the challenge. This said, we expect 2004 earnings per share growth to remain reasonable,” Mr McFarlane said.

Business Segment Update

Consumer Finance. Strong asset growth in the April-July period has confirmed this segment is back on track with improved momentum following issues with the accrual of loyalty points in the first half. The renewed momentum is based on growth in consumer spend and related improvements in net interest income following 10% growth in lending assets in the year to date (10 months to July 2003).

Consumer Finance however faces a challenging period in 2004 associated with the reductions in credit card interchange following the Reserve Bank of Australia’s announced reforms. Changes will be required to credit card loyalty programs to ensure that in the new environment ANZ has sustainable products for its customers and a sustainable business for shareholders. ANZ is increasingly confident that the impact of the changes is unlikely to be greater than our earlier estimate.

Mortgages. Mortgage drawdowns by value were up 32% in the first four months of the second half compared with the same period in 2002. This includes strong end of financial year demand and consumers considering the prospect that interest rates will remain low. Demand is expected to ease gradually into 2004.

While ANZ’s branch network is continuing to perform well, third-party share of the overall market has steadily increased and this channel now accounts for 42% of ANZ drawdowns by value compared with 29% in the same period in 2002. This reinforces the strength of ANZ’s third-party distribution model and product offering which continues to provide a solid share of growth in this channel. Australian mortgage outstandings are up 17% year to date.

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Asset Finance. Strong business conditions, good growth in new business writings based on the strength of Esanda and UDC market positions, and continued productivity improvement associated with a more focused business model continue to generate a positive earnings performance. Lending assets have grown 8% year to date.

Personal Banking. Deposits have continued to grow, with liabilities up 6% in the year to date. ANZ's focus on developing its business in rural Australia continues to see growth in market share and improved business performance. Revenue has been eroded to some extent by continuing margin pressure and increased costs associated with the ongoing Restoring Customer Faith program.

ING Joint Venture. ANZ's funds management joint venture with ING continues to perform reasonably well in a difficult market. This is reinforced by the June Quarter ASSIRT Market Share Report, which shows that ING Australia has established a solid top four position with $27.8 billion of Retail Assets under management. Business integration is on schedule with cost synergies expected to be towards the top end of estimates previously provided.

New Zealand. Overall performance has been relatively flat. Asset growth has been solid, offset by lower deposit margins, following recent cuts to Official Cash Rates and investment in growth initiatives. Lloyds TSB has announced that it has entered discussions with a number of parties regarding the future ownership of its subsidiary, the National Bank of New Zealand. ANZ is one of those parties.

Institutional Financial Services. Fee and loan volume growth have been modest in Australia and New Zealand offset by higher contributions from Foreign Exchange, following recent volatility in the Australian Dollar and a strong performance from Capital Markets. Structured Finance International continues to be subdued reflecting ANZ's ongoing strategy to reduce non-core international corporate lending, which coupled with the weak $US, has seen overall lending for Institutional Financial Services decline by 3% year to date.

Corporate and Small-Medium Business. Lending (up 13% YTD) and deposit growth (up 9% YTD) continue to underpin a strong performance, with positive trends in domestic business investment.

Credit Quality. Overall domestic credit quality remains sound. We continue to be cautious regarding parts of the offshore investment banking portfolio, including the US energy sector. While there have been some developments, these do not affect our previously stated view of potential losses, and we continue to believe these are containable. Accordingly, ANZ still expects specific provisions from its international investment banking businesses to have peaked and for specific provisions in 2003 to be lower than 2002. In general, the overall quality of ANZ's loan portfolio continues to improve. In this more stable environment with uncertainty in its international lending portfolio reducing, there may be scope in 2004 to reassess the associated special Economic Loss Provision charge established in 2001.

ANZ will report its Full Year Results for the period ended 30 September 2003 on 24 October 2003.

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