



# Media Release

Corporate Affairs  
100 Queen Street  
Melbourne Vic 3000  
Facsimile 03 9273 4899  
[www.anz.com](http://www.anz.com)

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## ANZ confirms earnings momentum

Following four months of solid performance, ANZ is confident it will meet market expectations of up to 8% cash earnings per share growth in 2005\*, the bank said in a shareholder update today.

ANZ Chief Executive Officer Mr John McFarlane said: "Our underlying performance has been pleasing and we remain focused on meeting our financial target of 8% for the year as a whole.

"This reflects the strength of the Australian and New Zealand economies and the momentum established in our core businesses. Personal is performing particularly strongly. Corporate is performing solidly as is Institutional, which is showing signs of improvement. New Zealand is flatter, following severe price competition in the mortgage market in the first quarter," he said.

The Personal Division, ANZ's specialist retail product and distribution businesses in Australia, continues to be ANZ's best performing division. In a competitive market, Personal has grown retail deposits 10.2% in the past 12 months, lifted residential lending by 15.8% and funds management flows continue to improve. The credit card business continues to perform well.

Personal's strong performance has been largely driven by improvements in the ANZ branch network and continued advances in customer satisfaction. The latest market research indicates ANZ has the highest customer satisfaction of any of the major banks and has now moved ahead of St George Bank for the first time since 1996.

Mr McFarlane said: "These results are built on the success we have had in revitalising the branch network including high levels of staff satisfaction and engagement. We are now expanding our retail presence in population growth corridors with an increase in the number of ATMs and new branches in Sydney and Southern Queensland. This includes trialling new concepts such as *anz@work* involving the location of small sales-focused branches in business precincts."

The Corporate Division is performing well with deposits up 12% over the past 12 months and lending up 13%. While lending growth to smaller businesses remains at a high level, it has moderated slightly with the slowdown in the property market and increasing competition.

Asset growth in Institutional has been stronger although largely offset by lower margins in a highly competitive market. The Markets business has benefited from recent volatility in foreign exchange markets. Going forward, Institutional will also be impacted by the loss of earnings from the London-based Structured Finance business recently sold to Standard Chartered.

New Zealand has been impacted by severe price competition in the mortgage market in the first quarter resulting in a flat financial performance. Volume growth was significantly higher than expected however pointing to improving momentum in second half of 2005 as management moves from a focus on integration to using the Group's two brands to grow market share and improve financial performance.

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\* Excludes significant transactions, incremental expenditure on the integration of The National Bank of New Zealand, goodwill amortisation.

Customer attrition levels remain well below expectations and the Group's retail market share is stable. This reflects increased investment in retail banking staffing levels in both brands. High levels of staff engagement in New Zealand, among the highest in the Group, and leading customer satisfaction levels at The National Bank of New Zealand, together with continued improvements at ANZ New Zealand have also been important. No material integration issues have arisen and is now well on track to be completed this year. ANZ National Bank Limited will release its General Disclosure Statement for the period ending December 2004 on 17 February 2005.

ANZ continues to expect earnings from Asia Pacific to be well down, reflecting lower earnings from our Panin investment, which were abnormally high in 2004, investment in the region, and the strength of the Australian Dollar. Esanda and UDC's performance is solid. ING Australia is performing well but financial performance will depend on the strength of investment returns.

Credit quality is significantly better than expected and continued de-risking of the portfolio is likely to lower our provisioning charge below expectations.

"We have said consistently that 2005 is a year where we will continue to invest in organic growth and that our focus is not on maximising current year's earnings but creating a stronger business platform for the future," Mr McFarlane said.

"Our performance in core businesses in Australia has been stronger than expected but New Zealand lower than expected. We are investing in people, particularly in branch and specialist sales activities across Australia and New Zealand. However, tight control of business-as-usual costs has allowed us to maintain our focus on revenue growth by investing in high priority growth areas such as personal and small-to-medium business.

"We believe these opportunities are significant and justify giving up some earnings growth in the short term to create a platform for further market share gains and more sustainable earnings performance over the medium term," Mr McFarlane said.

A number of factors previously detailed are however working to offset strong volume growth experienced in the year to date. Margins remain modestly under pressure particularly in Institutional and New Zealand. In Group Treasury the flat yield curve has significantly reduced the opportunity for earning mismatch income across the industry in Australia and offshore, representing a drag of around 1% in EPS terms. The strength of the Australian Dollar relative to the US Dollar is also a negative influence.

Commenting on other issues of interest to shareholders, Mr McFarlane said: "Although we have commented that we have an underweight position in wealth management, this is an issue for the long term, not for the moment. Our focus remains on organic growth and it would be imprudent to entertain wealth management acquisitions given the current values in the sector.

"We are continuing to look for opportunities in Asia to establish a portfolio of consumer-focused growth businesses in partnership with local players. Although we continue to examine opportunities, we will only proceed where we can engineer financially attractive investments.

"Overall, I remain comfortable with the year, which is now on track against our target of 8% growth in cash earnings per share, and we have also advanced our strategic agenda by investing in organic growth," Mr McFarlane said.

ANZ will hold a conference call for analysts and fund managers at 10.00am today during which John McFarlane and Chief Financial Officer, Mr Peter Marriott will discuss this shareholder update.

For media enquiries contact:

Paul Edwards  
Head of Media Relations  
Tel: 03-9273 6955 or 0409-655 550  
Email: [paul.edwards@anz.com](mailto:paul.edwards@anz.com)

For analyst enquiries contact:

Stephen Higgins  
Head of Investor Relations  
Tel: 03-9273 4185 or 0417-379 170  
Email: [higgins@anz.com](mailto:higgins@anz.com)