

Media Release



Corporate Communications
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ANZ Trading Update

In a shareholder update today ANZ said its underlying business was continuing to perform well, however the global credit environment and market volatility will give rise to additional provisions.

While ANZ's interim results are still being finalised, this update has been provided to inform shareholders that credit provisions for the first half will exceed the consensus of market expectations primarily due to a higher collective provision charge.

Key Points

- ANZ's underlying business is performing well with growth in profit before provisions being driven by revenue growth of around 11% (compared to first half 2007).*
- Turmoil in global markets is continuing and the global economic outlook is weakening which is likely to impact credit quality in the Institutional portfolio.
- While the rise in actual losses on individual accounts in the Institutional portfolio has been contained, the increase in the collective provision reflects risks which are yet to crystallise, including a small number of downgrades in selected commercial property and broking industry segments. In addition the faster portfolio growth and an allowance for secondary impacts of the market turmoil generally have added to the collective provision.
- Credit quality in the Personal portfolio remains strong with no signs of deterioration.
- Total provision for credit impairment (including collective provision) for the half year is likely to be approximately \$975 million (compared to \$567 million for the full year in 2007).

ANZ Chief Executive Officer Mike Smith said: "ANZ's underlying business is in good shape with profit before provisions in line with market expectations. Our Asia Pacific, Institutional and Personal divisions are delivering very good revenue growth with solid growth in New Zealand.

"As turmoil in global markets and the slowing of the US economy plays out and the Australian economy slows due to tighter monetary policy and credit conditions, there are likely to be flow-on effects for the commercial portfolios. There is a change taking place in the credit cycle and we intend to continue to take a conservative approach in reviewing our provisioning requirements," Mr Smith said.

ANZ expects its total provision charge for credit impairment (including collective provision) to be in the vicinity of \$975 million for the six months ended 31 March 2008.

* Adjusted for non-core items (including significant items and income arising from the use of derivatives in economic hedges and fair value through profit and loss).

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Asset quality in the consumer, rural and small/medium size business portfolios remains very strong with little change in provisioning levels from prior periods.

ANZ has maintained a level of collective provision coverage which is higher than that for the Australian banking sector. Collective provisions for the half year have been further increased and will include around \$350 million for risks inherent in the current Institutional portfolio reflecting a small number of downgrades in selected commercial property and broking industry segments, stronger portfolio growth in Institutional (20% growth since 30 September 2007) and an allowance for secondary impacts of the market turmoil generally.

As previously announced on 18 February, individual provisions will include an unrealised mark to market loss relating to the downgrade of a US monoline insurer from which we had purchased credit protection in a credit intermediation trade. Based on the mark to market position at 31 March, the individual provision is A\$226 million (US\$206 million). Given the quality of the underlying assets and credit enhancement in these trades, we expect this provision to significantly reverse in future periods.

Mr Smith added: "While it is appropriate to make provision for these potential risks, ANZ is progressing well.

"We have a clear aspiration to build a "super regional" bank over the next five years. In the short term we need to manage the impact of the global economic environment so we continue to operate from a position of strength in order that we can build our business for the longer term," Mr Smith said.

A conference call for investors will be held at 10.45am today with Chief Executive Officer, Mike Smith and Chief Financial Officer, Peter Marriott. This call can be accessed live at <http://www.anz.com/aus/shares/presentations/default.asp>.

ANZ will report its Interim Results for the period ended 31 March 2008 in Melbourne on 23 April 2008.

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