

# Media Release



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For Release: 27 August 2002

## Impact of RBA credit card scheme reform on ANZ

Following the release of a new interchange standard by the Reserve Bank of Australia, ANZ today announced that the impact of reductions in interchange revenue and recent increases in the cost of frequent flyer points are likely to reduce ANZ's Australian credit card annual after tax profit by approximately \$40 million by the 2004 financial year.

Implicit in the Reserve Bank's reforms is the intention to remove certain costs from the credit card payments system, such as those associated with loyalty schemes, and for these costs to be borne more directly by cardholders.

ANZ believes the current competitive environment and its responsibilities to its customers would not permit full recovery of the shortfall. The estimated impact on net credit card profits assumes ANZ will absorb about one third of the impact.

ANZ Managing Director Consumer Finance Mr Brian Hartzler said: "The reduction in interchange announced by the Reserve Bank was disappointing but now a reality.

"It takes Australian interchange levels to well below that of similar developed markets, including the European Union, which recently set interchange at 70 basis points.

"Credit card programs are already under pressure from recent increases in the cost of frequent flyer points and the other costs of reward schemes.

"The unfortunate result of the reduction in interchange and the increasing cost of reward programs will be difficult but necessary decisions in restructuring credit card programs. The changes will aim to ensure that credit cards remain economically viable while maintaining their value to customers," Mr Hartzler said.

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