

Media Release

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New Zealand Inland Revenue tax notices

ANZ National Bank Limited today announced it had received Notices of Proposed Adjustment from the New Zealand Inland Revenue Department (IRD) in respect of a structured finance transaction undertaken by ANZ New Zealand in the year ended 30 September 2000.

Based on the independent tax and legal advice obtained, the Bank is confident the tax treatment it has adopted for this transaction and all similar transactions is correct and does not currently expect to raise additional provisions for any tax liability relating to this matter.

Summary of Potential Financial Impact

- IRD proposed adjustments cover the 2000 to 2003 tax years and imply a maximum potential liability of NZ\$54 million (NZ\$62 million with interest tax effected).
- Maximum potential tax liability on all similar transactions is partially offset by tax indemnities given by Lloyds TSB Bank plc relating to The National Bank of New Zealand.
- Net potential liability on all similar transactions of NZ\$200 million (NZ\$232 million with interest tax effected) up to 30 September 2004.

The tax adjustments proposed by the IRD for the transaction cover the 2000 to 2003 tax years and imply a maximum potential liability of NZ\$54 million (NZ\$62 million with interest tax effected). If applied to the 2004 tax year, an additional liability of NZ\$10 million is implied (NZ\$15 million with interest tax effected).

The IRD is also investigating other transactions undertaken by ANZ New Zealand and The National Bank of New Zealand, which have been subject to the same tax treatment. Should the same position be taken on all transactions, including those that the Notices cover, the maximum potential tax liability would be approximately NZ\$299 million (NZ\$348 million with interest tax effected) for the period to 30 September 2004.

Of that maximum potential tax liability in dispute, it has been calculated that approximately NZ\$99 million is subject to tax indemnities given by Lloyds TSB Bank plc under the agreement by which ANZ acquired The National Bank of New Zealand, and which relate to transactions undertaken by The National Bank of New Zealand before December 2003. This leaves a net potential liability of NZ\$200 million (NZ\$232 million with interest tax effected).

The Notices have been issued as part of an industry-wide review by the IRD of structured finance transactions in New Zealand. A Notice of Proposed Adjustment is a formal advice that the IRD is proposing to amend tax assessments. The Notice is not a tax assessment and does not establish a tax liability. It is the first step in a formal disputes process.

ANZ National Bank Limited, with the rest of the banking industry, is working in cooperation with the Government on tax law changes that would affect transactions of this type in the future. ANZ has not entered into similar transactions for some time and many of those being reviewed have already matured. Legislative changes could involve the remaining transactions being terminated within the next 12 months.

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