



Media Release

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For Release: 26 October 2004

John McFarlane's contract extended until 2007

ANZ Chairman Mr Charles Goode today announced the ANZ Board had extended Mr John McFarlane's employment contract for a further year until 30 September 2007.

Mr Goode commented: "The Board is very pleased to have extended John's contract until 30 September 2007. Since John joined ANZ in October 1997 he has shown outstanding leadership of the bank, which has allowed shareholders, our people and customers to share in the success.

"The extension of John's contract reflects the Board's confidence in ANZ's current momentum with a focus on growth, cost control, risk mitigation and creating sustainable shareholder value," Mr Goode said.

Key terms of Mr McFarlane's contract extension are:

- a one-year extension to Mr McFarlane's existing contract until 30 September 2007
- fixed annual remuneration of \$2,000,000
- target variable annual remuneration of \$2,000,000 linked to annual performance
- long-term incentives, subject to shareholder approval at ANZ's 2004 Annual General Meeting, comprising 175,000 Performance Shares. The shares will vest, subject to achieving performance hurdles in the period from 31 December 2006 to 31 December 2009. The total value of the proposed grant is estimated to be \$2,500,000.

The terms of Mr McFarlane's previous remuneration had remained unchanged since 1998. A full copy of Mr McFarlane's contract extension is attached.

For media enquiries contact:

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26 October 2004

Charles Goode
Chairman

Mr John McFarlane
Chief Executive Officer
ANZ Banking Group Limited
32/100 Queen Street
Melbourne Vic 3000

Dear John

The Board of Directors is very pleased that we have mutually agreed for an extension of a further 12 months to 30 September 2007. We congratulate you on your continuing leadership of the Bank for our shareholders, our people, our customers and the communities in which we live.

Further to our recent discussions, on behalf of the Board I am pleased to confirm the variations to your existing contract dated 23 October 2001 as stated below. This letter is to be read in conjunction with your existing employment agreement. Clause numbers refer to your original contract.

2. Operative Date

By mutual agreement, your employment agreement is extended by 12 months to 30 September 2007.

3. Remuneration

The details of your remuneration are set out in the Schedule. The Schedule forms part of this letter of variation.

12. Termination of Employment

12.3 Termination by ANZ

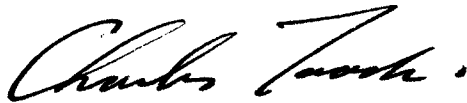
(a) Termination on Notice

- (i) ANZ may terminate your employment for any reason (other than (b)) by giving you written notice equal to the unexpired term of the employment agreement (which ends on September 30, 2007).
- (ii) In the event that clause 12.3(b) is not applicable, and ANZ breaches its contractual obligation under clause 12.3(a)(i) by terminating your employment without the notice set out in clause 12.3(a)(i), the parties agree that the damages for breach by ANZ of that contractual obligation shall be the TEC that you would have received during that part of the notice period that you were not able to serve due to ANZ's early termination of the employment agreement.

The Board is confident that you can continue the Group's current momentum with a focus on growth and continue to enhance shareholder value. It looks forward with much pleasure to continuing to work with you.

I enclose a duplicate original of this letter of variation. Please sign and return it to me as acceptance of the terms of variation.

Yours sincerely

A handwritten signature in black ink, appearing to read "Charles Goode". The signature is fluid and cursive, with a long horizontal stroke at the end.

Charles Goode
Chairman
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

**VARIATION TO SCHEDULE
REMUNERATION ENTITLEMENTS, INCLUDING PAYMENTS ON TERMINATION**

Name: **John McFarlane**
Title: **Chief Executive Officer**
Location: **100 Queen Street, Melbourne**
Reporting To: **Board of Directors, ANZ Banking Group Limited**
Schedule Issued: **26 October 2004** Effective Date: **1 October 2003**

This Schedule forms part of your employment agreement.

In accordance with the ANZ Director's Share Plan, you may elect to forego part of your TEC or any bonus you may receive in order to purchase ANZ Shares to an equivalent value. (Refer ANZ Director's Share Plan Rules). You have advised that you presently intend to exercise this election for all future bonuses and for that proportion of your TEC in excess of what is required for your mandatory superannuation contributions and other payroll deductions.

1 Total Target Reward

Your Total Target Reward (TTR) is a combination of Fixed Reward – TEC (50% of TTR) plus Variable Reward (50% of TTR). Your annualised TTR is \$4,000,000.

1.1 Fixed Reward - TEC

Your TEC package is now \$2,000,000 per annum.

1.2 Variable Reward

Your target bonus opportunity is now \$2,000,000 per annum.

Bonus payments are subject to performance against annual targets and are at the discretion of the Board. Your targets for FY2005 have been agreed with you.

1.3 ANZ Performance Shares

The Board will put a proposal before shareholders at the Annual General Meeting in December 2004, that you be issued with a tranche of Performance Shares. Subject to obtaining shareholder approval, it is proposed that you will be offered the following Performance Shares on the terms and conditions approved by shareholders:

Number of Performance Shares:	175,000
Date of Grant:	31 December 2004
Performance Period:	31 December 2006 to 31 December 2009

It is proposed that these terms and conditions will include vesting conditions (as set out below) and that you will be entitled to receive dividends only from the time the shares have vested (as set out below).

1.3.1 Vesting of Performance Shares

The vesting of Performance Shares will be subject to time and performance hurdles being satisfied.

- The performance hurdle will be measured during the performance period by comparing ANZ's Total Shareholder Return (ANZ TSR) with that of a comparator group of major financial services companies in the S&P/ASX 100 Index, excluding

the ANZ. The companies to be used in the comparator group will be as approved by the Board.

- The percentage of Performance Shares that will vest will depend upon the TSR achieved by ANZ relative to the companies in the comparator group. Performance equal to the median TSR of the comparator group will result in half the Performance Shares vesting. For each percentile above the median an additional 2% of Performance Shares will vest, increasing on a straight-line basis until all of the Performance Shares vest where ANZ TSR is at or above the 75th percentile of TSRs in the comparator group.
- TSR will be measured for ANZ and the comparator group over the same period (since grant) and calculated as at the last trading day of any month, once the performance period has commenced. The first opportunity for performance shares to vest will be after the second anniversary of grant, after which the performance shares will continue to be tested monthly until they are forfeited 5 years after the grant date, or 100% vest, whichever is the earlier.

In case of death or total and permanent disability or where it is otherwise considered appropriate by the Board, the Board may amend the terms upon which the Performance Shares may vest.

1.3.2 Forfeiture of Performance Shares

You will forfeit ownership of the Performance Shares:

- If they have not vested by the end of the Performance Period; or
- If you cease to be an employee of the Company by reason of termination of your employment for:-
 - Serious misconduct; or
 - For serious breach of your contract of employment; or
 - If you resign without the prior approval of the Board.

1.3.3 Early Forfeiture Date

If you cease to be the Chief Executive Officer of the Company prior to 30 September 2007, and the Performance Shares are not forfeited for one of the reasons set out in 1.3.2, the forfeiture date for this tranche will then be the date that is six months after you cease to be Chief Executive Officer or such longer period as the Board may approve.

1.4 Superannuation

Your notional salary is used to calculate your personal superannuation contributions (if any) and the level of mandatory superannuation contributions. It is also used to calculate the insured component of your death and total and permanent disablement benefits. For full details of the ANZ Australian Staff Superannuation Scheme, refer to the member's booklet.

In addition to mandatory superannuation contributions, ANZ will make top-up employer contributions of \$300,000 per annum paid quarterly, to your chosen superannuation fund (either ANZ Staff Superannuation Fund or your own Self Managed Superannuation Fund).

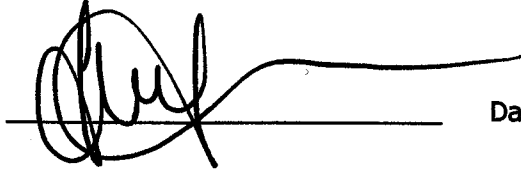
Should you cease to be the Chief Executive Officer of the Company prior to September 30, 2007, the annual contribution for that year will be pro-rated to the date of termination.

ACCEPTANCE

I, John McFarlane, have read and understood and agree to the terms of this letter of variation to my employment agreement (including the Schedule).

Name: John McFarlane

Signature: _____

A handwritten signature in dark ink, appearing to be 'J. McFarlane', written over a horizontal line.

Date: _____

28 October 2004