

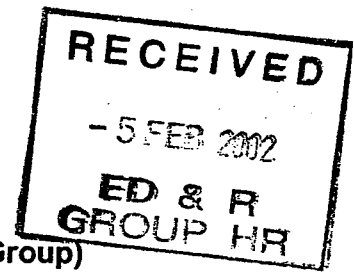
**EXHIBIT 4.2**

All Blanks to be Completed

**EMPLOYMENT AGREEMENT**

**BETWEEN**

**COMMONWEALTH BANK OF AUSTRALIA (CBA Group)**  
**(ABN 48 123 123 124)**



**AND**

**.....Stuart Ian Grimshaw..... (Employee)**

1. The CBA Group agrees to employ the Employee and the Employee agrees to serve the CBA Group on the terms and conditions of employment set out herein.
2. This Agreement comes into effect on and from 1 February 2002 (Insert operative date).
3. The Employee shall be employed as an executive of the CBA Group and shall serve at any location where the CBA Group or one of its related bodies operates.
4.
  - (i) The Employee shall observe and be subject to the provisions of the CBA Group's instructions except as varied herein.
  - (ii) The CBA Group owns all right, title and interest, including without limitation, all industrial and intellectual property rights, in all the Employee's work product and any discovery or invention or process or improvement in procedure relating to that work product made or discovered by the Employee during the term of this Agreement whether solely or jointly with others.
  - (iii) The Employee will, if required by the CBA Group, execute such documents and do such acts and things as the CBA Group may require to effect the assignment to the CBA Group of the industrial and intellectual property rights in the Employee's work product.
  - (iv) Where the Employee's work product includes intellectual property rights of the Employee existing prior to the Employee's employment by the CBA Group, the Employee shall notify the CBA Group of those rights and grant the CBA Group a licence to use that work product as the CBA Group sees fit, including reproducing and making adaptations of or alterations to any part of that work product, and without acknowledging the authorship or part authorship of the work product.
  - (v) The Employee must return to the CBA Group at the time the Employee ceases to work for the CBA Group all originals and copies in any form (including computer data) of all books, records and documents relating to the Employee's duties, functions and responsibilities as an employee of the CBA Group.
5. The Employee shall not after the termination of his employment with CBA Group be employed within Australia directly in the business of banking or financial services for a period of -
  - 6 months if the employment is terminated within the first three years of employment;
  - 3 months if the employment is terminated after 3 years but less than 5 years service.
6. This Agreement may be terminated -
  - by agreement in writing between the parties at any time; or
  - except in circumstances of misconduct, by three months' written notice by either party to the other party. CBA Group may make a payment of an amount equivalent to three months' *Gross Remuneration* in lieu of notice.

In either circumstance, reason for termination shall not be required.

7. Where termination of employment is initiated by the CBA Group other than for misconduct or unsatisfactory performance, the CBA Group will, in addition to payments made under Clause 14,

pay to the Employee compensation of an amount equivalent to 1.0 times *Gross Remuneration* as set out in the attached Annexure.

The CBA Group will not be under any obligation to pay any further compensation on termination other than as set out in this Clause.

8. *Cash* remuneration and other benefits, constituting the *Gross Remuneration* package to which the Employee is entitled under this Agreement, are scheduled in the Annexure. All figures are expressed on an annual equivalent basis.
9. The *Cash* component of the Employee's *Gross Remuneration* package shall be paid on a fortnightly basis, each fortnight representing 14/365 of the value shown in the Annexure.
10. The *Gross Remuneration* package as set out in the Annexure shall be reviewed annually by the CBA Group, having regard to the Employee's work performance and market rates of remuneration.

Any variation to the *Gross Remuneration* package agreed as a result of such a review will be documented by completion of a fresh Annexure, signed by both parties. In the absence of agreement, the then existing *Gross Remuneration* package will continue to apply.

11. The Employee shall be entitled to retire from the CBA Group's service at any time after attaining age 55.

Retirement on the grounds of physical or mental incapacity may be approved, or effected, by the CBA Group at any age where it is satisfied that medical evidence warrants that action.

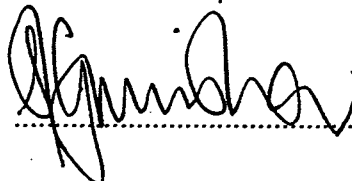
The Employee agrees to give the CBA Group 6 months notice of intention to retire.

12. The Employee must be a member of the Officers' Superannuation Fund.
13. The Employee's remuneration shall be regarded as satisfying their entitlements other than the following:
  - Annual leave – annual leave will accrue at the rate of 20 days per annum. Accrued annual leave cannot be more than 30 days at any point for executives. A minimum 10 days annual leave must be taken each year.
  - Long service leave – accrual will be in accordance with the CBA Group's normal accrual rate. Long service leave on half pay is not available to executives.
  - Personal illness or injury - paid leave on account of genuine and personal illness or injury is available in accordance with the CBA Group's staff policy.

Authorised expenses will be reimbursed in accordance with the CBA Group's policy.

14. Upon termination of this Agreement, the calculation of payments in lieu of accrued but unused annual and long service leave entitlements shall be based on the *Gross Remuneration* amount as shown in the attached Annexure.
15. Any variation to this Agreement agreed between the parties shall be in writing.

SIGNED by the said

  
.....

1/2/02  
.....  
Date

SIGNED for and on behalf of  
COMMONWEALTH BANK OF AUSTRALIA

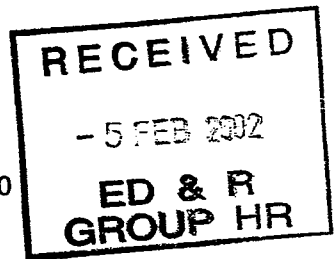
C. Hinne  
.....

4/2/02  
.....  
Date

ANNEXURE TO AGREEMENT DATED 4/2/02

Details of Gross Remuneration, expressed on an annual basis, to apply for period  
1/02/2002 to 30/06/2002

<b>GROSS REMUNERATION</b>		\$ 700,000
LESS value* of non-cash benefits-		
Motor Vehicle	(1) \$23,953 (2) \$0	\$ 23,953
Death and Disablement Cover		\$ 0
Child Care		\$ 0
Salary Sacrifice Superannuation		\$ <del>35,000</del> 8
Voluntary Equity Participation		\$ 0
<b>TOTAL OF NON-CASH BENEFITS</b>		<u>\$ 23,953 - 58,953</u>
Balance Payable as CASH		\$ <del>676,047</del> 641,047



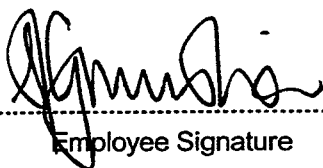
'Salary' for superannuation purposes is	\$ 560,000
Cost of employer provided superannuation	\$ 50,400

\*Valuations - All valuations are as at the start of the period based on the then current utilisation and shall be regarded as fixed during that period unless FBT valuations or rates change or there is adjustment between items necessary to reflect changes agreed between the CBA Group and the Employee in the Employee's utilisation of remuneration components. Any adjustment requires completion and execution of a new Annexure.

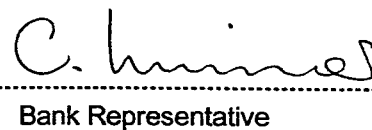
**EMPLOYEE DECLARATIONS**

I \*do/\*do not have private use of a 'business case' car.

\*(Delete where not applicable)

  
Employee Signature

1/2/02  
Date

  
Bank Representative

4/2/02.  
Date

GPO Box 2719  
Sydney  
New South Wales 2001Telephone (02) 9378 2000  
Facsimile (02) 9378 3317**D V Murray**  
Managing Director**Strictly Confidential**

12 December 2001

Mr Stuart Grimshaw  
331 Albert Drive  
Pollokshields  
GLASGOW G41 5EA

Dear Stuart

I refer to our recent discussions and am delighted to offer you appointment to a Group General Manager position, initially Group General Manager, Financial & Risk Management.

In this position you will report directly to me. You will also be a member of the CBA Group's Executive Committee.

Your appointment will be under CBA Group's Senior Executive employment conditions and remuneration arrangements. You will be paid a remuneration package expressed on a Total Cost minus both Incentives and Superannuation (TC-I-S) basis of \$700,000 per annum. Your remuneration package will be reviewed annually with the first review being as at 1 July 2002.

The remuneration package also provides a short term performance payment (bonus) potential of up to a maximum of \$490,000. The first bonus will be pro rated for the period from commencement of employment to 30 June 2002. The performance benchmarks against which the annual bonus will be measured will be on a basis to be agreed between us.

As part of the Group's remuneration arrangements a partial vesting (deferral) arrangement is applicable for Senior Executive short term incentive (STI) payments. This will not apply to you for the 2001 / 2002 year but will form part of your remuneration arrangements for 2002 / 2003. Information regarding the vesting arrangement is included in the enclosed booklet 'Notes on Senior Executive Remuneration'.

The enclosed booklet also outlines in more detail the workings of the Group's Total Cost package arrangements.

An employment contract and remuneration annexure are enclosed.

You will be invited to participate in the Group's Equity Reward Plan (ERP) by way of an allocation to you of 100,000 options and 14,000 shares. Further information about the ERP is enclosed.

On the proviso that all outstanding employee equity arrangements with your current employer are forfeited on exit the CBA Group will make 3 awards of \$300,000 each. The first tranche will be paid in cash on commencement with the second and third tranches being paid as at 30 June 2002 and 30 June 2003. The latter two tranches will be paid as special credits into your superannuation account. These special superannuation credits will be subject to you being in employment with the Group at the relevant dates.

In the event of death or retrenchment any unpaid \$300,000 awards would be paid. In cases of dismissal or resignation the payments would lapse.

### **Relocation and Dislocation Costs**

Reasonable relocation costs will be met, including:

- The removal costs of furniture and effects to Sydney;
- Air travel for self and family to Sydney;
- Rental assistance for up to 6 months; and
- General dislocation costs.

The Group's offer of employment is subject to satisfactory completion of all aspects of the recruitment process including:-

- Your acceptance of the Group's remuneration arrangements;
- Evidence of your remuneration for the past 2 years;
- Provision of birth certificate; and
- Confirmation of qualifications.

You will also need to complete the enclosed pre-employment declaration.

The offer carries with it a number of conditions and benefits, with the more important being:-

### **Superannuation**

Membership of the Group's Officers' Superannuation Fund (OSF) is compulsory. This is a defined contribution (accumulation) scheme, which ensures receipt of superannuation benefits equal to at least the minimum required under the Superannuation Guarantee legislation.

The Group will contribute to your superannuation at 9% of your superannuation 'salary' which initially is \$560,000 (Superannuation 'salary' will be 80% of your Base TC-I-S). You may also contribute to the fund from after tax income or through your remuneration package you may obtain additional superannuation benefits by salary sacrifice. You are able to nominate up to 35% of your remuneration to be paid into a superannuation account in the OSF on a salary sacrifice (pre tax) basis.

### **Motor Vehicle**

The offer carries with it the opportunity to include up to two motor vehicles in your package. This would be under the Group's novated leasing arrangements and would be deducted from the package on a fully costed basis including fringe benefits tax.

### **General**

All employees are required to observe the Group's Statement of Professional Practice, a copy of which is included in the 'Notes on Senior Executive Remuneration'.

We also have a Clean Air policy, which prohibits smoking at any time on Group premises or in any Group vehicle.

In order to acknowledge acceptance of this offer, would you please sign and return the attached copy of this letter.

Upon commencement of employment we will arrange completion of the ancillary matters, including signing of the employment contract.

Should you need clarification of any aspect, please do not hesitate to contact me.

Yours sincerely

*David Murray*

GPO Box 2719  
Sydney  
New South Wales 2001Telephone (02) 9378 2000  
Facsimile (02) 9378 3317**D V Murray**  
Managing Director**Strictly Confidential**Mr Stuart Grimshaw  
Group General Manager,  
Financial & Risk Management  
Level 3, 48 Martin Place

B2

7 February 2002

Dear Stuart

**Equity Reward Plan (ERP)**

Further to the indication made to you in your Letter of Offer, I am pleased to invite you to apply for -

- Options to subscribe for up to **100,000** fully paid ordinary shares; and
- **14,000** fully paid ordinary shares

in the Commonwealth Bank of Australia (Bank) under the Group's Equity Reward Plan (ERP).

This invitation is made on the general terms and conditions contained in the ERP Rules and on the specific terms and conditions of this invitation and subject to the Exercise & Vesting Conditions (the Conditions). Relevant terms are defined in the Rules or the Conditions.

You should read this Invitation Letter, the attached Rules, the Conditions and Taxation Information Sheets (one each for Options and Shares) carefully before deciding whether to take up this offer. A summary of the terms and conditions applying to the Options and Shares is as follows -

**1. Commencement Date (Options & Shares)**

The Commencement Date for both the Options and Shares is 3 September 2001.

**2. Purchase Date (Shares)**

Shares were acquired by the Trust on-market (at an average price of \$29.24496) around 31 October 2001.



**3. Exercise & Vesting Conditions (the Conditions) (Options & Shares)**

You will be entitled to exercise the Options within the Exercise Period only if the Conditions are satisfied. Similarly, shares will vest only if the Conditions are met.

A summary of the Conditions is as follows:

- At the time of exercise or vesting you must be an employee of the Commonwealth Bank Group. (The Board may at its discretion permit exercise of your Options or vesting of your shares where your employment by the Group has terminated in circumstances referred to in sub-rules 5.2 (Shares) and 11.3 (Options) of the Plan).
- The growth in the Total Shareholder Return (share price growth plus dividends reinvested) of the Bank has equalled or exceeded the growth in the Total Shareholder Return of the companies (excluding the Bank) from time to time included in the Banks and Finance Accumulation Index published by the Australian Stock Exchange. (Refer to Section B of the Conditions.)
- During the period prior to satisfaction of the Conditions, the shares allocated to you will be held by the Trustee on the terms and conditions of the Trust.
- If the Conditions are not satisfied during the prescribed period (as specified in Paragraph B.4 of the Conditions), then unless the circumstances set out in Rule 5.2 are applicable, any shares allocated to you will be forfeited and you shall have no further interest in or entitlement to those shares.

Similarly, if the Conditions are not satisfied during the prescribed period, then unless the circumstances set out in Rule 11.3 are applicable, any options allocated to you will also lapse.

You should refer to the copy of the Conditions attached for a full statement of the requirements.

**4. Additional Holding Restriction (Shares)**

You can also nominate an additional holding restriction to apply to the shares once the Conditions have been met. The benefit of a holding restriction that extends beyond when the Conditions have been met is the ability to defer tax (up to a 10 year maximum). More details on the tax deferral can be found in the attached Taxation Information Sheet.

You cannot dispose of, grant any security interest over, or otherwise deal with the shares while they are subject to the holding restriction.

The holding restriction you nominate will be inclusive of the vesting period. In other words, if you nominate a holding restriction of 4 years, this will consist of a vesting period of 3 years plus any applicable

smoothing period (assuming the Conditions are met at the first opportunity) and a holding restriction of 1 year (less any applicable smoothing period). Thus, the shares would be free of any restrictions 4 years from the Commencement Date.

If the vesting period extends beyond the holding restriction you nominate then the greater of the two will apply. In other words, if you nominate a holding restriction of 4 years and the Conditions are met after say, 4 years and 6 months, then no additional holding restriction will be imposed on the shares.

**5. Dividends (Shares)**

During the period prior to the Conditions being met, dividends are held in trust. The Trustee will be liable to pay tax on the dividends at the highest marginal tax rate, but will be able to claim a rebate for the imputation credit attached to the dividend.

Once the Conditions have been satisfied the net amount of these dividends (i.e. the dividend received from the Bank less tax paid by the Trustee) will be paid to you in cash. You will then receive any future dividends directly (and be liable for any tax on them) irrespective of whether you elect to have an additional holding restriction in place.

More details can be found in the attached Tax Information Sheet - Shares.

**6. Exercise Price (Options)**

An Option entitles the holder to acquire one Share in the Bank. The price at which each Share may be acquired will be AUD\$30.12, which is the Market Value of a Share on the Commencement Date. This price will be adjusted by the premium formula (based on the time value of money component of the value of the options) as at the date of vesting of the right to exercise the options.

**7. Exercise Period (Options)**

If the Conditions are satisfied, the Options may be exercised only during the period commencing with the day immediately following the date the Conditions are satisfied and ending at 5 pm Sydney time on the tenth anniversary of the Commencement Date when the Options expire.

**8. Method of Exercise (Options)**

Provided the Conditions are satisfied, you may exercise all or any of the Options (but only in multiples of 100 Options) at any time during the Exercise Period. To exercise the Options you must deliver to the Managing Director of the Bank, or delegate, a completed and signed Notice of Exercise. You will then be required to submit the total exercise price for the number of shares for which you are subscribing before the shares are issued to you.

**9. Taxation (Options & Shares)**

Taxation Information Sheets that provide some details on the taxation implications of participation are attached for your information.

However, you should seek independent professional advice as to the taxation implications of your participation in the Plan.

**10. Participation in Employee Share Acquisition Plan (ESAP)**

As a participant of ERP, you will not be eligible to participate in the Employee Share Acquisition Plan (ESAP).

If you wish to apply for the Options and Shares as offered you must complete and sign the attached Application Form and return it to -

Carol Limmer  
Chief Manager  
Executive Development & Recognition  
Group Human Resources  
Level 11, 175 Pitt St  
Sydney NSW 2000

**by 22 February 2002**

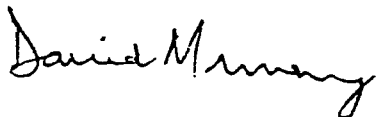
After approval of your application and you will be sent an Option Certificate and a Notice of Exercise for the Options and a statement for the Shares, which you should retain.

If you have any questions about the Plan please contact Carol on (02) 9312 8072.

**Target Shareholding**

I also take this opportunity to inform you of the Board's expectation that you will achieve a minimum shareholding (ie shares vested in your name or shares where you have a majority beneficial interest) in the Bank equivalent in value to 1.0 times your Base remuneration by October 2006.

Yours sincerely



# Equity Reward Plan (the Plan)

## Application for Options & Shares

ERP

To The Managing Director  
Commonwealth Bank of Australia (the Bank)

### Application

I have received an invitation letter dated 7 February 2002 to apply for -

- Options to subscribe for up to **100,000** fully paid ordinary shares; and
- **14,000** fully paid ordinary shares.

in the Commonwealth Bank of Australia (Bank) under the Group's Equity Reward Plan (ERP).

I hereby apply for -

\_\_\_\_\_ **Options**. Each Option will have an exercise price of AUD\$30.12 which will be adjusted by the premium formula (based on the time value of money component of the value of the options) as at the date of vesting of the right to exercise the options;

\_\_\_\_\_ **Shares** and nominate the holding restriction outlined below.

I have read the Invitation Letter, the Rules of the Plan and the Exercise & Vesting Conditions and I agree to be bound by them.

### Holding Restriction (Shares)

I understand that Shares acquired by me under the Plan will be restricted until the later of \*-

- the expiry date of the holding restriction nominated below; and
- the date on which the shares vest.

\* Unless the Board decides otherwise under the provisions of Rule 5.2 of the Plan.

I acknowledge that the holding restriction I nominate may not subsequently be changed.

My nominated holding restriction is \_\_\_\_\_ (whole years, minimum 3 maximum 10).

**Please note that your nominated holding restriction period will include the vesting period and will be calculated from the Commencement Date specified in the invitation. The holding restrictions do not apply to shares issued to you as a result of you exercising your options.**

SIGNATURE

PRINT FULL NAME

DATE

Please return the completed form to:

Carol Limmer  
Chief Manager  
Executive Development & Recognition  
Group Human Resources  
Level 11, 175 Pitt St  
Sydney NSW 2000

by 22 February 2002