

Commonwealth Bank

Commonwealth Bank of Australia
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J D Hatton
Company Secretary

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The Manager
Company Announcements Platform
Australian Stock Exchange



Dear Sir

Please find attached copy of ASX announcement concerning changes to the remuneration arrangements for the Chief Executive Officer of Commonwealth Bank of Australia.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J D Hatton', with a long horizontal flourish extending to the right.

J D Hatton

ASX Announcement

Commonwealth Bank Chief Executive Officer – Remuneration

The Commonwealth Bank Board today announced changes to the remuneration arrangements for its Chief Executive Officer, Mr David Murray. The changes give effect to the completion by the Board of the independent annual review of executive remuneration, alterations to the structure of variable pay for executives announced in the Annual Report and a decision made by the Bank's shareholders at the Annual General Meeting held on 5 November 2004.

The Chairman of the Bank, Dr John Schubert, said that the changes vary the mix of remuneration in Mr Murray's agreement and reflect an appropriate balance between fixed and performance-based remuneration. He said, "The Board was very pleased that the shareholders recently approved the allocation of up to 250,000 shares over the next two years. This, together with the change to the short term incentive, has enabled us to bring the CEO's remuneration arrangements more in line with his peers in the market".

The level and mix of Mr Murray's remuneration package has been determined by the Board, following independent external advice, and for 2004/2005 comprises:

- fixed remuneration (base salary and superannuation) of \$1.9million ;
- a maximum short term incentive payment of \$1.9million (up to 100% of fixed remuneration as foreshadowed in the Annual Report); and
- a potential long-term incentive component of 125,000 Commonwealth Bank shares being the first year's allocation of the 250,000 shares approved by shareholders at the Annual General Meeting.

The bulk of Mr Murray's total remuneration package is at-risk, linked to the Bank's performance. As detailed in the Annual Report, the short term payment is dependent upon performance against targets set by the Board. Under the long term incentive arrangements, the actual number of shares that the CEO can receive depends on how well the Bank performs over the next 3-5 years, relative to a competitor group of banking and finance companies. For Mr Murray to receive the full value of the grant, the Bank will need to perform in the top quartile of this group. No value will accrue to Mr Murray unless the Bank's performance meets the median of the comparator group of companies.

Dr Schubert said that the valuation of the package, using the accounting standards required for disclosure in the Bank's Annual Report, would be in the range 4% to 7% higher than last year, if the Board's assessment of performance over the past two years were to apply this year. Most of the increase is at-risk, consistent with the market.

No other changes have been made to Mr Murray's employment arrangements.

For inquiries, please contact Bryan Fitzgerald on 9378 3904 or 0414 789 649.