Commonwealth Bank
Commonwealth Bank of Australia
ACN 123 123 124

Risk Committee Charter

1. Purpose and Role of Risk Committee

1.1. The purpose of the Risk Committee is to assist the Board in its governance of the Group's risks.

1.2. The Risk Committee is responsible for overseeing all risks and risk related activities other than those undertaken by the Board or other Board committees as specified below:

1.2.1. To satisfy the US Dodd Frank Act requirements, the Risk Committee will provide oversight of the Group's US operations.

1.2.2. The Board will govern Strategic and Reputation risks (including those associated with M&A activity) - this will involve the Board annually reviewing each Business Unit's strategies and material risks and approving the three-year Business Plan. The Board will approve Capital policies and processes.

1.2.3. The Board will also approve Funding and Liquidity frameworks and policies.

1.2.4. Audit Committee will govern tax and accounting risks and receive reports on compliance with, and the effectiveness of, the Risk Management Framework (including the controls environment).

2. Composition

2.1. The Risk Committee shall comprise at least four members.

2.2. All members must be non-executive and independent Directors.

2.3. The Risk Committee Chairman may not be the Chairman of the Board.

2.4. The Audit Committee Chairman will be a member of the Risk Committee and vice-versa.

2.5. At least one member of the Risk Committee will be a member of the Remuneration Committee.

2.6. At least one member of the Risk Committee will have experience in identifying, assessing and managing risk exposures of large complex groups.

2.7. Other non-executive Board members, the Chief Executive Officer (CEO), the Group Chief Risk Officer (Group CRO), and the Executive General Manager Group Audit have a standing invitation to attend all Risk Committee meetings. Typically the Group Chief Financial Officer and the Group General Counsel are invited to attend.

3. Meetings

3.1. The Risk Committee will meet at least quarterly, and as required.

3.2. The presence of one half of the members of the Committee (rounded upwards if not a whole number) is necessary to constitute a quorum. No business may be transacted unless a quorum is present.

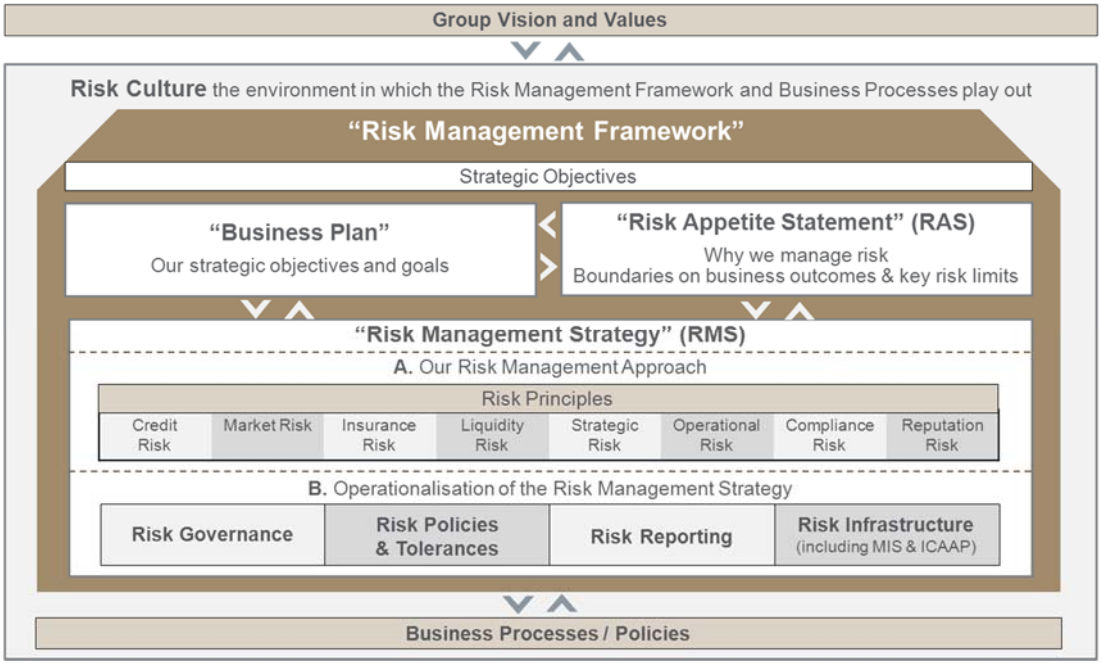
3.3. Minutes of the meetings will be circulated to all Directors and, as appropriate, to attendees.

3.4. A verbal summary of Risk Committee meetings, including any significant issues or concerns will be given by the Risk Committee Chairman (or delegate) at the next meeting of the Board.

3.5. The Risk Committee and/or the Chair of the Risk Committee will meet with regulators on request.

4. Duties and Responsibilities of the Risk Committee

4.1. Risk Management Framework (RMF).



The Group Vision and Values, Strategic Objectives and Business Plan are the responsibility of the Board.

The Risk Committee is responsible for:

a) Drafting the Group RAS: Working iteratively with management to update the Group RAS (which is submitted to the Board for approval);
b) The Group RMS: Annual review and approval of the Group's RMS;
c) Risk Culture: Managing the process by which the Board satisfies its requirements with respect to Risk Culture set out in CPS220;
d) Oversight of management's implementation of the business processes and policies that support the Group RMS, including;
    i. approval of the following risk policies;
        - Large Credit Exposure Policy
        - Country Risk Exposure Policy
        - Industry Sector Concentration Policy
        - Group Outsourcing Policy
        - Group Dealing with Related Entities Policy
    ii. oversight and challenge of material changes to policies delegated to management; and
    iii. review of changes to the operational and governance structures to ensure they continue to facilitate effective risk management;
e) Review of triennial reports on the appropriateness, effectiveness and adequacy of the Group's RMF; and

f) Constructive challenge of senior management's proposals and decisions on all aspects of risk management arising from the Group's activities.

4.2. Monitoring of the Group's Risk Profile:

The Risk Committee is responsible for:

a) Ensuring management take the steps necessary to monitor, manage and appropriately report current and emerging material risk exposures including use of and violation of tolerance levels[1];
b) Recognising the uncertainties, limitations and assumptions attached to the measurement of each material risk[2];
c) Ensuring appropriate controls are established that are consistent with the Group's strategic objectives, risk appetite and policies, and are understood by, and regularly communicated to, relevant staff;
d) Setting and monitoring compliance with any delegations the Risk Committee makes to management and approving, or endorsing for Board approval, actions taken to address matters arising outside delegated authorities;
e) Reviewing information on risk-related issues to monitor adherence to risk policies and tolerances, monitor remediation plans and actions upon policy and/or tolerance violations and identify thematic issues that require attention; and
f) Reviewing, at least annually, Group-wide stress test results to assess the Group's vulnerability to previously unknown or unidentified risks.
g) Annually certifying to the relevant US regulators that the Risk Committee has provided oversight of the risk management function of its US operations.

4.3. Risk Governance:

The Risk Committee is responsible for:

a) In respect of the Group CRO:
    - Providing prior endorsement for and oversee the appointment and removal of the Group CRO and if the Group CRO is removed from the position discuss the reasons for the removal with APRA as soon as practicable but no later than 10 days after the Committee has endorsed the removal of the Group CRO;
    - Setting the objectives and review the performance of the Group CRO;
    - Ensuring the stature and independence of the Group CRO (including ensuring the existence of a designated risk management function with adequate resources, necessary authority and reporting lines to Board and senior management); and
    - Ensuring that the Group CRO has unfettered access to the Board and the Committee (and vice versa).

[1] This includes management establishing a Management Information System which provides the information needed for Risk Committee to develop a comprehensive Group-wide view of all material risks; including comparing the current and future risk profile of the Group against Group Risk Appetite.
[2] Management is responsible for ensuring that these uncertainties, limitations and assumptions are included in reporting to Risk Committee.

b) Reviewing the annual CPS220 Risk Management Declaration and recommend its endorsement (and if needed qualification) by the Board and signature by the Chairman of the Board and the Chairman of the Risk Committee.
c) Periodically advising the Remuneration Committee of issues warranting consideration when determining incentive payments.
d) Endorsing a paper to the Board outlining how the Risk Committee and/or the Board have met all relevant risk responsibilities (or, where matters have not been appropriately dealt with, ensuring that suitable actions occur).

5. Reliance on Management

5.1. The Risk Committee's principal function is one of oversight and monitoring. Each member of the Risk Committee is entitled to rely on the executives of the Group for matters that are their responsibility and on the advice of counsel and other experts, so long as they are not aware of any grounds where reliance would be inappropriate.

5.2. Management will ensure that all information relevant to the discharge by the Risk Committee of its responsibilities is provided to the Risk Committee and that all matters of material concern relevant to the Risk Committee's responsibilities are promptly brought to the Risk Committee's attention.

6. Powers of the Risk Committee

6.1. The Risk Committee has the power to call attendees as required, including using their right of open access to management, risk and finance control personnel, auditors (external and internal) and other parties (internal and external) to seek explanations and additional information.

6.2. The Risk Committee has the option, with the concurrence of the Chairman of the Board, to retain independent legal, accounting, or other advisors to the extent the Risk Committee considers necessary at the Group's expense.

6.3. The Risk Committee may establish sub-committees, including ad hoc sub-committees as considered necessary to assist in carrying out its functions. The powers and purpose of these sub-committees will be limited to a subset of that of the Risk Committee. The Risk Committee will determine, and review as appropriate, the charters and membership of its sub- committees.

6.4. The Risk Committee will be granted any other power necessary for it to perform its functions.

7. Amendments to this Charter

7.1. This Charter is subject to annual review and approval by the Board.

7.2. The Risk Committee may recommend to the Board amendments to this Charter at any time.

7.3. In the event that the prudential requirements relevant to the Risk Committee or the Board change, this Charter will be reviewed to ensure continued compliance.

November 2016