

ASX Announcement

CBA receives APRA endorsement for plan to address recommendations of Prudential Inquiry

Plan to strengthen governance, culture, accountability, and customer outcomes

Friday, 29 June 2018: Commonwealth Bank of Australia (CBA) today confirmed that the Australian Prudential Regulation Authority (APRA) has endorsed its Remedial Action Plan, which details CBA's response to the 35 recommendations of the Prudential Inquiry, released on 1 May 2018.

CBA has also advised APRA how the findings of the Prudential Inquiry will impact remuneration outcomes for current and former executives.

The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators, including:

- Strengthening governance and oversight
- Achieving better customer and risk outcomes
- Building a more accountable, customer-focused, and transparent culture
- Taking a proactive approach to risk
- Improving execution and delivering our plan

CBA Chief Executive Officer Matt Comyn said: "Our plan outlines the steps the Board and management will take in response to the Prudential Inquiry's 35 recommendations to ensure we are a better, more customer-focused bank.

"We have submitted our plan to APRA and are pleased to have received APRA's endorsement that it provides a reasonable basis for addressing the Inquiry's recommendations. Work is underway to strengthen governance, culture and accountability within the Commonwealth Bank. We expect to make good progress in delivering the plan over the next 12 months. We recognise that it will take time to demonstrate changes in capability and culture.

"CBA's Board and executives fully recognise we will not be judged by the plan or by completing milestones, but by sustainable improvements in customer and risk outcomes."

The Remedial Action Plan also provides a comprehensive assurance framework. Promontory Financial Group has been appointed as the independent reviewer. There will be regular reviews of progress against committed milestones with APRA. CBA will report publicly on its progress against the Remedial Action Plan.

The CBA Board determined that there should be collective and individual accountability for both current and former executives for the Report's findings, and the poor risk and customer outcomes that have occurred. Accordingly, senior executive remuneration consequences will be more than \$60 million, from reductions to variable remuneration and/or partial or full lapsing of outstanding deferred variable remuneration awards. This includes the actions taken by the CBA Board in August 2017 to reduce Non-Executive Director fees, and reduce to zero the short-term variable remuneration for Group Executives for last financial year.

As previously advised, CBA will provide an update on the investment underway to implement the plan as part of its Annual Results announcement to be released on 8 August 2018.

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