

July 9, 2018

**Commonwealth Bank of Australia**

**Recent Developments**

*The information set forth below is not complete and should be read in conjunction with the information contained on the “US Investors – Supplemental Information” page of the U.S. covered bonds investor website of the Commonwealth Bank of Australia (the “Group”) at <http://www.commbank.com.au/about-us/shareholders/us-investors/supplemental-information.html> (the “U.S. Investor Website”). This “Recent Developments” release supplements and, to the extent inconsistent with any information previously included on the U.S. Investor Website, including the 2018 U.S. Half-Year Disclosure Document (as defined below), amends and supersedes such information.*

*This “Recent Developments” release contains certain forward-looking statements which involve known and unknown risks and uncertainties. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See “Special Note Regarding Forward-Looking Statements” in the Group’s U.S. Half-Year Disclosure Document for the half-year ended December 31, 2017 included on the U.S. Investor Website (the “2018 U.S. Half-Year Disclosure Document”).*

*References to “\$” are to Australian Dollars.*

**CBA Receives APRA Endorsement for Plan to Address Recommendations of Prudential Inquiry**

On June 29, 2018, Commonwealth Bank of Australia (“CBA”) confirmed that the Australian Prudential Regulation Authority (“APRA”) endorsed its Remedial Action Plan, which details CBA’s response to the 35 recommendations of APRA’s Prudential Inquiry report released on May 1, 2018 (the “Prudential Inquiry Report”). For more information on the Prudential Inquiry Report, refer to the Commonwealth Bank of Australia Recent Developments, dated May 16, 2018.

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

CBA has also advised APRA how the findings of the Prudential Inquiry Report will impact remuneration outcomes for current and former executives. The CBA Board determined that there should be collective and individual accountability for both current and former executives for the Prudential Inquiry 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 the last financial year.

As previously advised, CBA will provide an update on the investment underway to implement the Remedial Action Plan as part of its results for the year ended June 30, 2018.

### **CBA to Defend Shareholder Class Action**

On July 2, 2018, CBA confirmed that it had been served with a class action proceeding filed by Phi Finney McDonald in the Federal Court of Australia on behalf of certain shareholders who acquired an interest in CBA's shares between June 16, 2014 and August 3, 2017 (inclusive).

This proceeding involves similar claims to the shareholder class action commenced by Maurice Blackburn against CBA on October 9, 2017 (the "Claim"). For more details on the Claim, refer to the 2018 U.S. Half-Year Disclosure Document and the Commonwealth Bank of Australia Recent Developments, dated October 13, 2017, each of which is available on the U.S. Investor Website.

CBA intends to vigorously defend this new claim. For more details regarding the risks arising from the shareholder class action and the Claim, see "Risk Factors" in the 2018 U.S. Half-Year Disclosure Document.

### **Completion of New Zealand Life Insurance Divestment**

On July 2, 2018, CBA announced the completion of the sale of its life insurance business in New Zealand ("Sovereign") to AIA Group Limited ("AIA") and the commencement of a 20-year partnership with AIA for the provision of life and health insurance products to customers in New Zealand.

The sale of Sovereign is a part of the agreed sale of 100% of CBA's life insurance businesses in Australia ("CommInsure Life") and New Zealand to AIA for \$3.8 billion, as announced on October 4, 2017 (the "Transaction").

The proceeds relating to this first part of the Transaction are \$1.275 billion, which is expected to result in a pro forma uplift to the Group's Common Equity Tier 1 ratio of 28 basis points on an APRA basis, based on March 31, 2018 risk weighted assets.

The remainder of the Transaction, the sale of CommInsure Life, remains subject to certain conditions and regulatory approvals and is expected to be completed later in calendar-year 2018.

For more details on the Transaction, refer to the 2018 U.S. Half-Year Disclosure Document, the Basel III Pillar 3 Capital Adequacy and Risk Disclosures as at December 31, 2017, the Commonwealth Bank of Australia Recent Developments, dated June 29, 2018, the Commonwealth Bank of Australia Recent Developments, dated May 16, 2018, the Commonwealth Bank of Australia Recent Developments, dated November 22, 2017 and the Commonwealth Bank of Australia Recent Developments, dated October 4, 2017, each of which is available on the U.S. Investor Website.

## **CBA enters into an Enforceable Undertaking on branch sales of Essential Super**

On July 6, 2018, CBA announced it has entered into an Enforceable Undertaking (the “EU”) with the Australian Securities and Investments Commission (“ASIC”) regarding ASIC’s concerns that a small number of customers may potentially have received personal advice in the sale of Essential Super in CBA’s branches. To address this risk, CBA withdrew the sale of Essential Super from its branches in October 2017 and entered into the EU to ASIC. Essential Super is a superannuation product.

The EU relates to circumstances where customers may have opened an Essential Super account immediately before, during, or immediately after a Financial Health Check, which is a general discussion about a customers’ banking arrangements. There is a possibility that some customers may have received personal advice in this context.

CBA acknowledges ASIC’s concerns that the process of branch sales of Essential Super may have involved personal advice being provided to some customers. In response, CBA took steps to remove any risk that the sale of Essential Super could be linked to personal advice.

As part of the EU:

- CBA will not recommend Essential Super or another superannuation product immediately before, during, or immediately after, or in conjunction with, a Financial Health Check or any other similar needs based conversation that CBA may introduce in future.
- CBA has paused all new account openings and will undertake a review of how Essential Super is offered and develop a revised conversation framework.
- CBA is making a community benefit payment of \$1.25 million as directed by ASIC.