

October 4, 2017

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.htm> (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, 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. Annual Disclosure Document for the year ended June 30, 2017 included on the U.S. Investor Website.

References to “\$” are to Australian Dollars.

Divestment of Australian and New Zealand life insurance businesses

On Thursday, September 21, 2017, the Commonwealth Bank of Australia (the “Commonwealth Bank”) announced the sale of 100% of its life insurance businesses¹ in Australia (“CommInsure Life”) and New Zealand (“Sovereign”) to AIA Group Limited (“AIA”) for \$3.8 billion (the “Transaction”). The sale agreement also includes a 20-year partnership with AIA for the provision of life insurance products to customers in Australia and New Zealand. The Transaction is expected to be completed in the 2018 calendar year, subject to the satisfaction of certain conditions and regulatory approvals.

CommInsure Life and Sovereign customers will retain all the benefits of their existing policies. The Transaction and partnership announced today will allow customers to have continued access to what we believe are high quality life insurance products through Commonwealth Bank and life and health insurance products through ASB, with the addition of AIA solutions to their offerings. We believe customers will benefit from AIA’s innovation in life insurance including a focus on digital engagement, the benefits and synergies of global scale and specialisation, and their strong bancassurance experience.

¹ The Transaction is structured as a sale of the shares in the legal entities comprising CommInsure Life and Sovereign.

AIA is the largest independent publicly listed pan-Asian life insurance group and has well established life insurance businesses in Australia and New Zealand. The combined operations from this transaction will make AIA the market leader in both Australia and New Zealand.

Commonwealth Bank Chief Executive Officer Ian Narev said: “Providing our customers with access to high quality products and services for all their financial needs is core to our vision of securing and enhancing financial wellbeing. We have said for some time that while distributing life insurance is a fundamental part of that strategy, we were open to different models for doing so. The combination of AIA’s leading insurance capability and scale and Commonwealth Bank’s broad distribution, and our complementary values and commitment to customer focus and innovation, mean that a partnership between us will create an even better experience for our customers, in a more efficient way for our shareholders.”

We believe the Transaction will deliver important strategic benefits to Commonwealth Bank, contributing to the Group’s vision to secure and enhance the financial wellbeing of customers whilst creating value for shareholders.

The sale price is \$3.8 billion, a multiple of 16.9x FY17 pro forma earnings². A pre-completion dividend is also expected to be received by Commonwealth Bank (amount subject to the timing of completion, business performance and regulatory approvals).

Under the terms of the partnership, Commonwealth Bank will continue to earn income on the distribution of life and health insurance products.

The Transaction is expected to release approximately \$3 billion of Common Equity Tier 1 (“CET1”) capital and result in a pro forma uplift to the Group’s FY17 CET1 ratio of approximately 70 basis points on an APRA basis. Due predominantly to the carrying value of goodwill, the Transaction is expected to result in an indicative after tax accounting loss on sale of approximately \$300 million³, net of separation and transaction costs.

The Transaction and partnership do not include general insurance and the CommInsure brand will be retained. The Transaction is subject to certain conditions and regulatory approvals in Australia and New Zealand and is also conditional upon the transfer of Commonwealth Bank’s equity interest in BoComm Life Insurance Company Limited (“BoComm Life”) out of CommInsure. Commonwealth Bank is considering a range of strategic alternatives for the BoComm Life equity interest, which would be conditional on approval from the China Insurance Regulatory Commission. The Transaction is expected to be completed in the 2018 calendar year.

² Based on FY17 pro forma net profit after tax (cash basis) of legal entities to be divested. CommInsure Life’s FY17 pro forma net profit after tax (cash basis) includes the impact of loss recognition of \$100 million after tax and life remediation costs of \$9 million after tax.

³ Based on the 30 June 2017 figures. The final gain/loss on sale will be determined at completion and will be impacted by the final determination of goodwill to be disposed, transaction and separation costs, other balances and final taxation impacts.

Strategic review of options for CFSGAM, including IPO⁴

On Thursday, September 21, 2017, Commonwealth Bank announced that it is undertaking a strategic review of its global asset management business, Colonial First State Global Asset Management (“CFSGAM”), also known outside of Australia as First State Investments (“FSI”).

CFSGAM is a global, diversified investment management business with \$219 billion in Assets Under Management (“AUM”), which we believe has achieved significant growth, scale and diversification under Commonwealth Bank’s ownership.

The strategic review will consider a range of options, including an IPO.

This review will consider long-term Commonwealth Bank shareholder value, including whether a separately listed CFSGAM would be better able to grow its business, serve the interest of its clients and attract and retain key personnel.

Changes in senior leadership team

On Thursday, September 21, 2017, Commonwealth Bank announced that, with the agreement for divestment of its Australian and New Zealand life insurance businesses now finalised, Annabel Spring, Group Executive Wealth Management, has decided to leave the Group in December.

Commonwealth Bank Chief Executive Officer, Ian Narev, said: “Annabel has made a major contribution to CBA since joining in 2009 as Head of Strategy. In particular, over the last six years, she has led and managed our diverse Wealth Management teams through challenging and changing times for the industry overall, and for CBA specifically. She has shown determined leadership in addressing complex and long-standing issues in the businesses while growing and transforming the businesses culturally, technologically and strategically.

“Annabel’s strategic leadership of the Wealth Management business led to the successful divestment of the property management businesses in 2014, and now to today’s announcements. We thank her for her contribution, and wish her the very best for the next successful phase in her career”.

⁴ Colonial First State Global Asset Management (“CFSGAM”) is the global investment management business of the Commonwealth Bank. Within Australia, CFSGAM operates under the Colonial First State Global Asset Management brand. CFSGAM comprises a range of independent, specialist, investment-led teams, including an investment team specialising in smart beta index investing which operates as Realindex. Globally, outside of Australia, CFSGAM operates under the First State Investments (“FSI”) brand. The two largest equity investment teams (managing Asia, emerging market and global equities) operate under separate sub-brands in order to differentiate their investment capabilities from one another: Stewart Investors and First State Stewart Asia. FSI is also represented in Shenzhen and Beijing as First State Cinda, a joint venture with China Cinda Asset Management Corporation.

Annabel will continue to lead the Wealth Management businesses, the divestiture, and the strategic review until the end of this year. Michael Venter, currently the Chief Financial Officer of International Financial Services, and formerly Group Deputy Chief Financial Officer and Chief Financial Officer of the Wealth Management division, has today been appointed Chief Operating Officer of Wealth Management, with immediate effect. He will represent Wealth Management at the Group Executive Committee following Annabel's departure, and work on any organisational change resulting from the announcements made by Commonwealth Bank on September 21, 2017.