

ASX Announcement

Response to APRA's independent prudential inquiry into governance, culture and accountability at CBA

Monday, 28 August 2017 (Sydney): The Commonwealth Bank of Australia today acknowledges and supports the Australian Prudential Regulation Authority's announcement of an independent prudential inquiry. The inquiry, which will focus on governance, culture and accountability frameworks and practices, will have the Bank's full cooperation.

The Chairman of CBA, Catherine Livingstone AO, said: "CBA recognises that events over recent years have weakened the community's trust in us. We have been working hard to strengthen trust, and will continue to do so. We welcome this opportunity for independent parties to review the work we have already undertaken and advise on what more we can do."

"APRA's oversight of this inquiry will ensure the independence and transparency needed to reassure all our stakeholders."

CBA Chief Executive Officer, Ian Narev said: "We are confident that our 50,000 people come to work each day to give their best, for the benefit of our customers. At the same time, we know that our mistakes have hurt our reputation."

"An independent and transparent view on the work we have done, and the work we still have to do, is an important element of strengthening trust. So this inquiry has our full support, to ensure it is as effective as possible."

CBA also notes APRA's confirmation today that the Bank is well capitalised and financially sound.

Further information: APRA's statement follows at the end of this release.

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APRA to establish independent prudential inquiry into governance, culture and accountability within CBA

28 August 2017

The Australian Prudential Regulation Authority (APRA) today announced its intention to establish an independent prudential inquiry into the Commonwealth Bank of Australia (CBA) focusing on governance, culture and accountability frameworks and practices within the group.

The prudential inquiry will be conducted by an independent panel, to be appointed by APRA. Subject to settling the final terms of reference, it is anticipated that the panel will provide a final report to APRA around six months from the formal commencement of the inquiry, and that this report will be made public.

APRA Chairman Wayne Byres said the decision to initiate a prudential inquiry followed a number of issues which have raised concerns regarding the frameworks and practices in relation to the governance, culture and accountability within the CBA group, and have damaged the bank's reputation and public standing.

Mr Byres said: "The overarching goal of the prudential inquiry is to identify any core organisational and cultural drivers at the heart of these issues and to provide the community with confidence that any shortcomings identified are promptly and adequately addressed.

"CBA is a well-capitalised and financially sound institution. However, beyond financial measures, it is also critical to the long-run health of the financial system that the Australian community has a high degree of confidence that banks and other financial institutions are well governed and prudently managed.

"The Australian community's trust in the banking system has been damaged in recent years, and CBA in particular has been negatively impacted by a number of issues that have affected the reputation of the bank. Given its position in the Australian financial system, it is critical that community trust is strengthened. A key objective of the inquiry will be to provide CBA with a set of recommendations for organisation and cultural change, where that is identified as being necessary.

"The Chairman and CEO of the CBA have assured me that the bank will fully cooperate with the inquiry, and APRA welcomes that cooperation," Mr Byres said.

Conduct of the inquiry

The names of the panel members and the agreed terms of reference will be finalised and published at the commencement of the inquiry. The costs of the inquiry will be met by CBA.

Broadly, the goal of the inquiry is to identify any shortcomings in the governance, culture and accountability frameworks and practices within CBA, and make recommendations as to how they are promptly and adequately addressed. It would include, at a minimum, considering whether the group's organisational structure, governance, financial objectives, remuneration and accountability frameworks are conflicting with sound risk management and compliance outcomes.

The independent panel would not be tasked with making specific determinations regarding matters that are currently the subject of legal proceedings, regulatory actions by other regulators, or customers' individual cases.

The Australian Prudential Regulation Authority (APRA) is the prudential regulator of the financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, private health insurers, friendly societies, and most members of the superannuation industry. APRA currently supervises institutions holding \$5.9 trillion in assets for Australian depositors, policyholders and superannuation fund members.

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