

# Commonwealth Bank Australia

Commonwealth Bank of Australia, A.B.N. 48 123 123 124



Incorporated in Australia with limited liability

**U.S.\$70,000,000,000\***

## **Euro Medium Term Note Programme**

*\*Combined programme limit for the Euro Medium Term Note Programme of ASB Finance Limited and Commonwealth Bank of Australia. This Supplement relates to Notes to be issued under such programme by Commonwealth Bank of Australia only.*

This supplement (the “**Supplement**”) comprises a supplement for Commonwealth Bank of Australia (the “**Issuer**”) to the Programme Circular dated 3 July 2017 as supplemented on 14 August 2017 and 12 September 2017 (as so supplemented, the “**Programme Circular**”). The Programme Circular is a base prospectus prepared in connection with the Euro Medium Term Note Programme (the “**Programme**”) established by the Issuer. This Supplement constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”).

Terms defined in the Programme Circular have the same meaning when used in this Supplement. This Supplement is supplemental to, and should be read in conjunction with, the Programme Circular and any other supplements to the Programme Circular issued by the Issuer. A copy of this Supplement will be made available for inspection at the offices of the Issuer and at the offices of any Paying Agent in the United Kingdom for so long as the Programme remains in existence. This Supplement will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The purpose of this Supplement is to update the Programme Circular to reflect: (a) that on 13 December 2017, the Bank filed its response to the civil penalty proceedings commenced by the Australian Transaction Reports and Analysis Centre (“**AUSTRAC**”); (b) that on 14 December 2017, the Bank was served with an amended statement of claim from AUSTRAC related to the AUSTRAC Proceedings; (c) that on 9 October 2017 a shareholder class action proceeding related to the AUSTRAC Proceedings commenced in the Federal Court of Australia in Melbourne; and (d) that on 21 September 2017, the Bank announced the divestment of its Australian and New Zealand life insurance business.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Programme Circular by this Supplement and (b) any other statement in or incorporated by reference in the Programme Circular, the statements in (a) above will prevail.

Save as disclosed in this Supplement and any supplement to the Programme Circular previously issued, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Programme Circular since the publication of the Programme Circular.

## Updates to the Programme Circular

The following is added to the end of the paragraph entitled “*Recent Developments*” in the section entitled “*Commonwealth Bank of Australia*” on page 69 of the Programme Circular (as inserted in the supplement to the Programme Circular dated 12 September 2017):

### *“The Bank files response to AUSTRAC claims*

On 13 December 2017, the Bank filed its response to the civil penalty proceedings commenced by the Australian Transaction Reports and Analysis Centre (“AUSTRAC”) on 3 August 2017 (the “AUSTRAC Proceedings”).

In its response, the Bank contests a number of allegations but admits others, including the allegations relating to the late submission of 53,506 threshold transaction reports (“TTRs”), which were all caused by the same single systems-related error.

The Bank’s defence focuses on key factual and legal matters in the claim. In its defence, the Bank:

- agrees that it was late in filing 53,506 TTRs, which all resulted from the same systems-related error, representing 2.3 per cent. of TTRs reported by the Bank to AUSTRAC between 2012 and 2015;
- agrees that it did not adequately adhere to risk assessment requirements for Intelligent Deposit Machines (“IDMs”), but noted that it does not accept that this amounted to eight separate contraventions, and agrees that it did not adhere to all its transaction monitoring requirements in relation to certain affected accounts;
- admits 91 (in whole or in part), but denies a further 83, of the allegations concerning suspicious matter reports (“SMRs”);
- admits 52 (in whole or in part), but denies a further 19, allegations concerning ongoing customer due diligence requirements.

### *The Bank receives an amended statement of claim from AUSTRAC*

On 14 December 2017, the Bank was served with an amended statement of claim from AUSTRAC related to the AUSTRAC Proceedings, alleging 100 further contraventions of Australia’s anti-money laundering and counter-terrorism financing legislation, comprising:

- Six further allegations concerning risk assessments in relation to CBA’s IDMs;
- 56 allegations concerning SMRs; and
- 38 allegations concerning ongoing customer due diligence.

The new allegations increase the total number of alleged contraventions from approximately 53,700 to approximately 53,800.

The Bank anticipates the Australian Federal Court will set a timetable for the Bank to file an amended defence in due course.

### *Shareholder Class Action*

A shareholder class action proceeding related to the AUSTRAC Proceedings commenced in the Federal Court of Australia in Melbourne on 9 October 2017 (the “Shareholder Class Action”). The Shareholder Class

Action was filed by law firm Maurice Blackburn on behalf of shareholders who acquired an interest in the Bank's ordinary shares between 1 July 2015 and 1:00 p.m. (Australian Eastern Standard Time) on 3 August 2017 (the "Relevant Period"), and who suffered loss or damage as alleged in the Shareholder Class Action (the "Group Members").

The Shareholder Class Action alleges that the Bank, whose ordinary shares are publicly traded on the Australian Securities Exchange ("ASX"), breached its obligations under the Australian Corporations Act and ASX Listing Rules to disclose information concerning the Bank that a reasonable person would expect to have a material effect on the price or value of the Bank's ordinary shares to the ASX ("Continuous Disclosure Obligation"). Specifically, the Shareholder Class Action alleges that the Bank should have disclosed on and from 1 July 2015 certain of the matters that form the basis of the AUSTRAC proceedings. The Shareholder Class Action further alleges that during the Relevant Period the Bank made misleading or deceptive public statements regarding compliance with its obligations under applicable anti-money laundering laws and its Continuous Disclosure Obligation in violation of applicable Australian laws.

The Shareholder Class Action alleges this conduct caused the Bank's ordinary shares to trade at prices higher than they would have otherwise traded during the Relevant Period and sets forth various bases for how any losses could be calculated. The Shareholder Class Action notes that the particulars of the alleged losses or damages of the Group Members are not currently known and cannot be known until after the determination of identified common issues at an initial trial.

The Bank intends to vigorously defend the Shareholder Class Action. At this time it is not possible to reliably estimate its possible financial impact on the Group. Accordingly, no loss provision has been made.

#### *Divestment of Australian and New Zealand life insurance businesses*

On 21 September 2017, the Bank announced the sale of 100 per cent. of its life insurance businesses in Australia and New Zealand to AIA Group Limited ("AIA") for A\$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."