

Commonwealth Bank Australia

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



Incorporated in Australia with limited liability

**U.S.\$30,000,000,000 CBA Covered Bond Programme
unconditionally and irrevocably guaranteed as to payments of interest and
principal by**

Perpetual Corporate Trust Limited

*(incorporated with limited liability in the Commonwealth of Australia
and having Australian Business Number 99 000 341 533)*

as trustee of the CBA Covered Bond Trust

This supplement (the “**Supplement**”) comprises a supplement to the prospectus of Commonwealth Bank of Australia (the “**Issuer**”) dated 23 November 2016 as supplemented on 15 February 2017, 20 June 2017 and 14 August 2017 (as so supplemented, the “**Prospectus**”). The Prospectus is a base prospectus prepared in connection with the CBA Covered Bond Programme (the “**Programme**”) established by the Issuer and unconditionally and irrevocably guaranteed as to payments of interest and principal by Perpetual Corporate Trust Limited ABN 99 000 341 533 in its capacity as trustee of the CBA Covered Bond Trust (the “**Trust**”) and, in such capacity, the “**Covered Bond Guarantor**”). 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 Prospectus have the same meaning when used in this Supplement. This Supplement is supplemental to, and should be read in conjunction with, the Prospectus and any other supplements to the Prospectus 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 the Principal Paying Agent for so long as the Programme remains in existence. This Supplement and the Annual Report (as defined below) 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 and belief 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 Prospectus to reflect: (a) that on 3 August 2017, the Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil penalty proceedings against the Bank; (b) that on 28 August 2017 APRA announced its intention to establish an independent prudential inquiry into the Bank; (c) that the Managing Director and Chief Executive Officer, Ian Narev, will retire by the end of the 2018 financial year; and (d) the changes to the Board that have been announced.

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

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

Updates to the Prospectus

A new risk factor entitled “*The Bank is subject to risk arising from civil penalty proceedings by AUSTRAC*” shall be inserted in the section entitled “*Risk Factors*” after the risk factor entitled “*Substantial legal liability or regulatory action against the Bank could negatively impact the Bank’s business*” on page 39 of the Prospectus as follows:

“The Bank is subject to risk arising from civil penalty proceedings by AUSTRAC

The Group is currently subject to civil penalty proceedings brought by the Australian Transaction Reports and Analysis Centre (AUSTRAC) relating to alleged past and ongoing contraventions by the Group of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (the “Act”), and may in the future be subject to additional regulatory actions, litigation, investigations and governmental proceedings emanating from the conduct that AUSTRAC alleges occurred, which could result in penalties and costs, reputational damage, contractual damage claims, class actions or other claims by impacted stakeholders of the Bank. While the Bank does not currently consider the AUSTRAC proceedings to be material in the context of the Group’s financial position, the proceedings and other potential consequential actions and impacts, including potential reputational damage could have a material adverse effect on the Issuer’s business, reputation, results of operations and financial condition (see “*Recent Developments – AUSTRAC Civil Penalty Proceedings and APRA prudential inquiry*” for further information).”

A new paragraph entitled “*Recent Developments*” shall be inserted in the section entitled “*Commonwealth Bank of Australia*” after the paragraph entitled “*Audit Committee*” on page 129 of the Prospectus as follows:

“Recent Developments

AUSTRAC Civil Penalty Proceedings and APRA prudential inquiry

The Group is currently subject to civil penalty proceedings brought by AUSTRAC in the Federal Court of Australia on 3 August 2017 relating to alleged past and ongoing contraventions by the Group of the Act, and may in the future be subject to additional regulatory actions, litigation, investigations and governmental proceedings emanating from the conduct that AUSTRAC alleges occurred, which could result in penalties and costs, reputational damage, contractual damage claims, class actions or other claims by impacted stakeholders of the Bank. While the Bank does not currently consider the AUSTRAC proceedings to be material in the context of the Group’s financial position, the proceedings and other potential consequential actions and impacts, including potential reputational damage, could have a material adverse effect on the Group’s business, reputation, results of operations and financial condition (see “*Risk Factors – The Bank is subject to risk arising from civil penalty proceedings by AUSTRAC*” for further information).

AUSTRAC’s statement of claim relates to alleged past and ongoing contraventions of four provisions of the Act. Specifically, AUSTRAC asserts that:

- The Bank failed to comply with its Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Program, as required by the Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1) (the “Rules”), in connection with the roll out in May 2012 of Intelligent Deposit Machines (IDMs), a type of ATM that accepts deposits in both cash and checks. AUSTRAC alleges that the Bank failed to carry out a money laundering and financing of terrorism risk assessment before introducing the IDMs in accordance with its AML/CTF Program. Further, AUSTRAC asserts that the Bank has not introduced appropriate risk-based systems and controls to mitigate and manage the

higher money laundering and financing of terrorism risks faced by providing designated services through the IDMs. AUSTRAC alleges that the Bank has failed to comply with its AML/CTF Program on nine occasions.

- The Bank failed to provide threshold transaction reports (**TTRs**) within the timeframe required by the Act. A TTR is a report of a transaction involving the transfer of physical currency in the amount of A\$10,000 or more (a “threshold transaction”). Reporting entities, like the Bank, are required to submit a TTR to AUSTRAC within 10 business days after a threshold transaction occurs. AUSTRAC alleges that approximately 53,000 TTRs were lodged late and that each failure to submit on a timely basis constitutes a separate contravention of the Act.
- The Bank failed to provide suspicious matter reports (**SMRs**), either on time or at all, as required by the Act, on 174 occasions and AUSTRAC alleges that each failure to submit on a timely basis constitutes a separate contravention of the Act. Reporting entities, like the Bank, are required to submit an SMR to AUSTRAC within three business days after providing a person with a designated service if the reporting entity forms a suspicion on reasonable grounds that it holds information that may be relevant to the investigation or prosecution of an offence.
- The Bank failed to monitor customers in relation to the provision of designated services with a view to identifying, mitigating and/or managing money laundering and terrorism financing risks reasonably faced, as required by the Act, with respect to 71 customers.

During the relevant period, the alleged contraventions carried a penalty of up to A\$18 million for each contravention, other than one alleged contravention which carried a penalty of up to A\$21 million.

The Bank is reviewing the allegations in AUSTRAC’s statement of claim and at this time it is not possible to reliably estimate its possible financial impact on the Group. Accordingly, no loss provision has been made. While the Bank does not currently consider the AUSTRAC proceedings to be material in the context of the Group’s financial position, AUSTRAC’s claims could result in substantial penalties and costs and the proceedings and other potential consequential actions and impacts described below, including potential reputational damage, could have a material adverse effect on the Group’s business, reputation, results of operations and financial condition.

The Bank takes the allegations made by AUSTRAC very seriously and intends to file a defence in relation to this matter by December 2017, with AUSTRAC’s response expected to be filed by March 2018. The Bank can provide no assurance with respect to whether it will be able to successfully defend the allegations made in the proceedings.

The Board has established a committee of four directors to oversee the response to AUSTRAC’s statement of claim and the ongoing execution of a “program of action”, which consolidates a range of previously established and newly formed initiatives focussed on strengthening the Bank’s policies and processes relating to its obligations under the Act and under anti-money laundering and counter-terrorism financing laws in other jurisdictions in which the Bank has operations. Since the second half of the 2015 calendar year, when the alleged issues relating to TTRs in connection with the use of IDMs were brought to the attention of the Board, the Bank believes that it has made progress on the program of action by:

- Fixing the coding error relating to the IDM TTRs;
- Changing senior leadership in relevant key roles;
- Recruiting more than fifty financial crime compliance professionals;

- Strengthening the Bank’s Know Your Customer (**KYC**) processes, with a specialist hub providing what the Bank believes is consistent and high quality on-boarding of customers;
- Upgrading the financial crime technology used to monitor accounts and transactions for suspicious activity. The new technology is expected to be fully delivered over the next twelve months; and
- Commencing the upgrade of additional fraud monitoring technology for use by the team that provides further security assurance to customers by identifying fraudulent activity.

Although the Bank provides updates to AUSTRAC and the Group’s other regulators on the program of action, there is no assurance that AUSTRAC or the Group’s other regulators will agree that the Group’s program of action will be adequate or that the program of action will effectively enhance the Group’s compliance programs.

Recently, ASIC announced that it was investigating the Bank for potential violations of its continuous disclosure and financial reporting obligations under the Corporations Act relating to the allegations raised in AUSTRAC’s statement of claim. Further, on 28 August 2017, APRA announced its intention to establish an independent prudential inquiry into the Group focusing on governance, culture and accountability frameworks and practices within the Group. The goal of the prudential inquiry is to provide the Group with a set of recommendations for organisation and cultural changes. The prudential inquiry will be conducted by an independent panel, appointed by APRA. On 8 September 2017, APRA confirmed that it has appointed Dr John Laker AO, Professor Graeme Samuel AC, and Jillian Broadbent AO to undertake the inquiry. The panel will provide a final public report containing its recommendations to APRA by 30 April 2018, with a progress report due on 31 January 2018. The Group will bear the costs of this prudential inquiry.

While the Bank is not aware of any other investigation or action by other domestic or foreign regulators relating to the allegations raised by AUSTRAC (or similar matters) as of the date of the Supplement dated 14 September 2017, by which this “*Recent Developments*” section is included in the Prospectus (the **September Supplement**), there can be no assurance that the Bank will not be subject to such investigations or actions in the future. Any settlement or adverse judgment in connection with the proceedings launched by AUSTRAC, or any other formal or informal proceeding or investigation by other government or regulatory agencies (domestic or foreign), may result in additional litigation, investigations or proceedings by other regulators or private parties. This risk is evidenced by the recent announcement on 23 August 2017 by Maurice Blackburn Lawyers and litigation funders IMF Bentham of their investigation of a potential shareholder class action against the Bank. The claims being investigated by Maurice Blackburn Lawyers and IMF Bentham relate to the Bank’s continuous disclosure and financial reporting obligations in relation to the contraventions alleged by AUSTRAC. Additionally, the Group is a party to various contractual arrangements. In some of the Group’s contractual arrangements, the Group provides representations and warranties regarding its compliance with the Act and other applicable anti-money laundering and counter-terrorism rules and regulations. Because of the recent allegations contained in AUSTRAC’s statement of claim, the Group may be exposed to potential claims from its contractual counterparties to the extent such counterparties believe that the Group has breached the applicable representations and warranties contained in the Group’s contractual arrangements with them and have suffered loss as a result of any such breach. While the Group is not aware of any such claims as of the date of the September Supplement, such claims could arise in the future. Such investigations, actions, claims or proceedings, including the recent investigation announced by ASIC and the prudential inquiry announced by APRA, could result in penalties, fines and costs, reputational harm, remediation costs and other losses that, individually or collectively, could have a material adverse effect on the Group’s business, reputation, results of operations and financial condition.

Chief Executive Succession Process and changes to the Board

Managing Director and Chief Executive Officer, Ian Narev, will retire by the end of the 2018 financial year, with the exact timing dependent on the outcome of an ongoing comprehensive internal and external search process.

Non-executive Directors, Launa Inman and Harrison Young, will retire from the Board at the conclusion of the Annual General Meeting on 16 November 2017 and at that meeting non-executive Director, Andrew Mohl, at the request of the Board, will stand for re-election and serve one more year on the Board. Rob Whitfield was appointed to the Board as a non-executive director effective from 4 September 2017.”

A new paragraph shall be inserted at the end of the section entitled “*Directors of the Bank*” on page 133 of the Prospectus as follows:

“Robert Whitfield

Mr Whitfield has been a member of the Board since September 2017.

He has significant banking and finance and senior management experience in the private and public sectors. He is a Director of New South Wales Treasury Corporation (“NSW Treasury”) and was previously its Chairman. He is a former Secretary of NSW Treasury and NSW Industrial Relations.

Prior to NSW Treasury, Mr Whitfield had a 30 year career with Westpac Banking Corporation (“Westpac”) and held various senior management positions, including Chief Executive Officer of the Institutional Bank, Chief Risk Officer, Group Treasurer and Chairman of the Asia Advisory Board. At Westpac, Mr Whitfield developed a deep knowledge of equity and capital markets and was instrumental in developing Westpac’s risk management function and strategies. He is a former Deputy Chair of the Australian Financial Markets Association.

Other Directorships and Interests: Director of NSW Treasury.

Qualifications: BCom (UNSW), Grad Dip Banking, Grad Dip Fin, AMP (Harvard), SF Fin, FAICD.

Mr Whitfield is a resident of New South Wales. Age 52.”