

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 2019 as supplemented on 7 August 2019 and on 12 February 2020 (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, as amended.

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 and the Profit Announcement (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 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 (i) update the section of the Programme Circular entitled “*Risk Factors*” to include a new risk factor entitled “*Risks relating to the emergence of coronavirus COVID-19*”; (ii) update the section of the Programme Circular entitled “*Recent Developments*” to reflect certain announcements made by the Bank on 16 March 2020 and on 13 May 2020; (iii) update the Programme Circular to reflect the announcement by Fitch Australia Pty Ltd (“Fitch”) on 7 April 2020 that it has downgraded the Issuer’s long term rating to A+ from AA-; and (iv) confirm that, save as disclosed in this Supplement, there has been no significant change in the financial position of the Issuer and its subsidiaries, taken as a whole, since the date of its unaudited financial statements prepared to 31 December 2019 and there has been no material adverse change in the prospects of the Issuer and its subsidiaries, taken as a whole, since the date of its audited financial statements prepared to 30 June 2019.

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

1. The following risk factor shall be included in the section entitled "*Risk Factors*" after the risk factor entitled "*The Issuer may be adversely impacted by insurance risk*" on page 23 of the Programme Circular:

"Risks relating to the emergence of coronavirus COVID-19

The recent emergence of coronavirus COVID-19 ("COVID-19") poses a new risk to the business and financial position of the Issuer and has affected investment sentiment on a global scale, resulting in a significant increase in volatility in the global capital markets. In addition, the outbreak has resulted in restrictions on regional and international travel, restrictions on gatherings of groups of people and prolonged closures of workplaces. This is expected to have a material adverse effect on unemployment levels and the global and Australian economy.

As at 15 May 2020, the strong measures taken to contain the outbreak and slow the spread of COVID-19 in Australia have been successful and Australian states and territories are progressively easing such restrictions, while establishing more permanent measures to ensure social distancing and limit and manage the risk of future outbreaks.

As at 13 May 2020, certain sectors of Australia's economy are being significantly affected. The extent of the risk posed by COVID-19 in the future is unclear; if the impact of the virus is severe or prolonged, this will likely have a material adverse impact on the global as well as Australia's macroeconomic condition, which in turn may have a material adverse impact on the Issuer's business, results of operations, financial condition and prospects. The Australian Government has announced various support initiatives for the economy targeted at supporting businesses and individuals. The Issuer has expanded its support for small businesses and households with a range of new measures in response to a range of government initiatives. See "*Recent Developments – Quarterly Trading Update*" and "*Recent Developments – APRA developments in response to COVID-19 support*".

2. The following subparagraphs are added to the end of the paragraph entitled "*Recent Developments*" in the section entitled "*Commonwealth Bank of Australia*" on page 86 of the Programme Circular (as amended in the supplement to the Programme Circular dated 7 August 2019):

"ASIC commences civil penalty proceedings against CFSIL

On 16 March 2020, ASIC commenced civil penalty proceedings in the Federal Court of Australia against CFSIL, a wholly owned subsidiary of the Issuer. The proceedings relate to alleged breaches of the Australian Securities and Investments Commission Act and the Corporations Act. CFSIL is currently reviewing the claim and as at 15 May 2020 it is not possible to reliably estimate the potential financial effect on the Group.

Sale of 55 per cent. of Bank's stake in Colonial First State to KKR

On 13 May 2020, the Bank announced that it has entered into an agreement to sell a 55 per cent. interest in Colonial First State ("CFS") to Kohlberg Kravis Roberts & Co. ("KKR"), a global investment firm with U.S.\$207 billion of assets under management as at 31 March 2020. The transaction will result in the Bank receiving cash proceeds of approximately A\$1.7 billion from KKR.

The sale is estimated to result in a post-tax gain for the Bank of approximately A\$1.5 billion and is expected to deliver an increase of approximately A\$1.4 – A\$1.9 billion in Level 2 CET1 capital for the Bank equating to between 30 and 40 basis points. Upon completion, which is expected to occur in the first half of 2021, subject to receipt of the regulatory approvals, this will represent the final stage of the Bank's previously announced planned exits from various wealth management activities over recent years.

The Bank remains committed to delivering on the undertakings it made following the Royal Commission, which was established on 14 December 2017. The transaction is not expected have any impact on the ongoing remediation activities that relate to CFS, which will continue as planned. CFS will also continue to assist ASIC and APRA with existing and any future investigations.

Quarterly Trading Update

On 13 May 2020, the Bank published its quarterly trading update and announced the following with respect to the potential future impacts of the COVID-19 outbreak:

- A new A\$1.5 billion forward looking adjustment has been raised in recognition of the potential future impacts of COVID-19 on the economy. Total provisions now stand at A\$6.4 billion, representing a coverage ratio of 1.65 per cent. to total credit risk weighted assets;
- Given an unprecedented set of circumstances which are still unfolding and evolving, a definitive assessment of the longer term outcomes of the COVID-19 pandemic and the consequent economic and societal impacts is difficult as at 15 May 2020. The forward looking adjustment has been determined based on a range of plausible economic and industry sector stress factors, taking into account the mitigating impacts of the Australian government and industry assistance packages and support, including loan payment deferral arrangements. The Bank's lending portfolios continue to be monitored closely, with detailed portfolio stress testing to form the basis for ongoing re-assessments of provisioning levels as the situation evolves;
- Loan impairment expense was A\$1.6 billion in the quarter ended 31 March 2020, or 80 basis points of average gross loans and acceptances, inclusive of the additional COVID-19 provision; and
- Consumer arrears were seasonally higher in the quarter but lower year on year. Troublesome and Impaired Assets were higher at A\$8.1 billion, reflecting seasonally higher consumer arrears and continued pockets of stress in certain sectors, including discretionary retail and agriculture.

APRA developments in response to COVID-19 support

The Group has introduced a number of support measures for customers impacted by COVID-19, which include loan repayment deferrals for a period of up to six months to retail and small business customers. As at 31 March 2020, 14,000 accounts with exposure at default of A\$4.5 billion have been granted loan repayment deferrals. On 23 March 2020, APRA announced that where a borrower was otherwise performing, and their loan was subject to repayment deferrals as part of a COVID-19 support package, the repayment holidays would not be treated as a period of arrears and the loan would not be regarded as restructured.

Under the Coronavirus Small and Medium Enterprises ("SME") Guarantee Scheme, the Group will provide unsecured loans of three years, with an initial six month repayment holiday and with 50 per cent. of the loan guaranteed by the Australian government. APRA has confirmed that the SME Guarantee Scheme will be regarded as an eligible guarantee by the Australian government for risk-weighting purposes. The Group will continue to provision for these loans under relevant accounting standards."

- 3 On 7 April 2020, Fitch announced that it had downgraded its rating of the Issuer to A+ from AA- and with this Supplement references to Fitch's rating of the Issuer in the Programme Circular shall be deemed to be updated accordingly.
- 4 Since 31 December 2019, the last day of the financial period in respect of which the most recent unaudited financial statements have been published, save as disclosed in this Supplement, there has been no significant change in the financial position of the Issuer and its subsidiaries, taken as a whole, since the date of its audited financial statements prepared, nor, since 30 June 2019, the last day of the financial period in respect of which the most recent audited financial statements have been published, save as disclosed in this Supplement, has there been any material adverse change in the prospects of the Issuer and its subsidiaries, taken as a whole.