

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 (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 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 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) incorporate by reference specified pages of the Annual Report into the Programme Circular; (ii) update the Programme Circular to reflect the announcement made on 2 August 2019 with respect to the completion of the Issuer’s divestment of Colonial First State Global Asset Management to Mitsubishi UFJ Trust and Banking Corporation; (iii) update the Programme Circular with respect to APRA’s decision on loss-absorbing capacity of ADIs; (iv) update the Programme Circular to reflect the announcement made on 7 August 2019 with respect to the Remedial Action Plan; (v) update the Programme Circular to reflect the announcement made on 7 August 2019 with respect to the Bank’s Wealth Management business; (vi) update certain references to the rating agencies to reflect the communication from the European Commission on 29 July 2019 regarding its equivalence decision adopted with respect to the CRA Regulation; and (vii) confirm that 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 to 30 June 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.

On 7 August 2019, the Issuer published its Annual Report (the “**Annual Report**”) for the financial year ended 30 June 2019, which includes its audited consolidated and non-consolidated annual financial

statements (including the auditor's report thereon) for the financial year ended 30 June 2019. A copy of the Annual Report has been filed with the United Kingdom Financial Conduct Authority.

Accordingly, the audited consolidated and non-consolidated annual financial statements for the financial year ended 30 June 2019 and the auditor's report (set out on pages 112 to 271 (inclusive) and on pages 273 to 284 (inclusive) of the Annual Report) of the Issuer shall be deemed to be incorporated in, and form part of, the Programme Circular. The non-incorporated parts of the Annual Report are either not relevant for the investor or are covered elsewhere in the Programme Circular.

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 to 30 June 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.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Directive (Directive 2003/71/EC) except where such information or other documents are specifically incorporated by reference. Copies of all documents incorporated by reference in the Programme Circular are available 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> and can also be obtained from the branch in London of the Issuer and from the London office of Deutsche Bank AG, London Branch, as described on page 34 of the Programme Circular.

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

CRA Regulation

On the front cover of the Programme Circular, the paragraph starting with “The Issuer has been rated AA- by Standard & Poor’s (Australia) Pty. Ltd. (“S&P”), Aa3 by Moody’s Investors Service Pty Ltd. (“Moody’s”) and AA- by Fitch Australia Pty Ltd (“Fitch”)” shall be deleted and replaced with the following paragraph:

“The Issuer has been rated AA- by Standard & Poor’s (Australia) Pty. Ltd. (“S&P”), Aa3 by Moody’s Investors Service Pty Ltd. (“Moody’s”) and AA- by Fitch Australia Pty Ltd (“Fitch”). None of S&P, Moody’s or Fitch is established in the European Union (the “EU”) and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”). The ratings have been endorsed by S&P Global Ratings Europe Limited, Moody’s Investors Service Ltd. and Fitch Ratings Limited in accordance with the CRA Regulation. Each of S&P Global Ratings Europe Limited, Moody’s Investors Service Ltd. and Fitch Ratings Limited is established in the European Union and registered under the CRA Regulation. As such they are included in the list of credit rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. There can be no assurance that such endorsement of the credit ratings of S&P, Moody’s and Fitch will continue. ESMA has indicated that ratings issued in Australia which have been endorsed in accordance with the CRA Regulation may be used in the EU by the relevant market participants.”.

Recent Developments

The section of the Programme Circular entitled ‘Recent Developments’ on pages 86 to 90 of the Programme Circular, shall be updated to insert the following at the end of this section:

“APRA’s decision on loss-absorbing capacity of ADIs

On 9 July 2019, the Bank noted the response by APRA to the submissions for the APRA Paper.

APRA confirmed that the Australian regime governing the loss-absorbing capacity (“LAC”) of ADIs will be established under the existing capital framework. Having considered the feedback, APRA will require D-SIBs, including the Bank, to lift their respective Total Capital requirement by three percentage points of risk weighted assets by 1 January 2024. APRA expects that this requirement is likely to result in D-SIBs increasing the issuance of existing forms of capital.

APRA further noted that, as previously proposed in the APRA Paper, its long term target of an additional four to five percentage points of LAC remains unchanged. Over the next four years, APRA will consider feasible alternative methods for the requirement to raise the additional one to two percentage points of LAC, in consultation with industry and other stakeholders.

Based on the Bank’s risk weighted assets of A\$447 billion as at 31 March 2019, the additional three percentage points represent an incremental increase of approximately A\$13 billion of its Total Capital. The Bank expects that this would result in a decrease in the senior funding requirement. The ultimate cost is not yet known, given the pricing of instruments will be impacted by the change in market supply of new issuances by the Australian banks.

Completion of divestment of CFSGAM

On 2 August 2019, the Bank announced the completion of the divestment of its global asset management business, Colonial First State Global Asset Management (“CFSGAM”) to Mitsubishi UFJ Trust and Banking Corporation.

The final sale proceeds are A\$4.2 billion, subject to any completion adjustments. The total consideration represents 19.4 times CFSGAM’s unaudited net profit after tax of A\$218 million for the financial year ended 2019 and a post-tax gain of approximately A\$1.5 billion.

The transaction is expected to deliver an increase of approximately A\$3.1 billion of CET1 capital, resulting in an uplift to the Group’s CET1 ratio of 68 basis points on an APRA basis, based on the Group’s risk weighted assets as at 31 March 2019.

Update on the Remedial Action Plan

On 7 August 2019, the Bank published a report which provided an update on the actions that the Bank has taken to deliver against the Remedial Action Plan from 1 December 2018 to 30 June 2019.

As of 30 June 2019, the Bank has submitted on time to APRA all of the 75 milestones that were due. 65 milestones have been assessed as ‘complete and effective’ and the assessment of the remaining 10 by APRA is in progress. The report highlights that the program of work underway has matured and adapted well to changing external circumstances with the Bank taking action to address the challenges and risks identified by APRA.

Changes made include establishing a Non-Financial Risk Committees (“NFRCs”) in each business and support unit, mirroring the approach taken in setting up the NFRC at the Executive Leadership Team level,

and the creation of a new role of Chief Controls Officers, in each business and support unit to assist leaders in fulfilling both their risk accountabilities and to drive implementation of the plan.

Update on Wealth Management

The Bank confirmed that it will commence the assisted closure of Financial Wisdom Limited (“Financial Wisdom”). This decision follows the sale of Count Financial Limited (“Count Financial”) to CountPlus Limited (“CountPlus”), which received approval from its shareholders this week, and the recent decision to allow Commonwealth Financial Planning Limited-Pathways (“CFP-Pathways”) advisers to transition to a self-licensing arrangement or move to another licensee.

The Bank’s decision to exit its remaining aligned advice businesses is as a response to the significant changes to the regulatory environment for financial advice following the Royal Commission and structural changes in the advice sector.

Ceasing to provide licensee services through Financial Wisdom

The Bank intends to cease providing licensee services through Financial Wisdom by June 2020 and will proceed with an assisted closure. The Bank will support advisers through an orderly transition to alternative arrangements, including self-licensing or joining another licensee. The Bank will also continue to manage customer remediation arising from past issues at Financial Wisdom. Customer remediation for Financial Wisdom was included in the additional provisions announced in the trading update for the March 2019 quarter.

CFP-Pathways advisers to transition to new licensee arrangements

The Group will now allow CFP-Pathways advisers to transition to self-licensing arrangements or move to another licensee. The estimated pre-tax costs of supporting the Financial Wisdom and CFP-Pathways businesses, their advisers and their customers through this transition, as well as other internal project costs, is approximately A\$26 million.

From a financial perspective, the exit of Financial Wisdom and CFP-Pathways will result in the Bank exiting businesses that, in the financial year ended June 2019, excluding remediation provisions, incurred a post-tax loss of approximately A\$11 million.

Update on Count Financial sale

The Bank today reconfirms that it expects to successfully complete the sale of Count Financial to CountPlus in October 2019 as originally advised in its announcement on 13 June 2019. Following completion of the transaction, the Bank intends to sell its 35.9% shareholding in CountPlus in an orderly manner subject to market conditions.

Consistent with the announcement in March 2019, the Bank remains committed to the orderly exit of its remaining wealth management and mortgage broking businesses, comprising Colonial First State, Aussie Home Loans and the Bank’s 16% stake in Mortgage Choice. The Bank is committed to the continued delivery of safe and affordable financial advice to its customers through Commonwealth Financial Planning.”