

# 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\***

## **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 2018 as supplemented on 8 August 2018 (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 (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 (i) update the Programme Circular to reflect certain recent developments; (ii)(a) amend the Risk Factors, including inserting a new risk factor; (b) amend the Applicable Final Terms; and (c) amend Condition 5(b), in each case to reflect and provide for, as applicable, the use of Compounded Daily SONIA (as defined below) as an additional Reference Rate for Floating Rate Notes; and (iii) amend the formula for Compounding Accrual as specified in Condition 6(e)(1).

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 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.

### **Recent Developments**

The section of the Programme Circular entitled “Recent Developments” on pages 74 to 78 of the Programme Circular shall be deleted and replaced with the following:

## **“Recent Developments**

### *Legal Proceedings*

On 3 August 2017, the Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil penalty proceedings in the Federal Court of Australia against the Bank, concerning contraventions of four provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (**AML/CTF Act**).

On 20 June 2018 the Federal Court of Australia approved the agreement between the Bank and AUSTRAC to resolve the civil penalty proceedings commenced by AUSTRAC on 3 August 2017. Accordingly, the Bank recognised a A\$700 million expense in its financial statements for the full year ended 30 June 2018.

The Bank is committed to build on the significant changes made in recent years as part of a comprehensive program to improve operational risk management and compliance at the bank. The Bank continues to make significant investment in AML/CTF compliance, including upgrading and enhancing its AML/CTF technology, updating its process documentation, investing in further resourcing and strengthening training of its personnel.

The Bank has also acted to strengthen financial crime capabilities more broadly, and has invested significantly recognising the crucial role that it plays, including through its Program of Action with coverage across all aspects of financial crime (including AML/CTF, sanctions and anti-bribery and corruption) and all business units.

As a result of the Bank’s investment in its financial crimes environment, the Bank is today in a better position to ensure that it complies with its AML/CTF obligations. However, there is still a significant amount of work to be done.

CBA is committed to ensuring that the necessary work is done as quickly as possible and that the Group works cooperatively with AUSTRAC to develop an AML/CTF compliance function of the highest standard.

Management believes the Program of Action will continue to uplift the Bank’s processes for monitoring, managing, reporting and controlling financial crime across all of its operations, including how it engages with and informs AUSTRAC and other regulators, and its operating model which relates specifically to financial crime to ensure increased confidence in managing this area of risk.

The Group may in the future be subject to additional regulatory actions, litigation, investigations and governmental proceedings emanating from the conduct the subject of the proceedings, which could result in penalties and costs, reputational damage, contractual damage claims, class actions or other claims by impacted the Bank’s stakeholders, which could have a material adverse effect on the Group’s business, reputation, results of operations and financial condition.

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.

On 11 August 2017, following the commencement of the civil proceedings against the Bank by AUSTRAC, ASIC confirmed it would investigate the Bank’s disclosure in respect of the allegations raised in connection with the AUSTRAC proceedings. ASIC is investigating, among other things, whether the officers and directors at the Bank complied with their continuous disclosure obligations under the Australian

Corporations Act. The Bank continues to engage with ASIC in respect of the investigation and respond to requests made by ASIC. It is currently not possible to predict the ultimate outcome of this investigation, if any, on the Bank. The Bank has provided for the costs expected to be incurred in relation to this investigation.

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the **Prudential Inquiry**) into the Group with the goal of identifying shortcomings in the governance, culture and accountability frameworks. The Prudential Inquiry considered, amongst other things, whether the Group's organisational structure, governance, financial objectives, remuneration and accountability frameworks conflicted with sound risk management and compliance outcomes. A Panel was appointed on 8 September 2017 to conduct the Prudential Inquiry, comprising of Dr John Laker AO, Jillian Broadbent AO and Professor Graeme Samuel AC (the **Panel**).

The Panel published a progress report on 1 February 2018 and its final report on 1 May 2018 (the **Final Report**). The Final Report makes a number of findings regarding the complex interplay of organisational and cultural factors within the Group and the need for enhanced management of non-financial risks. In response to the Final Report, the Group has acknowledged that it will implement all of the recommendations and has agreed to adjust its minimum capital requirements by an additional A\$1 billion (risk weighted assets A\$12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction. The effect of this adjustment equates to 28 basis points of Common Equity Tier 1 capital and reduces CBA's 30 September 2018 CET1 ratio from 10.3% to 10.0%.

The Bank has entered into an Enforceable Undertaking under which the Bank's remedial action (Remedial Action Plan) in response to the Final Report would be agreed and monitored regularly by APRA.

On 29 June 2018 the Bank announced that APRA had endorsed the Bank's Remedial Action Plan, which details the Bank's response to the 35 recommendations of the Prudential Inquiry, released on 1 May 2018. The Remedial Action Plan provides a detailed program of change outlining how the Bank will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan provides a comprehensive assurance framework, with Promontory Financial Group having been appointed as the independent reviewer and is required to report to APRA on the Group's progress every 3 months, commencing 30 September 2018.

While the Bank is not currently aware of any other investigation or enforcement action by other domestic or foreign regulators relating to the allegations raised by AUSTRAC (or similar matters) as of the date of this Prospectus, there can be no assurance that the Bank will not be subject to such investigations or enforcement actions in the future. The settlement 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 shareholder class action proceeding related to the AUSTRAC proceedings which was 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 ASX, breached its obligations under the Australian Corporations Act and ASX Listing Rules to disclose information to the ASX 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 (**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.

A similar subject matter shareholder class action was filed on 29 June 2018 by law firm Phi Finney McDonald on behalf of a group of shareholders who acquired an interest in the Bank's ordinary shares between 16 June 2014 and 3 August 2017.

The Bank intends to vigorously defend both shareholder class actions. At this time it is not possible to reliably estimate the possible financial impact on the Group of class actions. Accordingly, no loss provision has been made, although the Bank has provided for legal costs expected to be incurred to defend these claims.

#### *Defence of Superannuation Class Action*

On 9 October 2018, Slater and Gordon filed a class action claim against the Bank and Colonial First State Investments Limited (CFSIL) in the Victorian Registry of the Federal Court. The Bank is the second respondent to this claim. The claim relates to investment in cash and deposit options (which are the Bank's cash and deposit products) in Colonial First State FirstChoice Superannuation Trust and Commonwealth Essential Super. The main allegation is that members with these options in the funds received lower interest rates on them than they would have had CFSIL put them in equivalent products with the highest interest rates obtainable on the market. It is alleged that the Bank was involved in CSIL's breaches as trustee of the funds and CFSIL's breaches as Responsible Entity of the underlying managed investment schemes. The amount claimed has not been quantified so it is currently not possible to determine the ultimate impact of these claims, if any, on the Group. Both the Bank and CFSIL deny the allegations and will serve their defence in accordance with the orders of the court. The Group has made provision for the legal costs estimated to be incurred in the defence of the claim.

#### *The Royal Commission*

On 30 November 2017, the Australian Government announced the establishment of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The former High Court Judge, the Honourable Kenneth Hayne AC QC was appointed as the Commissioner.

An interim report was released on 28 September 2018, and the final report is due by 1 February 2019. The Commissioner's report is expected to outline his findings and recommendations, which may form the basis of regulatory changes. The CBA Group has provided for costs expected to be incurred in relation to the conduct of the Royal Commission.

#### *Other industry-wide regulatory reforms and political developments*

Other industry-wide regulatory reforms and political developments include the Productivity Commission Inquiry into Competition in the Australian Financial System, the Banking Executive Accountability Regime which took effect from 1 July 2018, the Australian Competition and Consumer Commission Inquiry into residential mortgage pricing and the major bank levy.

#### *The Bank Appoints Alan Docherty as Chief Financial Officer*

On 15 October 2018, the Bank announced the appointment of Alan Docherty as Chief Financial Officer. Mr. Docherty had been Acting Chief Financial Officer since May 2018. Prior to this, Mr. Docherty was Chief Financial Officer of the Bank's Institutional Banking and Markets division and held senior roles in Group Finance, Group Treasury and the Business and Private Bank. Prior to the Bank, Mr. Docherty worked in PricewaterhouseCooper's Financial Services practice in the United Kingdom, and with Arthur Andersen and Ernst & Young in Sydney.

The appointment follows a number of changes to the Bank's Executive Leadership Team. As announced in June 2018, Pascal Boillat joined the Bank as Group Executive Enterprise Services and Chief Information Officer on 1 October 2018. Nigel Williams joined the Bank as Chief Risk Officer and David Cohen assumed the role of Deputy Chief Executive Officer in November 2018.

#### *The Bank Announces Changes to Board of Directors*

On September 12, 2018, the Chairman of the Bank, Catherine Livingstone, announced the appointment of Paul O'Malley to CBA's Board of Directors as an Independent Non-Executive Director with effect from January 1, 2019.

Mr. O'Malley served as the Managing Director and Chief Executive Officer of Bluescope Steel Limited for over 10 years, and as its Chief Financial Officer for 18 months immediately prior to his appointment as Chief Executive Officer. Mr. O'Malley was formerly the Chairman and Chief Executive Officer of TXU Energy, a subsidiary of TXU Corp based in Dallas, and has held various other senior financial management roles within the TXU Group. Prior to holding those positions, Mr. O'Malley worked in investment banking and consulting. He has a Bachelor of Commerce and a Masters in Applied Finance and is a Chartered Accountant.

At the request of the Bank's CBA's Board of Directors and to allow for sufficient continuity in Director succession, Director Brian Long has agreed to remain on the Board until the end of the 2018 calendar year instead of retiring at the conclusion of the 2018 Annual General Meeting on 7 November 2018 as previously announced.

#### *Joint Acquisition of PEXA*

On 6 November 2018, the Group announced that its joint bid with Link Administration Holdings Limited and Morgan Stanley Infrastructure Partners Inc. to acquire Property Exchange Australia Limited (**PEXA**) had been accepted by shareholders holding a majority of PEXA's shares (the **PEXA Acquisition**). As part of the PEXA Acquisition, which is subject to a number of conditions precedent, the Group will invest a further A\$50 million, resulting in an investment by the Group in PEXA of approximately A\$100 million and an increase in the Group's ownership stake from 13.1% to approximately 16%.

#### *Divestment of Global Asset Management Business*

On 31 October 2018, the Group announced that it had entered into an agreement to sell its global asset management business, CFSGAM, also known outside of Australia as First State Investments, to Mitsubishi UFJ Trust and Banking Corporation (**MUTB**) for total cash consideration of A\$4.13 billion (the **CFSGAM Divestment**).

The CFSGAM Divestment follows the Group's announcement in June 2018 regarding its intention to demerge its wealth management and mortgage broking businesses. Subsequent to that announcement, MUTB approached the Group in relation to CFSGAM and the Bank Board determined that it would be in the best interests of clients, employees and shareholders to explore a potential sale of CFSGAM.

The estimated total proceeds imply a post-tax gain on sale of approximately A\$1.5 billion, which includes estimated post-tax separation and transaction costs of approximately A\$100 million.

As a result of the CFSGAM Divestment, CFSGAM will not be included in the previously announced demerger of the Bank's wealth management and mortgage broking businesses referred to as NewCo.

Given the global nature of CFSGAM's business and the licensed entities that it operates, the CFSGAM Divestment is subject to a number of regulatory approvals in various jurisdictions including in Australia, Japan, Hong Kong, Singapore, the United Kingdom and the United States. The CFSGAM Divestment is expected to complete in mid-calendar year 2019.

The CET1 capital benefit is principally comprised of the post-tax gain on sale, plus a reduction in CET1 capital deductions from accounting goodwill and investment in net tangible assets. The Group reviews its capital management strategy on an ongoing basis and intends to update investors further following the completion of its announced divestments.

#### *Divestment of Indonesian Life Insurance Business*

On 23 October 2018, the Group announced the sale of its 80% interest in its Indonesian life insurance business, PT Commonwealth Life (**PTCL**), to FWD Group (**FWD**) (the **PTCL Divestment**). As part of the PTCL Divestment, the Group's Indonesian banking business, PT Bank Commonwealth (**PTBC**), will enter into a 15-year life insurance distribution partnership with FWD.

The consideration attributable to the Group on completion is expected to be A\$426 million, with potential additional payments payable over time, subject to the performance of the distribution partnership. Under the terms of the partnership, PTBC will continue to earn income on the distribution of life insurance products.

Upon completion, the PTCL Divestment is expected to result in a post-tax gain on sale of approximately A\$140 million.

The PTCL Divestment aligns with the Group's strategy to focus on its core banking businesses and to create a simpler and better bank and is expected to complete in the first half of calendar year 2019, subject to regulatory approvals in Indonesia.

#### *APRA proposal for increasing the loss-absorbing capacity of ADIs*

On 8 November 2018 the Group noted the release of the discussion paper by APRA (the **APRA Paper**) on the loss-absorbing capacity of Authorised Deposit-taking Institutions (**ADIs**).

The APRA Paper outlines APRA's proposed approach for loss-absorbing capacity, consistent with the Financial System Inquiry recommendation to implement a framework sufficient to facilitate the orderly resolution of Australian ADIs.

The APRA Paper recommends that the Australian regime be established under the existing capital framework, rather than by introducing new forms of loss-absorbing instruments.

For the four Australian major banks, including the Group, APRA proposes an increase in the total capital requirement of between four and five percentage points of risk-weighted assets (**RWA**), with the requirements taking full effect from 2023. APRA further notes that it is anticipated that the banks would satisfy this requirement predominantly with additional Tier 2 capital.

Based on the Bank's RWA of A\$461 billion as at 30 September 2018, and all other things being equal, the additional four to five percentage points represents an incremental increase of approximately A\$18 billion to A\$23 billion of the Group's total capital. The Group expects that this requirement would result in a decrease in other forms of funding. The ultimate cost will be determined by market factors and the final framework issued by APRA.

APRA is seeking submissions on the proposals by 8 February 2019 and the Group will participate in the consultation process.”

## **Updates to the Programme Circular**

### ***Benchmarks Regulation***

The paragraph which is the third from the bottom on page 1 of the Programme Circular shall be deleted and replaced with the following:

“Amounts payable on Floating Rate Notes may be calculated by reference to the London Interbank Offered Rate (**LIBOR**), the Euro Interbank Offered Rate (**EURIBOR**) or the Sterling Overnight Index Average (**SONIA**), as specified in the applicable Final Terms. As at the date of this Programme Circular, ICE Benchmark Administration Limited (as administrator of LIBOR) is included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As at the date of this Programme Circular, the administrator of EURIBOR (the European Money Markets Institute) and the administrator of SONIA (the Bank of England) are not included in ESMA's register of administrators under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, (i) SONIA does not fall within the scope of the Benchmarks Regulation, and (ii) the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the European Money Markets Institute (as administrator of EURIBOR) is not currently required to obtain authorisation or registration.”

### ***Risk Factors***

- (i) In the section of the Programme Circular entitled “*Risks related to the structure of a particular issue of Notes*”, the risk factor entitled “*Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR, and other regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"*” shall be amended by adding the following at the end of the first paragraph on page 18 of the Programme Circular:

“In addition, the United Kingdom's Working Group on Sterling Risk-Free Reference Rates has been mandated with implementing a broad-based transition from Sterling LIBOR to SONIA over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021 (see also “*The market continues to develop in relation to SONIA as a reference rate*” below).”

- (ii) In the section of the Programme Circular entitled “*Risks related to the structure of a particular issue of Notes*”, the risk factor set out below shall be included as an additional risk factor after the risk factor entitled “*Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR, and other regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"*” on page 19 of the Programme Circular:

#### ***“The market continues to develop in relation to SONIA as a reference rate***

Where the applicable Final Terms for a series of Floating Rate Notes specifies that the interest rate for such Floating Rate Notes will be determined by reference to SONIA, interest will be determined on the basis of Compounded Daily SONIA (as defined in the Conditions of the Notes). Compounded Daily SONIA differs from Sterling LIBOR in a number of material respects, including (without limitation) that Compounded Daily SONIA is a backwards-looking, compounded, risk-free overnight rate, whereas Sterling LIBOR is expressed on the basis of a forward-looking term and includes a credit risk-element based on inter-bank lending. As such, investors should be aware that Sterling LIBOR and SONIA may behave materially differently as interest reference rates for Floating Rate Notes. The use of SONIA as a reference rate for Eurobonds is nascent, and is subject to change and development, both

in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of debt securities referencing SONIA.

Accordingly, prospective investors in any Floating Rate Notes referencing Compounded Daily SONIA should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. For example, in the context of backwards-looking SONIA rates, market participants and relevant working groups are, as at the date of this Programme Circular, currently assessing the differences between compounded rates and weighted average rates, and such groups are also exploring forward-looking 'term' SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The adoption of SONIA may also see component inputs into swap rates or other composite rates transferring from Sterling LIBOR or another reference rate to SONIA.

The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions in the case of Floating Rate Notes for which Compounded Daily SONIA is specified as being applicable in the applicable Final Terms that are issued under this Programme. Furthermore, the Issuer may in the future issue Floating Rate Notes referencing SONIA that differ materially in terms of the interest determination provisions when compared with the provisions for such determination as set out in Condition 5(b)(5A) as contained in this Programme Circular. The nascent development of Compounded Daily SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Floating Rate Notes issued under the Programme from time to time.

Furthermore, interest on Floating Rate Notes which reference Compounded Daily SONIA is only capable of being determined at the end of the relevant Observation Period (as defined in Condition 5(b)(5A)) and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Floating Rate Notes which reference Compounded Daily SONIA to estimate reliably the amount of interest which will be payable on such Floating Rate Notes, and some investors may be unable or unwilling to trade such Floating Rate Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of such Floating Rate Notes. Further, in contrast to Sterling LIBOR-based Floating Rate Notes, if Floating Rate Notes referencing Compounded Daily SONIA become due and payable as a result of an event of default under Condition 11, or are otherwise redeemed early on a date which is not an Interest Payment Date, the final rate of interest payable in respect of such Floating Rate Notes shall only be determined immediately prior to the date on which the Floating Rate Notes become due and payable.

In addition, the manner of adoption or application of SONIA reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing Compounded Daily SONIA.

Investors should carefully consider these matters when making their investment decision with respect to any such Notes."

### ***Applicable Final Terms***

- (i) In the section of the Programme Circular entitled "*Applicable Final Terms*", item 9 (*Interest Basis*) of Part A on page 31 of the Programme Circular shall be deleted and replaced with the following:



9. Interest Basis:  per cent. Fixed Rate]

month [LIBOR/EURIBOR]/[Compounded Daily SONIA] +/-  per cent. Floating Rate]

[Zero Coupon]

(see paragraph [13]/[14]/[15] below)

(ii) In the section of the Programme Circular entitled “*Applicable Final Terms*”, item 14(vii) (*Floating Rate Note Provisions*) of Part A on page 33 of the Programme Circular shall be deleted and replaced with the following:

(vii)	Screen Rate Determination:	[Applicable/Not Applicable]
	- Reference Rate:	<input type="checkbox"/> month [LIBOR]/[EURIBOR]/[Compounded Daily SONIA]
	- Interest Determination Date(s):	<input type="checkbox"/> /[Second London business day prior to the start of each Floating Interest Period]/[First day of each Floating Interest Period]/[Second day on which TARGET2 is open prior to the start of each Floating Interest Period]/[Fifth] London business day prior to the end of each Floating Interest Period]
	- Relevant Screen Page:	[ <input type="checkbox"/> ]
	- SONIA Lag Period (p):	[[●] London Banking Days][Not Applicable]

*(N.B. minimum of 5 London Banking Days unless otherwise agreed with the Principal Paying Agent (or such other person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest))*

(iii) In the section of the Programme Circular entitled “*Applicable Final Terms*”, item 6 (*Historic Interest Dates (Floating Rate Notes Only)*) of Part B on page 36 of the Programme Circular shall be deleted and replaced with the following:

**6. HISTORIC INTEREST RATES (FLOATING RATE NOTES ONLY)**

Details of historic [LIBOR/EURIBOR/SONIA/[  ]] reference rates can be obtained from [Reuters].

***Conditions of the Notes***

(i) The heading of Condition 5(b)(5) on page 44 of the Programme Circular shall be deleted and replaced with the following:

(5) *Screen Rate Determination for Floating Rate Notes not referencing Compounded Daily SONIA*

(ii) The following shall be inserted as a new Condition 5(b)(5A) after Condition 5(b)(5) on page 45 of the Programme Circular:

(5A) *Screen Rate Determination for Floating Rate Notes referencing Compounded Daily SONIA*

(i) Where "Screen Rate Determination" is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified in the applicable Final Terms as being "Compounded Daily SONIA", the Rate of Interest for an Interest Accrual Period (as defined below) will, subject as provided below, be Compounded Daily SONIA with respect to such Interest Accrual Period plus or minus the Margin (if any) as specified in the applicable Final Terms.

"Compounded Daily SONIA" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) as calculated by the Principal Paying Agent (or such other person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest) on the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

"d" is the number of calendar days in the relevant Interest Accrual Period;

"d<sub>o</sub>" is the number of London Banking Days in the relevant Interest Accrual Period;

"i" is a series of whole numbers from one to d<sub>o</sub>, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Accrual Period;

"London Banking Day" or "LBD" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"n<sub>i</sub>", for any London Banking Day "i", means the number of calendar days from (and including) such London Banking Day "i" up to (but excluding) the following London Banking Day;

"Observation Period" means the period from (and including) the date falling "p" London Banking Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling "p" London Banking Days prior to (A) (in the case of a Floating Interest Period) the Interest Payment

Date for such Floating Interest Period or (B) (in the case of any other Interest Accrual Period) the date on which the relevant payment of interest falls due;

“*p*” is the number of London Banking Days by which an Observation Period lags the corresponding Interest Accrual Period, which shall, unless otherwise agreed with the Principal Paying Agent (or such other person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest), be no less than five London Banking Days;

the “SONIA reference rate”, in respect of any London Banking Day, is a reference rate equal to the daily Sterling Overnight Index Average (SONIA) rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the London Banking Day immediately following such London Banking Day; and

“SONIA<sub>i-pLBD</sub>” means the SONIA reference rate for the London Banking Day (being a London Banking Day falling in the relevant Observation Period) falling “*p*” London Banking Days prior to the relevant London Banking Day “*i*”.

- (ii) If, in respect of any London Banking Day in the relevant Observation Period, the applicable SONIA reference rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then (unless the Principal Paying Agent (or such other person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest) has been notified of any Successor Rate or Alternative Rate (and any related Adjustment Spread and/or Benchmark Amendments) pursuant to Condition 5(e) below, if applicable) the SONIA reference rate in respect of such London Banking Day shall be: (i) the Bank of England’s Bank Rate (the “Bank Rate”) prevailing at 5.00 p.m. (or, if earlier, close of business) on such London Banking Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and the lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads).
- (iii) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be:
  - A. that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Accrual Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Accrual Period); or
  - B. if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first scheduled Floating Interest Period had the Notes been in issue for a period equal in duration to the first scheduled Floating Interest Period but

ending on (and excluding) the Interest Commencement Date (and applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Floating Interest Period).

- (iv) As used herein, an “Interest Accrual Period” means (i) each Floating Interest Period and (ii) any other period (if any) in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which, if this Series of Notes becomes due and payable in accordance with Condition 11, shall be the date on which such Notes become due and payable).
- (v) If this Series of Notes becomes due and payable in accordance with Condition 11, the final Rate of Interest shall be calculated for the Interest Accrual Period to (but excluding) the date on which the Notes become so due and payable, and such Rate of Interest shall continue to apply to the Notes for so long as interest continues to accrue thereon as provided in Condition 5(b)(2).

- (iii) The following shall be inserted as a new Condition 5(b)(9A) after Condition 5(b)(9) (*Interest on Floating Rate Notes*) on page 47 of the Programme Circular

(9A) *Notification of Rate of Interest and Interest Amount for Floating Rate Notes referencing Compounded Daily SONIA*

Where the Reference Rate is specified in the applicable Final Terms as being “Compounded Daily SONIA”, the Principal Paying Agent will cause the Rate of Interest and the Interest Amount for each Interest Accrual Period and the relevant Interest Payment Date to be notified to the Issuer and in the case of Floating Rate Notes referencing Compounded Daily SONIA which are listed on a stock exchange, that stock exchange as soon as possible after their determination and will cause notice of such information to be given to the holders of the Notes of this Series in accordance with Condition 16 not later than the second London Banking Day (as defined in Condition 5(b)(5A) above) after their determination. Each Rate of Interest, Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Accrual Period. Any such amendment or alternative arrangements will be promptly notified to any stock exchange on which the Notes affected thereby are for the time being listed.

- (iv) The formula for Compounding Accrual specified in Condition 6(e)(1) on page 57 of the Programme Circular shall be deleted and replaced with the following:

Compounding Accrual: Amortised Face Amount = Reference Amount x (1+Accrual Yield)<sup>y</sup>