

## IMPORTANT INFORMATION

**NOT FOR DISTRIBUTION IN ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION.**

THE EXCHANGE OFFER (AS DEFINED IN THE EXCHANGE OFFER MEMORANDUM) IS AVAILABLE ONLY TO (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), IN PRIVATE TRANSACTIONS IN RELIANCE UPON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY SECTION 4(A)(2) AND (2) OUTSIDE THE UNITED STATES, TO PERSONS OTHER THAN “U.S. PERSONS” AS DEFINED IN RULE 902 UNDER THE SECURITIES ACT IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT.

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached Exchange Offer Memorandum, whether downloaded, received by e-mail or otherwise received and you are therefore required to read this disclaimer page carefully before reading, accessing or making any other use of the attached document. In accessing or otherwise viewing the attached Exchange Offer Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS DOCUMENT OR ANY DISTRIBUTION THEREOF CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NEW NOTES (AS DEFINED IN THE EXCHANGE OFFER MEMORANDUM) HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NONE OF THE EXCHANGE OFFER MEMORANDUM OR ANY RELATED DOCUMENT HAS BEEN FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION, OR FILED WITH OR REVIEWED BY ANY U.S. STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY OF ANY COUNTRY. NO AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF ANY SUCH DOCUMENTS AND IT IS UNLAWFUL AND A CRIMINAL OFFENSE TO MAKE ANY REPRESENTATION TO THE CONTRARY.

THE EXCHANGE OFFER MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE EXCHANGE OFFER MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS REQUIREMENT MAY RESULT IN A VIOLATION OF THE APPLICABLE LAWS OF THE UNITED STATES OR OTHER JURISDICTIONS.

**Confirmation of Representations:** In order to be eligible to view the Exchange Offer Memorandum or make an investment decision with respect to the Exchange Offer, investors must certify that they are (i) not resident in the United States and, to the extent they exchange the securities described in the Exchange Offer Memorandum, they will be doing so pursuant to Regulation S or (ii) they are acting on behalf of or are a QIB. The Exchange Offer Memorandum is being sent to prospective investors on the basis that by accessing or otherwise viewing the Exchange Offer Memorandum, each prospective investor shall be deemed to have represented that (iii) it is not a person to whom it is unlawful to send the attached Exchange Offer Memorandum or to make an invitation under the Exchange Offer under applicable laws, and (iv) that it consents to delivery of the Exchange Offer Memorandum by electronic transmission.

**Actions that you may not take.** You should not reply by email to this announcement, and you may not purchase any securities by doing so. Any reply email communications, including those you generate by using the “Reply” function on your email software, will be ignored or rejected.

Each prospective investor is reminded that the Exchange Offer Memorandum has been delivered to it on the basis that it is a person into whose possession the Exchange Offer Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which it is located and prospective investors may not, nor are prospective investors authorized to, deliver the Exchange Offer Memorandum to any other person. Each prospective investor will not transmit the Exchange Offer Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Offeror (as defined in the Exchange Offer Memorandum). However, if you have recently sold or otherwise transferred any Old Notes (as defined in the Exchange Offer Memorandum), you should immediately notify the transferee that it will have to certify that it is an eligible holder of Old Notes if it wishes to participate in the Exchange Offer.

The materials relating to the Exchange Offer described in the Exchange Offer Memorandum do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an exchange offer be made by a licensed broker or dealer and any of the Dealer Managers (as defined herein) or any affiliate of such Dealer Managers is a licensed broker or dealer in that jurisdiction, the Exchange Offer shall be deemed to be made by such Dealer Managers or such affiliates on behalf of the Offeror in such jurisdiction. Under no circumstances shall the Exchange Offer Memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the New Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Exchange Offer Memorandum may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

The Exchange Offer Memorandum has been provided to or sent to prospective investors in an electronic form. Prospective investors are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Offeror, the Dealer Managers or any person who controls any of them nor any director, officer, employee or agent of any of them nor any affiliate of any of them accepts any liability or responsibility whatsoever in respect of any difference between the Exchange Offer Memorandum distributed to prospective investors in electronic format and the hard copy version available to prospective investors on request from the Exchange Agent (as defined herein) or from the Dealer Managers.

**Restrictions:** The Exchange Offer and the Exchange Offer Memorandum are, respectively, subject to offer and distribution restrictions in, among other countries, the United States, the United Kingdom, Belgium, Canada, France, Hong Kong, Italy, Singapore, Switzerland and Taiwan. The Exchange Offer Memorandum does not constitute an invitation to participate in the Exchange Offer in any jurisdiction in which, or to any person to whom, the making of such invitation would not be in compliance with the laws or regulations of such jurisdiction.



## Lloyds Banking Group plc

### Offer to Exchange Any and All Outstanding Notes Listed below for Subordinated Debt Securities due 2025 of Lloyds Banking Group plc (CUSIP 539439AH2 and G5533WBU0):

Old Notes	CUSIP	Principal Amount Outstanding	Reference Treasury Security	Bloomberg Reference Page	2020 Old Notes Fixed Spread (basis points)	2025 New Notes Fixed Spread (basis points)	Early Participation Payment(1)	Hypothetical Total Exchange Consideration (1)(2)(3)	Hypothetical Exchange Consideration (1)(2)(3)(4)
Lloyds Bank plc 6.50% Fixed Rate Lower Tier 2 Notes due 2020	53947NAA2 53947QAA5	\$2,000,000,000	1.375% due October 31, 2020	PX1	100	235	\$50	\$1,170.56	\$1,120.56

- (1) Per \$1,000 principal amount of 2020 Old Notes accepted for exchange.
- (2) The Exchange Consideration for each \$1,000 principal amount of 2020 Old Notes tendered after the Early Participation Date (as defined below) but at or prior to the Expiration Deadline (as defined below) will be 2025 New Notes in a principal amount equal to the Total Exchange Consideration less the Early Participation Payment.
- (3) The Hypothetical Total Exchange Consideration is based on the fixed spread for the 2020 Old Notes to the yield on the Reference U.S. Treasury Security as of 11:00 a.m., New York City time, on November 20, 2015. The information provided in the above table is for illustrative purposes only. See Annex A to this Exchange Offer Memorandum for the formula to be used to calculate the Total Exchange Consideration.
- (4) The Hypothetical Exchange Consideration is equal to the Hypothetical Total Exchange Consideration less the Early Participation Payment.

### Offer to Exchange Any and All Outstanding Notes Listed below for 5.300% Subordinated Debt Securities due 2045 of Lloyds Banking Group plc (CUSIP 539439AJ8 and G5533WBV8):

Old Notes	CUSIP	Principal Amount Outstanding	Reference Treasury Security	Bloomberg Reference Page	2033 Old Notes Fixed Spread (basis points)	2045 New Notes Fixed Spread (basis points)	Early Participation Payment(1)	Hypothetical Total Exchange Consideration (1)(2)(3)	Hypothetical Exchange Consideration (1)(2)(3)(5)	Hypothetical 2045 New Notes Value(4)(6)	Hypothetical 2045 New Notes Exchange Ratio(7)
HBOS plc 6.00% Subordinated Notes due 2033	4041A2AF1 4041A3AG7	\$750,000,000	2.875% due August 15, 2045	PX1	180	230	\$50	\$1,141.25	\$1,091.25	\$998.04	\$1,143.49

- (1) Per \$1,000 principal amount of 2033 Old Notes accepted for exchange.
- (2) The Exchange Consideration for each \$1,000 principal amount of 2033 Old Notes tendered after the Early Participation Date but at or prior to the Expiration Deadline will be the Total Exchange Consideration less the Early Participation Payment.
- (3) The Hypothetical Total Exchange Consideration is based on the fixed spread for the 2033 Old Notes to the yield on the Reference U.S. Treasury Security as of 11:00 a.m., New York City time, on November 20, 2015. The information provided in the above table is for illustrative purposes only. See Annex A to this Exchange Offer Memorandum for the formula to be used to calculate the Total Exchange Consideration.
- (4) Per \$1,000 principal amount of 2045 New Notes.
- (5) The Hypothetical Exchange Consideration is equal to the Hypothetical Total Exchange Consideration less the Early Participation Payment.
- (6) The Hypothetical 2045 New Notes Value is shown for illustrative purposes only and will be determined as of 11:00 a.m., New York City time, on December 8, 2015 in accordance with the formula set forth in Annex A.
- (7) The Hypothetical 2045 New Notes Exchange Ratio is equal to (a) the Hypothetical Total Exchange Consideration, divided by (b) the Hypothetical 2045 New Notes Value multiplied by (c) \$1,000. Such amount represents the aggregate principal amount of 2045 New Notes a holder would receive for each \$1,000 of 2033 Old Notes tendered at or prior to the Early Participation Date.

THE EXCHANGE OFFER (AS DEFINED BELOW) WILL EXPIRE AT 11:59 P.M., NEW YORK CITY TIME, ON DECEMBER 21, 2015 (SUCH TIME AND DATE, AS THE SAME MAY BE EXTENDED, THE "EXPIRATION DEADLINE"). TO BE ELIGIBLE TO RECEIVE THE APPLICABLE TOTAL EXCHANGE CONSIDERATION (AS DEFINED BELOW), WHICH INCLUDES THE EARLY PARTICIPATION PAYMENT (AS DEFINED BELOW), HOLDERS MUST VALIDLY TENDER AND NOT VALIDLY WITHDRAW THEIR OLD NOTES AT OR PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON DECEMBER 7, 2015, UNLESS EXTENDED (SUCH DATE AND TIME AS THEY MAY BE EXTENDED BY US, THE "EARLY PARTICIPATION DATE"). HOLDERS WHO TENDER AFTER THE EARLY PARTICIPATION DATE BUT AT OR PRIOR TO THE EXPIRATION DEADLINE WILL ONLY BE ELIGIBLE TO RECEIVE THE APPLICABLE EXCHANGE CONSIDERATION SPECIFIED HEREIN, WHICH DOES NOT INCLUDE THE EARLY PARTICIPATION AMOUNT.

OLD NOTES (AS DEFINED BELOW) TENDERED MAY BE VALIDLY WITHDRAWN AT ANY TIME BEFORE 5:00 P.M., NEW YORK CITY TIME, ON DECEMBER 7, 2015, BUT NOT THEREAFTER, UNLESS OTHERWISE REQUIRED BY LAW (SUCH TIME AND DATE, AS THE SAME MAY BE EXTENDED, THE "WITHDRAWAL DEADLINE").

Lloyds Banking Group plc (the "Offeror"), on behalf of HBOS plc and Lloyds Bank plc, is offering to exchange, on the terms and conditions described in this Exchange Offer Memorandum, (i) any and all outstanding 6.50% Fixed Rate Lower Tier 2 Notes due 2020 issued by Lloyds Bank plc and guaranteed by the Offeror (the "2020 Old Notes") for Subordinated Debt Securities due 2025 issued by Offeror (the "2025 New Notes") (the "2025 Exchange Offer"), and (ii) any and all outstanding 6.00% Subordinated Notes due 2033 issued by HBOS plc (the "2033 Old Notes" and, together with the 2020 Old Notes, the "Old Notes") for 5.300% Subordinated Debt Securities due 2045 (the "2045 New Notes" and, together with the 2025 New Notes, the "New Notes") issued by the Offeror (the "2045 Exchange Offer" and, together with the 2025 Exchange Offer, the "Exchange Offer"). The 2045 New

Notes will constitute a further issuance of, form a single series with, and have the same CUSIP numbers as the Offeror's 5.300% Subordinated Debt Securities due 2045, which are expected to be issued on December 1, 2015 (the "2045 Original Notes").

The 2025 New Notes will mature on December 10, 2025 and will bear interest at a rate per annum (the "2025 New Notes Coupon") equal to the sum of (a) the bid-side yield on the 2.25% U.S. Treasury Security due November 15, 2025 (the "2025 New Notes Reference Security"), as calculated by the Dealer Managers in accordance with standard market practice, that equates to the bid-side price of the 2025 New Notes Reference Security, as of the Pricing Time (as defined below), as displayed on the Bloomberg Reference page PX1 (or any recognized quotation source selected by the Dealer Managers if such quotation report is not available or manifestly erroneous) plus (b) a fixed spread of 235 basis points, such sum rounded to the third decimal place when expressed as a percentage.

The aggregate principal amount of 2045 New Notes a holder of the 2033 Old Notes will be eligible to receive will reference the 2045 New Notes Value. The 2045 New Notes Value will equal the discounted value on the Early Settlement Date (as defined below) of the remaining payments of principal and interest (excluding accrued and unpaid interest to but not including the Early Settlement Date) per \$1,000 principal amount of the 2045 New Notes through the maturity date of the 2045 New Notes, using a yield equal to the sum, as calculated by the Dealer Managers, of (a) the bid-side yield on the 2.875% U.S. Treasury Security due August 15, 2045, as of the Pricing Time, as displayed on the Bloomberg Reference page PX1 (or any recognized quotation source selected by the Dealer Managers if such quotation report is not available or manifestly erroneous) plus (b) a fixed spread of 230 basis points. The 2045 New Notes Value will be rounded to the nearest cent per \$1,000 principal amount of 2045 New Notes.

The 2045 New Notes Exchange Ratio is equal to (1) the Total Exchange Consideration or the Exchange Consideration, as the case may be, divided by (2) the 2045 New Notes Value multiplied by (3) \$1,000. Such amount represents the aggregate principal amount of 2045 New Notes a holder will be eligible to receive for each \$1,000 of 2033 Old Notes tendered in the 2045 Exchange Offer and accepted by the Offeror.

In order to encourage holders to tender early, for each \$1,000 principal amount of the Old Notes validly tendered on or before the Early Participation Date and not validly withdrawn, holders will be eligible to receive the applicable Exchange Consideration and the applicable Early Participation Payment set out in the table above. Holders who validly tender after the Early Participation Date, will only be eligible to receive the applicable Exchange Consideration.

The 2025 Exchange Offer is subject to a minimum new issue size of at least \$500 million in aggregate principal amount of the 2025 New Notes being validly issued pursuant to the 2025 Exchange Offer. The 2045 Exchange Offer is subject to the issuance of the 2045 Original Notes, which is expected to occur on December 1, 2015. In addition, each Exchange Offer is subject to (i) the Tax Fungibility Condition (as described in "*The Exchange Offer—Terms of the Exchange Offer—Exchange Offer Conditions—Tax Fungibility Condition*") and (ii) certain other conditions set out under "*The Exchange Offer—Terms of the Exchange Offer—Exchange Offer Conditions*".

Holders must tender Old Notes in minimum tender amounts such that the New Notes issued will be in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

**The Offeror may extend, re-open, amend, limit, waive any condition of, or terminate the Exchange Offer at any time (subject to applicable law and except as expressly provided herein). Details of any such extension, re-opening, amendment, limitation, waiver (if permitted) or termination will be announced wherever applicable as provided in this Exchange Offer Memorandum as soon as reasonably practicable after the relevant decision is made. For more information, see "*The Exchange Offer*".**

Questions and requests for assistance in connection with (i) the Exchange Offer may be directed to BNP Paribas Securities Corp., Goldman, Sachs & Co., Lloyds Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC (the "Dealer Managers") and (ii) the delivery of Exchange Instructions (as defined herein) may be directed to Lucid Issuer Services Limited (the "Exchange Agent"), as applicable, the contact details for whom are on the back cover page of this Exchange Offer Memorandum.

**Before deciding whether to exchange your Old Notes for New Notes, you are encouraged to read and carefully consider this Exchange Offer Memorandum (including the documents incorporated by reference herein) in its entirety. See "*Risk Factors*" beginning on page 16 for a discussion of risk factors that you should consider prior to deciding whether to tender your Old Notes in the Exchange Offer.**

We have not registered the New Notes under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws. The New Notes may not be offered or sold in the United States or to any U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Notes are being offered for exchange only (1) to "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("QIBs"), in a private transaction in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof and (2) outside the United States, to persons other than "U.S. persons" as defined in Rule 902 under the Securities Act in offshore transactions in compliance with Regulation S under the Securities Act. **Only holders of Old Notes who have completed and returned an eligibility certification are authorized to receive and review this Exchange Offer Memorandum and to participate in the Exchange Offer.**

We will agree to file a registration statement relating to an exchange offer for, or the resale of, the New Notes. See "*Registration Rights*".

We do not intend to list the New Notes on any securities exchange. We intend to apply to list the Exchange Notes (as defined herein), once issued, on the New York Stock Exchange in accordance with its rules. See "*Registration Rights—General*".

**Neither the U.S. Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of the Exchange Offer or the securities to be issued in the Exchange Offer or passed upon the adequacy or accuracy of this Exchange Offer Memorandum. Any representation to the contrary is a criminal offense.**

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Joint Dealer Managers

**BNP PARIBAS**

**BofA Merrill Lynch**

**Goldman, Sachs & Co.**

**Lloyds Securities**

**Morgan Stanley**

The date of this Exchange Offer Memorandum is November 23, 2015

## TIMETABLE FOR THE EXCHANGE OFFER

***Holders should confirm with any bank, securities broker or other intermediary through which they hold Old Notes whether such intermediary needs to receive instructions from a holder before the deadlines specified in this Exchange Offer Memorandum in order for that holder to be able to participate in, or (in the circumstances in which withdrawal is permitted) withdraw their instruction to participate in, the Exchange Offer.***

*The times and dates below are subject, where applicable, to the right of the Offeror to extend, re-open, amend, limit, terminate or withdraw the Exchange Offer, subject to applicable law. Accordingly, the actual timetable may differ significantly from the expected timetable set out below. If any of the below times and/or dates change, the revised time and/or date will be notified by announcement as soon as reasonably practicable.*

<b>Events</b>	<b>Dates and Times</b>
<b><i>Commencement of the Exchange Offer</i></b>	
Exchange Offer announced. Exchange Offer Memorandum made available to eligible holders of Old Notes.	November 23, 2015
<b><i>Withdrawal Deadline</i></b>	
The deadline for holders to validly withdraw tenders of Old Notes.	5:00 p.m., New York City time, on December 7, 2015
<b><i>Early Participation Date</i></b>	
The deadline for holders to validly tender Old Notes in order to be eligible to receive the applicable Total Exchange Consideration on the Early Settlement Date.	5:00 p.m., New York City time, on December 7, 2015
<b><i>Pricing Time</i></b>	
The date and time on which (i) the 2025 New Notes Coupon, (ii) the 2045 New Notes Value and (iii) the applicable Total Exchange Consideration and Exchange Consideration for each series of Old Notes will be determined.	11:00 a.m., New York City time, on December 8, 2015
<b><i>Early Settlement Date</i></b>	
Early Settlement Date for the New Notes, including delivery of the New Notes in exchange for Old Notes accepted on or prior to the Early Participation Date.	Expected on December 10, 2015
<b><i>Expiration Deadline</i></b>	
The deadline for receipt of all Exchange Instructions in order to be eligible to receive the applicable Exchange Consideration on the Final Settlement Date.	11:59 p.m., New York City time, on December 21, 2015
<b><i>Final Settlement Date</i></b>	
Final Settlement Date of the Exchange Offer, including delivery of the New Notes in exchange for Old Notes accepted after the Early Participation Date but on or prior to the Expiration Deadline.	Expected on December 23, 2015

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**You should rely only on the information contained or incorporated by reference in this Exchange Offer Memorandum (including any free writing prospectus issued or authorized by us). Neither we nor the Dealer Managers have authorized anyone to provide you with additional, different or inconsistent information. We are not making an offer of these securities in any state or jurisdiction where the offer is not permitted. You should assume that the information contained in this Exchange Offer Memorandum and the documents incorporated by reference herein is accurate only as of their respective dates.**

### **ABOUT THIS EXCHANGE OFFER MEMORANDUM**

In this Exchange Offer Memorandum, we use the following terms:

- “we”, “us”, “our”, “Offeror”, “Issuer”, “LBG” and “Lloyds Banking Group” mean Lloyds Banking Group plc;
- “Group” means Lloyds Banking Group plc together with its subsidiaries and associated undertakings;
- “SEC” refers to the Securities and Exchange Commission;
- “business day” means with respect to the terms of the Exchange Offer any day other than a Saturday, Sunday or a U.S. federal holiday;
- “pound sterling”, “pence”, “£” and “p” refer to the currency of the United Kingdom;
- “U.S. dollars”, “\$” and “cents” refer to the currency of the United States;
- “euro”, “€” and “euro cents” refer to the currency of the member states of the European Union (the “EU”) that have adopted the single currency in accordance with the treaty establishing the European Community, as amended; and
- “U.K.” means the United Kingdom.

## IMPORTANT NOTICES

If a holder decides to tender Old Notes pursuant to the Exchange Offer, the holder must arrange for the relevant account holder to submit an Agent's Message through DTC or an electronic tender and blocking instruction in the form specified in the "Deadlines and Corporate Events" or similar form of notice to be sent to account holders by each of Euroclear and Clearstream, Luxembourg on or about the date of this Exchange Offer Memorandum informing account holders of the procedures to be followed in order to participate in the Exchange Offer (each an "Exchange Instruction"). See "*The Exchange Offer—Procedures for Participating in the Exchange Offer*".

If you are a beneficial owner of Old Notes that are held by or registered in the name of a bank, broker, custodian or other nominee, and you wish to participate in the Exchange Offer, you must promptly contact your bank, broker, custodian or other nominee to instruct it to tender your Old Notes, to agree to the terms of the Exchange Offer and to cause the timely transmission of an Exchange Instruction on your behalf to the Exchange Agent. **You are urged to instruct your bank, broker, custodian or other nominee at least five business days prior to the Early Participation Date or the Expiration Deadline, as the case may be, in order to allow adequate processing time for your instruction.**

The Offeror is making the Exchange Offer only in those jurisdictions where it is legal to do so. This document does not constitute a "prospectus" for the purposes of Directive 2003/71/EC (as amended) and no such prospectus is required for the issue of the New Notes.

Old Notes can be tendered in the Exchange Offer only in accordance with the procedures described in "*The Exchange Offer—Procedures for Participating in the Exchange Offer*". Holders who do not participate in the Exchange Offer, or whose Old Notes are not accepted for purchase, will continue to hold their Old Notes.

This Exchange Offer does not constitute an offer to buy or sell or a solicitation of an offer to buy or sell either Old Notes or New Notes in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such offer or solicitation under applicable securities laws or otherwise. The distribution of this Offer to Exchange in certain jurisdictions may be restricted by law. Persons into whose possession this Exchange Offer Memorandum comes are required by us and the Dealer Managers to inform themselves about and to observe any such restrictions. This Exchange Offer Memorandum may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. See "*Notice to Investors*" and "*Notice to Certain Non-U.S. Holders*" herein.

In making an investment decision regarding the New Notes, you must rely on your own examination of us, the terms of the Exchange Offer and the terms of the New Notes, including the merits and risks involved. You should not consider any information in this Exchange Offer Memorandum to be legal, business or tax advice. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of an acquisition of the New Notes.

We have not registered the New Notes under the Securities Act or any state securities laws. The New Notes may not be offered or sold in the United States or to any U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Notes are being offered for exchange only (1) to QIBs in a private transaction in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof and (2) outside the United States, to persons other than "U.S. persons" as defined in Rule 902 under the Securities Act in offshore transactions in compliance with Regulation S under the Securities Act. Only holders of Old Notes who have completed and returned an eligibility certification are authorized to receive and review this Exchange Offer Memorandum and to participate in the Exchange Offer.

**Neither the SEC nor any state securities commission has approved or disapproved of the Exchange Offer or the securities to be issued in the Exchange Offer or passed upon the adequacy or accuracy of this Exchange Offer Memorandum. Any representation to the contrary is a criminal offense.**

Holders must comply with all laws that apply to them in any place in which they possess this Exchange Offer Memorandum. Holders must also obtain any consents or approvals that they need in order to tender their Old Notes. None of LBG, the Dealer Managers or the Exchange Agent (or any of their respective directors, employees or affiliates) is responsible for holders' compliance with these legal requirements. See "*Notice to Certain Non-U.S.*

*Holder*s". The applicable provisions of the U.K. Financial Services and Markets Act 2000 must be complied with in respect of anything done in relation to the Exchange Offer in, from or otherwise involving the United Kingdom.

See "*Taxation Considerations*" for a description of certain U.K. and United States federal income tax considerations that should be considered carefully in evaluating the Exchange Offer.

Unless the context otherwise requires, all references in this Exchange Offer Memorandum to a "holder" or "holder of the Old Notes" include:

- (a) each person who is shown in the records of The Depository Trust Company ("DTC"), Euroclear Bank S.A./N.V. ("Euroclear") or Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg" and, together with DTC and Euroclear, the "Clearing Systems" and each a "Clearing System") as a holder of the Old Notes (also referred to as "Direct Participants" and each a "Direct Participant");
- (b) any broker, dealer, commercial bank, trust company or other nominee or custodian who holds Old Notes; and
- (c) each beneficial owner of Old Notes holding such Old Notes, directly or indirectly, in accounts in the name of a Direct Participant acting on the beneficial owner's behalf,

except that for the purposes of the exchange of Old Notes pursuant to the Exchange Offer and the payment of any cash payments, to the extent the beneficial owner of the relevant Old Notes is not a Direct Participant, the relevant New Notes and any cash payments will only be delivered and paid to the relevant Direct Participant and the delivery of such New Notes and payment of cash payments to such Direct Participant will satisfy any obligations of LBG, the Exchange Agent and the relevant Clearing System in respect of the exchange of such Old Notes.

The Offeror is not providing for guaranteed delivery procedures and therefore you must allow sufficient time for the necessary tender procedures to be completed during normal business hours of the Clearing Systems prior to the Early Participation Date or the Expiration Deadline, as the case may be. Tenders received by the Exchange Agent after the Expiration Deadline may be disregarded and of no effect.

LBG is incorporating by reference into this document important business and financial information that is not included in or delivered with this document. This information is available without charge to security holders upon written or oral request. Requests should be directed to:

Lloyds Banking Group  
25 Gresham Street  
London EC2V 7HN  
United Kingdom  
Telephone Number: +44 207 626 1500

**In order to ensure timely delivery of such documents, holders must request this information no later than five business days before the date they must make their investment decision. Accordingly, any request for information should be made by December 14, 2015 to ensure timely delivery of the documents prior to the Expiration Deadline.**

**See "*Risk Factors*", beginning on page 16 for a description of certain factors relating to a decision to tender your Old Notes in the Exchange Offer, including information about our business.**

The terms of the New Notes will be substantially different from those of the Old Notes, including, among others, the coupon, interest payment dates and maturity date. Investors should carefully consider these differences in deciding whether to tender Old Notes for exchange in connection with the Exchange Offer.

Neither the Offeror nor its representatives are making any representation to you regarding the legality of participation in the Exchange Offer by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a decision whether to tender your Old Notes in the Exchange Offer.



All references in this Exchange Offer Memorandum to a “cash payment” or “cash payments” payable on the applicable Settlement Date of the Exchange Offer with respect to a series of Old Notes include (i) any accrued and unpaid interest payments on such series of Old Notes from and including the latest interest payment date for such series of Old Notes through, but not including, the applicable Settlement Date, and (ii) any cash amounts in lieu of any fractional New Notes that a tendering holder of Old Notes would have otherwise been entitled to receive. Any cash amounts payable pursuant to the Exchange Offer will be rounded to the nearest U.S.\$ 0.01, with U.S.\$ 0.005, being rounded upwards.

Unless otherwise indicated or the context otherwise requires, all references in this Exchange Offer Memorandum to the exchange of Old Notes for New Notes include all cash payments made in connection with the exchange of such Old Notes for New Notes.

The New Notes will be available initially only in book-entry form, represented in one or more global securities registered in the name of a nominee of DTC. You will hold beneficial interests in the New Notes through DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg, and DTC and its direct and indirect participants will record your beneficial interest on their books.

We do not intend to list the New Notes on any securities exchange. We intend to apply to list the Exchange Notes, once issued, on the New York Stock Exchange in accordance with its rules. See “*Registration Rights—General*”.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

#### **INCORPORATION OF INFORMATION BY REFERENCE**

LBG files annual, semiannual and special reports and other information with the SEC. You may read and copy any document that LBG files with the SEC at the SEC’s Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. You can call the SEC on 1-800-SEC-0330 for further information on the Public Reference Room. The SEC’s website, at <http://www.sec.gov>, contains, free of charge, reports and other information in electronic form that we have filed. You may also request a copy of any filings referred to below (excluding exhibits) at no cost, by contacting us at 25 Gresham Street, London EC2V 7HN, England, telephone +44 207 626 1500.

We note that:

- any documents expressly incorporated by reference herein are considered part of this Exchange Offer Memorandum;
- LBG may disclose important information to you by referring you to these incorporated documents; and
- information that LBG files with the SEC is deemed to automatically update and supersede this Exchange Offer Memorandum.

We also incorporate by reference in this Exchange Offer Memorandum any future documents we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), from the date of this Exchange Offer Memorandum until the Exchange Offer contemplated in this Exchange

Offer Memorandum expires or is terminated. Reports on Form 6-K that we may furnish to the SEC after the date of this Exchange Offer Memorandum (or portions thereof) are incorporated by reference in this Exchange Offer Memorandum only to the extent that the report expressly states that it is (or such portions are) incorporated by reference in this Exchange Offer Memorandum.

Each document incorporated by reference into this Exchange Offer Memorandum is current only as of the date of such document, and the incorporation by reference of such document is not intended to create any implication that there has been no change in the affairs of LBG since the date of the relevant document or that the information contained in such document is current as of any time subsequent to its date. Any statement contained in such incorporated documents is deemed to be modified or superseded for the purpose of this Exchange Offer Memorandum to the extent that a subsequent statement contained in another document that is incorporated by reference into this Exchange Offer Memorandum at a later date modifies or supersedes that statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Exchange Offer Memorandum.

This Exchange Offer Memorandum incorporates by reference the documents listed below, which LBG has previously filed with or furnished to the SEC. These documents contain important information about LBG and its financial condition, business and results.

- LBG's annual report (the "2014 Annual Report") for the fiscal year ended December 31, 2014 on Form 20-F filed with the SEC on March 12, 2015 pursuant to the Exchange Act, including the audited consolidated annual financial statements of the Group, together with the audit report thereon;
- Form 6-K dated July 31, 2015, including the interim results for the Group for the six months ended June 30, 2015;
- Form 6-K dated October 28, 2015, including the interim results for the Group for the nine months ended September 30, 2015;
- Form 6-K dated October 28, 2015, including the capitalization table of the Group as at September 30, 2015; and
- Form 6-K dated November 23, 2015, announcing the launch of the offering of the 2045 Original Notes and the intention to launch the Exchange Offer.

## FORWARD-LOOKING STATEMENTS

From time to time, we may make statements, both written and oral, regarding assumptions, projections, expectations, intentions or beliefs about future events. Words such as 'believes', 'anticipates', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'estimate' and variations of these words and similar future or conditional expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. We caution that these statements may and often do vary materially from actual results. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements. You should read the sections entitled "*Risk Factors*" in this Exchange Offer Memorandum and "*Forward-Looking Statements*" in our 2014 Annual Report on Form 20-F for the year ended December 31, 2014, which is incorporated by reference herein.

Factors that could cause actual business, strategy, plans and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group or on its behalf include, but are not limited to the risks identified above under the section entitled "*Risk Factors*" in our 2014 Annual Report on Form 20-F for the year ended December 31, 2014, as well as the following:

- general economic and business conditions in the United Kingdom and internationally;
- inflation, deflation, interest rates and policies of the Bank of England, the European Central Bank and other G8 central banks;

- fluctuations in exchange rates, stock markets and currencies;
- the ability to access sufficient funding to meet the Group's liquidity needs;
- changes to the Group's credit ratings;
- the ability to derive cost savings and other benefits including, without limitation, as a result of the Group's Simplification Programme;
- changing demographic developments including mortality and changing customer behavior including consumer spending, saving and borrowing habits; changes in customer preferences and changes to borrower or counterparty credit quality;
- instability in the global financial markets, including Eurozone instability and the impact of any sovereign credit rating downgrade or other sovereign financial issues;
- technological changes, natural and other disasters, adverse weather and similar contingencies outside the Group's control;
- inadequate or failed internal or external processes, people and systems;
- terrorist acts and other acts of war or hostility and responses to those acts, geopolitical, pandemic or other such events;
- changes in laws, regulations, taxation, accounting standards or practices;
- regulatory capital or liquidity requirements and similar contingencies outside the Group's control;
- the policies and actions of governmental or regulatory authorities in the United Kingdom, the European Union, the United States or elsewhere;
- the implementation of the draft EU crisis management framework directive and banking reform, following the recommendations made by the Independent Commission on Banking;
- the ability to attract and retain senior management and other employees;
- requirements or limitations imposed on the Group as a result of HM Treasury's investment in the Group;
- the ability to complete satisfactorily the disposal of certain assets as part of the Group's EU State Aid obligations;
- the extent of any future impairment charges or write-downs caused by depressed asset valuations, market disruptions and illiquid markets and market-related trends and developments;
- exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints;
- changes in competition and pricing environments, or the inability to hedge certain risks economically; and
- the adequacy of loss reserves, the actions of competitors, including non-bank financial services and lending companies, and the success of the Group in managing the risks of the foregoing.

In light of these risks, uncertainties and assumptions, forward-looking events discussed in this Exchange Offer Memorandum or any information incorporated by reference might not occur. The forward-looking statements contained in this Exchange Offer Memorandum speak only as of the date of this Exchange Offer Memorandum. We undertake to publicly update, to the extent required by U.S. federal securities laws, any forward-looking statement to reflect certain events or circumstances after such dates or to reflect the occurrence of unanticipated events.

## **ENFORCEABILITY OF CIVIL LIABILITIES**

LBG is a public limited company incorporated under the laws of Scotland. Most of LBG's directors and executive officers and certain of the experts named herein are residents of the U.K. A substantial portion of the assets of LBG, its subsidiaries and such persons, are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon all such persons or to enforce against them in U.S. courts judgments obtained in such courts, including those predicated upon the civil liability provisions of the federal securities laws of the United States. Furthermore, LBG has been advised by its solicitors that there is doubt as to the enforceability in the U.K., in original actions or in actions for enforcement of judgments of U.S. courts, of certain civil liabilities, including those predicated solely upon the federal securities laws of the United States.

## SUMMARY

*The following is a summary of this Exchange Offer Memorandum and should be read as an introduction to, and in conjunction with, the remainder of this Exchange Offer Memorandum and any documents incorporated by reference therein. You should base your investment decision on a consideration of this Exchange Offer Memorandum and any documents incorporated by reference therein, as a whole. Words and expressions defined in “Description of the New Notes” below shall have the same meanings in this summary.*

### The Offeror

Lloyds Banking Group plc was incorporated as a public limited company and registered in Scotland under the U.K. Companies Act 1985 on October 21, 1985 (registration number 95000). Lloyds Banking Group plc’s registered office is at The Mound, Edinburgh EH1 1YZ, Scotland, and its principal executive offices in the U.K. are located at 25 Gresham Street, London EC2V 7HN, United Kingdom, telephone number +44 (0) 20 7626 1500. For further information relating to LBG, please refer to our 2014 Annual Report on Form 20-F for the fiscal year ended December 31, 2014.

### The Exchange Offer

*The following summary contains selected information about the Exchange Offer. It is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this Exchange Offer Memorandum. For a more detailed description of the Exchange Offer, see “The Exchange Offer”.*

The Offeror.....	Lloyds Banking Group plc
The Exchange Offer.....	<p>The Offeror is offering to exchange, on the terms and conditions described in this Exchange Offer Memorandum, the securities listed on the front cover of this Exchange Offer Memorandum. The Exchange Offer consists of two separate exchange offers on the terms set forth herein:</p> <ul style="list-style-type: none"><li>• an offer to exchange any and all outstanding 2020 Old Notes for the 2025 New Notes; and</li><li>• an offer to exchange any and all outstanding 2033 Old Notes for the 2045 New Notes.</li></ul>
New Notes .....	<ul style="list-style-type: none"><li>• LBG Subordinated Debt Securities due 2025</li><li>• LBG 5.300% Subordinated Debt Securities due 2045</li></ul>
Old Notes.....	<ul style="list-style-type: none"><li>• Lloyds Bank plc 6.50% Fixed Rate Lower Tier 2 Notes due 2020 (ISIN US53947NAA28 and US53947QAA58; CUSIP 53947NAA2 and 53947QAA5)</li><li>• HBOS plc 6.00% Subordinated Notes due 2033 (ISIN US4041A2AF14 and US4041A3AG79; CUSIP 4041A2AF1 and 4041A3AG7)</li></ul>

<p>Eligibility to Participate in the Exchange Offer.....</p>	<p>We have not registered the Exchange Offer or the issuance of the New Notes under the Securities Act or any other laws. Only holders of Old Notes who have completed and returned the eligibility certification confirming that they are either a QIB or a non-U.S. person outside the United States are authorized to receive this Exchange Offer Memorandum or to participate in the Exchange Offer.</p>
<p>Total Exchange Consideration; Exchange Consideration .....</p>	<p>Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, holders who validly tender and who do not validly withdraw Old Notes at or prior to the Early Participation Date, and whose tenders are accepted for exchange by us, will receive the applicable Total Exchange Consideration for each \$1,000 principal amount of Old Notes. The applicable Total Exchange Consideration is inclusive of the applicable Early Participation Payment.</p> <p>Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, holders who validly tender Old Notes after the Early Participation Date but at or prior to the Expiration Deadline, and whose Old Notes are accepted for exchange, will receive the applicable Exchange Consideration, which is the applicable Total Exchange Consideration <i>minus</i> the applicable Early Participation Payment.</p> <p>A hypothetical calculation of the applicable Total Exchange Consideration and Exchange Consideration is set forth in Annex B to this Exchange Offer Memorandum.</p>
<p>Determination of the 2025 New Notes Coupon .....</p>	<p>The 2025 New Notes will mature on December 10, 2025 and will bear interest at a rate per annum (the “2025 New Notes Coupon”) equal to the sum of (a) the bid-side yield on the 2.25% U.S. Treasury Security due November 15, 2025 (the “2025 New Notes Reference Security”), as calculated by the Dealer Managers in accordance with standard market practice, that equates to the bid-side price of the 2025 New Notes Reference Security, as of the Pricing Time, as displayed on the Bloomberg Reference page PX1 (or any recognized quotation source selected by the Dealer Managers if such quotation report is not available or manifestly erroneous) <i>plus</i> (b) a fixed spread of 235 basis points, such sum rounded to the third decimal place when expressed as a percentage.</p>
<p>Determination of the 2045 New Notes Value .....</p>	<p>The “2045 New Notes Value”, as determined in accordance with the formula set forth in Annex A to this Exchange Offer Memorandum, will equal the discounted value on the Early Settlement Date of the remaining payments of principal and interest (excluding accrued and unpaid interest to but not including the Early Settlement Date) per \$1,000 principal amount of the 2045 New Notes through the maturity date of the 2045 New Notes, using a yield equal to the sum, as calculated by the Dealer Managers, of (a) the bid-side yield on the 2.875% U.S. Treasury</p>

Security due August 15, 2045, as of the Pricing Time, as displayed on the Bloomberg Reference page PX1 (or any recognized quotation source selected by the Dealer Managers if such quotation report is not available or manifestly erroneous) *plus* (b) a fixed spread of 230 basis points. The 2045 New Notes Value will be rounded to the nearest cent per \$1,000 principal amount of 2045 New Notes.

Determination of the 2045 New Notes

Exchange Ratio.....

The 2045 New Notes Exchange Ratio is equal to (1) the Total Exchange Consideration or the Exchange Consideration, as the case may be, divided by (2) the 2045 New Notes Value multiplied by (3) \$1,000. Such amount represents the aggregate principal amount of 2045 New Notes a holder will be eligible to receive for each \$1,000 of 2033 Old Notes tendered in the 2045 Exchange Offer and accepted by the Offeror.

As the 2045 New Notes Exchange Ratio is calculated by reference to the Total Exchange Consideration or the Exchange Consideration, as applicable, the 2045 New Notes Exchange Ratio will differ for holders tendering Old Notes (i) at or prior to the Early Participation Date and (ii) after the Early Participation Date but at or prior to the Expiration Deadline.

Accrued Interest.....

Holders whose Old Notes are accepted in the Exchange Offer will receive payment in cash of an amount equal to the accrued and unpaid interest, if any, in respect of such Old Notes, as applicable, from the last interest payment date for such notes to, but not including, the applicable Settlement Date.

Holders who tender 2020 Old Notes after the Early Participation Date but on or prior to the Expiration Deadline and whose 2020 Old Notes are accepted in the 2025 Exchange Offer will receive payment in cash of an amount equal to the accrued and unpaid interest, if any, in respect of such 2020 Old Notes from the last interest payment date to, but not including, the Final Settlement Date, *less* the amount of accrued and unpaid interest on the 2025 New Notes issued to such holders on the Final Settlement Date. The 2025 New Notes issued on the Final Settlement Date (if any) will be issued with accrued interest from the Early Settlement Date.

Holders whose 2033 Old Notes are accepted in the 2045 Exchange Offer will receive payment in cash of an amount equal to the accrued and unpaid interest, if any, in respect of such 2033 Old Notes from the last interest payment date for such notes to, but not including, the applicable Settlement Date, *less* the amount of accrued and unpaid interest on the 2045 New Notes issued to such holders on the applicable Settlement Date. The 2045 New Notes will be issued with accrued interest from December 1, 2015.

If the applicable Settlement Date occurs on or after a regular record date for the payment of interest on any of the Old Notes and on or before the related interest payment date for such series or tranche of Old Notes, holders who tender Old Notes that they held

on any such regular record date and which are accepted for exchange, will not receive any accrued and unpaid interest on such Old Notes on such interest payment date, but instead will receive the accrued interest amount on the applicable Settlement Date.

Minimum New Issue Size.....	The 2025 Exchange Offer is subject to a minimum new issue size of at least \$500 million in aggregate principal amount of the 2025 New Notes being validly issued pursuant to the 2025 Exchange Offer.
Minimum Tender Amount.....	The New Notes will only be issued in minimum denominations of \$200,000. Accordingly, holders must tender (and we will only accept) Old Notes in a minimum aggregate principal amount for any individual tender such that New Notes issued therefor as part of the applicable Total Exchange Consideration or applicable Exchange Consideration, as applicable, will have such a minimum denomination.
Fractional Entitlements.....	No fractional New Notes will be delivered pursuant to the Exchange Offer. Instead, each tendering holder whose Old Notes are accepted pursuant to the Exchange Offer and who would otherwise be entitled to a fractional New Note will receive cash in an amount equal to such fractional entitlement.
Early Participation Date.....	5:00 p.m., New York City time, on December 7, 2015, unless we extend the Early Participation Date.
Withdrawal Deadline.....	5:00 p.m., New York City time, on December 7, 2015, unless we extend the Withdrawal Deadline.
Pricing Time.....	11:00 a.m., New York City time, on December 8, 2015, unless we extend the Pricing Time.
Early Settlement Date.....	The Early Settlement Date for the Exchange Offer will be promptly following the Early Participation Date and is expected to be the third business day following the Early Participation Date (December 10, 2015).
Expiration Deadline.....	11:59 p.m., New York City time, on December 21, 2015.
Final Settlement Date.....	The Final Settlement Date for the Exchange Offer will be promptly following the Expiration Deadline and is expected to be the second business day following the Expiration Deadline (December 23, 2015).
Consequences of Tendering After the Early Participation Date.....	Holder of Old Notes that do not tender in the Exchange Offer at or prior to the Early Participation Date will not be eligible to receive the applicable Total Exchange Consideration, which is inclusive of the applicable Early Participation Payment. Instead, such holders will be eligible to receive the applicable Exchange Consideration, which is the applicable Total Exchange Consideration <i>minus</i> the applicable Early Participation Payment.  Any of the Old Notes that are not tendered to us prior to the Expiration Deadline or are not accepted for exchange will remain



outstanding, will mature on their respective maturity dates and will continue to accrue interest in accordance with, and will otherwise be entitled to all the rights and privileges under, the respective indentures governing their terms. The trading market for Old Notes that are not exchanged could become more limited than the existing trading market for the Old Notes. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Old Notes.

If a market for Old Notes that are not exchanged becomes more limited or ceases to exist, the Old Notes may trade at a discount to the price at which they would trade if the principal amount of the Old Notes currently outstanding was not reduced.

Withdrawal Rights .....

If you decide to tender your Old Notes in the Exchange Offer, you may withdraw them at any time prior to the Withdrawal Deadline. Any Old Notes properly withdrawn will thereafter be deemed not validly tendered for purposes of the Exchange Offer.

In addition, if not previously returned, you may withdraw Old Notes that you tender that are not accepted by us for exchange after the expiration of 40 business days following the commencement of the Exchange Offer.

Conditions of the Exchange Offer .....

The Exchange Offer is subject to the satisfaction or waiver of certain conditions, including (i) with respect to the 2045 Exchange Offer, the issuance of the 2045 Original Notes, which is expected to occur on December 1, 2045, (ii) with respect to the 2025 Exchange Offer, the Minimum New Issue Size, and (iii) with respect to each Exchange Offer, the Tax Fungibility Condition (as described in “*The Exchange Offer—Terms of the Exchange Offer—Exchange Offer Conditions*”) and certain other conditions. See “*The Exchange Offer—Terms of the Exchange Offer—Exchange Offer Conditions*”. The Minimum New Issue Size condition is for the benefit of holders and cannot be waived by the Offeror without providing withdrawal rights.

Except for the Tax Fungibility Condition and the Minimum New Issue Size condition, we may waive any of these conditions prior to the Expiration Deadline in our sole discretion. The Tax Fungibility Condition will automatically be satisfied with respect to the 2045 New Notes issued in exchange for Old Notes tendered on or prior to the Early Participation Date if (as expected) the Early Settlement Date for the 2045 New Notes is within thirteen calendar days of issuance of the 2045 Original Notes. If the Tax Fungibility Condition is not satisfied for any Exchange Offer, we will terminate such Exchange Offer with respect to any Old Notes not already exchanged. See “*The Exchange Offer—Terms of the Exchange Offer—Exchange Offer Conditions*”.

Amendment of Terms of the Exchange Offer .....

Subject to applicable laws and as provided herein, the Offeror may extend, re-open, amend, limit, waive any condition of, or terminate any Exchange Offer at any time. Details of any such extension, re-opening, amendment, limitation, waiver (if permitted) or

termination will be announced wherever applicable as provided in this Exchange Offer Memorandum as soon as reasonably practicable after the relevant decision is made.

Offer Restrictions .....	The Exchange Offer is subject to certain offer restrictions. See “ <i>Notice to Investors</i> ” and “ <i>Notice to Certain Non-U.S. Holders.</i> ”
Use of Proceeds and Rationale of the Exchange Offer.....	LBG will not receive any proceeds from the issuance of the New Notes in the Exchange Offer. The Exchange Offer provides LBG with an opportunity to further enhance the quality of LBG’s capital base.
Dealer Managers.....	BNP Paribas Securities Corp., Goldman, Sachs & Co., Lloyds Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC.  Lloyds Securities Inc. is an affiliate of LBG. Any participation in the Exchange Offer by Lloyds Securities Inc. will be made in compliance with applicable provisions of Rule 5121 of the Financial Industry Regulatory Authority, Inc.
Exchange Agent.....	Lucid Issuer Services Limited.
Brokerage Commission .....	No brokerage commissions are payable by the holders to LBG, the Dealer Managers or the Exchange Agent. If your Old Notes are held through a broker or other nominee that tenders the Old Notes on your behalf, such broker or other nominee may charge you a commission for doing so. You should consult with your broker or nominee to determine whether any charges will apply.
No Recommendation .....	None of LBG, the Dealer Managers, the Trustee or the Exchange Agent (or any of their respective directors, employees or affiliates) is providing holders of Old Notes with any legal, business, tax or other advice in the Exchange Offer Memorandum, nor is making any recommendation as to whether or not holders should tender any Old Notes in the Exchange Offer or refrain from tendering any Old Notes, and none of them has authorized any person to make any such recommendation. Holders should consult their own advisers as needed to assist them in making an investment decision.
Further Information .....	If you have questions about the terms of the Exchange Offer, please contact your bank, broker or professional investment advisor, or you may contact the Dealer Managers. If you have questions regarding the procedures for tendering your Old Notes, please contact the Exchange Agent. The Exchange Agent’s and Dealer Managers’ contact details are set forth on the back cover page of this Exchange Offer Memorandum.
Tax Considerations .....	For a discussion of certain U.K. and U.S. federal income tax considerations of the Exchange Offer applicable to beneficial owners of Old Notes, see “ <i>Taxation Considerations</i> ”.

**The New Notes**

Offeror .....	Lloyds Banking Group plc
Securities .....	Subordinated Notes due 2025  5.300% Subordinated Notes due 2045  The 2045 New Notes will constitute a further issuance of, form a single series with, and have the same CUSIP numbers as, the 2045 Original Notes that we expect to issue for cash on December 1, 2015 in the aggregate principal amount of \$500 million.
Maturity Date.....	We will pay the New Notes at 100% of their principal amount plus accrued interest on December 10, 2025 for the 2025 New Notes and at 100% of their principal amount plus accrued interest on December 1, 2045 for the 2045 New Notes, subject to any early redemption as described in “ <i>Description of the New Notes—Tax Redemption</i> ” and “ <i>—Redemption due to a Capital Disqualification Event</i> ”.
Additional Amounts .....	Amounts to be paid on the New Notes will be made without deduction or withholding for, or on account of, any and all present and future income, stamp and other taxes, levies, imposts, duties, charges, or fees imposed, levied, collected, withheld or assessed by or on behalf of a U.K. taxing jurisdiction, unless such deduction or withholding is required by law. In such case, subject to certain exceptions and limitations described in “ <i>Description of the New Notes—Payment of Additional Amounts</i> ”, the Issuer will pay such Additional Amounts on the New Notes that are necessary in order that the net amounts paid to the holders of New Notes after the deduction or withholding shall equal the amounts which would have been payable on the New Notes if such or deduction or withholding had not been required.
Denomination .....	We will issue the New Notes in fully registered form in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.
Interest Rate.....	The 2025 New Notes will bear interest at a rate per annum determined as described herein.  The 2045 New Notes will bear interest at a rate of 5.300% per annum.
Interest Payment Dates .....	Interest Payment Dates shall be June 10 and December 10 of each year, commencing on June 10, 2016 up to and including the maturity date or, if earlier, the date fixed for redemption in respect of the 2025 New Notes.  Interest Payment Dates shall be June 10 and December 10 of each year, commencing on June 10, 2016 up to and including the maturity date or, if earlier, the date fixed for redemption in respect of the 2045 New Notes.

Regular Record Dates .....	Interest will be paid to holders of record of the New Notes in respect of the principal amount thereof outstanding 15 calendar days preceding the relevant Interest Payment Date, whether or not a Business Day (as defined herein).
Business Day Convention.....	Following, unadjusted
Day Count Basis .....	30/360
Ranking.....	The New Notes will constitute our direct, unconditional, unsecured and subordinated obligations ranking <i>pari passu</i> without any preference among themselves and ranking junior in right of payment to the claims of any existing and future unsecured and unsubordinated indebtedness. In a winding up or in the event that an administrator has been appointed in respect of us and notice has been given that it intends to declare and distribute a dividend, all amounts due in respect of or arising under (including any damages awarded for breach of any obligations under) the New Notes will be subordinated to, and subject in right of payment to the prior payment in full of, all claims of all Senior Creditors (as defined below). The rights and claims of the holders of the New Notes shall rank at least <i>pari passu</i> with the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Issuer and in priority to (1) the claims of holders of all obligations of the Issuer which constitute Tier 1 Capital of the Issuer, (2) the claims of holders of all undated or perpetual subordinated obligations of the Issuer and (3) the claims of holders of all share capital of the Issuer. In addition, because we are a holding company, our rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its creditors, including in the case of bank subsidiaries, their depositors, except to the extent that we may be a creditor with recognized claims against the subsidiary.
Additional Issuances.....	We may, without the consent of the holders of any series of New Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the New Notes of such series described in this Exchange Offer Memorandum except for the price to the public, issue date, first interest payment date and any temporary CUSIP, ISIN or other identifying number, provided however that such additional notes of any series must be fungible with the New Notes of the relevant series for U.S. federal income tax purposes. Any such additional notes, together with the New Notes of such series offered by this Exchange Offer Memorandum, will constitute a single series of securities under the Subordinated Indenture as amended by the Third Supplemental Indenture, in the case of the 2025 New Notes, and the Second Supplemental Indenture, in the case of the 2045 New Notes. There is no limitation on the amount of New Notes or other debt securities that we may issue under such indenture. We anticipate that we will issue New Notes, which will constitute such additional notes, pursuant to the Exchange Offer. See “ <i>Description of the New Notes—Additional Issuances</i> ”.

Tax Redemption .....

If at any time a Tax Event has occurred with respect to any series of New Notes, LBG may, subject to the satisfaction of the conditions described under “—*Conditions to Redemption and Repurchases*” below, redeem the relevant series of New Notes in whole but not in part at any time at 100% of their principal amount, together with any accrued interest to, but excluding, the date fixed for redemption.

A “Tax Event” is deemed to have occurred with respect to such series of New Notes if:

- (1) LBG determines that as a result of a Tax Law Change, in making any payments on the New Notes of such series, LBG has paid or will or would on the next payment date be required to pay any Additional Amounts (as defined below) to any holder of the New Notes of such series pursuant to “Description of the New Notes—Payment of Additional Amounts”; and/or
- (2) a Tax Law Change would:
  - (i) result in LBG not being entitled to claim a deduction in respect of any payments in respect of the New Notes of such series in computing LBG’s taxation liabilities or materially reduce the amount of such deduction;
  - (ii) prevent the New Notes of such series from being treated as loan relationships for United Kingdom tax purposes;
  - (iii) as a result New Notes of such series being in issue, result in LBG not being able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as of the date of issue of New Notes of such series or any similar system or systems having like effect as may from time to time exist);
  - (iv) result in a United Kingdom tax liability, or the receipt of income or profit which would be subject to United Kingdom tax, in respect of a write-down of the principal amount of New Notes of such series or the conversion of New Notes of such series into shares or other obligations of LBG; or
  - (v) result in a New Note of such series or any part thereof being treated as a derivative or an embedded derivative for United Kingdom tax purposes,

in each case, provided that, LBG could not avoid the foregoing in connection with the New Notes of such series by taking measures reasonably available to it.

“Tax Law Change” means a change in, or amendment to, the laws or regulations of the United Kingdom, or any political subdivision

or authority therein or thereof, having the power to tax, including any treaty to which the United Kingdom is a party, or any change in any generally published application or interpretation of such laws, including a decision of any court or tribunal, or any change in the generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any tax authority, which change, amendment or pronouncement (x) (subject to (y)) becomes, or would become, effective on or after (i) December 10, 2015 in the case of the 2025 New Notes (the “Issue Date”), or (ii) December 1, 2015, in the case of the 2045 New Notes (the “Existing Notes Issue Date”), or (y) in the case of a change in law, if such change is enacted by United Kingdom Act of Parliament or implemented by statutory instrument, on or after the Issue Date or the Existing Notes Issue Date, as applicable.

Notice of any redemption of New Notes of any series due to the occurrence of a Tax Event will be given to holders not less than 30 nor more than 60 calendar days prior to the date of such redemption in accordance with “*Description of the New Notes—Conditions to Redemption and Repurchases*” below, and to the Trustee at least ten (10) Business Days prior to such date, unless a shorter notice period shall be satisfactory to the Trustee.

Prior to the giving of any notice of redemption, LBG must deliver to the Trustee (i) a legal opinion, in a form satisfactory to the Trustee, to the effect that a Tax Event has occurred, and (ii) an officer’s certificate confirming that (1) all the conditions necessary for redemption have occurred and that LBG could not avoid the consequences of the Tax Event by taking measures reasonably available to it, and (2) that the Relevant Regulator (as defined below) is satisfied that the relevant change or event is material and was not reasonably foreseeable by LBG on the Issue Date or the Existing Notes Issue Date, as applicable. The Trustee shall be entitled to accept such opinion and officer’s certificate without any further inquiry, in which event such opinion and officer’s certificate shall be conclusive and binding on the Trustee and the holders of the New Notes of such series.

Regulatory Redemption.....

LBG may, subject to the satisfaction of the conditions described in “*Description of the New Notes—Conditions to Redemption and Repurchases*”, redeem the New Notes of any series at any time, in whole but not in part, at their principal amount together with any accrued interest up to (but excluding) the date fixed for redemption, upon the occurrence of a Capital Disqualification Event.

A “Capital Disqualification Event” shall be deemed to have occurred if at any time LBG determines that as a result of a change (which has occurred or which the Relevant Regulator considers to be sufficiently certain) to the regulatory classification of the New Notes of the applicable series which becomes effective after the Issue Date or the Existing Notes Issue Date (as applicable) and that results, or would be likely to result, in the entire principal amount of the New Notes of such series being excluded from the Tier 2

Capital of LBG.

“Regulatory Capital Requirements” means any applicable minimum capital or capital requirements specified for banks or financial groups by the Relevant Regulator.

“Relevant Regulator” means the U.K. Prudential Regulation Authority or such other governmental authority in the United Kingdom (or if LBG becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary supervisory authority with respect to LBG and/or the Group.

“Group” means LBG, together with its subsidiaries and subsidiary undertakings from time to time.

Conditions to Redemption and

Repurchases.....

Any redemption or repurchase with respect to any series of New Notes prior to the maturity date is subject to:

- (a) LBG giving notice to the Relevant Regulator and the Relevant Regulator granting permission to LBG to redeem or purchase New Notes of such series; and
- (b) in respect of any redemption with respect to any series of New Notes proposed to be made prior to the fifth anniversary of the Issue Date or the Existing Notes Issue Date, as applicable, if and to the extent then required under the relevant Regulatory Capital Requirements (A) in the case of an optional redemption of New Notes of such series due to a Tax Event, LBG having demonstrated to the satisfaction of the Relevant Regulator that the relevant change or event is material and was not reasonably foreseeable by LBG as at the Issue Date or the Existing Notes Issue Date, as applicable, or (B) in the case of redemption of New Notes of such series following the occurrence of a Capital Disqualification Event, LBG having demonstrated to the satisfaction of the Relevant Regulator that the relevant change was not reasonably foreseeable by LBG as at the Issue Date or the Existing Notes Issue Date, as applicable; and
- (c) if and to the extent then required by the relevant Regulatory Capital Requirements (A) on or before the relevant redemption or purchase date, LBG replacing the New Notes of such series with instruments qualifying as own funds of equal or higher quality on terms that are sustainable for the income capacity of LBG or (B) LBG demonstrating to the satisfaction of the Relevant Regulator that its Tier 1 Capital and Tier 2 Capital would, following such redemption or purchase of the New Notes of such series, exceed its minimum capital requirements by a margin that the Relevant Regulator may consider necessary at such time based on the Regulatory Capital Requirements.

Notwithstanding the above conditions, if, at the time of any

redemption or purchase with respect to any series of New Notes, the prevailing Regulatory Capital Requirements permit the repayment or purchase only after compliance with one or more alternative or additional preconditions to those set out above, LBG shall comply with such other and/or, as appropriate, additional precondition(s).

Agreement with Respect to the Exercise  
of the U.K. Bail-in Power .....

Notwithstanding any other agreements, arrangements, or understandings between us and any holder or beneficial owner of the Old Notes, by tendering the Old Notes and accepting the New Notes in the Exchange Offer, each holder (including each beneficial owner) of the New Notes acknowledges, accepts and agrees to be bound by and consents to the exercise of any U.K. bail-in power (as defined below) by the relevant U.K. resolution authority that may result in (i) the reduction or cancellation of all, or a portion, of the principal amount of, or interest on, the New Notes; (ii) the conversion of all, or a portion, of the principal amount of, or interest on, the New Notes into shares or other securities or other obligations of LBG or another person; and/or (iii) the amendment or alteration of the maturity of the New Notes, or amendment of the amount of interest due on the New Notes, or the dates on which interest becomes payable, including by suspending payment for a temporary period; which U.K. bail-in power may be exercised by means of variation of the terms of the New Notes solely to give effect to the exercise by the relevant U.K. resolution authority of such U.K. bail-in power. With respect to (i), (ii) and (iii) above, references to principal and interest shall include payments of principal and interest that have become due and payable (including principal that has become due and payable at the maturity date), but which have not been paid, prior to the exercise of any U.K. bail-in power. Each holder and each beneficial owner of the New Notes further acknowledges and agrees that the rights of the holders and/or beneficial owners under the New Notes are subject to, and will be varied, if necessary, solely to give effect to, the exercise of any U.K. bail-in power by the relevant U.K. resolution authority.

For these purposes, a “U.K. bail-in power” is any write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms incorporated in the United Kingdom in effect and applicable in the United Kingdom to us and the Group, including but not limited to any such laws, regulations, rules or requirements which are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a U.K. resolution regime under the Banking Act (as defined below) as the same has been or may be amended from time to time (whether pursuant to the Banking Reform Act 2013, secondary legislation or otherwise), pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, amended,



transferred and/or converted into shares or other securities or obligations of the obligor or any other person (and a reference to the “relevant U.K. resolution authority” is to any authority with the ability to exercise a U.K. bail-in power).

*According to the principles contained in the BRRD and the amendments to the Banking Act by way of the Banking Reform Act 2013, we expect that the relevant U.K. resolution authority would exercise its U.K. bail-in powers in respect of the New Notes having regard to the hierarchy of creditor claims (with the exception of excluded liabilities) and that the claims of holders of the New Notes would be treated equally in respect of the exercise of the U.K. bail-in powers with all other claims that would rank pari passu with the New Notes upon an insolvency of the Offeror.*

No repayment of the principal amount of the New Notes or payment of interest on the New Notes shall become due and payable after the exercise of any U.K. bail-in power by the relevant U.K. resolution authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by us under the laws and regulations of the United Kingdom and the European Union applicable to us or other members of the Group.

For a discussion of certain risk factors relating to the U.K. bail-in power, see “*Risk Factors—Risks relating to the New Notes*”.

By tendering the Old Notes and accepting the New Notes in the Exchange Offer or otherwise purchasing or acquiring the New Notes, each holder and beneficial owner of the New Notes: (i) acknowledges and agrees that the exercise of the U.K. bail-in power by the relevant U.K. resolution authority with respect to the New Notes shall not give rise to a default or event of default for purposes of Section 315(b) (Notice of Default) and Section 315(c) (Duties of the Trustee in Case of Default) of the Trust Indenture Act of 1939, as amended (the “TIA”); and (ii) to the extent permitted by the TIA, waives any and all claims against the Trustee for, agrees not to initiate a suit against the Trustee in respect of, and agrees that the Trustee shall not be liable for, any action that the Trustee takes, or abstains from taking, in either case in accordance with the exercise of the U.K. bail-in power by the relevant U.K. resolution authority with respect to the New Notes.

By tendering the Old Notes and accepting the New Notes in the Exchange Offer or otherwise purchasing or acquiring the New Notes, each holder and beneficial owner shall also be deemed to have (i) consented to the exercise of any U.K. bail-in power as it may be imposed without any prior notice by the relevant U.K. resolution authority of its decision to exercise such power with respect to the New Notes and (ii) authorized, directed and requested DTC and any direct participant in DTC or other intermediary through which it holds such New Notes to take any and all necessary action, if required, to implement the exercise of any U.K. bail-in power with respect to the New Notes as it may be imposed, without any further action or direction on the part of such

holder or beneficial owner or the Trustee.

Upon the exercise of the U.K. bail-in power by the relevant U.K. resolution authority with respect to the New Notes, we shall provide a written notice to DTC as soon as practicable regarding such exercise of the U.K. bail-in power for purposes of notifying holders of such occurrence. We shall also deliver a copy of such notice to the Trustee for information purposes.

Book-Entry Issuance, Settlement and Clearance .....

The New Notes will be represented by one or more global securities registered in the name of a nominee of DTC. You will hold beneficial interests in the New Notes through DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg, and DTC and its direct and indirect participants will record your beneficial interest on their books.

Registration Rights .....

Pursuant to a registration rights agreement that will be entered into in connection with the issuance of the New Notes, we will be obligated to use commercially reasonable efforts to file a registration statement with respect to an offer to exchange the New Notes for substantially similar notes of LBG that are registered under the Securities Act or, in certain circumstances, register the resale of the New Notes. The registered exchange notes, if and when issued, will have terms substantially identical to the New Notes, except that their issuance will have been registered under the Securities Act. No additional payments of interest to the holders of the New Notes will be made if we fail to satisfy these and other obligations contained in the registration rights agreement. See “*Registration Rights*.”

We will generally be required to use commercially reasonable efforts to file a registration statement relating to the New Notes no later than 180 days after the Last Settlement Date (as defined herein) and keep such registration statement effective until 110 days after the commencement of the Registered Exchange Offer. See “*Registration Rights*”.

Transfer Restrictions.....

We have not registered the Exchange Offer or the issuance of the New Notes under the Securities Act or any other securities law. For a description of restrictions on resale or transfer of the New Notes, see “*Notice to Investors*.”

CUSIP.....

539439 AH2 for the 2025 New Notes (U.S. Restricted Global Notes)

G5533W BU0 for the 2025 New Notes (Offshore Global Notes)

539439 AJ8 for the 2045 New Notes (U.S. Restricted Global Notes)

G5533W BV8 for the 2045 New Notes (Offshore Global Notes)

ISIN .....

US539439AH25 for the 2025 New Notes (U.S. Restricted Global Notes)

	USG5533WBU02 for the 2025 New Notes (Offshore Global Notes)
	US539439AJ80 for the 2045 New Notes (U.S. Restricted Global Notes)
	USG5533WBV84 for the 2045 New Notes (Offshore Global Notes)
Common Code.....	132516499 for the 2025 New Notes (U.S. Restricted Global Notes)
	132516529 for the 2025 New Notes (Offshore Global Notes)
	132516561 for the 2045 New Notes (U.S. Restricted Global Notes)
	132516596 for the 2045 New Notes (Offshore Global Notes)
Trustee and Principal Paying Agent .....	The Bank of New York Mellon, a banking corporation duly organized and existing under the laws of the State of New York, acting through its London branch, having its corporate trust office at One Canada Square, London E14 5AL, United Kingdom, will act as the Trustee and initial principal paying agent for the New Notes.
Listing .....	We do not intend to list the New Notes on any securities exchange. We intend to apply to list the Exchange Notes, once issued, on the New York Stock Exchange in accordance with its rules. See “ <i>Registration Rights—General</i> ”.
Governing Law .....	The Subordinated Indenture (as defined below), the Second Supplemental Indenture, the Third Supplemental Indenture and the New Notes will be governed by, and construed in accordance with, the laws of the State of New York, except for the subordination and waiver of set-off provisions, which will be governed by Scots law.

## RISK FACTORS

*Prospective investors should consider carefully the risk factors incorporated by reference into this Exchange Offer Memorandum and as set out below as well as the other information set out elsewhere in this Exchange Offer Memorandum (including any other documents incorporated by reference herein) and reach their own views prior to making any investment decision with respect to the Exchange Offer and the New Notes.*

*Set out below and incorporated by reference herein are certain risk factors which could have a material adverse effect on LBG's business, operations, financial condition or prospects and cause LBG's future results to be materially different from expected results. LBG's results could also be affected by competition and other factors. These factors should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties LBG faces. LBG has described only those risks relating to LBG's operations, the Exchange Offer or an investment in the New Notes that it considers to be material. There may be additional risks that LBG currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth below. All of these factors are contingencies which may or may not occur and LBG is not in a position to express a view on the likelihood of any such contingency occurring. Each of the highlighted risks could adversely affect the trading price of the Old Notes or the New Notes or the rights of investors under the New Notes and, as a result, investors could lose some or all of their investment. You should consult your own financial, tax and legal advisers regarding the risks of participating in the Exchange Offer and of an investment in the New Notes.*

*LBG believes that the factors described below represent the principal risks inherent in the Exchange Offer and in investing in the New Notes, but it does not represent that the statements below regarding the risks of the Exchange Offer or of holding the New Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Exchange Offer Memorandum (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **Risks relating to LBG and the Group**

For a description of the risks associated with LBG and the Group, see the section entitled "Risk Factors" of LBG's 2014 Annual Report on Form 20-F for the fiscal year ended December 31, 2014, which is incorporated by reference herein.

### **Risks relating to the Exchange Offer**

#### ***The Exchange Offer will result in reduced liquidity for any Old Notes that are not exchanged.***

To the extent the Exchange Offer is successful, the trading market for the Old Notes that are not tendered and exchanged will become very limited or cease to exist altogether due to the reduction in the principal amount of Old Notes outstanding after the consummation of the Exchange Offer, which might adversely affect the liquidity and market price of such Old Notes. The Old Notes may trade at a significant discount depending on prevailing interest rates, the market for Old Notes with similar credit features, LBG's performance and other factors. Furthermore, the prices at which any such trading occurs in the Old Notes could be extremely volatile. Holders of Old Notes not tendered and exchanged may attempt to obtain quotations for their Old Notes from their brokers; however, there can be no assurance that an active market in the Old Notes will exist, develop or be maintained following consummation of the Exchange Offer and no assurance can be given as to the prices at which the Old Notes may trade.

#### ***The Old Notes may be acquired by LBG or its affiliates other than through the Exchange Offer.***

Whether or not the purchase of any Old Notes pursuant to the Exchange Offer is completed, LBG or certain of its affiliates, may, to the extent permitted by applicable law, acquire the Old Notes other than pursuant to the Exchange Offer, including through open market purchases, privately negotiated transactions, tender offer, exchange offer or otherwise. Such purchases may be on such terms and at such prices as LBG or its affiliates may determine, which may be more or less than applicable Total Exchange Consideration or Exchange Consideration offered pursuant to the Exchange Offer and could be for cash or other consideration or otherwise on terms more or less favorable than those contemplated by the Exchange Offer.

#### ***Legality of purchase.***

None of LBG, the Dealer Managers or any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the New Notes by a prospective investor of the New Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

***Failure by a holder to comply with the procedures for participating in the Exchange Offer may result in the holder being excluded from participation.***

Holders are responsible for complying with all of the procedures for submitting Exchange Instructions pursuant to the terms of this Exchange Offer Memorandum. None of LBG, the Dealer Managers or the Exchange Agent assumes any responsibility for informing holders of irregularities with respect to Exchange Instructions from such holders.

***The consummation of the Exchange Offer may be delayed or may not occur.***

The Exchange Offer is subject to the satisfaction or waiver (where permitted) of certain conditions, including (1) with respect to the 2045 Exchange Offer, the issuance of the 2045 Original Notes, which is expected to occur on December 1, 2015, (2) with respect to the 2025 Exchange Offer, the Minimum New Issue Size, and (3) with respect to each Exchange Offer, the Tax Fungibility Condition and certain other conditions. See “*The Exchange Offer—Terms of the Exchange Offer—Exchange Offer Conditions*”.

In addition, subject as provided herein, LBG may, subject to applicable law, extend, re-open, amend, terminate or withdraw the Exchange Offer at any time prior to the announcement of whether it accepts valid tenders of Old Notes. For details, see “*The Exchange Offer—Amendment and Termination*”.

***Submitting an Exchange Instruction will restrict a holder’s ability to transfer its Old Notes.***

When considering whether to participate in the Exchange Offer, holders should take into account that restrictions on the transfer of Old Notes by holders will apply from the time of submission of an Exchange Instruction to the Clearing Systems. A holder will, on submitting an Exchange Instruction to DTC, Euroclear or Clearstream, Luxembourg, agree that its Old Notes will be blocked in the relevant account in the relevant Clearing System from the date the Exchange Instruction is submitted to DTC, Euroclear or Clearstream, Luxembourg until the earlier of (i) the time of settlement on the applicable Settlement Date and (ii) the date of any termination of the Exchange Offer (including where such Old Notes are not accepted by LBG for exchange) or on which the Exchange Instruction is withdrawn, in the circumstances in which such withdrawal is permitted.

***Holders should not tender any Old Notes that they do not wish to be accepted for exchange.***

Any Old Notes tendered in the Exchange Offer that are not validly withdrawn at or prior to the Withdrawal Deadline may not, subject to limited exceptions, be withdrawn thereafter. See “*Description of The Exchange Offer—Withdrawal Rights*”. In addition, except as required by law, we may extend or otherwise amend the Early Participation Date or the Expiration Deadline or increase the amount of Old Notes sought in the Exchange Offer without extending the Withdrawal Deadline or otherwise reinstating withdrawal rights. Accordingly, you should not tender any Old Notes that you do not wish to be accepted for exchange by us.

***A holder’s failure to consult its own advisors may result in it suffering adverse tax, accounting, financial or legal consequences.***

Holders should consult their own tax, accounting, financial and legal advisers as they may deem appropriate regarding the suitability to themselves of the tax, accounting, financial and legal consequences of participating or declining to participate in the Exchange Offer and an investment in the New Notes. In particular, due to the number of different jurisdictions where tax laws may apply to a holder and save as set out under “*Taxation Considerations*”, this Exchange Offer Memorandum does not discuss the tax consequences for holders arising from the exchange of their Old Notes in the Exchange Offer and the receipt of New Notes. Holders are urged to consult their own professional advisers regarding the possible tax consequences under the laws of the jurisdictions that apply to them. Holders are liable for their own taxes and have no recourse to LBG, the Dealer Managers or the Exchange Agent with respect to taxes arising in connection with the Exchange Offer.

***LBG has not obtained a third-party determination that the Exchange Offer is fair to the holders.***

No one is making a recommendation as to whether holders should exchange Old Notes in the Exchange Offer. LBG has not retained, and does not intend to retain, any unaffiliated representative to act on behalf of the holders for purposes of negotiating the Exchange Offer or preparing a report concerning the fairness of the Exchange Offer. Holders must make their own independent decision regarding participation in the Exchange Offer.

**Risks relating to the New Notes**

***Transfers of the New Notes will be restricted.***

The Offeror is offering the New Notes in reliance upon exemptions from registration under the Securities Act and other applicable securities laws and has therefore not registered the New Notes under the Securities Act or any other securities laws. As a result, you may not transfer or resell the New Notes except in a transaction registered in accordance with, or exempt from, these registration requirements. See “*Notice to Investors*”.

We will enter into a registration rights agreement pursuant to which we will agree to file with the SEC a registration statement to conduct registered exchange offers to allow you to exchange your New Notes for an equal principal amount of notes with substantially identical terms, or, in certain circumstances, to file a shelf registration statement with the SEC to register resales of the New Notes. We cannot assure you that such registration statement or shelf registration statement will become or remain effective, when such registration may be accomplished or that there will be an active trading market for such New Notes. If such registration statement or shelf registration statement does not become or remain effective, this could adversely affect the liquidity and price of such New Notes and holders may not be able to sell their New Notes at the time they wish or at a price that is acceptable to them. No additional payments of interest will be made to holders of the New Notes if we fail to complete the Registered Exchange Offer or the other obligations contained in the Registration Rights Agreement. See “*Notice to Investors*” and “*Registration Rights*”.

***LBG’s obligations under the New Notes are subordinated.***

The obligations of LBG under the New Notes will be unsecured and subordinated and will, in the event of the winding-up of LBG, rank junior in priority of payment to the current and future claims of LBG’s creditors, other than claims in respect of any liability that is, or is expressed to be, subordinated. In a winding up, all payments on the New Notes will be subordinated to, and subject in right of payment to the prior payment in full of, all claims of all Senior Creditors. We expect from time to time to incur additional indebtedness or other obligations that will constitute senior indebtedness, and the Subordinated Indenture does not contain any provisions restricting our ability to incur senior indebtedness. Although the New Notes may pay a higher rate of interest than comparable notes which are not so subordinated, there is a real risk that an investor in such New Notes will lose all or some of its investment should LBG become insolvent since the assets of LBG would be available to pay such amounts only after all the Senior Creditors of LBG have been paid in full. See also “—*Holders of the New Notes may be required to absorb losses in the event we become subject to recovery and resolution*”.

***An active trading market may not develop for the New Notes.***

Prior to the commencement of the Exchange Offer, there was no existing trading market for the New Notes. We do not intend to list the New Notes on any securities exchange. If an active trading market does not develop or is not maintained, the market price and liquidity of the New Notes may be adversely affected. In that case, holders of the New Notes may not be able to sell New Notes at a particular time or may not be able to sell New Notes at a favorable price. The liquidity of any market for the New Notes will depend on a number of factors including:

- the number of holders of the New Notes;
- LBG’s credit ratings published by major credit rating agencies;
- our financial performance;
- the market for similar securities;
- the interest of securities dealers in making a market in the notes;

- prevailing interest rates; and
- the introduction of any financial transaction tax.

We cannot assure you that an active market for the New Notes will develop or, if developed, that it will continue.

***LBG’s credit ratings may not reflect all risks of an investment in the New Notes, and a downgrade in credit ratings, including as a result of changes in rating agencies’ views of the level of implicit sovereign support for European banks, could adversely affect the trading prices of the New Notes.***

LBG’s credit ratings may not reflect the potential impact of all risks relating to the market values of the New Notes. For further information, see “—Standard & Poor’s revised its criteria for determining issue credit ratings on bank and prudentially regulated finance company hybrid capital instruments, such as the New Notes.” However, real or anticipated changes in LBG’s credit ratings will generally affect the market values of the New Notes. Credit rating agencies continually revise their ratings for companies that they follow, including LBG and as such, the credit rating of LBG may be revised, suspended or withdrawn at any time by the assigning rating organization at their sole discretion. Any ratings downgrade could adversely affect the trading prices of the New Notes or the trading market for the New Notes to the extent trading markets for the New Notes develop, and any ratings improvement will not necessarily increase the value of the New Notes and will not reduce market risk and other investment risks related to the New Notes. Credit ratings (i) do not reflect the risk that interest rates may rise, which may affect the values of the New Notes, which accrue interest at a fixed rate, (ii) do not address the price, if any, at which the New Notes may be resold prior to maturity (which may be substantially less than the original offering price of the New Notes), and (iii) are not recommendations to buy, sell or hold the New Notes.

Furthermore, each of Moody’s Investors Service, Inc. (“Moody’s”), Standard & Poor’s Ratings Services (“Standard & Poor’s”) and Fitch Ratings, Inc. (“Fitch”) (together, the “CRAs”) has published statements indicating their view that extraordinary government support for European banks is likely to diminish as regulators implement resolutions frameworks, such as those provided for in the BRRD and the U.K. Banking Act 2009, as amended (the “Banking Act”) described below. Accordingly, the CRAs have revised the ratings outlook of various systemically important European banks from “stable” to “negative”. In particular, Moody’s, Standard & Poor’s and Fitch each published revised methodologies applicable to bank ratings (including LBG) during 2015 which resulted in credit rating actions being taken on LBG’s ratings, including downgrading of certain ratings. Further revisions to ratings methodologies and actions on LBG’s ratings by the credit rating agencies may occur in the future. There is a risk that one or more CRAs could potentially take further action to downgrade the credit ratings of LBG, the Group or the New Notes, which could cause the liquidity or market value of the New Notes to decline.

***Standard & Poor’s revised its criteria for determining issue credit ratings on bank and prudentially regulated finance company hybrid capital instruments, such as the New Notes.***

On September 18, 2014, Standard & Poor’s revised its criteria for determining issue credit ratings on bank and prudentially regulated finance company hybrid capital instruments, such as the New Notes, in order to reflect on-going changes in the regulatory framework for such instruments. As a result of these new criteria, the rating assigned by Standard & Poor’s to our tier 2 non-deferrable subordinated instruments, such as the New Notes, was downgraded by one notch. This means that Standard & Poor’s rating of the New Notes is not investment grade. In addition, other rating agencies have announced that they are considering revising their methodology for similar capital instruments. As a result of such downgrading and any future downgrading, the New Notes may be subject to a higher risk of price volatility than higher-rated securities and their market value and liquidity may decline.

***We may redeem the New Notes prior to maturity if certain adverse tax or regulatory disqualification events occur.***

We may redeem the New Notes at any time in whole (but not in part) in the event of certain tax changes as described in this Exchange Offer Memorandum.

We may also redeem the New Notes at any time in whole (but not in part) if a Capital Disqualification Event occurs. See “Description of the New Notes—Redemption due to a Capital Disqualification Event”.

If the New Notes are to be so redeemed, there can be no assurance that holders of the New Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the New Notes.

In addition, the ability to redeem the New Notes may limit the market value of the New Notes. If the redemption conditions as set forth under “*Description of the New Notes—Conditions to Redemption and Repurchases*” have been satisfied, the market value of the New Notes generally will not rise substantially over the price at which they can be redeemed.

***As the New Notes pay a fixed rate of interest, it is possible you may receive below-market interest.***

As the interest payable on the New Notes accrues at a fixed rate, there can be no guarantee that the interest you will receive will be greater than market interest rates at any time during the term of the New Notes. We do not have any control over a number of factors that may affect market interest rates, including economic, financial, and political events, such as the tightening of monetary policy, that are important in determining the existence, magnitude, and longevity of these risks and their results.

You should have a view as to the applicable fixed interest rate on the New Notes and their levels relative to market interest rates before investing.

***Under the terms of the New Notes, you will agree to be bound by and consent to the exercise of any U.K. bail-in power by the relevant U.K. resolution authority. See “—Holders of the New Notes may be required to absorb losses in the event we become subject to recovery and resolution action”.***

Notwithstanding any other agreements, arrangements, or understandings between us and any holder or beneficial owner of the Old Notes, by tendering the Old Notes and accepting the New Notes in the Exchange Offer, each holder and beneficial owner of the New Notes acknowledges, accepts and agrees to be bound by and consents to the exercise of any U.K. bail-in power (as defined below) by the relevant U.K. resolution authority that may result in (i) the reduction or cancellation of all, or a portion, of the principal amount of, or interest on, the New Notes; (ii) the conversion of all, or a portion, of the principal amount of, or interest on, the New Notes into shares or other securities or other obligations of LBG or another person; and/or (iii) the amendment or alteration of the maturity of the New Notes, or amendment of the amount of interest due on the New Notes, or the dates on which interest becomes payable, including by suspending payment for a temporary period; which U.K. bail-in power may be exercised by means of variation of the terms of the New Notes solely to give effect to the exercise by the relevant U.K. resolution authority of such U.K. bail-in power. With respect to (i), (ii) and (iii) above, references to principal and interest shall include payments of principal and interest that have become due and payable (including principal that has become due and payable at the maturity date), but which have not been paid, prior to the exercise of any U.K. bail-in power. Each holder and each beneficial owner of the New Notes further acknowledges and agrees that the rights of the holders and/or beneficial owners under the New Notes are subject to, and will be varied, if necessary, solely to give effect to, the exercise of any U.K. bail-in power by the relevant U.K. resolution authority.

For these purposes, a “U.K. bail-in power” is any write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms incorporated in the United Kingdom in effect and applicable in the United Kingdom to LBG or other members of the Group, including but not limited to any such laws, regulations, rules or requirements which are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a U.K. resolution regime under the Banking Act, as the same has been or may be amended from time to time (whether pursuant to the Banking Reform Act 2013, secondary legislation or otherwise), pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, amended, transferred and/or converted into shares or other securities or obligations of the obligor or any other person (and a reference to the “relevant U.K. resolution authority” is to any authority with the ability to exercise a U.K. bail-in power). For more information, see “*Description of the New Notes—Agreement with Respect to the Exercise of the U.K. Bail-in Power*”.



***Holders of the New Notes may be required to absorb losses in the event we become subject to recovery and resolution action.***

The final text of the Bank Recovery and Resolution Directive (the “BRRD”), establishing a framework for the prevention, management and resolution of failing banks, was published in the Official Journal of the European Union on June 12, 2014 and entered into force on July 2, 2014, with Member States required to adopt necessary implementing measures under national law by no later than December 31, 2014. In the U.K., the Banking Reform Act 2013 made provision for certain aspects of the “bail-in” power and further legislation was enacted during 2014 in order to give full effect to the majority of the provisions of BRRD from January 1, 2015.

The stated aim of the BRRD is to provide authorities designated by Member States to apply the resolution tools and exercise the resolution powers set forth in the BRRD (the “resolution authorities”) with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers’ exposure to losses. The powers granted to resolution authorities under the BRRD include (but are not limited to) (i) a “write-down and conversion power” relating to Tier 1 and Tier 2 Capital instruments and (ii) a “bail-in” power relating to eligible liabilities (including the New Notes). Such powers give resolution authorities the ability to write down or write off all or a portion of the claims of certain unsecured creditors of a failing institution or group and/or to convert certain debt claims into another security, including ordinary shares of the surviving Group entity, if any, which ordinary shares may also be subject to write-down or write-off. Such powers were implemented with effect from January 1, 2015.

The conditions for use of the bail-in power are, in summary, that (i) the regulator determines that the bank is failing or likely to fail, (ii) having regard to timing and other relevant circumstances, it is not reasonably likely that (ignoring the stabilization powers) action will be taken by or in respect of the bank to avoid the failure of the bank, (iii) the relevant U.K. resolution authority determines that it is necessary having regard to the public interest to exercise the bail-in power in the advancement of one of the statutory objectives of resolution and (iv) that one or more of those objectives would not be met to the same extent by the winding up of the bank. The BRRD, as implemented, contains certain other limited safeguards for creditors in specific circumstances which (a) in the case of the write-down and conversion power in respect of capital instruments, may provide compensation to holders of the relevant capital instruments via the issue or transfer of ordinary shares of the bank or its parent undertaking in certain circumstances and (b) in the case of bail-in power, aim to ensure that they do not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings.

As the parent company of a U.K. bank, we are subject to the “Special Resolution Regime” under the Banking Act, that gives wide powers in respect of U.K. banks and their parent and other group companies to HM Treasury, the Bank of England, the PRA and the Financial Conduct Authority (the “FCA”) in circumstances where a U.K. bank has encountered or is likely to encounter financial difficulties.

In addition to the BRRD described above, it is possible that the exercise of other powers under the Banking Act, to resolve failing banks in the United Kingdom and give the authorities powers to override events of default or termination rights that might be invoked as a result of the exercise of the resolution powers, could have a material adverse effect on the rights of holders of the New Notes, including through a material adverse effect on the price of the New Notes. The Banking Act also gives the Bank of England the power to override, vary or impose contractual obligations between a U.K. bank, its holding company and its group undertakings for reasonable consideration, in order to enable any transferee or successor bank to operate effectively. There is also power for the U.K. Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use the regime powers effectively, potentially with retrospective effect.

In addition, the Banking Act may be further amended and/or other legislation may be introduced in the United Kingdom to amend the resolution regime that would apply in the event of a bank failure or to provide regulators with other resolution powers.

Finally, the determination that all or part of the principal amount of the New Notes will be subject to bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of our control. This determination will also be made by the relevant U.K. resolution authority and there may be many factors, including factors not directly related to us or the Group, which could result in such a determination. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of a U.K. bail-in power may occur which would result in a principal write off or conversion to other securities, including equity. Moreover, as the

criteria that the relevant U.K. resolution authority will be obliged to consider in exercising any U.K. bail-in power provide it with considerable discretion, holders of the New Notes may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such power and consequently its potential effect on us, the Group and the New Notes. Potential investors in the New Notes should consider the risk that a holder may lose all of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

Holders of New Notes may have limited rights or no rights to challenge any decision of the relevant U.K. resolution authority to exercise the U.K. bail-in power or to have that decision reviewed by a judicial or administrative process or otherwise.

Accordingly, trading behavior in respect of the New Notes is not necessarily expected to follow the trading behavior associated with other types of securities that are not subject to such recovery and resolution powers. Potential investors in the New Notes should consider the risk that a holder of the New Notes may lose all of its investment, including the principal amount plus any accrued and unpaid interest, if such statutory loss absorption measures are acted upon or that the New Notes may be converted into ordinary shares. Further, the introduction or amendment of such recovery and resolution powers, and/or any implication or anticipation that they may be used, may have a significant adverse effect on the market price of the New Notes, even if such powers are not used.

***Your rights to challenge the exercise of the U.K. bail-in power by the relevant U.K. resolution authority are likely to be limited.***

The BRRD, the Banking Act and the statutory instruments relating to the transposition of the BRRD in the United Kingdom contain certain safeguards for creditors in respect of the application of the capital instruments write-down and conversion power and the bail-in tool. With respect to the capital instruments write-down and conversion power, the U.K. resolution authority will exercise such power in accordance with the priority of claims under normal insolvency proceedings such that common equity Tier 1 items will be written down before additional Tier 1 and Tier 2 instruments, successively, are written down or converted into common equity Tier 1 instruments. Other than respecting the creditor hierarchy as set out above, the capital instruments write-down and conversion power does not include an express safeguard designed to leave no creditor worse off than in the case of insolvency (unless the write down and conversion power is exercised at the same time as the bail-in tool).

With respect to the bail-in tool, the U.K. resolution authority must apply the bail-in tool in accordance with a specified preference order. In particular, the Banking Act requires resolution authorities to write-down or convert debts in the following order: (i) additional Tier 1 instruments, (ii) Tier 2 instruments, (iii) other subordinated claims that do not qualify as additional Tier 1 or Tier 2 instruments and (iv) eligible senior claims. As a result, additional Tier 1 instruments will be written down or converted before Tier 2 instruments or subordinated debt that does not qualify as additional Tier 1 or Tier 2 instruments (and any such Tier 2 instruments or subordinated debt would only be written down or converted if the reduction of additional Tier 1 instruments does not sufficiently reduce the aggregate amount of liabilities that must be written down or converted). Unlike the capital instruments write-down and conversion power, the bail-in tool contains an express safeguard designed to leave no creditor worse off than in the case of insolvency.

Notwithstanding the above, there may be limited protections, if any, that will be available to holders of securities subject to the U.K. bail-in power (including the New Notes) and to the broader resolution powers of the relevant U.K. resolution authority. For example, the Bank of England's resolution instrument with respect to the exercise of the bail-in tool may make any provision that the Bank of England considers to be appropriate in exercising its specific powers. Such provisions are expected to be specific and tailored to the circumstances that have led to the exercise of the bail-in tool under the Banking Act and there is uncertainty as to the extent to which usual processes and/or procedures under English law will be available to holders of securities (including the New Notes) or that the safeguards described above will be effective if such powers are exercised. Accordingly, you may have limited or circumscribed rights to challenge any decision of the Bank of England or other relevant U.K. resolution authority to exercise its U.K. bail-in power.

***Other powers contained in the Special Resolution Regime under the Banking Act may affect your rights under, and the value of your investment in, the New Notes.***

The “Special Resolution Regime” under the Banking Act also includes powers to (a) transfer all or some of the securities issued by a U.K. bank or its parent, or all or some of the property, rights and liabilities of a U.K. bank or its parent (which would include the New Notes), to a commercial purchaser or, in the case of securities, into temporary public ownership, or, in the case of property, rights or liabilities, to a bridge bank (an entity owned by the Bank of England); (b) together with another resolution tool only, transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down; (c) override any default provisions, contracts or other agreements, including provisions that would otherwise allow a party to terminate a contract or accelerate the payment of an obligation; (d) commence certain insolvency procedures in relation to a U.K. bank; and (e) override, vary or impose contractual obligations, for reasonable consideration, between a U.K. bank or its parent and its group undertakings (including undertakings which have ceased to be members of the group), in order to enable any transferee or successor bank of the U.K. bank to operate effectively.

The Banking Act also gives power to the U.K. government to make further amendments to the law for the purpose of enabling it to use the Special Resolution Regime powers effectively, potentially with retrospective effect.

The powers set out in the Banking Act could affect how credit institutions (and their parent companies) and investment firms are managed as well as, in certain circumstances, the rights of creditors. Accordingly, the taking of any actions contemplated by the Banking Act may affect your rights under the New Notes, and the value of your New Notes may be affected by the exercise of any such powers or threat thereof.

***The New Notes may not be a suitable investment for investors.***

An investor should reach a decision to invest in the New Notes after carefully considering, in conjunction with his or her advisors, the suitability of the New Notes in light of his or her investment objectives and the other information set out in this Exchange Offer Memorandum. None of LBG or the Dealer Managers makes any recommendation as to whether the New Notes are a suitable investment for any person.

***There is no limit on the amount or type of further securities or indebtedness that LBG may issue, incur or guarantee.***

There is no restriction on the amount of securities or other liabilities that LBG may issue, incur or guarantee and which rank senior to, or *pari passu* with, the New Notes. The issue or guaranteeing of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of the New Notes on a winding up of LBG and may limit LBG’s ability to meet its obligations under the New Notes. In addition, the New Notes do not contain any restriction on LBG’s ability to issue securities that may have preferential rights similar to those of the New Notes or securities having similar or different provisions.

***The New Notes are obligations exclusively of LBG and LBG is structurally subordinated to the creditors of its subsidiaries.***

The New Notes are obligations exclusively of LBG. LBG is a holding company and conducts substantially all of its operations through its subsidiaries. LBG’s subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due or to provide LBG with funds to meet any of LBG’s payment obligations. LBG’s rights to participate in the assets of any subsidiary if such subsidiary is liquidated will be subject to the prior claims of such subsidiary’s creditors and any preference shareholders, except in the limited circumstance where LBG is a creditor with claims that are recognized to be ranked ahead of or *pari passu* with such claims. Accordingly, if one of LBG’s subsidiaries were to be wound up, liquidated or dissolved, (i) the holders of the New Notes would have no right to proceed against the assets of such subsidiary, and (ii) the liquidator of such subsidiary would first apply the assets of such subsidiary to settle the claims of the creditors of such subsidiary, including holders (which may include LBG) of any preference shares and other tier 1 capital instruments of such other subsidiary, before LBG, to the extent LBG is an ordinary shareholder of such other subsidiary and would be entitled to receive any distributions from such other subsidiary.

***The New Notes are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund, or any other government agency.***

The New Notes are our obligations but are not bank deposits. In the event of our insolvency, the New Notes will rank equally with our other unsecured, subordinated obligations and will not have the benefit of any insurance or guarantee of the Federal Deposit Insurance Corporation, The Deposit Insurance Fund, or any other government agency.

***Changes in law may adversely affect the rights of holders of the New Notes or may adversely affect the Group's business, financial performance and capital plans.***

Any changes in law or regulations after the date hereof that trigger a Capital Disqualification Event or a Tax Event would entitle LBG, at its option, to redeem the New Notes, in whole but not in part, as described in more detail under “*Description of the New Notes—Redemption due to a Capital Disqualification Event*” and “*Description of the New Notes—Tax Redemption*”. See also “*We may redeem the New Notes prior to maturity if certain adverse tax or regulatory disqualification events occur*”.

***Holders of the New Notes may find it difficult to enforce civil liabilities against LBG or LBG's directors or officers.***

LBG is incorporated as a public limited company and is registered in Scotland and LBG's directors and officers reside outside of the United States. In addition, all or a substantial portion of LBG's assets are located outside of the United States. As a result, it may be difficult for holders of the New Notes to effect service of process within the United States on such persons or to enforce judgments against them, including in any action based on civil liabilities under the U.S. federal securities laws.

Investors should be aware that the materialization of any of the above risks (including those risks incorporated herein by reference) may adversely affect the value of the New Notes.

## **USE OF PROCEEDS AND RATIONALE OF THE EXCHANGE OFFER**

LBG will not receive any proceeds from the issuance of the New Notes in the Exchange Offer. The Exchange Offer provides LBG with an opportunity to further enhance the quality of LBG's capital base.

## THE EXCHANGE OFFER

### Purpose of the Exchange Offer

The Exchange Offer provides LBG with an opportunity to further enhance the quality of LBG's capital base.

### Eligibility to Participate in the Exchange Offer

We have not registered the Exchange Offer or the issuance of the New Notes under the Securities Act or any other laws. Only holders of Old Notes who have completed and returned the eligibility certification confirming that they are either a QIB or a non-U.S. person outside the United States are authorized to receive this Exchange Offer Memorandum or to participate in the Exchange Offer.

### Terms of the Exchange Offer

The Offeror is offering to exchange, on the terms and conditions described in this Exchange Offer Memorandum, the securities listed on the front cover of this Exchange Offer Memorandum. The Exchange Offer consists of two separate exchange offers on the terms set forth herein:

- an offer to exchange any and all outstanding 2020 Old Notes for the 2025 New Notes; and
- an offer to exchange any and all outstanding 2033 Old Notes for the 2045 New Notes.

The 2045 New Notes will constitute a further issuance of, form a single series with, and have the same CUSIP numbers as the 2045 Original Notes, which are expected to be issued on December 1, 2015.

### *Determination of Total Exchange Consideration; Early Participation Payment; Exchange Consideration*

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum holders who validly tender and who do not validly withdraw Old Notes at or prior to the Early Participation Date, and whose tenders are accepted for exchange by us, will receive the Total Exchange Consideration for each \$1,000 principal amount of Old Notes.

The "Total Exchange Consideration", as determined in accordance with the applicable formula set forth in Annex A to this Exchange Offer Memorandum, for all Old Notes tendered for exchange and accepted by us (either on the Early Settlement Date or the Final Settlement Date), will equal the discounted value on the Early Settlement Date of the remaining payments of principal and interest (excluding accrued and unpaid interest to but not including the Early Settlement Date) per \$1,000 principal amount of the tendered series of Old Notes through the maturity date of such series of Old Notes, using a yield equal to the sum, as calculated by the Dealer Managers, of (i) the bid-side yield on the U.S. Treasury Security specified on the front cover page of this Exchange Offer Memorandum for such series of Old Notes, as of the Pricing Time, as displayed on the Bloomberg Reference pages specified on the front cover page of this Exchange Offer Memorandum for such series of Old Notes (or any recognized quotation source selected by the Dealer Managers in their sole discretion if such quotation report is not available or manifestly erroneous) plus (ii) the fixed spread specified on the front cover page of this Exchange Offer Memorandum for such series of Old Notes. The Total Exchange Consideration will be rounded to the nearest cent per \$1,000 principal amount of Old Notes and is inclusive of an "Early Participation Payment" set forth on the front cover page of this Exchange Offer Memorandum for such series of Old Notes tendered for exchange and accepted by us (the "Early Participation Payment"). The "Pricing Time" means 11:00 a.m., New York City time, on December 8, 2015.

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, holders who validly tender Old Notes after the Early Participation Date but at or prior to the Expiration Deadline, and whose Old Notes are accepted for exchange by us, will receive the Exchange Consideration, which is the Total Exchange Consideration *minus* the Early Participation Payment set forth on the front cover page of this Exchange Offer Memorandum for such series of Notes tendered for exchange and accepted by us.

A hypothetical calculation of the Total Exchange Consideration and the Exchange Consideration is set forth in Annex B to this Exchange Offer Memorandum.

#### *Determination of the 2025 New Notes Coupon*

The 2025 New Notes will mature on December 10, 2025 and will bear interest at a rate per annum (the “2025 New Notes Coupon”) equal to the sum of (a) the bid-side yield on the 2.25% U.S. Treasury Security due November 15, 2025 (the “2025 New Notes Reference Security”), as calculated by the Dealer Managers in accordance with standard market practice, that equates to the bid-side price of the 2025 New Notes Reference Security, as of the Pricing Time, as displayed on the Bloomberg Reference page PX1 (or any recognized quotation source selected by the Dealer Managers if such quotation report is not available or manifestly erroneous) *plus* (b) a fixed spread of 235 basis points, such sum rounded to the third decimal place when expressed as a percentage.

#### *Determination of the 2045 New Notes Value*

The “2045 New Notes Value”, as determined in accordance with the formula set forth in Annex A to this Exchange Offer Memorandum, will equal the discounted value on the Early Settlement Date of the remaining payments of principal and interest (excluding accrued and unpaid interest to but not including the Early Settlement Date) per \$1,000 principal amount of the 2045 New Notes through the maturity date of the 2045 New Notes, using a yield equal to the sum, as calculated by the Dealer Managers, of (a) the bid-side yield on the 2.875% U.S. Treasury Security due August 15, 2045, as of the Pricing Time, as displayed on the Bloomberg Reference page PX1 (or any recognized quotation source selected by the Dealer Managers if such quotation report is not available or manifestly erroneous) *plus* (b) a fixed spread of 230 basis points. The 2045 New Notes Value will be rounded to the nearest cent per \$1,000 principal amount of 2045 New Notes.

#### *Determination of the 2045 New Notes Exchange Ratio*

The 2045 New Notes Exchange Ratio is equal to (1) the Total Exchange Consideration or the Exchange Consideration, as applicable, divided by (2) the 2045 New Notes Value multiplied by (3) \$1,000. Such amount represents the aggregate principal amount of 2045 New Notes a holder will be eligible to receive for each \$1,000 of 2033 Old Notes tendered in the 2045 Exchange Offer and accepted by the Offeror.

As the 2045 New Notes Exchange Ratio is calculated by reference to the Total Exchange Consideration or the Exchange Consideration, as applicable, the 2045 New Notes Exchange Ratio will differ for holders tendering Old Notes (i) at or prior to the Early Participation Date and (ii) after the Early Participation Date but at or prior to the Expiration Deadline.

#### ***Accrued Interest***

Holders whose Old Notes are accepted in the Exchange Offer will receive payment in cash of an amount equal to the accrued and unpaid interest, if any, in respect of such Old Notes, as applicable, from the last interest payment date for such notes to, but not including, the applicable Settlement Date.

Holders who tender 2020 Old Notes after the Early Participation Date but on or prior to the Expiration Deadline and whose 2020 Old Notes are accepted in the 2025 Exchange Offer will receive payment in cash of an amount equal to the accrued and unpaid interest, if any, in respect of such 2020 Old Notes from the last interest payment date to, but not including, the Final Settlement Date, *less* the amount of accrued and unpaid interest on the 2025 New Notes issued to such holders on the Final Settlement Date. The 2025 New Notes issued on the Final Settlement Date (if any) will be issued with accrued interest from the Early Settlement Date.

Holders whose 2033 Old Notes are accepted in the Exchange Offer will receive payment in cash of an amount equal to the accrued and unpaid interest, if any, in respect of such 2033 Old Notes from the last interest payment date for such notes to, but not including, the applicable Settlement Date, *less* the amount of accrued and unpaid interest on the 2045 New Notes issued to such holders on the applicable Settlement Date. The 2045 New Notes will be issued with accrued interest from December 1, 2015.

If the applicable Settlement Date occurs on or after a regular record date for the payment of interest on any of the Old Notes and on or before the related interest payment date for such series or tranche of Old Notes, holders who tender Old Notes that they held on any such regular record date and which are accepted for exchange, will not receive any accrued and unpaid interest on such Old Notes on such interest payment date, but instead will receive the accrued interest amount on the applicable Settlement Date.

### ***Cash Instead of Fractional Entitlements***

No fractional New Notes will be delivered pursuant to the Exchange Offer. Instead, each tendering holder whose Old Notes are accepted pursuant to the Exchange Offer and who would otherwise be entitled to a fractional New Note will receive cash in an amount equal to such fractional entitlement.

### ***Minimum Tender Amount***

The New Notes will only be issued in minimum denominations of \$200,000. Accordingly, holders must tender (and we will only accept) Old Notes in a minimum aggregate principal amount for any individual tender such that New Notes issued therefor as part of the Total Exchange Consideration or Exchange Consideration, as applicable, will have such a minimum denomination.

### ***Early Participation Date; Expiration Deadline; Extensions***

The Early Participation Date is 5:00 p.m., New York City time, on December 7, 2015, unless extended, in which case the Early Participation Date will be such time and date to which the Early Participation Date is extended. The Expiration Deadline is 11:59 p.m., New York City time, on December 21, 2015, unless extended, in which case the Expiration Deadline will be such time and date to which the Expiration Deadline is extended. The Offeror, in its sole discretion, may extend the Early Participation Date or the Expiration Deadline for any reason.

To extend the Early Participation Date or the Expiration Deadline, the Offeror will notify the Exchange Agent and will make a public announcement thereof before 9:00 a.m., New York City time, on the next business day after the previously scheduled Early Participation Date or Expiration Deadline, as applicable. Such announcement will state that the Offeror is extending the Early Participation Date or the Expiration Deadline, as the case may be, for a specified period or on a daily basis. During any such extension, all Old Notes previously tendered in an extended Exchange Offer and not validly withdrawn will remain subject to the Exchange Offer and may be accepted for exchange by us.

The Offeror expressly reserves the right, subject to applicable law, to:

- delay accepting any Old Notes, extend the Exchange Offer, increase the amount of Old Notes sought in the Exchange Offer or terminate the Exchange Offer and not accept any Old Notes; and
- amend, modify or waive at any time, or from time to time, the terms of any Exchange Offer in any respect, including waiver of any conditions to consummation of any Exchange Offer (except for the Tax Fungibility Condition).

If the Offeror exercises any such right, it will give written notice thereof to the Exchange Agent and will make a public announcement thereof as promptly as practicable. Without limiting the manner in which the Offeror may choose to make a public announcement of any extension, amendment or termination of the Exchange Offer, the Offeror will not be obligated to publish, advertise or otherwise communicate any such public announcement, other than by making a timely press release.

### ***Early Settlement Date; Final Settlement Date***

The New Notes will be delivered on the applicable Settlement Date. The “Early Settlement Date” will be promptly following the Early Participation Date and is expected to be December 10, 2015, which is the third business day after the Early Participation Date. The “Final Settlement Date” will be promptly following the Expiration Deadline and is expected to be December 23, 2015, which is the second business day after the Expiration Deadline. We will not be obligated to deliver New Notes or pay any cash amounts unless the Exchange Offer is consummated.

### ***Exchange Offer Conditions***

Subject to applicable law, the Offeror will not be required to (i) accept for exchange any Old Notes tendered pursuant to the Exchange Offer or (ii) issue any New Notes in exchange for validly tendered Old Notes, and the Offeror may terminate, extend or amend the Exchange Offer and may postpone the acceptance for exchange of any Old Notes so tendered in the Exchange Offer, if any of the following conditions occurs or exists at or prior to the



Early Participation Date with respect to the issue of any New Notes on the Early Settlement Date or at or prior to the Expiration Deadline with respect to the issue of any New Notes on the Final Settlement Date:

- (1) in respect of the 2045 Exchange Offer only, the issuance of the 2045 Original Notes, which is expected to occur on December 1, 2015, has not occurred;
- (2) in respect of the 2025 Exchange Offer only, the Minimum New Issue Size condition for the 2025 Notes is not satisfied;
- (3) with respect to the 2025 Exchange Offer or the 2045 Exchange Offer, as the case may be, the applicable Tax Fungibility Condition is not satisfied;
- (4) there is any change or development that, in the reasonable judgment of the Offeror, may materially reduce the anticipated benefits to the Group of the Exchange Offer or that has had, or could reasonably be expected to have, an adverse effect on the Group, its businesses, condition (financial or otherwise) or prospects, or the market for the New Notes;
- (5) there has been instituted or threatened any action, proceeding or investigation by or before any governmental authority, including any court, governmental, regulatory or administrative branch or agency, tribunal or instrumentality, that relates in any manner to the Exchange Offer and that in the reasonable judgment of the Offeror makes it advisable to terminate the Exchange Offer; or
- (6) there has occurred: (i) any general suspension of or limitation on prices for trading in securities in the United Kingdom or the U.S. securities or financial markets; (ii) any disruption in the trading of the ordinary shares of the Offeror; (iii) any disruption in securities settlement, payment or clearing services in the United Kingdom or the United States; (iv) any adverse change in financial markets, currency exchange rates or controls; (v) a declaration of a banking moratorium or any suspension of payments with respect to banks in the United Kingdom or the United States; or (vi) a commencement or significant worsening of a war or armed hostilities or other national or international calamity, including but not limited to, catastrophic terrorist attacks against the United Kingdom or its citizens or the United States or its citizens.

The Offeror expressly reserves the right to amend or terminate the Exchange Offer and to reject for exchange any Old Notes not previously accepted for exchange, if any of the conditions to the Exchange Offer specified above are not satisfied. In addition, the Offeror expressly reserves the right, at any time or at various times, to waive any conditions to the Exchange Offer, in whole or in part. All conditions to the Exchange Offer must be satisfied or waived prior to the Early Settlement Date or the Expiration Deadline, as the case may be.

These conditions are (except as set out below) for sole benefit of the Offeror, and it may assert them regardless of the circumstances that may give rise to them, or (except for the Tax Fungibility Condition) waive them in whole or in part, at any or at various times. If the Offeror fails at any time to exercise any of the foregoing rights, that failure will not constitute a waiver of such right. Each such right will be deemed an ongoing right that the Offeror may assert at any time or at various times.

“Tax Fungibility Condition” means:

- with respect to the 2045 New Notes, that (i) as of the date that is seven days before the applicable Settlement Date for the 2045 New Notes, (x) the 2045 Original Notes are “publicly traded” for U.S. federal income tax purposes and (y) the yield of the 2045 Original Notes based on their fair market value is not greater than 110% of their coupon rate or (ii) in the case of the 2045 New Notes issued on or before the Early Settlement Date, the Early Settlement Date occurs within the thirteen calendar day period beginning on the date of the settlement of the 2045 Original Notes issuance;
- with respect to the 2025 New Notes to be issued on the Final Settlement Date, that as of the date that is seven days before the Final Settlement Date, (x) the 2025 Notes issued on the Early Settlement Date (“Early-Settled 2025 Notes”) are “publicly traded” for U.S. federal income tax purposes, and (y) the yield of the Early-Settled 2025 Notes based on their fair market value is not greater than 110% of their coupon rate (or their yield on the Early Settlement Date, if they are treated as issued with original issue discount (“OID”) for U.S. federal income tax purposes).

The Tax Fungibility Condition will automatically be satisfied with respect to 2045 New Notes issued in exchange for 2033 Old Notes tendered on or prior to the Early Participation Date if the Early Settlement Date for the 2045 New Notes is within thirteen calendar days of issuance of the 2045 Original Notes.

If the Tax Fungibility Condition is not satisfied for any Exchange Offer, we will terminate such Exchange Offer with respect to any Old Notes not already exchanged.

The Minimum New Issue Size condition is for the benefit of holders and cannot be waived by the Offeror without providing withdrawal rights.

#### ***Acceptance of Old Notes for Exchange; Issuance of New Notes***

Assuming the conditions to the Exchange Offer are satisfied or waived, we will issue the New Notes in book-entry form on the applicable Settlement Date in exchange for Old Notes that are properly tendered and not validly withdrawn and accepted in the Exchange Offer.

We expressly reserve the right, in our sole discretion, but subject to applicable law, to (a) delay acceptance of Old Notes tendered under any Exchange Offer or the issuance of New Notes in exchange for validly tendered Old Notes (subject to Rule 14e-1 under the Exchange Act, which requires that we pay the consideration offered or return Old Notes deposited by or on behalf of the holders promptly after the termination or withdrawal of the Exchange Offer) or (b) terminate any Exchange Offer at any time.

For purposes of the Exchange Offer, we will be deemed to have accepted for exchange validly tendered Old Notes (or defectively tendered Old Notes with respect to which we have waived such defect) if, as and when we give oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. Subject to the terms and conditions of the Exchange Offer, delivery of the New Notes will be made by the Exchange Agent on the applicable Settlement Date upon receipt of such notice. The Exchange Agent will act as agent for participating holders of the Old Notes for the purpose of receiving Old Notes from, and transmitting New Notes to, such holders. With respect to tendered Old Notes that are to be returned to holders, such Old Notes will be returned without expense to the tendering holder promptly (or, in the case of Old Notes tendered by book-entry transfer, such Old Notes will be credited to the account maintained at relevant Clearing System from which such Old Notes were delivered) after the expiration or termination of the Exchange Offer.

#### ***Costs and Expenses***

Any charges, costs and expenses incurred by the holders or any intermediary in connection with the Exchange Offer shall be borne by such holder. No brokerage costs are being levied by the Dealer Managers or the Exchange Agent. Holders should check whether their brokers or custodians will charge any fees.

#### ***Announcements***

Unless stated otherwise, announcements in connection with the Exchange Offer will be made by the Offeror (i) by the issue of a press release to a Notifying News Service, (ii) by the delivery of notices to the relevant Clearing System for communication to Direct Participants and (iii) through RNS, and may also be found on the relevant Reuters International Insider Screen. Copies of all such announcements, press releases and notices can also be obtained from the Exchange Agent, the contact details for whom are on the last page of this Exchange Offer Memorandum. Any announcement of an extension of the Exchange Offer will be made prior to 9:00 a.m., New York City time, on the business day immediately following the previously scheduled Early Settlement Date or the Expiration Deadline, as the case may be.

#### ***No Recommendation***

None of LBG, the Dealer Managers, the Trustee or the Exchange Agent (or any of their respective directors, employees or affiliates) is providing holders of Old Notes with any legal, business, tax or other advice in the Exchange Offer Memorandum, nor is making any recommendation as to whether or not holders should tender any Old Notes in the Exchange Offer or refrain from tendering any Old Notes, and none of them has authorized any person to make any such recommendation. Holders should consult their own advisers as needed to assist them in making an investment decision.

## **Procedures for Participating in the Exchange Offer**

The offering of Old Notes for exchange by a holder will be deemed to have occurred upon receipt by the Exchange Agent from the relevant Clearing System of a valid Exchange Instruction submitted in accordance with the requirements of such Clearing System. The receipt of such Exchange Instruction by the relevant Clearing System will be acknowledged in accordance with the standard practices of such Clearing System and will result in the blocking of the relevant Old Notes in the holder's account with the relevant Clearing System so that no transfers may be effected in relation to such Old Notes.

Holders and Direct Participants must take the appropriate steps through the relevant Clearing System so that no transfers may be effected in relation to such blocked Old Notes at any time after the date of submission of such Exchange Instruction, in accordance with the requirements of the relevant Clearing System and the deadlines required by such Clearing System. By blocking such Old Notes in the relevant Clearing System, each Direct Participant will be deemed to consent to have the relevant Clearing System provide details concerning such Direct Participant's identity to the Exchange Agent (and for the Exchange Agent to provide such details to LBG, the Dealer Managers and their legal advisers).

Only Direct Participants may submit Exchange Instructions. Each holder that is not a Direct Participant must arrange for the Direct Participant through which such holder holds its Old Notes to submit a valid Exchange Instruction on its behalf to the relevant Clearing System before the deadlines specified by the relevant Clearing System.

By submitting a valid Exchange Instruction to the relevant Clearing System in accordance with the standard procedures of such Clearing System, a holder and any Direct Participant submitting such Exchange Instruction on such holder's behalf shall be deemed to make the acknowledgements, representations, warranties and undertakings set out under "*Notices to Investors*" to LBG, the Exchange Agent and the Dealer Managers at the Early Participation Date or the Expiration Deadline and the time of settlement on the applicable Settlement Date (if a holder or Direct Participant is unable to make any such agreement or acknowledgement or give any such representation, warranty or undertaking, such holder or Direct Participant should contact the Exchange Agent immediately).

### ***DTC***

Holders who hold Old Notes through DTC should transmit their acceptance through the Automated Tender Offer Program ("ATOP") procedures of DTC. DTC is then expected to edit and verify the acceptance and send an Agent's Message (as defined below) to the Exchange Agent for its acceptance. The confirmation of a book-entry transfer into the Exchange Agent's account at DTC as described above is referred to herein as a "Book-Entry Confirmation." Delivery of documents to DTC does not constitute delivery to the Exchange Agent.

The Exchange Agent will establish an account with respect to the Old Notes at DTC for purposes of the Exchange Offer and any financial institution that is a participant in DTC may make book-entry delivery of Old Notes by causing DTC to transfer such Old Notes into the Exchange Agent's account in accordance with DTC's procedures for such transfer. However, although delivery of Old Notes may be effected through book-entry transfer into the Exchange Agent's account at DTC, an Agent's Message, and any other required documents, must, in any case, be transmitted to and received by the Exchange Agent at its address set forth on the back cover page of this Exchange Offer Memorandum at or prior to the Early Participation Date or the Expiration Deadline, as applicable. No documents should be sent to the Offeror or the Dealer Managers.

The term "Agent's Message" means a message transmitted by DTC to, and received by, the Exchange Agent and forming a part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgment from the participant in DTC described in such Agent's Message, stating (a) the aggregate principal amount at maturity of Old Notes that have been tendered by such participant pursuant to the Exchange Offer, (b) that such participant has received this Exchange Offer Memorandum and agrees to be bound by the terms of the Exchange Offer as described in this Exchange Offer Memorandum, and (c) that we may enforce such agreement against such participant.

Any acceptance of an Agent's Message transmitted through ATOP is at the election and risk of the person transmitting an Agent's Message and delivery will be deemed made only when actually received by the Exchange Agent. Holders desiring to tender Old Notes pursuant to ATOP must allow sufficient time for completion of the ATOP procedures during normal business hours of DTC.

The Agent's Message must specify whether a Holder wishes to receive New Notes pursuant to Section 4(a)(2) (the "U.S. Restricted Global Notes") or pursuant to Regulation S (the "Offshore Global Notes").

### ***Euroclear and Clearstream, Luxembourg***

Holders who hold Old Notes through Euroclear or Clearstream, Luxembourg and wish to tender their Old Notes must submit an Exchange Instruction informing accountholders of the procedures to be followed in order to participate in the relevant Exchange Offer.

Holders must provide the following additional information in the relevant Exchange Instruction:

- (a) the name of the account holder and the securities account number in which the Old Notes the holder wishes to tender are held; and
- (b) whether they wish to receive U.S. Restricted Global Notes or Offshore Global Notes.

The Offeror may not accept any tenders of Old Notes if the information set out above is not provided as part of the relevant Exchange Instruction.

### **Withdrawal Rights**

Validly tendered Old Notes may be withdrawn at any time prior to the Withdrawal Deadline but not thereafter in accordance with the procedures set out below.

**Holders wishing to exercise any such right of withdrawal should do so in accordance with the procedures of the relevant Clearing System. Holders should confirm with the bank, securities broker or any other intermediary through which they hold their Old Notes whether such intermediary would require receiving instructions to participate in, or withdraw their instruction to participate in, the Exchange Offer prior to the deadlines set out in this Exchange Offer Memorandum. In particular, holders who seek the flexibility to withdraw their Old Notes at a time prior to the Withdrawal Deadline but outside of the normal business hours of DTC, Euroclear or Clearstream, Luxembourg, as applicable, should consult in advance with their bank, securities broker or other intermediary regarding the effective deadline for exercising withdrawal by means of an Exchange Instruction. For the avoidance of doubt, any holder who does not exercise any such right of withdrawal in the circumstances and in the manner specified above, shall be deemed to have waived such right of withdrawal and its original Exchange Instruction will remain effective.**

The Offeror will make a final and binding determination on all questions as to the validity, form and eligibility (including time of receipt) of such notices. Any Old Notes so withdrawn will be deemed not to have been validly tendered for exchange for the purposes of the Exchange Offer. Any Old Notes tendered but not exchanged for any reason will be returned to the holder without cost to such holder promptly after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described herein any time prior to the Withdrawal Deadline.

### ***DTC***

For a withdrawal of Old Notes to be effective, the Exchange Agent must timely receive, prior to the Withdrawal Deadline, either an Agent's Message or a written or faxed notice of withdrawal specifying the name of the tendering holder, a description of the Old Notes to be withdrawn, the amount of Old Notes to be withdrawn and the number of the account at DTC to be credited with the withdrawn Old Notes, and the holder must otherwise comply with DTC procedures.

If the Old Notes to be withdrawn have been delivered or otherwise identified to the Exchange Agent, an Agent's Message or a signed notice of withdrawal is effective immediately upon receipt by the Exchange Agent of the Agent's Message or written or faxed notice of such withdrawal even if re-transfer by DTC book-entry is not immediately effected.

If a holder tendered its Old Notes through a custodian or nominee and wishes to withdraw such Old Notes, the holder will need to make arrangements for withdrawal with its custodian or nominee. The holder's ability to withdraw the tender of its Old Notes will depend upon the terms of the arrangements it has made with its custodian

or nominee and, if its custodian or nominee is not the DTC participant tendering those Old Notes, the arrangements between its custodian or nominee and such DTC participant, including any arrangements involving intermediaries between its custodian or nominee and such DTC participant. Through DTC, the Exchange Agent will return to tendering holders all Old Notes in respect of which it has received valid withdrawal instructions on or prior to the Withdrawal Deadline promptly after it receives such instructions.

### ***Euroclear and Clearstream, Luxembourg***

Withdrawals may only be effected by delivering an Exchange Instruction to Euroclear or Clearstream, Luxembourg, as applicable. To be effective, an Exchange Instruction must be received by Euroclear or Clearstream, Luxembourg, as applicable, not later than the Withdrawal Deadline or such earlier deadline as may be set by the relevant Clearing System.

This notice must specify:

- the name of the person having tendered the Old Notes to be withdrawn; and
- the Old Notes to be withdrawn (including the principal amount of such Old Notes).

### **Registration Rights**

The New Notes have not been registered under the Securities Act or any state securities laws of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

LBG will agree to file a registration statement pursuant to which it will either offer to exchange the Notes for substantially similar notes of LBG that are registered under the Securities Act or, in certain circumstances, register the resale of the Notes. See “*Registration Rights*.”

### **Responsibility for Delivery of Exchange Instructions**

None of LBG, the Dealer Managers or the Exchange Agent, as the case may be, will be responsible for the communication of tenders and corresponding Exchange Instructions by (i) beneficial owners to the Direct Participant through which they hold Old Notes or (ii) the Direct Participant to the relevant Clearing System.

If a beneficial owner holds its Old Notes through a Direct Participant, such beneficial owner should contact that Direct Participant to discuss the manner in which exchange acceptances and transmission of the corresponding Exchange Instruction and, as the case may be, transfer instructions may be made on its behalf.

In the event that the Direct Participant through which a beneficial owner holds its Old Notes is unable to submit an Exchange Instruction, such beneficial owner should telephone the Exchange Agent, as applicable, for assistance on the numbers provided in this Exchange Offer Memorandum.

Holders, Direct Participants and beneficial owners are solely responsible for arranging the timely delivery of their Exchange Instructions.

If a beneficial owner offers its Old Notes through a Direct Participant, such beneficial owner should consult with that Direct Participant as to whether it will charge any service fees in connection with the participation in the Exchange Offer.

### **Amendment and Termination**

Notwithstanding any other provision of the Exchange Offer, the Offeror may, subject to applicable laws, at its option, at any time before it announces whether it accepts valid tenders of Old Notes pursuant to the Exchange Offer:

- (a) extend the Early Participation Date, the Withdrawal Deadline or the Expiration Deadline or re-open the Exchange Offer, as applicable (in which case all references in this Exchange Offer Memorandum to “Early Participation Date”, “Withdrawal Deadline” or “Expiration Deadline”, as the case may be, shall, unless the context otherwise requires, be to the latest date and time to which the Early Participation Date, the

Withdrawal Deadline or Expiration Deadline, as applicable, has been so extended or the Exchange Offer re-opened);

- (b) otherwise extend, re-open or amend the Exchange Offer in any respect (including, but not limited to, any extension, re-opening, increase, decrease or other amendment, as applicable, in relation to the Expiration Deadline, the Early Settlement Date or the Final Settlement Date);
- (d) delay acceptance or, subject to applicable law, exchange of Old Notes validly tendered for exchange in the Exchange Offer until satisfaction or waiver (if permitted) of the conditions to the Exchange Offer;
- (e) terminate the Exchange Offer in respect of any series of Old Notes, including with respect to Exchange Instructions submitted before the time of such termination;
- (f) in respect of any series of Old Notes, choose not to accept all valid tenders received by the Exchange Agent prior to the Early Participation Date and/or the Expiration Deadline;
- (g) waive or decrease the Minimum New Issue Size.

The Offeror also reserves the right at any time to waive, where permissible, any or all of the conditions of the Exchange Offer as set out in this Exchange Offer Memorandum.

The Offeror will ensure holders are notified of any such extension, re-opening, amendment or termination as soon as is reasonably practicable after the relevant decision is made through RNS. Any announcement of an extension of the Early Participation Date, the Withdrawal Deadline or the Expiration Deadline will be made prior to 9:00 a.m., New York City time, on the business day immediately following the previously scheduled Early Participation Date, Withdrawal Deadline or Expiration Deadline, as applicable.

Notwithstanding the irrevocability of all Exchange Instructions, on the termination of the Exchange Offer, all Exchange Instructions will be deemed to be withdrawn automatically.

### **Irregularities**

All questions as to the validity, form and eligibility (including the time of receipt) of any Exchange Instruction, tenders of Old Notes or revocation or revision thereof or delivery of Old Notes will be determined by the Offeror in its sole discretion, which determination will be final and binding. The Offeror reserves the absolute right to reject any and all Exchange Instructions not in proper form or for which any corresponding agreement would, in its opinion, be unlawful. The Offeror also reserves the absolute right to waive any of the conditions to the Exchange Offer or defects in Exchange Instructions with regard to any Old Notes. A waiver with respect to any conditions to the Exchange Offer or defects in Exchange Instructions with regard to one tender of Old Notes shall not constitute a waiver with respect to any other tender of Old Notes unless the Offeror expressly provides otherwise. None of LBG, the Dealer Managers or the Exchange Agent shall be under any duty to give notice to holders, Direct Participants or beneficial owners of any irregularities in Exchange Instructions; nor shall any of them incur any liability for failure to give notification of any material amendments to the terms and conditions of the Exchange Offer.

### **Dealer Managers and Exchange Agent**

The Offeror has retained BNP Paribas Securities Corp., Goldman, Sachs & Co., Lloyds Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC. to act as Dealer Managers, and Lucid Issuer Services Limited to act as Exchange Agent in connection with the Exchange Offer. The services of the Dealer Managers may be provided through their affiliates in certain jurisdictions. The Offeror has agreed to pay the Dealer Managers and the Exchange Agent customary fees for their services in connection with the Exchange Offer and have also agreed to reimburse the Dealer Managers for their reasonable out-of-pocket expenses and to indemnify them against specific liabilities, including liabilities under U.S. federal securities laws.

The Dealer Managers and their affiliates have provided in the past, are currently providing and may provide in the future, other investment banking, commercial banking and financial advisory services to the Offeror and its affiliates for customary fees and expenses in the ordinary course of business.

At any given time, the Dealer Managers or affiliates of the Dealer Managers may trade the Old Notes, the New Notes and other securities issued by LBG or their subsidiaries for their own accounts, or for the accounts of their customers, and accordingly may hold a long or short position in the Old Notes, the New Notes or other securities. The Dealer Managers are not obligated to make a market in the New Notes. The Dealer Managers may also tender into the Exchange Offer the Old Notes they may hold or acquire, but are under no obligation to do so.

None of the Dealer Managers or the Exchange Agent assumes any responsibility for the accuracy or completeness of the information concerning the Exchange Offer, the Offeror, any of its affiliates, the Old Notes or the New Notes contained in this Exchange Offer Memorandum or in the documents incorporated by reference herein, or for any failure by the Offeror to disclose events that may have occurred and may affect the significance or accuracy of that information.

The Exchange Agent is acting on behalf of the Offeror and owes no duty to any holders of Old Notes.

### **Governing Law**

The terms of the Exchange Offer, including without limitation each Exchange Instruction, and any non-contractual obligations arising out of or in connection with the Exchange Offer shall be governed by, and construed in accordance with, New York law. By submitting an Exchange Instruction, a holder or Direct Participant irrevocably and unconditionally agrees for the benefit of the Offeror, the Dealer Managers and the Exchange Agent that the courts of New York are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Exchange Offer or any of the documents referred to above and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

### **Miscellaneous**

Holders who need assistance with respect to the procedure relating to tendering their Old Notes should contact the Exchange Agent, the contact details for whom appear on the back cover of this Exchange Offer Memorandum.

## DESCRIPTION OF THE NEW NOTES

*In this Exchange Offer Memorandum, we refer to the 2025 New Notes and the 2045 New Notes collectively as the “New Notes.” The terms “series”, “such series,” “applicable series” and other similar terms refer to the 2025 New Notes or the 2045 New Notes, as the context may require. The following is a summary of certain terms of the New Notes. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Subordinated Debt Securities Indenture dated as of November 4, 2014 (the “Subordinated Indenture”), between LBG as Issuer and The Bank of New York Mellon acting through its London Branch as Trustee, as supplemented by a Second Supplemental Indenture which we expect to be dated on or about December 1, 2015 (the “Second Supplemental Indenture”) in respect of the 2045 New Notes and a Third Supplemental Indenture which we expect to be dated as of the Early Settlement Date (the “Third Supplemental Indenture”) in respect of the 2025 New Notes. The Subordinated Indenture, together with the Second Supplemental Indenture (in the case of the 2045 New Notes) and the Third Supplemental Indenture (in the case of the 2025 New Notes), are together referred to herein as the “Indenture”.*

The 2025 New Notes will mature on December 10, 2025 and the 2045 New Notes will mature on December 1, 2045. From and including the date of issuance, interest will accrue on the 2025 New Notes at the rate described herein and on the 2045 New Notes at a rate of 5.300% per annum. Interest on the New Notes will accrue from December 10, 2015 (in the case of the 2025 New Notes) and from December 1, 2015 (in the case of the 2045 New Notes). Interest on the New Notes will be payable semi-annually in arrears on June 10 and December 10 of each year, commencing on June 10, 2016 (in the case of the 2025 New Notes) and June 1 and December 1 of each year, commencing on June 1, 2016 (in the case of the 2045 New Notes). Interest will be paid to holders of record of the New Notes in respect of the principal amount thereof outstanding 15 calendar days preceding the relevant interest payment date, whether or not a Business Day.

Interest on the New Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months and, in the case of an incomplete month, on the basis of the actual number of days elapsed in such period. If any scheduled interest payment date is not a Business Day, we will pay interest on the next Business Day, but interest on that payment will not accrue during the period from and after the scheduled interest payment date. If the scheduled maturity date or date of redemption or repayment is not a Business Day, we may pay interest and principal on the next succeeding Business Day, but interest on that payment will not accrue during the period from and after the scheduled maturity date or date of redemption or repayment.

In this description of the New Notes, the following expressions have the following meanings:

“Business Day” means any day, other than Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in the City of New York or in the City of London.

“Capital Disqualification Event” shall be deemed to have occurred if at any time LBG determines that as a result of a change (which has occurred or which the Relevant Regulator considers to be sufficiently certain) in the regulatory classification of the applicable series of the New Notes which becomes effective after the Issue Date or the Existing Notes Issue Date, as applicable, and that results, or would be likely to result, in the entire principal amount of such series of the New Notes being excluded from the Tier 2 Capital of LBG.

“Regulatory Capital Requirements” means any applicable minimum capital or capital requirements specified for banks or financial groups by the Relevant Regulator.

“Relevant Regulator” means the U.K. Prudential Regulation Authority or such other governmental authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary supervisory authority with respect to the Issuer and/or the Group.

“Senior Creditors” means in respect of the Issuer (i) creditors of the Issuer whose claims are admitted to proof in the winding-up or administration of the Issuer and who are unsubordinated creditors of the Issuer and (ii) creditors of the Issuer whose claims are or are expressed to be subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would, but for any applicable limitation on the amount of such capital, constitute Tier 1 Capital or Tier 2 Capital of the Issuer, or whose claims rank or are expressed to rank *pari passu* with, or junior to, the claims of holders of the New Notes).



“Tier 1 Capital” has the meaning given to it by the Relevant Regulator from time to time.

“Tier 2 Capital” has the meaning given to it by the Relevant Regulator from time to time.

## General

The New Notes will constitute our direct, unconditional, unsecured and subordinated obligations ranking *pari passu* without any preference among themselves and ranking junior in right of payment to the claims of any existing and future unsecured and unsubordinated indebtedness. In a winding up or in the event that an administrator has been appointed in respect of us and notice has been given that it intends to declare and distribute a dividend, all amounts due in respect of or arising under (including any damages awarded for breach of any obligations under) the New Notes will be subordinated to, and subject in right of payment to the prior payment in full of, all claims of all Senior Creditors.

The rights and claims of the holders of the New Notes shall rank at least *pari passu* with the claims of holders of all obligations of the Company which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital of the Company and in priority to (1) the claims of holders of all obligations of the Company which constitute Tier 1 Capital of the Company, (2) the claims of holders of all undated or perpetual subordinated obligations of the Company and (3) the claims of holders of all share capital of the Company.

In addition, because we are a holding company, our rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its creditors, including in the case of bank subsidiaries, their depositors, except to the extent that we may be a creditor with recognized claims against the subsidiary.

Each of the 2025 New Notes and the 2045 New Notes will constitute a separate series of subordinated debt securities issued under the Subordinated Indenture as amended by the Second Supplemental Indenture or the Third Supplemental Indenture, as applicable. Book-entry interests in the New Notes will be issued in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof.

The New Notes have not been registered under the Securities Act and are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The New Notes will be entitled to registration rights pursuant to the Registration Rights Agreement.

The principal corporate trust office of the Trustee in London, United Kingdom, is designated as the principal paying agent. We may at any time designate additional paying agents or rescind the designation of paying agents or approve a change in the office through which any paying agent acts.

We will issue the New Notes in fully registered form. The New Notes will be represented by one or more global securities in the name of a nominee of DTC. You will hold beneficial interest in the New Notes through DTC and its participants. We expect to deliver the New Notes through the facilities of DTC on the Early Settlement Date, in the case of the Old Notes tendered at or prior to the Early Participation Date, or the Final Settlement Date, in the case of the Old Notes tendered after the Early Participation Date but at or prior to the Expiration Deadline. For a more detailed summary of the form of the New Notes and settlement and clearance arrangements, you should read “—*Form of New Notes; Book-Entry System*”. Indirect holders trading their beneficial interests in the New Notes through DTC must trade in DTC’s same-day funds settlement system and pay in immediately available funds. Secondary market trading will occur in the ordinary way following the applicable rules and clearing system operating procedures of DTC, including those of its indirect participants, Euroclear and Clearstream, Luxembourg.

Definitive debt securities will only be issued in limited circumstances described under “—*Form of New Notes; Book-Entry System*”.

Payment of principal of and interest on the New Notes, so long as the New Notes are represented by global securities, will be made in immediately available funds. Beneficial interests in the global securities will trade in the same-day funds settlement system of DTC, and secondary market trading activity in such interests will therefore settle in same-day funds.

All payments in respect of the New Notes by us or our paying agent will be made subject to any deduction or withholding that may be imposed or levied by any jurisdiction. Except as provided under “—*Payment of Additional Amounts*” below, no Additional Amounts will be paid on the New Notes with respect to any such amounts withheld. For the avoidance of doubt, notwithstanding anything to the contrary herein, if by reason of Sections 1471-1474 of the U.S. Internal Revenue Code and the U.S. Treasury regulations thereunder or any agreement with the U.S. Internal Revenue Service in connection with these sections or regulations (“FATCA”), any intergovernmental agreement between the United States and the United Kingdom or any other jurisdiction with respect to FATCA, or any law, regulation or other official guidance enacted in any jurisdiction implementing, or relating to, FATCA or any intergovernmental agreement, any of us, the Trustee, our paying agent or another withholding agent deducts and withholds from any amount payable on, or in respect of, the New Notes, the amounts so deducted or withheld shall be treated as having been paid to the holder of the New Notes, and no Additional Amounts will be paid on account of any such deduction or withholding. Neither we, the Trustee or our paying agent shall have any liability in connection with our compliance with any such withholding obligation under applicable law.

### **Agreement with Respect to the Exercise of U.K. Bail-in Power**

Notwithstanding any other agreements, arrangements, or understandings between us and any holder or beneficial owner of the New Notes, by tendering or exchanging the Old Notes and accepting the New Notes in the Exchange Offer or otherwise purchasing or acquiring the New Notes, each holder (including each beneficial owner) of the New Notes acknowledges, accepts, agrees to be bound by and consents to the exercise of any U.K. bail-in power (as defined below) by the relevant U.K. resolution authority that may result in (i) the reduction or cancellation of all, or a portion, of the principal amount of, or interest on, the New Notes; (ii) the conversion of all, or a portion, of the principal amount of, or interest on, the New Notes into shares or other securities or other obligations of LBG or another person; and/or (iii) the amendment or alteration of the maturity of the New Notes, or amendment of the amount of interest due on the New Notes, or the dates on which interest becomes payable, including by suspending payment for a temporary period; which U.K. bail-in power may be exercised by means of variation of the terms of the New Notes solely to give effect to the exercise by the relevant U.K. resolution authority of such U.K. bail-in power. With respect to (i), (ii) and (iii) above, references to principal and interest shall include payments of principal and interest that have become due and payable (including principal that has become due and payable at the maturity date), but which have not been paid, prior to the exercise of any U.K. bail-in power. Each holder and beneficial owner of the New Notes further acknowledges and agrees that the rights of the holders and/or beneficial owners under the New Notes are subject to, and will be varied, if necessary, solely to give effect to, the exercise of any U.K. bail-in power by the relevant U.K. resolution authority.

For these purposes, a “U.K. bail-in power” is any write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms incorporated in the United Kingdom in effect and applicable in the United Kingdom to us and the Group, including but not limited to any such laws, regulations, rules or requirements which are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a U.K. resolution regime under the Banking Act as the same has been or may be amended from time to time (whether pursuant to the Banking Reform Act 2013, secondary legislation or otherwise), pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, amended, transferred and/or converted into shares or other securities or obligations of the obligor or any other person (and a reference to the “relevant U.K. resolution authority” is to any authority with the ability to exercise a U.K. bail-in power).

*According to the principles contained in the BRRD and the amendments to the Banking Act by way of the Banking Reform Act 2013, we expect that the relevant U.K. resolution authority would exercise its U.K. bail-in powers in respect of the New Notes having regard to the hierarchy of creditor claims (with the exception of excluded liabilities) and that the claims of holders of the New Notes would be treated equally in respect of the exercise of the U.K. bail-in powers with all other claims that would rank pari passu with the New Notes upon an insolvency of the Issuer.*

No repayment of the principal amount of the New Notes or payment of interest on the New Notes shall become due and payable after the exercise of any U.K. bail-in power by the relevant U.K. resolution authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would

be permitted to be made by us under the laws and regulations of the United Kingdom and the European Union applicable to us or other members of the Group.

For a discussion of certain risk factors relating to the U.K. bail-in power, see “*Risk Factors—Risks relating to the New Notes*”.

By tendering or exchanging the Old Notes and accepting the New Notes in the Exchange Offer or otherwise purchasing or acquiring the New Notes, each holder and beneficial owner of the New Notes: (i) acknowledges and agrees that the exercise of the U.K. bail-in power by the relevant U.K. resolution authority with respect to the New Notes shall not give rise to a Default or Event of Default for purposes of Section 315(b) (Notice of Default) and Section 315(c) (Duties of the Trustee in Case of Default) of the Trust Indenture Act of 1939, as amended (the “TIA”); and (ii) to the extent permitted by the TIA, waives any and all claims against the Trustee for, agrees not to initiate a suit against the Trustee in respect of, and agrees that the Trustee shall not be liable for, any action that the Trustee takes, or abstains from taking, in either case in accordance with the exercise of the U.K. bail-in power by the relevant U.K. resolution authority with respect to the New Notes.

By tendering or exchanging the Old Notes and accepting the New Notes in the Exchange Offer or otherwise purchasing or acquiring the New Notes, each holder and beneficial owner shall also be deemed to have (i) consented to the exercise of any U.K. bail-in power as it may be imposed without any prior notice by the relevant U.K. resolution authority of its decision to exercise such power with respect to the New Notes and (ii) authorized, directed and requested DTC and any direct participant in DTC or other intermediary through which it holds such New Notes to take any and all necessary action, if required, to implement the exercise of any U.K. bail-in power with respect to the New Notes as it may be imposed, without any further action or direction on the part of such holder or beneficial owner or the Trustee.

Upon the exercise of the U.K. bail-in power by the relevant U.K. resolution authority with respect to the New Notes, we shall provide a written notice to DTC as soon as practicable regarding such exercise of the U.K. bail-in power for purposes of notifying holders of such occurrence. We shall also deliver a copy of such notice to the Trustee for information purposes.

## **Events of Default; Default; Limitation of Remedies**

### ***Events of Default***

An “Event of Default” with respect to any series of the New Notes shall result if:

- a court of competent jurisdiction makes an order for the winding-up of LBG which is not successfully appealed within 30 days; or
- an effective shareholders’ resolution is validly adopted for the winding-up of LBG, other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency.

If an Event of Default occurs, the Trustee or the holder or holders of at least 25% in aggregate principal amount of the outstanding New Notes of such series may declare to be due and payable immediately in accordance with the terms of the relevant Indenture the principal amount of, and any accrued but unpaid payments, and any Additional Amounts (as defined below), on such series of the New Notes. However, after this declaration but before the Trustee obtains a judgment or decree for payment of money due, the holder or holders of a majority in aggregate principal amount of the outstanding New Notes of such series may rescind the declaration of acceleration and its consequences, but only if all Events of Default in respect of such series have been remedied and all payments due, other than those due as a result of acceleration, have been made.

### ***Defaults***

A “Default” with respect to any series of the New Notes shall result if:

- any installment of interest on such series of the New Notes is not paid on or before its Interest Payment Date and such failure continues for 14 days; or

- all or any part of the principal on such series of the New Notes is not paid when it otherwise becomes due and payable, whether upon redemption or otherwise, and such failure continues for seven days.

If a Default occurs, the Trustee may commence a proceeding for the winding-up of LBG, provided that the Trustee may not declare the principal amount of any outstanding New Notes of such series to be due and payable.

However, a failure to make any payment on such series of the New Note shall not be a Default if it is withheld or refused in order to comply with any applicable fiscal or other law or regulation or order of any court of competent jurisdiction and LBG delivers an opinion of counsel to the Trustee with that conclusion, at any time before the expiry of the applicable 14 day or seven day period by independent legal advisers.

Notwithstanding any contrary provisions, nothing shall impair the right of a holder, absent the holder's consent, to sue for any payments due but unpaid with respect to such series of the New Notes.

Subject to applicable law, no holder may exercise or claim any right of set-off, counterclaim, combination of accounts, compensation or retention in respect of any amount owed to it by LBG arising under or in connection with the New Notes. By accepting a New Note of any series, each holder will be deemed to have waived any right of set-off, counterclaim, combination of accounts, compensation and retention with respect to the New Note of such series or the relevant Indenture of such series (or between obligations which LBG may have under or in respect of any New Note of such series and any liability owed by a holder to LBG) that they might otherwise have against LBG, whether before or during such winding up.

### ***General***

The holder or holders of not less than a majority in aggregate principal amount of the outstanding New Notes of the applicable series may waive any past Event of Default or Default, except an Event of Default or Default in respect of the payment of interest, if any, or principal of (or premium, if any) or payments on such series of the New Note or a covenant or provision of the relevant Indenture which cannot be modified or amended without the consent of each holder of the applicable series of the New Notes.

Subject to the provisions of the relevant Indenture relating to the duties of the Trustee, if an Event of Default or a Default occurs with respect to any series of the New Notes, the Trustee will be under no obligation to take direction from any holder or holders of the New Notes of such series, unless they have offered reasonable indemnity to the Trustee. Subject to the relevant Indenture provisions for the indemnification of the Trustee, the holder or holders of a majority in aggregate principal amount of the outstanding New Notes of the applicable series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, if the direction is not in conflict with any rule of law or with the relevant Indenture and does not expose the Trustee to undue risk and the action would not be unjustly prejudicial to the holder or holders of the New Notes of such series not taking part in that direction. The Trustee may take any other action that it deems proper which is not inconsistent with that direction.

The Indenture provides that the Trustee will, within 90 days after the occurrence of an Event of Default or a Default with respect to any series of the New Notes, give to each holder of the New Notes of such series notice of the Event of Default or Default known to it, unless the Event of Default or Default, has been cured or waived. However, the Trustee shall be protected in withholding notice if it determines in good faith that withholding notice is in the interest of the holders.

We are required to furnish to the Trustee a statement as to our compliance with all conditions and covenants under the relevant Indenture (i) annually, and (ii) within five Business Days of a written request from the Trustee.

### **Additional Issuances**

We may, without the consent of the holders of any series of the New Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the New Notes of such series described in this Exchange Offer Memorandum except for the price to the public, Issue Date, first interest payment date and temporary CUSIP, ISIN or other identifying numbers, provided however that such additional notes of any series must be fungible with the New Notes of the relevant series for U.S. federal income tax purposes. Any such additional notes, together with the New Notes of such series offered pursuant to the terms of this Exchange Offer Memorandum, will constitute a single series of securities under the relevant Indenture. There is no

limitation on the amount of additional subordinated notes or other debt securities that we may issue under such Indenture.

### **Tax Redemption**

If at any time a Tax Event has occurred with respect to any series of the New Notes, LBG may, subject to the satisfaction of the conditions described under “—*Conditions to Redemption and Repurchases*” below, redeem the relevant series of the New Notes in whole but not in part at any time at 100% of their principal amount, together with any accrued interest to, but excluding, the date fixed for redemption.

A “Tax Event” is deemed to have occurred with respect to such series of the New Notes if such series of:

(1) LBG determines that as a result of a Tax Law Change, in making any payments on the New Notes of such series, LBG has paid or will or would on the next payment date be required to pay any Additional Amounts (as defined below) to any holder of such series of the New Notes pursuant to “—*Payment of Additional Amounts*” below and/or

(2) a Tax Law Change would:

- result in LBG not being entitled to claim a deduction in respect of any payments in respect of the New Notes of such series in computing LBG’s taxation liabilities or materially reduce the amount of such deduction;
- prevent the New Notes of such series from being treated as loan relationships for United Kingdom tax purposes;
- as a result of the New Notes of such series being in issue, result in LBG not being able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as of the date of issue of the New Notes of such series or any similar system or systems having like effect as may from time to time exist);
- result in a United Kingdom tax liability, or the receipt of income or profit which would be subject to United Kingdom tax, in respect of a write-down of the principal amount of the New Notes of such series or the conversion of the New Notes of such series into shares or other obligations of LBG; or
- result in a New Note of such series or any part thereof being treated as a derivative or an embedded derivative for United Kingdom tax purposes,

in each case, *provided that*, LBG could not avoid the foregoing in connection with the New Notes of such series by taking measures reasonably available to it.

“Tax Law Change” means a change in, or amendment to, the laws or regulations of the United Kingdom, or any political subdivision or authority therein or thereof, having the power to tax, including any treaty to which the United Kingdom is a party, or any change in any generally published application or interpretation of such laws, including a decision of any court or tribunal, or any change in the generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any tax authority, which change, amendment or pronouncement (x) (subject to (y)) becomes, or would become, effective on or after (i) the Issue Date in respect of the 2025 New Notes, or (ii) December 1, 2015, in respect of the 2045 New Notes (the “Existing Notes Issue Date”), or (y) in the case of a change in law, if such change is enacted by United Kingdom Act of Parliament or implemented by statutory instrument, on or after the Issue Date or the Existing Notes Issue Date, as applicable;

Notice of any redemption of the New Notes of any series due to the occurrence of a Tax Event will be given to holders not less than 30 nor more than 60 calendar days prior to the date of such redemption in accordance with “—*Conditions to Redemption and Repurchases*” below, and to the Trustee at least ten (10) Business Days prior to such date, unless a shorter notice period shall be satisfactory to the Trustee.

Prior to the giving of any notice of redemption, LBG must deliver to the Trustee (i) a legal opinion, in a form satisfactory to the Trustee, to the effect that a Tax Event has occurred, and (ii) an officer’s certificate confirming that (1) all the conditions necessary for redemption have occurred and that LBG could not avoid the consequences of the

Tax Event by taking measures reasonably available to it, and (2) that the Relevant Regulator is satisfied that the relevant change or event is material and was not reasonably foreseeable by LBG on the Issue Date or the Existing Notes Issue Date, as applicable. The Trustee shall be entitled to accept such opinion and officer's certificate without any further inquiry, in which event such opinion and officer's certificate shall be conclusive and binding on the Trustee and the holders of the New Notes of the relevant series.

### **Redemption due to a Capital Disqualification Event**

We may redeem the New Notes of any series in whole but not in part upon not less than 30 calendar days' nor more than 60 calendar days' notice to the holders of the New Notes of such series if, at any time immediately prior to the giving of the notice referred to above, a Capital Disqualification Event has occurred. In the event of such a redemption, the redemption price of the New Notes of such series will be 100% of their principal amount together with any accrued but unpaid interest to, but excluding, the date fixed for redemption. Any right of redemption will be subject to the conditions set forth under "*—Conditions to Redemption and Repurchases*" below.

Prior to the giving of any notice of redemption, LBG must deliver to the Trustee an officer's certificate stating that (1) a Capital Disqualification Event has occurred, and (2) LBG has demonstrated to the satisfaction of the Relevant Regulator that the relevant change was not reasonably foreseeable by LBG as at the Issue Date or the Existing Notes Issue Date, as applicable. The Trustee shall be entitled to accept such officer's certificate without any further inquiry, in which event such officer's certificate shall be conclusive and binding on the Trustee and the holders of the New Notes of such series.

### **Repurchases**

We may at any time, and from time to time, purchase New Notes in the open market or by tender or by private agreement in any manner and at any price or at differing prices. New Notes purchased or otherwise acquired by us may be (i) held, (ii) resold or (iii) at our sole discretion, surrendered to the Trustee for cancellation (in which case all New Notes so surrendered will forthwith be cancelled in accordance with applicable law and thereafter may not be re-issued or resold). Any such purchases will be subject to the conditions set forth under "*—Conditions to Redemption and Repurchases*" below.

### **Conditions to Redemption and Repurchases**

Any redemption or repurchase with respect to any series of the New Notes prior to the maturity date is subject to:

(a) LBG giving notice to the Relevant Regulator and the Relevant Regulator granting permission to LBG to redeem or purchase the New Notes of such series; and

(b) in respect of any redemption of any series of the New Notes proposed to be made prior to the fifth anniversary of the Issue Date or the Existing Notes Issue Date, as applicable, if and to the extent then required under the relevant Regulatory Capital Requirements (A) in the case of an optional redemption of a series of the New Notes due to a Tax Event, LBG having demonstrated to the satisfaction of the Relevant Regulator that the relevant change or event is material and was not reasonably foreseeable by LBG as at the Issue Date or the Existing Notes Issue Date, as applicable, or (B) in the case of redemption of a series of the New Notes following the occurrence of a Capital Disqualification Event, LBG having demonstrated to the satisfaction of the Relevant Regulator that the relevant change was not reasonably foreseeable by LBG as at the Issue Date or the Existing Notes Issue Date, as applicable; and

(c) if and to the extent then required by the relevant Regulatory Capital Requirements (A) on or before the relevant redemption or purchase date, LBG replacing the series of the New Notes with instruments qualifying as own funds of equal or higher quality on terms that are sustainable for the income capacity of LBG or (B) LBG demonstrating to the satisfaction of the Relevant Regulator that its Tier 1 Capital and Tier 2 Capital would, following such redemption or purchase of such series of the New Notes exceed its minimum capital requirements by a margin that the Relevant Regulator may consider necessary at such time based on the Regulatory Capital Requirements.

Notwithstanding the above conditions, if, at the time of any redemption or purchase with respect to any series of the New Notes, the prevailing Regulatory Capital Requirements permit the repayment or purchase only after

compliance with one or more alternative or additional preconditions to those set out above, LBG shall comply with such other and/or, as appropriate, additional pre-condition(s).

### **Modification and Waiver**

We and the Trustee may make certain modifications and amendments to the relevant Indenture with respect to any series of the New Notes without the consent of the holders of the New Notes of such series. Other modifications and amendments may be made to the Indenture with respect to any series of the New Notes with the consent of the holder or holders of not less than two-thirds in aggregate outstanding principal amount of the New Notes of such series outstanding that are affected by the modification or amendment, voting as one class. However, no modifications or amendments may be made without the consent of the holder of each New Note of such series that would:

- change the stated maturity of the principal amount of the New Notes of such series;
- reduce the principal amount of, the interest rate, or the premium payable upon the redemption of, or the payments with respect to, the New Notes of such series;
- change any obligation to pay Additional Amounts (as defined below) with respect to the New Notes of such series;
- change the currency of payment with respect to the New Notes of such series;
- impair the right to institute suit for the enforcement of any payment due and payable with respect to the New Notes of such series;
- reduce the percentage in aggregate principal amount of outstanding debt securities of the New Notes of such series necessary to modify or amend the relevant Indenture or to waive compliance with certain provisions of the relevant Indenture and any Event of Default or Default with respect to the New Notes of such series;
- the subordination provisions or the terms of our obligations in respect of the due and punctual payment of the amounts due and payable on the New Notes of such series in a manner adverse to the holders of the New Notes of such series; or
- modify the above requirements.

In addition, variations in the terms and conditions of any series of the New Notes, including modifications relating to redemption, an Event of Default or a Default, may require the non-objection from, or consent of, the PRA.

### **Payment of Additional Amounts**

Amounts to be paid on any series of the New Notes will be made without deduction or withholding for, or on account of, any and all present and future income, stamp and other taxes, levies, imposts, duties, charges, or fees imposed, levied, collected, withheld or assessed by or on behalf of a U.K. taxing jurisdiction, unless such deduction or withholding is required by law. If at any time a U.K. taxing jurisdiction requires us to make such deduction or withholding, we will pay additional amounts with respect to the principal of, interest and any other payments on, the New Notes of such series (“Additional Amounts”) that are necessary in order that the net amounts paid to the holders of the New Notes of such series, after the deduction or withholding, shall equal the amounts which would have been payable on the New Notes of such series if the deduction or withholding had not been required. However, this will not apply to any such amount that would not have been payable or due with respect to such series of the New Notes but for the fact that:

- the holder or the beneficial owner of the New Notes of such series is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or physically present in, a U.K. taxing jurisdiction or otherwise having some connection with the U.K. taxing jurisdiction other than the holding or ownership of a New Note of such series, or the collection of any payment of, or in respect of, principal of, or any interest or other payment on, any New Note of such series;

- except in the case of a winding up in the United Kingdom, the New Notes of the relevant series are presented (where presentation is required) for payment in the United Kingdom;
- the New Notes of such series are presented (where presentation is required) for payment more than 30 days after the date payment became due or was provided for, whichever is later, except to the extent that the holder would have been entitled to the Additional Amounts on presenting the New Notes of such series for payment at the close of that 30 day period;
- the holder or the beneficial owner of the New Notes of such series or the beneficial owner of any payment of or in respect of principal of, or any interest or other payment on, the New Notes of such series failed to comply with a request by us or our liquidator or other authorized person addressed to the holder of the New Notes of such series to provide information concerning the nationality, residence or identity of the holder or the beneficial owner of the New Notes of such series or to make any declaration or other similar claim to satisfy any requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of a U.K. taxing jurisdiction as a precondition to exemption from all or part of the tax, levy, impost, duty, charge or fee with respect to the New Notes of such series;
- the withholding or deduction with respect to the New Notes of such series is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income, or any directive amending, supplementing or replacing such directive or any law implementing or complying with, or introduced in order to conform to, such directive or directives;
- the New Notes of such series are presented (where presentation is required) for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the New Notes of such series to another paying agent;
- the deduction or withholding with respect to the New Notes of such series is imposed by reason of FATCA, any intergovernmental agreement between the United States and the United Kingdom or any other jurisdiction with respect to FATCA, or any law, regulation or other official guidance enacted in any jurisdiction implementing, or relating to, FATCA or any intergovernmental agreement; or
- any combination of the above items,

nor shall Additional Amounts be paid with respect to the principal of, or any interest or other payment on, the New Notes of any series to any holder of a series of the New Notes who is a fiduciary or partnership or any person other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of any taxing jurisdiction to be included in the income for tax purposes of a beneficiary or partner or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts with respect to the New Notes of such series, had it been the holder.

Whenever we refer in this Exchange Offer Memorandum, in any context, to the payment of the principal of or any interest or other payments on, or in respect of, any series of the New Note, we mean to include the payment of Additional Amounts to the extent that, in the context, Additional Amounts are, were or would be payable.

### **Waiver of Right to Set-Off**

Subject to applicable law, no holder of the New Notes of any series may exercise or claim any right of set-off, counterclaim, combination of accounts, compensation or retention in respect of any amount owed to it by LBG arising under or in connection with the New Notes of such series. By accepting a New Note of any series, each holder of the New Notes of such series will be deemed to have waived any right of set-off, counterclaim, combination of accounts, compensation and retention with respect to such New Note or the relevant Indenture (or between our obligations under or in respect of the New Note of such series and any liability owed by a holder or the Trustee to us) that they might otherwise have against us, whether before or during our winding up.

### **Trustee; Direction of Trustee**

LBG's obligations to reimburse and indemnify the Trustee in accordance with Section 6.07 of the Subordinated Indenture (as amended by the Second Supplemental Indenture or the Third Supplemental Indenture, as applicable)



shall survive the exercise of the U.K. bail-in power by the relevant U.K. resolution authority with respect to the New Notes.

By accepting the New Notes, each holder (including each beneficial owner) of the New Notes acknowledges and agrees that, upon the exercise of any U.K. bail-in power by the relevant U.K. resolution authority, (a) the Trustee shall not be required to take any further directions from holders of the New Notes under Section 5.12 (Control by Holders) of the relevant Indenture, which authorizes holders of a majority in aggregate outstanding principal amount of the relevant series of the New Notes to direct certain actions relating to the New Notes, and (b) neither the Subordinated Indenture nor the Second Supplemental Indenture nor the Third Supplemental Indenture shall impose any duties upon the Trustee whatsoever with respect to the exercise of any U.K. bail-in power by the relevant U.K. resolution authority. Notwithstanding the foregoing, if, following the completion of the exercise of the U.K. bail-in power by the relevant U.K. resolution authority, the New Notes remain outstanding (for example, if the exercise of the U.K. bail-in power results in only a partial write-down of the principal of the New Notes), then the Trustee's duties under the relevant Indenture shall remain applicable with respect to the New Notes following such completion to the extent that the Issuer and the Trustee shall agree pursuant to a supplemental indenture or an amendment to the relevant Indenture.

In addition to the foregoing, the Trustee may decline to act or accept direction from holders of any series of the New Notes unless it receives written direction from holders of the relevant series representing a majority in aggregate principal amount of the New Notes of such series and security and/or indemnity satisfactory to the Trustee in its sole discretion. The relevant Indenture shall not be deemed to require the Trustee to take any action which may conflict with applicable law, or which may be unjustly prejudicial to the holders not taking part in the direction, or which would subject the Trustee to undue risk or for which it is not indemnified to its satisfaction in its sole discretion.

The Trustee makes no representations regarding, and shall not be liable with respect to, the information set forth in this Exchange Offer Memorandum.

### **Subsequent Holders' Agreement**

Holders and beneficial owners of the New Notes that acquire the New Notes in the secondary market shall be deemed to acknowledge, agree to be bound by and consent to the same provisions specified herein to the same extent as the holders and beneficial owners of the New Notes that acquire the New Notes upon their initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to the terms of the New Notes related to the U.K. bail-in power.

### **Consolidation, Merger and Sale of Assets; Assumption**

We may, without the consent of the holders of the New Notes of any series, consolidate with, merge into or transfer or lease our assets substantially as an entirety to any person, provided that any successor corporation formed by any consolidation or amalgamation, or any transferee or lessee of our assets, is a company organized under the laws of any part of the United Kingdom that assumes, by a supplemental indenture, the obligations of LBG on the New Notes of such series, and under the relevant Indenture, immediately after giving effect to such transaction, no Default or Event of Default shall have occurred with respect to the New Notes of such series, and we procure the delivery to the Trustee of a customary officer's certificate and legal opinion providing that the conditions precedent to the transaction have been complied with.

Subject to applicable law and regulation, any of the wholly-owned subsidiaries of LBG may assume the obligations under the New Notes of any series without the consent of any holder of the New Notes of such series, provided that we unconditionally guarantee, which shall be on a subordinated basis in substantially the manner described above, the obligations of the subsidiary under the New Notes of such series. In such case, all of the direct obligations under the New Notes of such series and the relevant Indenture shall immediately be discharged. Any Additional Amounts under the New Notes of such series will be payable in respect of taxes imposed by the jurisdiction in which the assuming subsidiary is incorporated, subject to exceptions equivalent to those that apply to any obligation to pay Additional Amounts, substituting the jurisdiction in which the assuming subsidiary is incorporated for "U.K. taxing jurisdiction". However, if we make payment under such guarantee, we may be required to pay Additional Amounts related to taxes, subject to the exceptions described under the heading "*Additional Amounts*" above, imposed by any U.K. taxing jurisdiction by reason of the guarantee payment. The

subsidiary that assumes the obligations will also be entitled to redeem the New Notes of such series in the circumstances described in “—*Tax Redemption*” and “—*Redemption due to a Capital Disqualification Event*” above with respect to any change or amendment to, or change in the application or official interpretation of, the laws or regulations (including any treaty) of the assuming subsidiary’s jurisdiction of incorporation which occurs after the date of the assumption.

*An assumption of our obligations under the applicable series of the New Notes might be deemed for U.S. federal income tax purposes to be an exchange of the applicable series of the New Notes for new debt securities by each beneficial owner, resulting in a recognition of taxable gain or loss for those purposes and possibly certain other adverse tax consequences. You should consult your tax advisor regarding the U.S. federal, state and local income tax consequences of an assumption.*

## **Governing Law**

The Subordinated Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the New Notes will be governed by, and construed in accordance with, the laws of the State of New York, except for the subordination and waiver of set-off provisions relating to the New Notes, which will be governed by, and construed in accordance with, the laws of Scotland.

## **Form of New Notes; Book-Entry System**

### ***General***

The New Notes shall initially be represented by one or more global securities in registered form, without coupons attached, and will be deposited with DTC, and will be registered in the name of such depository or its nominee. Unless and until the New Notes are exchanged in whole or in part for other securities under the terms of the Indenture or the global securities are exchanged for definitive securities, the global securities may not be transferred except as a whole by DTC to a nominee or a successor of DTC.

Beneficial interests in the global debt securities will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its direct and indirect participants, including, as applicable, Euroclear and Clearstream, Luxembourg.

The laws of some states may require that certain investors in securities take physical delivery of their securities in definitive form. Those laws may impair the ability of investors to own interests in book-entry securities.

So long as DTC, or its nominee, is the holder of a global debt security, DTC or its nominee will be considered the sole holder of such global debt security for all purposes under the Indenture. Except as described below under “—*Issuance of Definitive Securities*”, no participant, indirect participant or other person will be entitled to have New Notes registered in its name, receive or be entitled to receive physical delivery of New Notes in definitive form or be considered the owner or holder of the New Notes under the Indenture. Each person having an ownership or other interest in the New Notes must rely on the procedures of DTC, and, if a person is not a participant in DTC, must rely on the procedures of the participant or other securities intermediary through which that person owns its interest to exercise any rights and obligations of a holder under the Indenture or the New Notes.

### ***Payments on the Global Debt Security***

Payments of any amounts in respect of the New Notes will be made by the Trustee upon receipt to DTC. Payments will be made to beneficial owners of the New Notes in accordance with the rules and procedures of DTC or its direct and indirect participants, as applicable. Neither we nor the Trustee nor any of our agents will have any responsibility or liability for any aspect of the records of any securities intermediary in the chain of intermediaries between DTC and any beneficial owner of an interest in the New Notes, or the failure of DTC or any intermediary to pass through to any beneficial owner any payments that we make to DTC.

### ***The Clearing Systems***

DTC has advised us as follows: DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the

New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly. DTC has a Standard & Poor’s rating of AA+. DTC rules applicable to its participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

### *Issuance of Definitive Securities*

So long as DTC holds global securities in respect of any series of the New Notes, such global securities will not be exchangeable for definitive securities unless:

- DTC notifies the Trustee that it is unwilling or unable to continue to act as depository for the New Notes of such series or DTC ceases to be a clearing agency registered under the Exchange Act;
- we are wound up and we fail to make a payment on the New Notes of such series when due; or
- at any time we determine at our option and in our sole discretion, that the global securities of the New Notes of such series should be exchanged for definitive securities in registered form.

Each person having an ownership or other interest in the New Notes must rely exclusively on the rules or procedures of DTC and any agreement with any direct or indirect participant of DTC or any other securities intermediary through which that person holds its interest, to receive or direct the delivery of possession of any definitive security. The Indenture permits us to determine at any time and in our sole discretion that any series of the New Notes shall no longer be represented by global securities. DTC has advised us that under its current practices, it would notify its participants of our request, but will only withdraw beneficial interests from the global securities at the request of each DTC participant. We would issue definitive certificates in exchange for any such beneficial interests withdrawn.

Definitive New Notes will be issued in registered form only. To the extent permitted by law, we, the Trustee and any paying agent shall be entitled to treat the person in whose name any definitive security is registered as its absolute owner.

Payments in respect of definitive securities will be made to the person in whose name the definitive securities are registered as it appears in the register. Payments will be made in respect of the New Notes by check drawn on a bank in New York or, if the holder requests, by transfer to the holder’s account in New York. Definitive securities should be presented to the paying agent for redemption.

If we issue definitive New Notes in exchange for a particular global security, DTC, as holder of that global security, will surrender it against receipt of the definitive securities, cancel the book-entry securities, and distribute the definitive securities to the persons and in the amounts that DTC specifies pursuant to its internal procedures.

If definitive securities are issued in the limited circumstances described above, those securities (i) will be transferable only on the register for the New Notes, and (ii) may be transferred in whole or in part in denominations of any whole number of securities upon surrender of the definitive securities certificates together with the form of transfer endorsed on it, duly completed and executed at the specified office of a paying agent. If only part of a securities certificate is transferred, a new securities certificate representing the balance not transferred will be issued to the transferor within three Business Days after the paying agent receives the certificate. The new certificate representing the balance will be delivered to the transferor by uninsured post at the risk of the transferor, to the address of the transferor appearing in the records of the paying agent. The new certificate representing the securities

that were transferred will be sent to the transferee within three Business Days after the paying agent receives the certificate transferred, by uninsured post at the risk of the holder entitled to the securities represented by the certificate, to the address specified in the form of transfer.

### **Restrictions on Transfer**

We have not registered the issuance of the New Notes under the Securities Act or any other securities laws. The New Notes may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Notes are being offered (a) to “qualified institutional buyers” (“QIBs”) as defined in Rule 144A under the Securities Act (“Rule 144A”) who are acquiring New Notes for their own account or for the account of one or more other QIBs, in private transactions in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof and (b) outside the United States to persons other than “U.S. persons” as defined in Regulation S under the Securities Act (“Regulation S”) and who are not acquiring New Notes for the account or benefit of a “U.S. person” in offshore transactions in compliance with Regulation S.

### **Notices**

All notices to holders of registered New Notes shall be validly given if in writing and mailed, first-class postage prepaid, to them at their respective addresses in the register maintained by the Trustee.

### **Consent to Service of Process**

Under the Indenture, we irrevocably designate our Chief U.S. Counsel, currently of 1095 Avenue of the Americas, 34th Floor, New York, NY 10036, as the authorized agent for service of process in any legal action or proceeding arising out of or relating to the Indenture or any New Note brought in any federal or state court in the Borough of Manhattan, in The City of New York, New York and we and irrevocably submit to the jurisdiction of those courts.

## REGISTRATION RIGHTS

### General

The New Notes are not registered under the Securities Act or any state securities laws of any state of the United States and therefore you may not freely resell the New Notes to the public. Instead, any sale by you of the New Notes must comply with the restrictions contained in the section entitled “*Notice to Investors*.” However, we will enter into a registration rights agreement (the “Registration Rights Agreement”) with the Dealer Managers for the benefit of the holders of the New Notes in which we will agree to use commercially reasonable efforts to conduct a registered offer (the “Registered Exchange Offer”) to exchange the New Notes for new notes with terms substantially identical to such New Notes (the “Exchange Notes”) and to list the Exchange Notes on the New York Stock Exchange. Such Registered Exchange Offer will generally permit holders of each series of New Notes to exchange such New Notes for an issue of a series of Exchange Notes that is identical in all material respects with such New Notes, except that such Exchange Notes will be fully registered with the SEC and thus may be resold to the public.

Because this section is a summary, it does not describe every aspect of the Registration Rights Agreement. This summary is subject to, and qualified in its entirety by reference to, all the provisions of the Registration Rights Agreement, including definitions of certain terms used in it. You may obtain a copy of the Registration Rights Agreement by contacting the Offeror as described in “*Incorporation of Information by Reference*”. In addition, the information set forth below concerning certain interpretations of and positions taken by the staff of the SEC is not intended to constitute legal advice, and prospective investors should consult their own legal advisors with respect to those matters.

### Exchange Offer and Registration Rights

We will agree, pursuant to the Registration Rights Agreement, that we will, at our cost, (a) file a registration statement (the “Exchange Offer Registration Statement”) with the SEC, no later than 180 days after the later of (i) the last Settlement Date in the Exchange Offer, or (ii) the Existing Notes Issue Date (the “Last Settlement Date”), with respect to the Registered Exchange Offer for the Exchange Notes with terms substantially identical to the New Notes (except that the Exchange Notes will be fully registered with the SEC and therefore will not contain terms restricting their transfer), and (b) use our commercially reasonable efforts to cause the Exchange Offer Registration Statement to be declared effective under the Securities Act not later than 180 days after the Last Settlement Date and to remain effective until 110 days after the commencement of the Registered Exchange Offer.

Upon the effectiveness of the Exchange Offer Registration Statement, we will offer to all holders of each outstanding series of New Notes, who are legally eligible to participate in the Registered Exchange Offer, Exchange Notes in exchange for surrender of the New Notes of such series. We will use commercially reasonable efforts to commence and complete the Registered Exchange Offer promptly, but no later than 60 days after the effectiveness of such Exchange Offer Registration Statement. For each New Note surrendered to us pursuant to the Registered Exchange Offer, the holder of the New Notes, as applicable, will receive in exchange an Exchange Note having a principal amount equal to that of the surrendered New Notes. Interest on each Exchange Note will accrue from the last interest payment date on which interest was paid on the New Note surrendered in exchange therefor or, if no interest has been paid on the New Note surrendered, from the applicable Settlement Date.

Under existing interpretations of the Securities Act by the staff of the SEC, we believe that the Exchange Notes would generally be freely transferable by holders of the New Notes issued in the Exchange Offer after the Registered Exchange Offer without further registration under the Securities Act if the holder of the Exchange Notes represents that it is not our affiliate, as that term is interpreted by the SEC. However, broker-dealers (“participating broker-dealers”) receiving Exchange Notes in the Registered Exchange Offer will have a prospectus delivery requirement with respect to resales of those Exchange Notes. The staff of the SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to Exchange Notes with the prospectus contained in the Exchange Offer Registration Statement.

We do not intend to seek our own interpretation regarding the Registered Exchange Offer, and there can be no assurance that the staff of the SEC would make a similar determination with respect to the Exchange Notes as it has in other interpretations to other parties, although we have no reason to believe otherwise. A holder of the New Notes issued in the Exchange Offer (other than certain specified holders) who wishes to exchange those New Notes for

Exchange Notes in the Registered Exchange Offer will be required to represent that any Exchange Notes to be received by it will be acquired in the ordinary course of its business, that at the time of the commencement of the Registered Exchange Offer it has no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Notes, and that it is not an “affiliate,” as defined in Rule 405 of the Securities Act, of ours or, if it is an affiliate of ours, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

### **Shelf Resale Registration Statement**

In the event that LBG determines that the Registered Exchange Offer is not available or may not be completed as soon as practicable following the 110<sup>th</sup> day after the commencement of the Registered Exchange Offer because it would violate any applicable law or applicable interpretations of the staff of the SEC, or if the Registered Exchange Offer is not completed 210 days following the Final Settlement Date (the “Target Registration Date”), or if we receive a notification that the Exchange Notes are or were ineligible to be exchanged in the Registered Exchange Offer (a “Shelf Request”), we shall use our commercially reasonable efforts to cause a shelf registration statement covering continuous resales of the New Notes (the “Shelf Registration Statement”) to be filed and declared effective by the SEC (a) as soon as practicable or (b) if a Shelf Request is received, by the later of the Target Registration Date and 90 days after receipt of such Shelf Request, and, in each case, to keep the Shelf Registration Statement effective until all of the New Notes covered by the shelf registration statement are sold thereunder or can be sold without registration.

We will, in the event a Shelf Registration Statement is filed, among other things, provide to each holder copies of the prospectus that is a part of the Shelf Registration Statement, notify each such holder when the Shelf Registration Statement has become effective and take other actions as are required to permit unrestricted resales of the New Notes. A holder selling New Notes issued in the Registered Exchange Offer pursuant to the Shelf Registration Statement generally would be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to applicable civil liability provisions under the Securities Act in connection with sales of that kind and will be bound by the provisions of the Registration Rights Agreement which are applicable to that holder (including certain indemnification obligations). Holders of the New Notes will be required to deliver certain information to be used in connection with the Shelf Registration Statement in order to have their Notes included in the Shelf Registration Statement.

### **No Additional Interest Payable**

No additional payments of interest will be made to holders of the New Notes if we fail to complete the Registered Exchange Offer or comply with the other obligations contained in the Registration Rights Agreement.

### **Governing Law**

New York law will govern the Registration Rights Agreement.

### **SEC Review**

In the course of the review of the Exchange Offer Registration Statement by the SEC and/or the Shelf Registration Statement, we may be required to make changes to the description of our business and other information and financial data included or incorporated by reference in this Exchange Offer Memorandum.

## NOTICE TO INVESTORS

The offer, sale (including the exchange), resale, pledge and other transfer of New Notes is subject to various restrictions, including those described below, and exchanging holders are advised to consult legal counsel prior to engaging in any such transactions in respect of the New Notes.

The New Notes have not been registered under the Securities Act or the laws of any jurisdiction and they are being offered and sold only:

- (a) to QIBs who are acquiring New Notes for their own account or for the account of one or more other QIBs, in private transactions in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof; and
- (b) outside the United States to persons other than “U.S. persons” as defined in Regulation S and who are not acquiring New Notes for the account or benefit of a “U.S. person”, in offshore transactions in compliance with Regulation S.

As used in this section, the terms “United States” and “U.S. person” have the meaning given to them in Regulation S, and terms that are defined in Rule 144A have the respective meanings given to them in Rule 144A.

By submitting an Exchange Instruction each holder and the relevant Direct Participant (on behalf of the relevant holder), represents, warrants and undertakes that:

- (a) it is either (i)(I) a QIB who is acquiring New Notes for its own account or for the account of one or more other QIBs, and (II) aware that the sale of New Notes is being made in a private transaction in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof, or (ii)(I) outside the United States, (II) not a “U.S. person” and not acquiring New Notes for the account or benefit of a “U.S. person” in offshore transactions and (III) aware that the sale of New Notes is made in compliance with Regulation S;
- (b) it understands and acknowledges that the New Notes have not been registered under the Securities Act and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities law, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in this Notice to Investors;
- (c) it understands and agrees that the New Notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that any future resale, pledge or transfer by it of the New Notes on which the legend set forth below appears may be made only: (i) to us, (ii) for so long as the New Notes are eligible for resale pursuant to Rule 144A, to a person that it reasonably believes is a QIB acquiring the New Notes for its own account or for the account of one or more other QIBs in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S or (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act, in each case of clauses (i) through (iv) in accordance with any applicable securities laws of any state of the United States and any other jurisdiction;
- (d) it will, and each subsequent holder is required to, notify any purchaser of New Notes or the applicable subsequent holder of the resale restrictions referred to in (b) and (c) above, if then applicable;
- (e) it is acquiring the New Notes for its own account, or for one or more accounts for which it is acting as a fiduciary, in each case for investment, and not with a view to, or for offer or sale in connection with, any resale or distribution in violation of the Securities Act, subject to any requirement of law that the disposition of your property (or the property of such investor account or accounts) be at all times within its control;
- (f) it understands and agrees that the New Notes initially offered to QIBs will be represented by U.S. Restricted Global Notes, and with respect to any transfer of any interest in a U.S. Restricted Global Note, (i) if to a transferee that takes delivery in the form of interests in the U.S. Restricted Global Note, the

Trustee will not require any written certification from the transferor or the transferee and (ii) if to a transferee that takes delivery in the form of interests in the Offshore Global Note, the Trustee will require written certification from the transferor, in the form provided in the applicable supplemental indenture relating to the New Notes, which can be obtained from the Trustee, to the effect that the transfer complies with Rule 903 or 904 of Regulation S or with Rule 144;

- (g) it understands and agrees that the New Notes initially offered to foreign purchasers outside the United States in reliance on Regulation S will be represented by Offshore Global Notes and with respect to any transfer of any interest in an Offshore Global Note at or prior to the 40th day after the later of the commencement of the offering and the latest occurring settlement date, to a transferee who takes delivery in the form of an interest in the U.S. Restricted Global Note, the Trustee will require written certification from the transferor, in the form provided in the applicable indenture, to the effect that the New Notes are being transferred to a person that the transferor and any person acting on its behalf reasonably believe to be a QIB within the meaning of Rule 144A, acquiring for its own account or for the account of a QIB, and the transferor and any person acting on its behalf has taken reasonable steps to ensure that the transferee is aware that the transferor may be relying on Rule 144A in connection with the transfer;
- (h) it understands that the U.S. Restricted Global Notes will bear a legend to the following effect, unless we determine otherwise in accordance with applicable law:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING PARAGRAPH. EACH PURCHASER OF THIS NOTE OR A BENEFICIAL INTEREST IN THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE OR A BENEFICIAL INTEREST IN THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE OR A BENEFICIAL INTEREST HEREIN, BY ITS ACCEPTANCE OF THIS NOTE OR A BENEFICIAL INTEREST HEREIN, (1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, AND (2) AGREES FOR THE BENEFIT OF THE OFFEROR THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS AND ONLY (A) TO THE OFFEROR OR ANY OF ITS SUBSIDIARIES, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (C) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THIS NOTE AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY OR TO INCLUDE ANY LEGEND REQUIRED BY LAW. THE HOLDER OF THIS NOTE SHALL BE DEEMED BY THE ACCEPTANCE OF THIS NOTE TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.



- (i) it understands that the Offshore Global Notes will bear a legend to the following effect, unless we determine otherwise in accordance with applicable law:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, PRIOR TO THE EXPIRATION OF FORTY DAYS FROM THE LATER OF (1) THE DATE ON WHICH THESE NOTES WERE FIRST OFFERED AND (2) THE LAST DATE OF ISSUANCE OF THESE NOTES, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT IN ACCORDANCE WITH THE FOLLOWING PARAGRAPH.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE OR A BENEFICIAL INTEREST HEREIN, BY ITS ACCEPTANCE OF THIS NOTE OR A BENEFICIAL INTEREST HEREIN, AGREES FOR THE BENEFIT OF THE OFFEROR THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS AND ONLY (A) TO THE OFFEROR OR ANY OF ITS SUBSIDIARIES, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (C) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. EACH PURCHASER AND TRANSFEREE OF THIS NOTE OR A BENEFICIAL INTEREST HEREIN, BY ITS ACCEPTANCE OF THIS NOTE OR A BENEFICIAL INTEREST HEREIN, AGREES FOR THE BENEFIT OF THE OFFEROR THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO HEREIN.

THIS NOTE AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY OR TO INCLUDE ANY LEGEND REQUIRED BY LAW. THE HOLDER OF THIS NOTE SHALL BE DEEMED BY THE ACCEPTANCE OF THIS NOTE TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

- (j) it has received, reviewed and accepted the terms and conditions of this Exchange Offer Memorandum and the offer and distribution restrictions, all as described in this Exchange Offer Memorandum (and has had access to, reviewed and understood the documents incorporated by reference in this Exchange Offer Memorandum);
- (k) it is assuming all the risks inherent in participating in the Exchange Offer and has undertaken all the appropriate analysis of the implications of the Exchange Offer, without reliance on LBG, the Dealer Managers or the Exchange Agent;
- (l) by blocking Old Notes in the relevant Clearing System it will be deemed to consent to the relevant Clearing System providing details concerning its identity to LBG, the Dealer Managers, the Exchange Agent and their respective legal advisers;
- (m) upon the terms and subject to the conditions of the Exchange Offer, it offers to exchange the principal amount of Old Notes in its account in the relevant Clearing System that is the subject of the relevant Exchange Instruction for the applicable principal amount of the applicable series of New Notes;

- (n) it agrees to ratify and confirm each and every act or thing that may be done or effected by LBG, any of its directors or any person nominated by LBG in the proper exercise of his or her powers and/or authority hereunder;
- (o) it agrees to do all such acts and things as shall be necessary and execute any additional documents deemed by the Offeror to be desirable to complete the transfer of the Old Notes to the Offeror or its nominee in exchange for the applicable series of New Notes and/or to perfect any of the authorities expressed to be given hereunder;
- (p) it has observed the laws of all relevant jurisdictions; obtained all requisite governmental, exchange control or other required consents; complied with all requisite formalities; and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction and that it has not taken or omitted to take any action in breach of the terms of the Exchange Offer, or which will or may result in LBG, the Dealer Managers, the Exchange Agent, or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Exchange Offer;
- (q) all authority conferred or agreed to be conferred pursuant to its representations, warranties and undertakings and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy, insolvency practitioners and legal representatives and shall not be affected by, and shall survive, its death, incapacity, bankruptcy, insolvency, or any other similar proceedings;
- (r) except to the extent of the information set forth under “*Taxation Considerations*”, no information has been provided to it by LBG, the Dealer Managers or the Exchange Agent with regard to the tax consequences to holders, beneficial owners or Direct Participants arising from the exchange of Old Notes in the Exchange Offer or the receipt of New Notes. It hereby acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in the Exchange Offer, and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against LBG, the Dealer Managers, the Exchange Agent or any other person in respect of such taxes and payments;
- (s) it is not a person or entity (a “Person”) (i) (A) that is, or is owned or controlled by a Person that is, described or designated in (I) the most current “Specially Designated Nationals and Blocked Persons” list (which as of the date of the Exchange Offer Memorandum can be found at: <http://www.ustreas.gov/offices/enforcement/ofac/sdn/t11sdn.pdf>) or (II) the most current “Consolidated list of persons, groups and entities subject to EU financial sanctions” (which as of the date hereof can be found at: [http://eeas.europa.eu/cfsp/sanctions/consol-list/index\\_en.htm](http://eeas.europa.eu/cfsp/sanctions/consol-list/index_en.htm)); or (B) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority (as defined below), other than solely by virtue of their inclusion in: (I) the most current “Sectoral Sanctions Identifications” list (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/download/ssi/ssi.pdf>) (the “SSI List”), (II) Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No.960/2014 (the “EU Annexes”), or (III) any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes; or (ii) to whom it is otherwise unlawful to make an invitation pursuant to the Exchange Offer under applicable laws and, in each case, has (before submitting, or arranging for the submission on its behalf, as the case may be, of the Exchange Instruction in respect of the Old Notes which it is offering for exchange) complied with all laws and regulations applicable to it for the purposes of its participation in the Exchange Offer. For the purposes of this paragraph, “Sanctions Authority” means each of (i) the United States government; (ii) the United Nations; (iii) the European Union (or any of its member states including, without limitation, the United Kingdom); (iv) any other relevant governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; or (v) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the US Department of the Treasury, the United States Department of State, the United States Department of Commerce and Her Majesty’s Treasury;
- (t) it is not resident and/or located in a Relevant Member State or, if it is resident and/or located in a Relevant Member State, (a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and (b) in the case of any New Notes acquired by

it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, (i) the New Notes acquired by it in the offers have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Dealer Managers has been given to the offer or resale or (ii) where the New Notes have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those New Notes to it is not treated under the Prospectus Directive as having been made to such persons;

- (u) it is not resident and/or located in the United Kingdom or, if it is resident and/or located in the United Kingdom, it is an existing member or creditor of a banking group company or a person within Article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or any other person to whom these documents and/or materials may lawfully be communicated;
- (v) it is outside Belgium or, if it is located in Belgium, (i) it is a person who is a “qualified investor” in the sense of Article 10 of the Belgian Prospectus Law, acting on its own account or (ii) there are other circumstances set out in Article 6, §4 of the Belgian Takeover Law and Article 3, §4 of the Belgian Prospectus Law which provide an exemption from the public offer requirements set out in the Belgian Takeover Law and the Belgian Prospectus Law;
- (w) it is not located or resident in any province or territory of Canada;
- (x) it is not located or resident in France or, if it is located or resident in France, it is a (i) provider of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investor (*investisseur qualifié*) other than individuals, acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French Code monétaire et financier;
- (y) it is located outside of the Special Administrative Region of Hong Kong or, if you are located in the Special Administrative Region of Hong Kong, you are a “professional investor” as defined in Section 1 of Part 1 of Schedule 1 to the Securities and Future Ordinance (Cap. 571) of Hong Kong and any rules made thereunder;
- (z) it is outside Italy or, if it is located in Italy, it is an authorized person or tendering Old Notes through an authorized person (such as investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy pursuant to article 101-bis, paragraph 3-bis of the Legislative Decree No. 58 of February 24, 1998, as amended (the “Financial Services Act”), *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority;
- (aa) it is outside Singapore or, if it is located in Singapore, it is (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA;
- (bb) it is outside Switzerland or, if it is located in Switzerland, it understands and agrees that the New Notes are being offered only in a transaction not involving any public offering within the meaning of articles 652a and 1156 of the Swiss Code of Obligations and that none of this Exchange Offer Memorandum nor any offering or marketing material relating to the New Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd;
- (cc) it has full power and authority to submit for exchange and transfer the Old Notes hereby submitted for exchange and if such Old Notes are accepted for exchange, such Old Notes will be transferred to, or to the order of, the Offeror with full title free from all liens, charges and encumbrances, not subject to any adverse claim and together with all rights attached thereto;

- (dd) it holds and will hold, until the time of settlement on the applicable Settlement Date, the Old Notes blocked in Euroclear or Clearstream, Luxembourg and, in accordance with the requirements of Euroclear or Clearstream, Luxembourg and by the deadline required by Euroclear or Clearstream, Luxembourg, it has submitted, or has caused to be submitted, an Exchange Instruction to the relevant Clearing System, as the case may be, to authorize the blocking of the submitted Old Notes with effect on and from the date thereof so that, at any time pending the transfer of such Old Notes on the applicable Settlement Date to the Offeror or its agents on its behalf, no transfers of such Old Notes may be effected;
- (ee) the terms and conditions of the Exchange Offer shall be deemed to be incorporated in, and form a part of, the Exchange Instruction which shall be read and construed accordingly and that the information given by or on behalf of such existing Holder in the Exchange Instruction is true and will be true in all respects at the time of the exchange; and
- (ff) it understands and agrees that LBG, the Dealer Managers and the Exchange Agent will rely upon the truth and accuracy of the foregoing representations, warranties and undertakings.

The receipt from a holder or from a Direct Participant on behalf of a beneficial owner of an Exchange Instruction by the relevant Clearing System will constitute instructions to debit from such holder's or Direct Participant's account on the applicable Settlement Date the principal amount of Old Notes that such holder or Direct Participant has tendered for exchange and which have been accepted, upon receipt by the relevant Clearing System of an instruction from the Exchange Agent to receive those Old Notes for the account of the Offeror and (where applicable) against delivery of the applicable series of New Notes subject to the automatic withdrawal of those instructions in the event that the Exchange Offer is terminated by the Offeror or the withdrawal of such Exchange Instruction (in the circumstances in which such withdrawal is permitted) in accordance with the procedures set out in this Exchange Offer Memorandum.

## NOTICE TO CERTAIN NON-U.S. HOLDERS

No action has been or will be taken in any jurisdiction that would permit a public offering of the New Notes or the possession, circulation or distribution of this Exchange Offer Memorandum or any material relating to us, the Old Notes or the New Notes in any jurisdiction where action for that purpose is required. Accordingly, the New Notes included in the Exchange Offer may not be offered, sold or exchanged, directly or indirectly, and neither this Exchange Offer Memorandum nor any other offering material or advertisements in connection with the Exchange Offer may be distributed or published, in or from any such country or jurisdiction, except in compliance with any applicable rules or regulations of any such country or jurisdiction.

This Exchange Offer does not constitute an offer to buy or sell or a solicitation of an offer to buy or sell either Old Notes or New Notes in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such offer or solicitation under applicable securities laws or otherwise. The distribution of this Exchange Offer Memorandum in certain jurisdictions (including, but not limited to, the United States, the United Kingdom, Belgium, Canada, France, Hong Kong, Italy, Singapore, Switzerland and Taiwan) may be restricted by law. Persons into whose possession this Exchange Offer Memorandum comes are required by the Offeror, the Dealer Managers or the Exchange Agent to inform themselves about, and to observe, any such restrictions.

Each Holder of Old Notes participating in the Exchange Offer will also be deemed to give certain representations in respect of the jurisdictions referred to above and generally as set out herein. Any tender of Old Notes for exchange pursuant to the Exchange Offer from a Holder that is unable to make these representations will not be accepted. The Offeror, the Dealer Managers and the Exchange Agent reserve the right, in their absolute discretion, to investigate, in relation to any tender of Old Notes for exchange pursuant to the Exchange Offer, whether any such representation given by an Holder is correct and, if such investigation is undertaken and as a result we determine (for any reason) that such representation is not correct, such tender shall not be accepted.

### **United Kingdom**

The communication of this Exchange Offer Memorandum and any other documents or materials relating to the Exchange Offer is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the FSMA. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials is exempt from the restriction on financial promotions under section 21 of the FSMA on the basis that it is only directed at and may be communicated to (1) those persons who are existing members or creditors of the Group or other persons within Article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, and (2) any other persons to whom these documents and/or materials may lawfully be communicated.

### **Belgium**

Neither this Exchange Offer Memorandum nor any other documents or materials relating to the Exchange Offer have been submitted to or will be submitted for approval or recognition to the Financial Services and Markets Authority (*Autorité des services et marchés financiers / Autoriteit voor financiële diensten en markten*) and, accordingly, the Exchange Offer may not be made in Belgium by way of a public offering, as defined in Articles 3 and 6 of the Belgian Law of April 1, 2007 on public takeover bids as amended or replaced from time to time. Accordingly, the Exchange Offer may not be advertised and the Exchange Offer will not be extended, and neither this Exchange Offer Memorandum nor any other documents or materials relating to the Exchange Offer (including any memorandum, information circular, brochure or any similar documents) has been or shall be distributed or made available, directly or indirectly, to any person in Belgium other than “qualified investors” in the sense of Article 10 of the Belgian Law of June 16, 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets, acting on their own account. This Exchange Offer Memorandum has been issued only for the personal use of the above qualified investors and exclusively for the purpose of the Exchange Offer. Accordingly, the information contained in this Exchange Offer Memorandum may not be used for any other purpose or disclosed to any other person in Belgium.

### **Canada**

The Exchange Offer is not being made, directly or indirectly, to any person located or resident in any province or territory of Canada, and such persons may not participate in the Exchange Offer.

## France

The Exchange Offer is not being made, directly or indirectly, to the public in France. Neither this Exchange Offer Memorandum nor any other documents or offering materials relating to the Exchange Offer, has been or shall be distributed to the public in France and only (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*, are eligible to participate in the Exchange Offer. This Exchange Offer Memorandum has not been and will not be submitted for clearance procedures (*visa*) of the *Autorité des marchés financiers*.

## Hong Kong

The Exchange Offer is not being made and will not be made, and the New Notes are not being offered and will not be offered, in the Special Administrative Region of Hong Kong, other than: (a) to “professional investors” as defined in section 1 of part 1 of Schedule 1 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the Special Administrative Region of Hong Kong or which do not constitute an offer to the public within the meaning of that ordinance. Neither we nor the Dealer Managers or the Exchange Agents has issued or had in its possession for the purposes of issue, or will issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder.

## Italy

None of the Exchange Offer, this Exchange Offer Memorandum or any other documents or materials relating to the Exchange Offer has been or will be submitted to the clearance procedure of the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”), pursuant to Italian laws and regulations. The Exchange Offer is being carried out in the Republic of Italy as an exempted offer pursuant to article 101-bis, paragraph 3-bis of the Legislative Decree No. 58 of February 24, 1998, as amended (the “Financial Services Act”) and article 35-bis, paragraph 4 of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the “Issuers’ Regulation”).

Accordingly, the Exchange Offer is only addressed to holders of Old Notes located in the Republic of Italy who are “qualified investors” (*investitori qualificati*) as defined pursuant to and within the meaning of Article 100 of the Financial Services Act and article 34-ter, paragraph 1, letter b of the Issuers’ Regulation.

Holders or beneficial owners of the Old Notes located in the Republic of Italy that qualify as “qualified investors” can tender the Old Notes through authorized persons (such as investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007, as amended from time to time, and Legislative Decree No. 385 of September 1, 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority.

Each intermediary must comply with the applicable laws and regulations concerning information duties vis-à-vis its clients in connection with the Old Notes or the Exchange Offer.

## Singapore

This Exchange Offer Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Exchange Offer Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes may not be circulated or distributed, nor may the New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275,

of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

#### **Switzerland**

The New Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this Exchange Offer Memorandum nor any other offering or marketing material relating to the New Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd, and neither this Exchange Offer Memorandum nor any other offering or marketing material relating to the New Notes may be publicly distributed or otherwise made publicly available in Switzerland.

#### **Taiwan**

The Exchange Offer is not being made to the public in Taiwan unless prior approval from, or effective registration with, the Republic of China government authorities has been obtained pursuant to the applicable laws or a private placement exemption is available under the applicable securities laws.

#### **General**

The issue of the New Notes and the performance of LBG's obligations thereunder have been duly authorized by resolutions of the ordinary shareholders of LBG passed on May 16, 2013 and by the resolutions of the Board of Directors of LBG passed on January 30, 2015 and of a committee of the Board of Directors of LBG passed on November 23, 2015.

## TAXATION CONSIDERATIONS

### U.S. Federal Income Tax Considerations

The following are certain U.S. federal income tax consequences of the Exchange Offer and the ownership and disposition of the New Notes to the U.S. Holders described below, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to participate in the Exchange Offer or hold such New Notes. This discussion applies only to U.S. Holders that own Old Notes and will own New Notes as capital assets. This discussion does not describe all of the tax consequences that may be relevant to a U.S. Holder in light of the U.S. Holder's particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, as well as differing tax consequences applicable to special classes of U.S. Holders, such as:

- certain financial institutions;
- certain insurance companies;
- regulated investment companies;
- dealers or traders in securities who use a market-to-market method of accounting;
- persons holding Old Notes or that will hold New Notes as part of a hedge, straddle, conversion or other integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- persons holding Old Notes or that will hold New Notes in connection with a trade or business conducted outside of the United States; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns Old Notes or New Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding Old Notes and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences to them of the Exchange Offer and the ownership and disposition of New Notes.

This discussion is based upon tax laws of the United States including the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, changes to any of which may affect the tax consequences described herein, possibly with retroactive effect.

As used herein, a "U.S. Holder" is a beneficial owner of Old Notes that is, for U.S. federal income tax purposes:

- a citizen or an individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of participating in the Exchange Offer and of owning and disposing of New Notes in their particular circumstances.



### ***Tax Characterization of the New Notes***

There is no direct legal authority as to the proper U.S. federal income tax treatment of an instrument that is denominated as a debt instrument and has significant debt features, but is subject to statutory bail-in powers such as the U.K. bail-in power. We believe that the New Notes should be treated as debt for U.S. federal income tax purposes and the remainder of this discussion so assumes.

### ***Tax Fungibility***

As described above under “*The Exchange Offer—Terms of the Exchange Offer—Exchange Offer Conditions*,” if the Tax Fungibility Condition is not satisfied for an Exchange Offer, we will terminate that Exchange Offer with respect to the Old Notes not already exchanged.

### ***U.S. Federal Income Tax Consequences of the Exchange Offer***

The exchange of Old Notes for New Notes will be a taxable exchange for U.S. federal income tax purposes, and a U.S. Holder will recognize gain or loss, if any, equal to the difference between the amount realized as a result of the exchange and the U.S. Holder’s adjusted tax basis in the Old Notes on the Settlement Date. The amount realized by a U.S. Holder on the exchange should equal the aggregate “issue price” of the New Notes of the relevant series received (determined as described below under “*—Taxation of the New Notes—Issue Price*”) plus the amount of any cash received (except to the extent attributable to accrued but unpaid interest). The gross amount of any payment to the U.S. Holder on the Settlement Date for accrued and unpaid interest on the Old Notes (adding back the amount subtracted from the payment for accrued and unpaid interest on the New Notes (the “Offset Amount”)) will be taxed as stated interest as described under “*—Taxation of the New Notes—Stated Interest and Original Issue Discount*” below. A U.S. Holder’s adjusted tax basis in the Old Notes will generally equal its purchase price for the Old Notes, increased by any market discount on the Old Notes previously included in gross income and reduced by any bond premium on the Old Notes previously amortized. A U.S. Holder tax basis in the New Notes received in the exchange should equal the issue price of the New Notes, and the holding period of the New Notes should begin on the day after the exchange.

There are no U.S. federal income tax consequences to U.S. Holders not exchanging their Old Notes for New Notes.

### ***Taxation of the New Notes***

#### ***Issue Price***

The issue price of the 2045 New Notes will be the first price at which a substantial amount of the Original 2045 New Notes is sold to the public for cash. Provided that the 2025 New Notes are considered “publicly traded” for U.S. federal income tax purposes, the issue price of the 2025 New Notes will equal their fair market value on the Early Settlement Date. If the 2025 New Notes are not considered to be publicly traded, but the Old Notes exchanged therefor are considered publicly traded, the issue price of the 2025 New Notes will equal the fair market value of such Old Notes on the Early Settlement Date. If neither the 2025 New Notes nor the Old Notes exchanged therefor are publicly traded, the issue price of the 2025 New Notes would be their stated principal amount.

Under the applicable Treasury regulations, we are required to determine whether each series of New Notes is publicly traded (or whether the relevant Old Notes were publicly traded if the relevant New Notes are not) and if so, the fair market value of the Notes of that series, and make these determinations available to holders in a commercially reasonable fashion, including by electronic publication, within 90 days of the issue date of the New Notes. We intend to make this information available on our website for all series of New Notes. Each of our determinations is binding on a U.S. Holder unless the U.S. Holder explicitly discloses on its tax return that the U.S. Holder’s determination is different and the reasons for such different determination (including how the U.S. Holder determined the fair market value of the New Notes or Old Notes, if applicable).

#### ***Stated Interest and Original Issue Discount***

Stated interest on the New Notes will be includable in income by a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes (a U.S. Holder may be able to exclude from income with respect to the first interest payment an amount

equal to the Offset Amount). If the principal amount of a New Note of any series exceeds its issue price (as determined above under “—*Issue Price*”) by an amount that is equal or greater than 1/4 of one per cent. of the principal amount of such New Note multiplied by the number of complete years to maturity, the excess will be treated as “original issue discount” (“OID”) for U.S. federal income tax purpose.

U.S. Holders will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest, before the receipt of cash payments attributable to this income. Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods. Accrued OID will increase the U.S. Holder’s tax basis in the New Notes.

Interest income (including OID) will constitute foreign-source income, which may be relevant to a U.S. Holder in calculating the U.S. Holder’s foreign tax credit limitation.

A U.S. Holder may make an election to include in income all interest that accrues on a New Note (including stated interest, OID and *de minimis* OID) in accordance with a constant-yield method based on the compounding of interest.

#### *Amortizable Bond Premium*

If a U.S. Holder’s basis in a New Note (determined as described under “*U.S. Federal Income Tax Consequences of the Exchange Offer*” and “—*Issue Price*” above) exceeds its principal amount, the New Note will be considered to have amortizable bond premium. In general, the amortizable bond premium with respect to any New Note will be the excess, if any, of the U.S. Holder’s tax basis over the principal amount of the New Note and a U.S. Holder may elect to amortize this bond premium, using a constant-yield method, over the remaining term of the New Note. A U.S. Holder generally may use the amortizable bond premium allocable to an accrual period to offset stated interest otherwise required to be included in income with respect to the New Note in that accrual period. An election to amortize bond premium applies to all taxable debt obligations then owned or thereafter acquired and may be revoked only with the consent of the IRS.

If a U.S. Holder makes a constant-yield election (as described under “—*Stated Interest and Original Issue Discount*”) for a New Note with amortizable bond premium, that election will result in a deemed election to amortize bond premium for all of the U.S. Holder’s debt instruments with amortizable bond premium, and may be revoked only with the permission of the IRS with respect to debt instruments acquired after revocation.

#### *Sale, Exchange or Redemption*

A U.S. Holder will, upon the sale, exchange or redemption of a New Note, generally recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized (not including amounts attributable to accrued interest not previously included in income, which will be treated as stated interest as described in “—*Stated Interest and Original Issue Discount*” above) and the U.S. Holder’s adjusted tax basis in the New Note. The U.S. Holder’s adjusted tax basis in a New Note will equal the U.S. Holder’s tax basis in the New Note (determined as described under “*U.S. Federal Income Tax Consequences of the Exchange Offer*” and “—*Issue Price*” above), increased by the amounts of any OID previously included in income with respect to the New Note and reduced by any amortized premium. Any gain or loss will generally be U.S.-source capital gain or loss and will be treated as long-term capital gain or loss if the New Note has been held for more than one year at the time of disposition. The deductibility of capital losses is subject to limitations.

#### ***Backup Withholding and Information Reporting***

Information returns may be filed with the IRS in connection with payments (including the delivery of New Notes) in the Exchange Offer and with payments on the New Notes and the proceeds from a sale or other disposition of the New Notes. A U.S. Holder may be subject to backup withholding on these payments and proceeds if the U.S. Holder fails to provide its taxpayer identification number and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Certain U.S. holders who are individuals (and under proposed Treasury Regulations, certain entities) may be required to report information relating to non-U.S. accounts through which the U.S. Holders may hold their New Notes (or information on the New Notes if the New Notes are not held through any financial account). U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the New Notes.

## **UK Tax Considerations**

The following is a description of certain U.K. tax consequences of the Exchange Offer, and ownership and disposal of New Notes, for holders who are resident in the U.S. for U.S. federal income tax purposes, are not resident in the U.K. for U.K. tax purposes, and do not at any relevant time (i) carry on a trade, profession or vocation in the U.K. through a branch or agency to which their Old Notes or New Notes are attributable, or (ii) in the case of a corporate U.S. Holder, carry on a trade in the U.K. through a permanent establishment in the U.K. to which their Old Notes or New Notes are attributable (a “U.S. Holder”).

The comments below are of a general nature based on current U.K. tax law as applied in England and Wales and HM Revenue & Customs (“HMRC”) practice (which may not be binding on HMRC). They are not exhaustive of all possible tax considerations that may be relevant in the particular circumstances of each U.S. Holder. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. Except to the extent expressly stated to the contrary, they relate only to the position of U.S. Holders who are the absolute beneficial owners of their New Notes and do not apply to certain classes of persons (such as dealers, individuals who have temporarily ceased to be resident in the U.K., and persons who are connected to us) to whom special rules may apply. The comments do not deal with the tax treatment of the New Notes following an exercise of U.K. bail-in power. You should satisfy yourself as to the tax consequences in your own particular circumstances of the Exchange Offer and the acquisition, ownership and disposition of the New Notes.

### ***The Exchange Offer***

A U.S. Holder should not, upon disposal of Old Notes or acquisition of New Notes pursuant to the Exchange Offer, be liable for U.K. taxation on gains realized, unless at the time of the disposal the U.S. Holder is resident for tax purposes in the U.K., carries on a trade, profession or vocation in the U.K. through a branch or agency in the U.K. to which their Old Notes are attributable or, in the case of a corporate U.S. Holder, if the U.S. Holder carries on a trade in the U.K. through a permanent establishment in the U.K. to which their Old Notes are attributable.

A U.S. Holder who is an individual or other taxpayer not liable to U.K. corporation tax should not, upon disposal of Old Notes pursuant to the Exchange Offer, be subject to any U.K. income tax charge on accrued but unpaid payments of interest, unless the U.S. Holder at any time in the relevant tax year is resident in the U.K. or carried on a trade, profession or vocation in the U.K. through a branch or agency to which the Old Note is attributable.

### ***The New Notes***

*Payments.* Interest that we pay on the New Notes will be made without withholding for or deduction of U.K. income tax, provided that:

1. the Taxation of Regulatory Capital Securities Regulations 2013 (the “Regulations”) apply to the New Notes, which will be the case if (i) the New Notes qualify as Tier 2 instruments under Article 63 of the Commission Regulation (EU) No 575/2013 (“CRR”) (as amended from time to time) and such New Notes form, or formed, a component of Tier 2 capital for the purposes of CRR (as amended from time to time), and (ii) there are no arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage for any person as a result of such application of the Regulations, or

2. the New Notes carry a right to interest and are and remain listed on a “recognised stock exchange” within the meaning of Section 1005 of the Income Tax Act 2007. However, the current intention is that the New Notes will not be so listed.

In all other cases, an amount on account of U.K. income tax must generally be withheld at the basic rate (currently 20%), unless one of certain exceptions relating to the status of the holder applies. In particular, certain U.S. Holders will be entitled to receive payments free of withholding of U.K. income tax under the U.K./U.S. double taxation convention relating to income and capital gains (the “Treaty”) and will under current HMRC

administrative procedures be able to make a claim for the issuance of a direction by HMRC to this effect. However, such directions will be issued only on prior application to the relevant tax authorities by the holder in question. If the Regulations do not apply to the New Notes, the New Notes are not listed on a recognised stock exchange (in each case as described above), and such a direction is not given, we will generally be required to withhold tax, although a U.S. Holder entitled to relief under the Treaty may subsequently claim the amount withheld from HMRC.

Interest on the New Notes constitutes U.K. source income for U.K. tax purposes and, as such, may be subject to U.K. income tax by direct assessment irrespective of the residence of the holder. However, where the payments are made without withholding or deduction on account of U.K. tax, the payments will not be assessed to U.K. income tax (other than in the hands of certain trustees) if you are not resident in the U.K. for tax purposes, except if you carry on a trade, profession or vocation in the U.K. through a U.K. branch or agency in connection with which the payments are received or to which the New Notes are attributable (or in the case of a corporate U.S. Holder, if you carry on a trade in the U.K. through a permanent establishment in the U.K. in connection with which the payments are received or to which the New Notes are attributable), in which case (subject to exemptions for payments received by certain categories of agent) tax may be levied on the U.K. branch or agency (or permanent establishment).

Information relating to the New Notes may be required to be provided to HMRC in certain circumstances. This may include the value of the New Notes, details of the holders or beneficial owners of the New Notes (or the persons for whom the New Notes are held), details of the persons to whom payments derived from the New Notes are or may be paid and information and documents in connection with transactions relating to the New Notes. Information may be required to be provided by, among others, the holders of the New Notes, persons by (or via) whom payments derived from the New Notes are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the New Notes on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HMRC may be provided to tax authorities in other countries.

*Disposal (including Redemption).* Subject to the provisions set out in the next paragraph in relation to temporary non-residents, a U.S. Holder will not, upon disposal (including redemption) of a New Note, be liable for U.K. taxation on gains realized, unless at the time of the disposal the U.S. Holder is resident for tax purposes in the U.K., carries on a trade, profession or vocation in the U.K. through a branch or agency in the U.K. to which the New Notes are attributable or, in the case of a corporate U.S. Holder, if the U.S. Holder carries on a trade in the U.K. through a permanent establishment in the U.K. to which the New Notes are attributable.

A U.S. Holder who is an individual and who has ceased to be resident for tax purposes in the U.K. for a period of five years or less before again becoming resident for tax purposes in the U.K. and who disposes of a New Note during that period may be liable to U.K. tax on chargeable gains arising during the period of absence in respect of the disposal (including redemption), subject to any available exemption or relief.

A U.S. Holder who is an individual or other taxpayer not liable to U.K. corporation tax will not, upon transfer or redemption of a New Note, be subject to any U.K. income tax charge on accrued but unpaid payments of interest, unless the U.S. Holder at any time in the relevant tax year was resident in the U.K. or carried on a trade, profession or vocation in the U.K. through a branch or agency to which the New Note is attributable.

*Annual Tax Charges.* Corporate U.S. Holders who are not resident in the U.K. and do not carry on a trade in the U.K. through a permanent establishment in the U.K. to which the New Notes are attributable will not be liable to U.K. tax charges or relief by reference to fluctuations in exchange rates or in respect of profits, gains and losses arising from the New Notes.

*Stamp Duty and Stamp Duty Reserve Tax (“SDRT”).* No U.K. stamp duty or SDRT should be payable on the issue or redemption of the New Notes. Provided that the Regulations apply to the New Notes (see above), no U.K. stamp duty or SDRT will be payable on the transfer of the New Notes.

## **EU Directive on Taxation of Savings Income**

EC Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”) requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of)

an individual resident, or to (or secured for) certain other types of entity established in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period, (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

The Council of the European Union has adopted a Directive (the “Amending Directive”) which will, if implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by January 1, 2016, which legislation must apply from January 1, 2017.

However, on November 10, 2015, the Council of the European Union adopted a Directive which substantially repeals the Savings Directive, generally with effect from January 1, 2016 (and from January 1, 2017, in the case of Austria), in order to avoid overlap with EC Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by EC Council Directive 2014/107/EU), pursuant to which EU Member States will be required to apply new measures on mandatory automatic exchange of information, generally with effect from January 1, 2016. The adopted Directive also notes that the Member States will not be required to apply the new requirements of the Amending Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

### **Proposed financial transactions tax (“FTT”)**

On February 14, 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”). The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the New Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the New Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by January 1, 2016, although this appears increasingly unrealistic. However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of the New Notes are advised to seek their own professional advice in relation to the FTT.

## **LEGAL MATTERS**

Our U.S. counsel, Davis Polk & Wardwell London LLP, will pass upon certain United States legal matters relating to the validity of the New Notes. Our Scottish solicitors, CMS Cameron McKenna LLP, will pass upon certain matters of Scots law relating to the validity of the New Notes. Clifford Chance LLP will pass upon certain matters of U.S. and English law on behalf of the Dealer Managers.

## **INDEPENDENT AUDITORS**

The Group's audited consolidated annual financial statements incorporated in this Exchange Offer Memorandum by reference to the 2014 Annual Report on Form 20-F for the year ended December 31, 2014 and the effectiveness of internal control over financial reporting as of December 31, 2014 have been audited PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report incorporated herein.

## **GENERAL INFORMATION**

The Offeror was incorporated and registered in Scotland on October 21, 1985 with registered number 95000 as a public company limited by shares with an unlimited duration under the name TSB Group Public Limited Company. On December 28, 1995, it changed its name to Lloyds TSB Group plc. On January 16, 2009, the Offeror changed its name to its present name. The Offeror is domiciled in Scotland. Its head office is at 25 Gresham Street, London EC2V 7HN and its registered office is at The Mound, Edinburgh EH1 1YZ.

Details of the LBG's Memorandum and Articles of Association (which were last amended on May 15, 2014) are set out in our 2014 Annual Report on Form 20-F, which is incorporated by reference into this document.

The audited non-consolidated parent company annual financial statements of the Offeror for the financial year ended December 2014 are included in Note 58 to our 2014 Annual Report on Form 20-F.

## **INDEX TO FINANCIAL STATEMENTS**

Please refer to page F-1 of our 2014 Annual Report on Form 20-F.

**ANNEX A**

**FORMULA TO DETERMINE THE TOTAL EXCHANGE CONSIDERATION, EXCHANGE CONSIDERATION AND 2045 NEW NOTES VALUE**

YLD	=	The sum of (a) the applicable reference security plus (b) the applicable fixed spread.
CPN	=	The contractual annual rate of interest payable on a Note expressed as a decimal number.
N	=	The number of scheduled semi-annual interest payments from (but excluding) the Early Settlement Date to (and including) the maturity date.
S	=	The number of days from and including the semi-annual interest payment date immediately preceding the applicable Settlement Date up to, but excluding, the Early Settlement Date. The number of days is computed using the 30/360 day-count method.
/	=	Divide. The term immediately to the left of the division symbol is divided by the term immediately to the right of the division symbol before any addition or subtraction operations are performed.
Exp	=	Exponentiate. The term to the left of “exp” is raised to the power indicted by the term to the right of “exp.”
$\sum_{k=1}^N$	=	Summate. The term in the brackets to the right of the summation symbol is separately calculated “N” times (substituting for “k” in that term each whole number between 1 and N, inclusive), and the separate calculations are then added together.
Total Exchange Consideration	=	The price per \$1,000 principal amount of the Notes being priced (including the Early Participation Payment but excluding accrued interest).

Formula for Total Exchange Consideration:

**Total Exchange Consideration =**

$$\left[ \frac{\$1,000}{(1+YLD/2)^{\exp(N-S/180)}} \right] + \sum_{k=1}^N \left[ \frac{\$1,000 (CPN/2)}{(1+YLD/2)^{\exp(k-S/180)}} \right] - \$1,000(CPN/2)(S/180)$$

Formula for Exchange Consideration:

**Exchange Consideration = Total Exchange Consideration – Early Participation Payment**

Formula for 2045 New Notes Value:

**2045 New Notes Value =**

$$\left[ \frac{\$1,000}{(1+YLD/2)^{\exp(N-S/180)}} \right] + \sum_{k=1}^N \left[ \frac{\$1,000 (CPN/2)}{(1+YLD/2)^{\exp(k-S/180)}} \right] - \$1,000(CPN/2)(S/180)$$

**ANNEX B**

**HYPOTHETICAL TOTAL EXCHANGE CONSIDERATION, HYPOTHETICAL EXCHANGE CONSIDERATION AND HYPOTHETICAL 2045 NEW NOTES VALUE**

The terms used in the following table shall have the meanings ascribed to them in “Annex A”.

	<u>2020 Old Notes</u>	<u>2033 Old Notes</u>	<u>2045 New Notes</u>
CPN .....	6.500%	6.000%	5.300%
Maturity Date.....	September 14, 2020	November 1, 2033	December 1, 2045
Assumed Early Settlement Date .....	December 10, 2015	December 10, 2015	December 10, 2015
Reference U.S. Treasury.....	1.375% U.S. Treasury due October 31, 2020	2.875% U.S. Treasury due August 15, 2045	2.875% U.S. Treasury due August 15, 2045
Hypothetical Reference Security Yield .....	1.661%	3.013%	3.013%
Fixed Spread.....	100 bps	180 bps	230 bps
YLD.....	2.661%	4.813%	5.313%
N .....	10	36	60
S.....	86	39	9
Hypothetical Total Exchange Consideration.....	\$1,170.56	\$1,141.25	N/A
Early Participation Payment .....	\$50.00	\$50.00	N/A
Hypothetical Exchange Consideration.....	\$1,120.56	\$1,091.25	N/A
Hypothetical 2045 New Note Value .....	N/A	N/A	\$998.04
Hypothetical 2045 New Notes Exchange Ratio for Total Exchange Consideration .....	N/A	\$1,143.49	N/A
Hypothetical 2045 New Notes Exchange Ratio for Exchange Consideration.....	N/A	\$1,093.39	N/A
Accrued Interest on Old Notes to Early Settlement Date <sup>(1)</sup> .....	\$ 15.53	\$ 6.50	\$ 1.33
Accrued Interest on 2045 New Notes <sup>(2)</sup> .....	N/A	\$ 1.52	N/A
Net Accrued Interest.....	N/A	\$ 4.98	N/A

(1) Per \$1,000 principal amount.

(2) Accrued interest on the 2045 New Notes reflects the higher principal amount of 2045 New Notes that investors will receive..



**OFFEROR**

**Lloyds Banking Group plc**

25 Gresham Street  
London EC2V 7HN  
United Kingdom

**EXCHANGE AGENT**

**Lucid Issuer Services Limited**

Tankerton Works  
12 Argyle Walk  
London WC1H 8HA  
United Kingdom

Attn: Sunjeeve Patel / David Shilson  
Tel: +44 20 7704 0880  
Fax: +44 20 7067 9098  
email: lbg@lucid-is.com

Any questions or requests for assistance or additional copies of this Exchange Offer Memorandum may be directed to the Exchange Agent and any questions regarding the terms of the Exchange Offer may be directed to the Dealer Managers listed below.

**JOINT DEALER MANAGERS**

**BNP Paribas Securities Corp.**

787 Seventh Avenue  
New York, NY 10019  
United States

*In the United States:*

U.S. Toll-Free: +1 (888) 210-4358  
Collect: +1 (212) 841-3059  
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liability.management@bnpparibas.com  
Attn: Liability Management Group

*In Europe:*

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Attention: Liability Management Group

**Merrill Lynch, Pierce, Fenner & Smith  
Incorporated**

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**Goldman, Sachs & Co.**

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Attn: Liability Management  
Group

*In Europe:*

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liabilitymanagement.eu@gs.com

**Lloyds Securities Inc.**

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Email:

liability.management@lloydsbanking.com  
Attn: Liability Management Group

**Morgan Stanley & Co. LLC**

1585 Broadway, Floor 04  
New York, NY 10036  
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*To Lloyds Banking Group plc*

*As to U.S. law*

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*As to Scots law*

**CMS Cameron McKenna LLP**

Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EN  
Scotland

*To the Dealer Managers*

*As to U.S. and English law*

**Clifford Chance LLP**

10 Upper Bank Street  
London E14 5JJ  
United Kingdom