

## IMPORTANT INFORMATION

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR (2) NON-U.S. PERSONS OUTSIDE THE UNITED STATES.

**IMPORTANT: You must read the following before continuing.** The following applies to the Offering Memorandum following this page, and you are therefore advised to read this carefully before accessing, reading or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), 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.

THE FOLLOWING OFFERING 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 THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs (within the meaning of Rule 144A under the Securities Act) or (2) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States. This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) not U.S. persons that are outside the United States, and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person.

The materials relating to the offering 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 the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Goldman, Sachs & Co., Lloyds Securities Inc. or Merrill Lynch, Pierce, Fenner & Smith Incorporated, nor any person who controls any of them, nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from Goldman, Sachs & Co., Lloyds Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

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

**You are responsible for protecting against viruses and other destructive items.** Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

**Lloyds Banking Group plc****U.S.\$500,000,000 5.300% Subordinated Debt Securities due 2045**

The U.S.\$500,000,000 5.300% Subordinated Debt Securities due 2045 (the "Subordinated Notes") will bear interest at a rate of 5.300% per year. From and including the date of issuance, interest will be paid on the Subordinated Notes on June 1 and December 1 of each year, beginning on June 1, 2016. The Subordinated Notes will be due on December 1, 2045.

The Subordinated Notes will be issued in denominations of \$200,000 and in multiples of \$1,000 in excess thereof.

The Subordinated 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, all amounts due in respect of or arising under (including any damages awarded for breach of any obligations under) the Subordinated 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 herein).

**Notwithstanding any other agreements, arrangements, or understandings between us and any holder or beneficial owner of the Subordinated Notes, by purchasing and acquiring the Subordinated Notes in this Offering Memorandum or otherwise purchasing or acquiring the Subordinated Notes, each holder (including each beneficial owner) of the Subordinated 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 Subordinated Notes; (ii) the conversion of all, or a portion, of the principal amount of, or interest on, the Subordinated Notes into shares or other securities or other obligations of the Issuer or another person; and/or (iii) the amendment or alteration of the maturity of the Subordinated Notes, or amendment of the amount of interest due on the Subordinated 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 Subordinated 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 Subordinated Notes further acknowledges and agrees that the rights of the holders and/or beneficial owners under the Subordinated 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 the Issuer 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).

By its acquisition of the Subordinated Notes, each holder and beneficial owner of the Subordinated Notes, to the extent permitted by the Trust Indenture Act of 1939, as amended (the "TIA"), waives any and all claims against the Trustee (as defined below) 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 Subordinated Notes.

We may redeem the Subordinated Notes, in whole but not in part, at any time at 100% of their principal amount plus accrued and unpaid interest (if any) (i) upon the occurrence of certain tax events or (ii) upon occurrence of certain regulatory events, subject to the conditions described in this Offering Memorandum. See "*Description of the Subordinated Notes—Conditions to Redemption and Repurchases*" in this Offering Memorandum.

**Investing in the Subordinated Notes involves risks. See "Risk Factors" beginning on page 18 of this Offering Memorandum and as incorporated by reference herein.**

By its purchase of the Subordinated 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 Subordinated Notes and (ii) authorized, directed and requested The Depository Trust Company ("DTC") and any direct participant in DTC or other intermediary through which it holds such Subordinated 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 Subordinated Notes as it may be imposed, without any further action or direction on the part of such holder or beneficial owner or the Trustee.

We have not registered the Subordinated Notes under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws, and is only offering Subordinated Notes to qualified institutional buyers within the meaning of and in reliance on Rule 144A under the Securities Act ("Rule 144A") and outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") or in other transactions exempt from registration under the Securities Act and, in each case, in compliance with applicable securities laws. We will agree to file a registration statement relating to an exchange offer for, or the resale of, the Subordinated Notes. See "*Registration Rights*".

We do not intend to list the Subordinated 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 Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this Offering Memorandum or the accompanying prospectus. Any representation to the**

**contrary is a criminal offense. Under no circumstances shall this Offering Memorandum constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these Subordinated Notes, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to qualification under the securities laws of any such jurisdiction.**

Each initial and subsequent purchaser of the Subordinated Notes will be deemed, by its acceptance or purchase thereof, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such note, as described in this Offering Memorandum, and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases. See the section entitled "*Transfer Restrictions*" for a further description of these restrictions.

We expect that the Subordinated Notes will be ready for delivery through the book-entry facilities of the DTC and its participants including Clearstream Banking, S.A. ("Clearstream Luxembourg") and Euroclear Bank S.A./N.V. ("Euroclear") on or about December 1, 2015.

*Joint Bookrunning Managers*

**BofA Merrill Lynch**

**Goldman, Sachs & Co.**

**Lloyds Securities**

Offering Memorandum dated November 23, 2015.

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## NOTICE TO INVESTORS

This Offering Memorandum has been prepared by us solely for use in connection with the offering of the Subordinated Notes. The information contained or incorporated by reference in this Offering Memorandum is accurate only as of the date hereof, regardless of the time of delivery or of any sale of the Subordinated Notes. It is important for you to read and consider all information contained in this Offering Memorandum, including the documents incorporated by reference herein, in making your investment decision. You should also read and consider the information in the documents to which we have referred you under the caption “*Documents Incorporated by Reference*” in this Offering Memorandum.

**Neither the SEC, any state securities commission nor any other regulatory authority, has approved or disapproved of the Subordinated Notes; nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.**

We are offering to sell, and are seeking offers to purchase, the Subordinated Notes only in jurisdictions where offers and sales are permitted. This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to purchase, any Subordinated Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

You must:

- comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Offering Memorandum and the purchase, offer or sale of the Subordinated Notes; and
- obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the Subordinated Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales; and neither we nor the Initial Purchasers (as defined herein) shall have any responsibility therefor.

The Subordinated Notes are subject to restrictions on transfer. See “*Transfer Restrictions*”. By purchasing the Subordinated Notes, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading “*Transfer Restrictions*” in this Offering Memorandum. You should understand that you may be required to bear the financial risks of your investment for an extended period of time.

You acknowledge that:

- you have not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with your investigation of the accuracy of information contained or incorporated by reference in this Offering Memorandum or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the Subordinated Notes, other than as contained or incorporated by reference in this Offering Memorandum and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

In making an investment decision, you must rely on your own examination of the Issuer and the Group, and the terms of this offering, including the merits and risks involved.

The Initial Purchasers are not making any representation or warranty, express or implied, as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Memorandum. You should not rely upon the information contained or incorporated by reference in this Offering Memorandum, as a promise or representation, whether as to the past or the future. The Initial Purchasers assume no responsibility for the accuracy or completeness of such information.

Neither the Initial Purchasers, nor we, nor any of their or our respective representatives, are making any representation to you regarding the legality of an investment in the Subordinated Notes. You should consult with your own advisers as to legal, tax, business, financial and related aspects of an investment in the Subordinated

Notes. You must comply with all laws applicable in any place in which you buy, offer or sell the Subordinated Notes or possess or distribute this Offering Memorandum, and you must obtain all applicable consents and approvals. Neither the Initial Purchasers nor we shall have any responsibility for any of the foregoing legal requirements.

This Offering Memorandum is highly confidential and has been prepared by us solely for use in connection with the proposed private offering of the Subordinated Notes described in this Offering Memorandum. We and the Initial Purchasers reserve the right to withdraw this offering at any time before closing, to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the amount of Subordinated Notes offered by this Offering Memorandum.

This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Subordinated Notes. Distribution of this Offering Memorandum to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective purchaser, by accepting this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum. Each offeree will notify its advisers of the restrictions imposed by the U.S. federal securities laws on the purchase and sale of securities and on the communication of confidential information to any other person.

#### **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.**

#### **NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM**

Each Initial Purchaser has represented and agreed with the Issuer that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Subordinated Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Subordinated Notes in, from or otherwise involving the United Kingdom.

#### **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 Offering Memorandum and “Forward-

Looking Statements” in our 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 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 Offering Memorandum or any information incorporated by reference might not occur. The forward-looking statements contained in this Offering Memorandum speak only as of the date of this Offering Memorandum. Other than in connection with applicable securities laws, we undertake no obligation to publish revised forward-looking statements to reflect the occurrence of unanticipated events.

### **ENFORCEABILITY OF CIVIL LIABILITIES**

The Issuer is a public limited company incorporated under the laws of Scotland. Most of the Issuer'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 the Issuer, 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, the Issuer 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.

### **STABILIZATION**

In connection with this offering, the Initial Purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the Subordinated Notes. Specifically, the Initial Purchasers may over-allot in connection with this offering and may bid for and purchase the Subordinated Notes in the open market. However, the Initial Purchasers are not obligated to do so and any market making may be discontinued at any time. Therefore, we cannot assure you that an active market for the Subordinated Notes will develop or as to the liquidity of any such market. For a description of these activities, see "*Plan of Distribution*".

### **CERTAIN DEFINITIONS**

In this Offering Memorandum, reference to:

- "we", "us", "our", "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;
- "pound sterling", "pence", "£", "GBP" and "p" refer to the currency of the United Kingdom;
- "U.S. dollars", "\$", "USD" 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;
- "U.K." means the United Kingdom; and
- "U.S." means the United States.

## DOCUMENTS INCORPORATED BY REFERENCE

The Issuer files annual, semiannual and special reports and other information with the SEC. You may read and copy any document that the Issuer 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.

For the purposes of this offering:

- incorporated documents are considered part of this Offering Memorandum;
- the Issuer can disclose important information to you by referring you to these documents; and
- information that the Issuer files with the SEC will automatically update and supersede this Offering Memorandum.

We also incorporate by reference in this Offering Memorandum any future documents we may file with the SEC under Sections 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 Offering Memorandum until the offering contemplated in this Offering Memorandum is completed. Reports on Form 6-K that we may furnish to the SEC after the date of this Offering Memorandum (or portions thereof) are incorporated by reference in this Offering Memorandum only to the extent that the report expressly states that it is (or such portions are) incorporated by reference in this Offering Memorandum.

Each document incorporated by reference into this Offering 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 the Issuer 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 Offering Memorandum to the extent that a subsequent statement contained in another document that is incorporated by reference into this Offering 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 Offering Memorandum.

This Offering Memorandum should be read and construed in conjunction with the documents listed below, which the Issuer has previously filed with or furnished to the SEC. These documents contain important information about the Issuer and its financial condition, business and results.

- The Issuer's 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; and
- Form 6-K dated October 28, 2015, including the interim results for the Group for the nine months ended September 30, 2015.

## SUMMARY

*This summary highlights selected information contained elsewhere or incorporated by reference in the Offering Memorandum. Accordingly, this summary may not contain all of the information that may be important to you. The Issuer urges prospective purchasers to read the remainder of this Offering Memorandum and the documents incorporated by reference herein in order to fully understand our company. You should base your investment decision on a consideration of this Offering Memorandum and any document incorporated herein, as a whole. See “Documents Incorporated by Reference”. You should also read the “Risk Factors” section to determine whether an investment in the Subordinated Notes is appropriate for you.*

### The Issuer

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 United Kingdom 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 annual report on Form 20-F for the fiscal year ended December 31, 2014. See “Documents Incorporated by Reference”.

### Concurrent Exchange Offer

Concurrently with this offering, the Issuer is launching an exchange offer (the “Exchange Offer”) offering to exchange (i) any and all of the outstanding 6.50% Fixed Rate Lower Tier 2 Notes due 2020 issued by Lloyds Bank plc for the Issuer’s Subordinated Debt Securities due 2025 and (ii) any and all of the outstanding 6.00% Subordinated Notes due 2033 issued by HBOS plc for the Issuer’s Subordinated Debt Securities due 2045 (the “2045 Notes”). The 2045 Notes issued in the Exchange Offer will constitute a further issuance of, form a single series with, and have the same CUSIP numbers as the Subordinated Notes. The Exchange Offer is not being made pursuant to this Offering Memorandum.

### The Offering

*The following is a summary of the terms of this offering. For a more complete description of the terms of the Subordinated Notes, see “Description of the Subordinated Notes” in this Offering Memorandum.*

Issuer .....	Lloyds Banking Group plc
Subordinated Notes.....	U.S.\$500,000,000 aggregate principal amount of 5.300% Subordinated Notes due 2045 (the “Subordinated Notes”)
Issue Price.....	99.366% of the principal amount
Maturity .....	December 1, 2045
Denomination .....	U.S.\$200,000 and any integral multiple of U.S.\$1,000 in excess thereof
Interest Rate.....	The Subordinated Notes will bear interest at the rate of 5.300% per annum from the Issue Date based upon a 360-day year consisting of twelve 30-day months.
Interest Payment Dates .....	Interest on the Subordinated Notes will be payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2016.
Regular Record Dates .....	Interest will be paid to holders of record of the

	Subordinated 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).
Ranking .....	The Subordinated Notes will be direct, unconditional, unsecured and subordinated obligations ranking <i>pari passu</i> in right of payment 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 Subordinated 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 Subordinated 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.
Issue Date .....	December 1, 2015
Additional Amounts .....	Amounts to be paid on the Subordinated 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 Subordinated Notes—Payment of Additional Amounts</i> ”, the Issuer will pay such Additional Amounts on the Subordinated Notes that are necessary in order that the net amounts paid to the holders of Subordinated Notes after the deduction or withholding shall equal the amounts which would have been payable on the Subordinated Notes if such or deduction or withholding had not been required.
Events of Default .....	For a discussion of certain events of default that will

Regulatory Redemption.....	<p>permit acceleration of the principal of the Subordinated Notes plus accrued interest, see “<i>Description of the Subordinated Notes—Events of Default; Default; Limitation of Remedies</i>”.</p>
	<p>The Issuer may, subject to the satisfaction of the conditions described in “<i>Description of the Subordinated Notes—Conditions to Redemption and Repurchases</i>” below, redeem the Subordinated Notes 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 (as defined below).</p>
	<p>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) in the regulatory classification of the Subordinated Notes which becomes effective after December 1, 2015 (the “Issue Date”) and that results, or would be likely to result, in the entire principal amount of the Subordinated Notes being excluded from the Tier 2 Capital of LBG.</p>
	<p>“Regulatory Capital Requirements” means any applicable minimum capital or capital requirements specified for banks or financial groups by the Relevant Regulator.</p>
	<p>“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.</p>
	<p>“Group” means LBG, together with its subsidiaries and subsidiary undertakings from time to time.</p>
Conditions to Redemption and Repurchases .....	<p>Any redemption or repurchase of the Subordinated Notes prior to the maturity date is subject to:</p> <ul style="list-style-type: none"> <li>(a) LBG giving notice to the Relevant Regulator and the Relevant Regulator granting permission to LBG to redeem or purchase the Subordinated Notes; and</li> <li>(b) in respect of any redemption of the Subordinated Notes proposed to be made prior to the fifth anniversary of the date of issuance of the Subordinated Notes, if and to the extent then required under the relevant Regulatory Capital Requirements (A) in the case of an optional redemption due to a Tax Event, LBG having demonstrated to the satisfaction of the Relevant Regulator that the relevant change or event is</li> </ul>

material and was not reasonably foreseeable by LBG as at the Issue Date or (B) in the case of redemption 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; 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 Subordinated 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, 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, 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).

Tax Redemption .....

If at any time a Tax Event has occurred, LBG may, subject to the satisfaction of the conditions described under “—*Conditions to Redemption and Repurchases*” below, redeem the Subordinated 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 if:

- (1) LBG determines that as a result of a Tax Law Change, in making any payments on the Subordinated Notes, 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 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 Subordinated Notes in computing LBG’s taxation liabilities or materially reduce the amount of such

deduction;

- prevent the Subordinated Notes from being treated as loan relationships for United Kingdom tax purposes;
- as a result of the Subordinated Notes 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 Subordinated Notes 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 Subordinated Notes or the conversion of the Subordinated Notes into shares or other obligations of LBG; or
- result in a Subordinated Note 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 Subordinated Notes 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 the 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;

Notice of any redemption of the Subordinated Notes 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. 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 Subordinated Notes.

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 Subordinated Notes, by accepting the Subordinated Notes in the Offering Memorandum or otherwise purchasing or acquiring the Subordinated Notes, each holder (including each beneficial owner) of the Subordinated 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 Subordinated Notes; (ii) the conversion of all, or a portion, of the principal amount of, or interest on, the Subordinated 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 Subordinated Notes, or amendment of the amount of interest due on the Subordinated 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 Subordinated 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 Subordinated Notes further acknowledges and agrees that the rights of the holders and/or beneficial owners under the Subordinated 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 Subordinated Notes having regard to the hierarchy of creditor claims upon an insolvency of the Issuer (with the exception of excluded liabilities) and that the claims of holders of the Subordinated 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 Subordinated Notes upon an insolvency of the Issuer.

No repayment of the principal amount of the Subordinated Notes or payment of interest on the Subordinated 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 Subordinated Notes”.*

By accepting the Subordinated Notes in the Offering Memorandum or otherwise purchasing or acquiring the Subordinated Notes, each holder and beneficial owner of the Subordinated 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 Subordinated 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 TIA or under the applicable terms of the subordinated notes indenture, as amended and supplemented (the “Indenture”); and (ii) to the extent permitted by the TIA or otherwise, 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 Subordinated Notes.

By accepting the Subordinated Notes in the Offering Memorandum or otherwise purchasing or acquiring the Subordinated 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 Subordinated Notes and (ii) authorized, directed and requested DTC and any direct participant in DTC or other intermediary through which it holds such Subordinated 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 Subordinated 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 Subordinated 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.

Additional Issuances.....

We may, without the consent of the holders of the Subordinated Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the Subordinated Notes described in this Offering 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

	<p>additional notes must be fungible with the Subordinated Notes for U.S. federal income tax purposes. Any such additional notes, together with the Subordinated Notes offered by this Offering Memorandum, will constitute a single series of securities under the Indenture. There is no limitation on the amount of subordinated 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 Offers.</p>
Settlement .....	The Issuer expects to deliver the Subordinated Notes on or about December 1, 2015.
Use of Proceeds .....	The Group intends to use the net proceeds for general corporate purposes.
Transfer Restrictions.....	The Subordinated Notes have not been registered under the Securities Act or any other applicable securities laws, and are subject to restrictions on transfer as described under “ <i>Transfer Restrictions</i> ”.
Registration Rights .....	<p>Pursuant to a registration rights agreement that will be entered into in connection with the issuance of the Subordinated Notes, we will be obligated to use commercially reasonable efforts to file a registration statement with respect to an offer to exchange the Subordinated Notes for substantially similar notes of LBG that are registered under the Securities Act or, in certain circumstances, register the resale of the Subordinated Notes. The Exchange Notes, if and when issued, will have terms substantially identical to the Subordinated Notes, except that their issuance will have been registered under the Securities Act. No additional payments of interest to the holders of the Subordinated Notes will be made if we fail to satisfy these and other obligations contained in the registration rights agreement. See “<i>Registration Rights</i>.”</p> <p>We will generally be required to use commercially reasonable efforts to file a registration statement relating to the Subordinated 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 “<i>Registration Rights</i>”.</p>
No Prior Market.....	The Subordinated Notes will be new securities for which there is no market. The Initial Purchasers are not obligated to make a market in the Subordinated Notes and any market-making activities, if commenced, may be discontinued at any time without notice. Accordingly, a liquid market for the Subordinated Notes may not develop or be maintained.

Trustee and Paying Agent.....	The Bank of New York Mellon, London Branch
Timing and Delivery.....	We currently expect delivery of the Subordinated Notes to occur on December 1, 2015, which will be the fifth Business Day following the pricing of the Subordinated Notes (such settlement cycle being referred to as T+5). Trades in the secondary market generally are required to settle in three Business Days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Subordinated Notes on the date of pricing or the next succeeding Business Day will be required, by virtue of the fact that the Subordinated Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Subordinated Notes who wish to trade Subordinated Notes on the date of pricing or the next Business Day should consult their own advisors.
Ratings.....	The Subordinated Notes are expected to be assigned a rating of “Baa2” by Moody’s Investor Service Limited (“Moody’s”), “A-” by Fitch Ratings Limited (“Fitch”) and “BBB-” by Standard & Poor’s Credit Market Services Europe (“Standard & Poor’s”). A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time, and each rating should be evaluated independently of any other rating.
Initial Purchasers .....	Goldman, Sachs & Co., Lloyds Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated.
Conflict of Interest.....	Lloyds Securities Inc., an affiliate of the Issuer, may participate in the distribution of the Subordinated Notes.
Listing .....	We do not intend to list the Subordinated 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 Indenture and the Subordinated Notes will be governed by the laws of the State of New York, except for the subordination and waiver of set-off provisions relating to the Subordinated Notes, which are governed by, and construed in accordance with, the laws of Scotland.
Risk Factors .....	See “ <i>Risk Factors</i> ” and the other information included and incorporated by reference in this Offering Memorandum for a discussion of some of the factors you should carefully consider before investing in the Subordinated Notes.

ISIN .....	US539439AJ80 (Rule 144A Global Notes)
	USG5533WBV84 (Regulation S Global Notes)
CUSIP.....	539439 AJ8 (Rule 144A Global Notes)
	G5533W BV8 (Regulation S Global Notes)
Common Code.....	132516561 (Rule 144A Global Notes)
	132516596 (Regulation S Global Notes)

## **RISK FACTORS**

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

*LBG believes that the factors described below represent the principal risks inherent in investing in the Subordinated Notes, but it does not represent that the statements below regarding the risks of holding the Subordinated Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering 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 annual report on Form 20-F for the fiscal year ended December 31, 2014, which is incorporated by reference herein.

### **Risks relating to the Subordinated Notes**

#### ***Transfers of the Subordinated Notes will be restricted.***

The Issuer is offering the Subordinated Notes in reliance upon exemptions from registration under the Securities Act and other applicable securities laws and has therefore not registered the Subordinated Notes under the Securities Act or any other securities laws. As a result, you may not transfer or resell the Subordinated Notes except in a transaction registered in accordance with, or exempt from, these registration requirements. See "Transfer Restrictions".

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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes and holders may not be able to sell their Subordinated 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 Subordinated Notes if we fail to complete the Registered Exchange Offer or comply with the other obligations contained in the Registration Rights Agreement. See "Transfer Restrictions" and "Registration Rights".

#### ***LBG's obligations under the Subordinated Notes are subordinated.***

The obligations of LBG under the Subordinated 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 Subordinated 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 Indenture does not contain any provisions restricting our ability to incur senior indebtedness. Although the Subordinated 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 Subordinated 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 Subordinated Notes may be required to absorb losses in the event we become subject to recovery and resolution action*”.

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

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

- the number of holders of the Subordinated 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 Subordinated Notes will develop or, if developed, that it will continue.

***LBG’s credit ratings may not reflect all risks of an investment in the Subordinated 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 Subordinated Notes.***

LBG’s credit ratings may not reflect the potential impact of all risks relating to the market values of the Subordinated 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 Subordinated Notes*”. However, real or anticipated changes in LBG’s credit ratings will generally affect the market values of the Subordinated 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 Subordinated Notes or the trading market for the Subordinated Notes to the extent trading markets for the Subordinated Notes develop, and any ratings improvement will not necessarily increase the value of the Subordinated Notes and will not reduce market risk and other investment risks related to the Subordinated Notes. Credit ratings (i) do not reflect the risk that interest rates may rise, which may affect the values of the Subordinated Notes, which accrue interest at a fixed rate, (ii) do not address the price, if any, at which the Subordinated Notes may be resold prior to maturity (which may be substantially less than the original offering price of the Subordinated Notes), and (iii) are not recommendations to buy, sell or hold the Subordinated Notes.

Furthermore, each of Moody’s, Standard & Poor’s and 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 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 Subordinated Notes, which could cause the liquidity or market value of the Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes, was downgraded by one notch. This means that Standard & Poor's rating of the Subordinated 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 Subordinated 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 Subordinated Notes prior to maturity if certain adverse tax or regulatory disqualification events occur.***

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

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

If the Subordinated Notes are to be so redeemed, there can be no assurance that holders of the Subordinated 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 Subordinated Notes.

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

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

As the interest payable on the Subordinated 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 Subordinated 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 Subordinated Notes and their levels relative to market interest rates before investing.

***Under the terms of the Subordinated 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 Subordinated 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 Subordinated Notes, by its acquisition of the Subordinated Notes, each holder and beneficial owner of the Subordinated 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 Subordinated Notes; (ii) the conversion of all, or a portion, of the principal amount of, or interest on, the Subordinated 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



Subordinated Notes, or amendment of the amount of interest due on the Subordinated 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 Subordinated 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 Subordinated Notes further acknowledges and agrees that the rights of the holders and/or beneficial owners under the Subordinated 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 Subordinated Notes—Agreement with Respect to the Exercise of the U.K. Bail-in Power*”.

***Holders of the Subordinated 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 Subordinated 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 the 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 Subordinated Notes, including through a material adverse effect on the price of the Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes. Potential investors in the Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes should consider the risk that a holder of the Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes, and the value of your Subordinated Notes may be affected by the exercise of any such powers or threat thereof.

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

An investor should reach a decision to invest in the Subordinated Notes after carefully considering, in conjunction with his or her advisors, the suitability of the Subordinated Notes in light of his or her investment objectives and the other information set out in this Offering Memorandum. None of LBG or the Initial Purchasers makes any recommendation as to whether the Subordinated 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 Subordinated 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

Subordinated Notes on a winding up of LBG and may limit LBG's ability to meet its obligations under the Subordinated Notes. In addition, the Subordinated Notes do not contain any restriction on LBG's ability to issue securities that may have preferential rights similar to those of the Subordinated Notes or securities having similar or different provisions.

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

The Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes are our obligations but are not bank deposits. In the event of our insolvency, the Subordinated 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 Subordinated 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 Subordinated Notes, in whole but not in part, as described in more detail under "*Description of the Subordinated Notes—Redemption due to a Capital Disqualification Event*" and "*Description of the Subordinated Notes—Tax Redemption*". See also "*We may redeem the Subordinated Notes prior to maturity if certain adverse tax or regulatory disqualification events occur*".

***Holders of the Subordinated 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 Subordinated 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.

## CAPITALIZATION OF THE GROUP

The following table shows the Group's capitalization and indebtedness on a consolidated basis in accordance with IFRS as at September 30, 2015.

In accordance with IFRS, certain preference shares are classified as debt and are included in subordinated liabilities in the table below. The table below should be read in conjunction with, and is qualified in its entirety by reference to, our historical financial statements and the accompanying notes incorporated by reference herein.

	As at September 30, 2015
	(€m)
<b>Capitalization</b>	
<b>Equity</b>	
Shareholders' equity .....	43,226
Other equity instruments .....	5,355
Non-controlling interests .....	421
<b>Total equity</b>	<b>49,002</b>
<b>Indebtedness</b>	
<b>Subordinated liabilities</b>	
<b>Debt securities</b>	
Debt securities in issue .....	86,329
Liabilities held at fair value through profit or loss (debt securities) .....	7,718
<b>Total debt securities</b> .....	<b>94,047</b>
<b>Total indebtedness</b> .....	<b>117,348</b>
<b>Total capitalization and indebtedness</b> .....	<b>166,350</b>

Excluding indebtedness issued under government-guaranteed funding programs, none of the indebtedness set forth above is guaranteed by persons other than members of the Group. As of September 30, 2015, all indebtedness was unsecured except for €36.5 billion of securitization notes and covered bonds and €3.2 billion of debt securities issued by the Group's asset-backed conduits.

Other than the redemption, at their call dates, of €137 million of preference shares on October 1, 2015, €48 million of undated subordinated liabilities on October 14, 2015 and €35 million of dated subordinated liabilities on October 18, 2015, there have been no further issuances or redemptions of subordinated liabilities since September 30, 2015.

Other than as disclosed herein, there has been no material change in the information set forth in the table above since September 30, 2015.

## **USE OF PROCEEDS**

The Issuer estimates that the net proceeds of this offering will be approximately U.S.\$496,830,000, after deducting expenses and the Initial Purchasers' fees and commissions. The Group intends to use the net proceeds for general corporate purposes.

## DESCRIPTION OF THE SUBORDINATED NOTES

*The following is a summary of certain terms of the Subordinated 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” and, together with the Subordinated Indenture, the “Indenture”), under which the Subordinated Notes are to be issued.*

The Subordinated Notes will be issued in an aggregate principal amount of up to U.S.\$500,000,000 and will mature on December 1, 2045. From and including the date of issuance, interest will accrue on the Subordinated Notes at a rate of 5.300% per annum. Interest will accrue from December 1, 2015. Interest will be payable semi-annually in arrears on June 1 and December 1 of each year, commencing on June 1, 2016. Interest will be paid to holders of record of the Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes which becomes effective after December 1, 2015 (the “Issue Date”) and that results, or would be likely to result, in the entire principal amount of the Subordinated 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 (the “PRA”) 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes shall rank at least *pari passu* 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.

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

The Subordinated 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 Subordinated 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 Subordinated Notes in fully registered form. The Subordinated 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 Subordinated Notes through DTC and its participants. The Initial Purchasers expect to deliver the Subordinated Notes through the facilities of DTC on December 1, 2015. For a more detailed summary of the form of the Subordinated Notes and settlement and clearance arrangements, you should read “—*Form of Subordinated Notes; Book-Entry System*”. Indirect holders trading their beneficial interests in the Subordinated 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 Subordinated Notes; Book-Entry System*”.

Payment of principal of and interest on the Subordinated Notes, so long as the Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes, the amounts so deducted or withheld shall be treated as having been paid to the holder of the Subordinated 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 Subordinated Notes, by purchasing or acquiring the Subordinated Notes, each holder (including each beneficial owner) of the Subordinated 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 Subordinated Notes; (ii) the conversion of all, or a portion, of the principal amount of, or interest on, the Subordinated 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 Subordinated Notes, or amendment of the amount of interest due on the Subordinated 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 Subordinated 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 Subordinated Notes further acknowledges and agrees that the rights of the holders and/or beneficial owners under the Subordinated 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 Subordinated Notes having regard to the hierarchy of creditor claims (with the exception of excluded liabilities) and that the claims of holders of the Subordinated 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 Subordinated Notes upon an insolvency of the Issuer.*

No repayment of the principal amount of the Subordinated Notes or payment of interest on the Subordinated 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 Subordinated Notes*”.

By purchasing or acquiring the Subordinated Notes, each holder and beneficial owner of the Subordinated 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 Subordinated 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 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 Subordinated Notes.

By purchasing or acquiring the Subordinated 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 Subordinated Notes and (ii) authorized, directed and requested DTC and any direct participant in DTC or other intermediary through which it holds such Subordinated 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 Subordinated 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 Subordinated 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” 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 Subordinated Notes may declare to be due and payable immediately in accordance with the terms of the Indenture the principal amount of, and any accrued but unpaid payments, and any Additional Amounts (as defined below), on the Subordinated 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 Subordinated Notes may rescind the declaration of acceleration and its consequences, but only if all Events of Default 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 the Subordinated Notes shall result if:

- any installment of interest 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 of the Subordinated 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 Subordinated Notes to be due and payable.

However, a failure to make any payment on a Subordinated 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 the Subordinated 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 Subordinated Notes. By accepting a Subordinated Note, each holder will be deemed to have waived any right of set-off, counterclaim, combination of accounts, compensation and retention with respect to the Subordinated Note or the Indenture (or between obligations which LBG may have under or in respect of any Subordinated Note 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 Subordinated Notes 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 any Subordinated Note or a covenant or provision of the Indenture which cannot be modified or amended without the consent of each holder of the Subordinated Notes.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default or a Default occurs, the Trustee will be under no obligation to take direction from any holder or holders of the Subordinated Notes, unless they have offered reasonable indemnity to the Trustee. Subject to the Indenture provisions for the indemnification of the Trustee, the holder or holders of a majority in aggregate principal amount of the outstanding Subordinated Notes 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 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 Subordinated Notes 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, give to each holder of the Subordinated Notes 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 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 the Subordinated Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the Subordinated Notes described in this Offering Memorandum except for the price to the public, Issue Date and first interest payment date, provided however that such additional notes must be fungible with the Subordinated Notes for U.S. federal income tax purposes. Any such additional notes, together with the Subordinated Notes offered by this Offering Memorandum, will constitute a single series of securities under the Indenture. There is no limitation on the amount of Subordinated Notes or other debt securities that we may issue under such Indenture.

### **Tax Redemption**

If at any time a Tax Event has occurred, LBG may, subject to the satisfaction of the conditions described under “—*Conditions to Redemption and Repurchases*” below, redeem the Subordinated 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 if:

(1) LBG determines that as a result of a Tax Law Change, in making any payments on the Subordinated Notes, 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 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 Subordinated Notes in computing LBG's taxation liabilities or materially reduce the amount of such deduction;
- prevent the Subordinated Notes from being treated as loan relationships for United Kingdom tax purposes;
- as a result of the Subordinated Notes 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 Subordinated Notes 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 Subordinated Notes or the conversion of the Subordinated Notes into shares or other obligations of LBG; or
- result in a Subordinated Note 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 Subordinated Notes 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 the 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;

Notice of any redemption of the Subordinated Notes 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. 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 Subordinated Notes.

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

We may redeem the Subordinated Notes 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 Subordinated Notes 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 Subordinated Notes 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. 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 Subordinated Notes.

## Repurchases

We may at any time, and from time to time, purchase Subordinated Notes in the open market or by tender or by private agreement in any manner and at any price or at differing prices. Subordinated 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 Subordinated 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 of the Subordinated 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 Subordinated Notes; and

(b) in respect of any redemption of the Subordinated Notes proposed to be made prior to the fifth anniversary of the date of issuance of the Subordinated Notes, if and to the extent then required under the relevant Regulatory Capital Requirements (A) in the case of an optional redemption 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 (B) in the case of redemption 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; 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 Subordinated 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, 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, 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 Indenture without the consent of the holders of the Subordinated Notes. Other modifications and amendments may be made to the Indenture with the consent of the holder or holders of not less than two-thirds in aggregate outstanding principal amount of the Subordinated Notes 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 Subordinated Note that would:

- change the stated maturity of the principal amount of the Subordinated Notes;
- reduce the principal amount of, the interest rate, or the premium payable upon the redemption of, or the payments with respect to, the Subordinated Notes;
- change any obligation to pay Additional Amounts (as defined below);
- change the currency of payment;
- impair the right to institute suit for the enforcement of any payment due and payable;
- reduce the percentage in aggregate principal amount of outstanding debt securities of the series necessary to modify or amend the Indenture or to waive compliance with certain provisions of the Indenture and any Event of Default or Default;

- 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 Subordinated Notes in a manner adverse to the holders; or
- modify the above requirements.

In addition, variations in the terms and conditions of the Subordinated 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 the Subordinated 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 Subordinated Notes (“Additional Amounts”) that are necessary in order that the net amounts paid to the holders of the Subordinated Notes, after the deduction or withholding, shall equal the amounts which would have been payable on the Subordinated Notes 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 but for the fact that:

- the holder or the beneficial owner of the Subordinated Notes 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 Subordinated Note, or the collection of any payment of, or in respect of, principal of, or any interest or other payment on, any Subordinated Note;
- except in the case of a winding up in the United Kingdom, the Subordinated Notes are presented (where presentation is required) for payment in the United Kingdom;
- the relevant Subordinated Notes 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 Subordinated Notes for payment at the close of that 30 day period;
- the holder or the beneficial owner of the Subordinated Notes or the beneficial owner of any payment of or in respect of principal of, or any interest or other payment on, the Subordinated Notes failed to comply with a request by us or our liquidator or other authorized person addressed to the holder to provide information concerning the nationality, residence or identity of the holder or the beneficial owner 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;
- the withholding or deduction 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 relevant Subordinated Notes 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 Subordinated Notes to another paying agent;
- the deduction or withholding 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 Subordinated Notes to any holder 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, had it been the holder.

Whenever we refer in this Offering Memorandum, in any context, to the payment of the principal of or any interest or other payments on, or in respect of, any Subordinated 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 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 Subordinated Notes. By accepting a Subordinated Note, each holder will be deemed to have waived any right of set-off, counterclaim, combination of accounts, compensation and retention with respect to such Subordinated Note or the Subordinated Indenture (or between our obligations under or in respect of any Subordinated Note 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) shall survive the exercise of the U.K. bail-in power by the relevant U.K. resolution authority with respect to the Subordinated Notes.

By accepting the Subordinated Notes, each holder (including each beneficial owner) of the Subordinated 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 Subordinated Notes under Section 5.12 (Control by Holders) of the Subordinated Indenture, which authorizes holders of a majority in aggregate outstanding principal amount of the Subordinated Notes to direct certain actions relating to the Subordinated Notes, and (b) neither the Subordinated Indenture nor the Second 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 Subordinated 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 Subordinated Notes), then the Trustee's duties under the Subordinated Indenture shall remain applicable with respect to the Subordinated 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 Subordinated Indenture.

In addition to the foregoing, the Trustee may decline to act or accept direction from holders unless it receives written direction from holders representing a majority in aggregate principal amount of the Subordinated Notes and security and/or indemnity satisfactory to the Trustee in its sole discretion. The Subordinated 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 Offering Memorandum.

### **Subsequent Holders' Agreement**

Holder and beneficial owners of the Subordinated Notes that acquire the Subordinated 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 Subordinated Notes that acquire the Subordinated 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 Subordinated 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 Subordinated Notes, 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 Subordinated Notes, and under the Indenture, immediately after giving effect to such transaction, no Default or Event of Default shall have occurred, 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 Subordinated Notes without the consent of any holder, 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 Subordinated Notes. In such case, all of the direct obligations under the Subordinated Notes and the Indenture shall immediately be discharged. Any Additional Amounts under the Subordinated Notes 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 Subordinated Notes 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.

## **Listing**

We do not intend to list the Subordinated 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*".

## **Governing Law**

The Subordinated Indenture, the Second Supplemental Indenture and the Subordinated Notes are 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 Subordinated Notes, which are governed by, and construed in accordance with, the laws of Scotland.

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

### ***General***

The Subordinated 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 Subordinated 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



Subordinated Notes registered in its name, receive or be entitled to receive physical delivery of Subordinated Notes in definitive form or be considered the owner or holder of the Subordinated Notes under the Indenture. Each person having an ownership or other interest in the Subordinated 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 Subordinated Notes.

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

Payments of any amounts in respect of the Subordinated Notes will be made by the Trustee upon receipt to DTC. Payments will be made to beneficial owners of the Subordinated 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 Subordinated 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 the Subordinated 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 Subordinated Notes 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 Subordinated Notes when due; or
- at any time we determine at our option and in our sole discretion, that the global securities of the Subordinated Notes should be exchanged for definitive securities in registered form.

Each person having an ownership or other interest in the Subordinated 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 the Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes under the Securities Act or any other securities laws. The Subordinated 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 Subordinated Notes are being offered (a) to "qualified institutional buyers" ("QIBs") within the meaning of and in reliance on Rule 144A and (b) outside the United States in reliance on Regulation S.

#### **Notices**

All notices to holders of registered Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes to the public. Instead, any sale by you of the Subordinated Notes must comply with the restrictions contained in the section entitled “*Transfer Restrictions*”. However, we will enter into a registration rights agreement (the “Registration Rights Agreement”) with the Initial Purchasers for the benefit of the holders of the Subordinated Notes in which we will agree to use commercially reasonable efforts to conduct a registered offer (the “Registered Exchange Offer”) to exchange the Subordinated Notes for new notes with terms substantially identical to such Subordinated 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 the Subordinated Notes to exchange such Subordinated Notes for an issue of a series of Exchange Notes that is identical in all material respects with such Subordinated 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 Issuer as described in “*Documents Incorporated 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 Issue Date or (ii) the last settlement date of the Exchange Offer (the “Last Settlement Date”), with respect to the Registered Exchange Offer for the Exchange Notes with terms substantially identical to the Subordinated 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 Subordinated Notes, who are legally eligible to participate in the Registered Exchange Offer, Exchange Notes in exchange for surrender of the Subordinated Notes. 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 Subordinated Note surrendered to us pursuant to the Registered Exchange Offer, the holder of the Subordinated Notes, as applicable, will receive in exchange an Exchange Note having a principal amount equal to that of the surrendered Subordinated Notes. Interest on each Exchange Note will accrue from the last Interest Payment Date on which interest was paid on the Subordinated Note surrendered in exchange therefor or, if no interest has been paid on the Subordinated Note surrendered, from the Issue 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 thereof 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

Subordinated Notes (other than certain specified holders) who wishes to exchange those Subordinated 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 Last 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 Subordinated 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 Subordinated 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 Subordinated Notes. A holder selling Subordinated Notes 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 Subordinated 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 Subordinated 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 Offering Memorandum.

## FORM OF SUBORDINATED NOTES, CLEARANCE AND SETTLEMENT

### General

The Subordinated Notes are being offered and sold only:

- to qualified institutional buyers in reliance on Rule 144A (“Rule 144A Subordinated Notes”), or
- to persons other than “U.S. persons” (as defined in Regulation S) in offshore transactions in reliance on Regulation S (“Regulation S Subordinated Notes”).

The Subordinated Notes will be issued in fully registered global form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Subordinated Notes will be issued on the Issue Date therefor only against payment in immediately available funds.

The Rule 144A Subordinated Notes will be represented by one permanent global certificate (which may be subdivided) in fully registered form without interest coupons (the “Rule 144A Global Note”). The Rule 144A Global Note will be deposited upon issuance with The Bank of New York Mellon, London Branch, as custodian (the “Custodian”) for DTC in New York, New York and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC (including Euroclear and Clearstream, Luxembourg as described below under “—*Depository Procedures*”).

The Regulation S Subordinated Notes will be represented by one permanent global certificate (which may be subdivided) in fully registered form without interest coupons (the “Regulation S Global Note”, together with the Rule 144A Global Note, the “Global Notes” and each a “Global Note”). The Regulation S Global Note will be deposited upon issuance with the Custodian for DTC and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC, including Euroclear and Clearstream, Luxembourg, as described below under “—*Depository Procedures*”. Interests in the Regulation S Global Note may only be held by non-U.S. persons.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below under “—*Exchange of Global Notes for Certificated Notes*”.

The Subordinated Notes will bear a restrictive legend as described in the Indenture. In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear or Clearstream, Luxembourg), which may change from time to time.

### Exchanges Between the Regulation S Global Note and Rule 144A Global Note

Beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if such exchange occurs in connection with a transfer of the Subordinated Notes pursuant to Rule 144A and the transferor first delivers to the Paying Agent a written certificate to the effect that the Subordinated Notes are being transferred to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the States of the United States and other jurisdictions.

Beneficial interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note only if the transferor first delivers to the Paying Agent a written certificate to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S.

Transfers involving an exchange of a beneficial interest in the Regulation S Global Note for a beneficial interest in the Rule 144A Global Note or vice versa will be effected in DTC by means of an instruction originated by the Transfer Agent.

Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as it remains such an interest.

### **Exchange of Global Notes for Certificated Notes**

The Global Notes are exchangeable for Certificated Notes in definitive, fully registered form without interest coupons only in the following limited circumstances:

- DTC notifies us that it is unwilling or unable to continue as depository for the Global Notes or DTC ceases to be a clearing agency registered under the Exchange Act at a time when DTC is required to be so registered in order to act as depository, and in each case we fail to appoint a successor depository within 90 days of such notice;
- we, at our option, notify the Trustee in writing that we elect to cause the issuance of Subordinated Notes in definitive form under the Indenture subject to the procedures of the depository;
- if there shall have occurred and be continuing an Event of Default (as defined in the Indenture) with respect to the Subordinated Notes (see “*Description of the Subordinated Notes*”), and DTC representing a majority in aggregate principal amount of the then outstanding Subordinated Notes so advises the Trustee in writing; or
- we have or will become subject to adverse tax consequences which would not be suffered were the Subordinated Notes represented by Certificated Notes in definitive form.

In all cases, certificated Subordinated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “*Transfer Restrictions*”, unless we determine otherwise in accordance with the Trustee and in compliance with applicable law.

### **Depository Procedures**

The following description of the operations and procedures of DTC, Euroclear and Clearstream, Luxembourg are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Issuer takes no responsibility for these operations and procedures and urges investors to contact the systems or their participants directly to discuss these matters.

DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the “Participants”) and facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and Initial Purchasers (including the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, Initial Purchasers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the “Indirect Participants”).

Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through Participants or Indirect Participants. DTC has no knowledge of the identity of beneficial owners of securities held by or on behalf of DTC. DTC’s records reflect only the identity of Participants to whose accounts securities are credited. The ownership interests and transfer of ownership interests of each beneficial owner of each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

Pursuant to procedures established by DTC:

- upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the Initial Purchasers with portions of the principal amount of the Global Notes, and

- ownership of such interests in the Global Notes will be maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes may hold their interests therein directly through DTC, if they are Participants in such system, or indirectly through organizations (including, in case of the Regulation S Global Note, Euroclear and Clearstream, Luxembourg) that are Participants or Indirect Participants in such system. Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Global Note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. The depositories, in turn, will hold interests in the Global Notes in customers' securities accounts in the depositories' names on the books of DTC.

All interests in the Global Notes, including those held through Euroclear or Clearstream, Luxembourg, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream, Luxembourg will also be subject to the procedures and requirements of these systems. The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of beneficial owners of interests in the Global Notes to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the Subordinated Notes, see "*Transfer Restrictions*".

**Except as described below, owners of interests in the Global Notes will not have Subordinated Notes registered in their names, will not receive physical delivery of Subordinated Notes in certificated form and will not be considered the registered owners or holders thereof for any purpose.**

Payments in respect of the principal of and premium, if any, and interest on a Global Note registered in the name of DTC or its nominee will be payable by the Paying Agent to DTC in its capacity as the registered holder under the Indenture. The Issuer and the Paying Agent will treat the persons in whose names the Subordinated Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, none of the Issuer, the Paying Agent or any agent of the Issuer or the Paying Agent has or will have any responsibility or liability for:

- any aspect of DTC's records or any Participant's or Indirect Participant's records relating to, or payments made on account of beneficial ownership interests in, the Global Notes, or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes, or
- any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the Subordinated Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date in amounts proportionate to their respective holdings in the principal amount of the relevant security as shown on the records of DTC, unless DTC has reason to believe it will not receive payment on such payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of Subordinated Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Paying Agent or the Issuer. Neither the Issuer nor the Paying Agent will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Subordinated Notes, and the Issuer and the Paying Agent may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Except for trades involving only Euroclear and Clearstream, Luxembourg participants, interests in the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its Participants.

Subject to the transfer restrictions described under “*Transfer Restrictions*”, cross-market transfers between Participants in DTC, on the one hand, and Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC’s rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by their depositaries. Cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in that system in accordance with the rules and procedures and within the established deadlines (Brussels time) of that system. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositaries to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream, Luxembourg participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a Global Note from a Participant in DTC will be credited and reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream, Luxembourg participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following DTC’s settlement date.

Transfers between holders of Regulation S Subordinated Notes and Rule 144A Subordinated Notes will be effected through the Registrar, the Transfer Agent and the Custodian receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Settlement between such a buyer and seller cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Subordinated Notes only at the direction of one or more Participants to whose account with DTC interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of the Subordinated Notes as to which such Participant or Participants has or have given such direction.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures to facilitate transfers of interests in the Global Note among Participants in DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform such procedures, and the procedures may be discontinued at any time. Neither the Issuer nor the Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

The information in this section concerning DTC, Euroclear and Clearstream, Luxembourg and their book- entry systems has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.



## TRANSFER RESTRICTIONS

The Subordinated Notes are subject to restrictions on transfer as summarized below. By purchasing Subordinated Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with us and the Initial Purchasers:

- (1) You acknowledge that:
  - (A) the Subordinated Notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
  - (B) unless so registered, the Subordinated Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and, if applicable, in compliance with the conditions for transfer set forth in paragraph (4) below.
- (2) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:
  - (A) you are a qualified institutional buyer (as defined in Rule 144A) and are purchasing the Subordinated Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Subordinated Notes to you in reliance on Rule 144A; or
  - (B) you are not a U.S. person (as defined in Regulation S) or purchasing for the account or benefit of a U.S. person and you are purchasing Subordinated Notes in an offshore transaction in accordance with Regulation S.
- (3) You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Subordinated Notes, other than the information contained or incorporated by reference in this Offering Memorandum. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Subordinated Notes. You agree that you have had access to such financial and other information concerning us and the Subordinated Notes as you have deemed necessary in connection with your decision to purchase Subordinated Notes, including an opportunity to ask questions of and request information from us.
- (4) If you are a purchaser of Subordinated Notes pursuant to Rule 144A, you represent that you are purchasing Subordinated Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Subordinated Notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Subordinated Notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. You further agree, and each subsequent holder of the Subordinated Notes by its acceptance of the Subordinated Notes will agree, that the Subordinated Notes may be offered, sold or otherwise transferred only:
  - (A) to a person who the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer or buyers in a transaction meeting the requirements of Rule 144A;
  - (B) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S; or
  - (C) pursuant to an effective registration statement under the Securities Act,provided that as a condition to registration of transfer of the Subordinated Notes, we or the Trustee may require delivery of any documents or other evidence that we or the Trustee each, in our or its discretion, deems necessary or appropriate to evidence compliance with one of the exemptions referred to above, and,

in each case, in accordance with the applicable securities laws of the states of the United States and other jurisdictions.

You also acknowledge that each Rule 144A Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE 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 SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

- (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;
  - (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE, OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT: (A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF; (B) TO A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER REGULATION S UNDER THE SECURITIES ACT; OR (D) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION, AND
  - (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS RESTRICTIVE LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.
- (5) If you are a purchaser of the Subordinated Notes under Regulation S, you will be deemed to:
- (A) acknowledge that the Subordinated Notes have not been registered under the Securities Act or with any securities regulatory authority in any jurisdiction and, until so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below; and
  - (B) agree that you will only resell or otherwise transfer the Subordinated Notes (i)(A) outside the United States in compliance with Rule 903 or Rule 904 under Regulation S under the Securities Act, (B) to a QIB in compliance with Rule 144A or (C) pursuant to a registration statement that has become effective under the Securities Act, and (ii) in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction.

You also acknowledge that each Regulation S Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE 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 SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

- (1) REPRESENTS THAT IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS SECURITY FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION,

- (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE ISSUER OR ANY AFFILIATE THEREOF, (B) TO A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER REGULATION S UNDER THE SECURITIES ACT OR (D) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION, AND
- (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS RESTRICTIVE LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION”, “UNITED STATES” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.
- (6) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Subordinated Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Subordinated Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

For a discussion of the requirements to effect exchanges or transfers of interests in the Global Notes, see “*Form of Subordinated Notes, Clearance and Settlement—Exchanges Between the Regulation S Global Note and Rule 144A Global Note*”.

## CERTAIN U.K. AND U.S. FEDERAL TAX CONSEQUENCES

The following are certain U.K. and U.S. federal tax consequences of the ownership and disposition of the Subordinated Notes by a “U.S. holder” described below, that is not connected with us for relevant tax purposes, that holds the Subordinated Notes as capital assets and that purchases them as part of the initial offering of the Subordinated Notes at their “issue price”, which will be equal to the first price to the public (not including bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Subordinated Notes is sold for money. For purposes of this discussion, a “U.S. holder” is a beneficial owner of a Subordinated Note that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any state thereof or the District of Columbia, or (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion does not describe all of the tax consequences that may be relevant to U.S. holders in light of their particular circumstances or to holders subject to special rules, such as:

- holders who are resident in the United Kingdom for U.K. tax purposes or who are domiciled or deemed to be domiciled in the United Kingdom;
- certain financial institutions;
- insurance companies;
- dealers or traders in securities that use the mark-to-market method of accounting;
- persons holding Subordinated Notes as part of a hedge or other integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons subject to the alternative minimum tax or the Medicare contribution tax;
- certain persons connected with us; or
- persons carrying on a trade in the United Kingdom through a permanent establishment in the United Kingdom or carrying on a trade, profession or vocation in the United Kingdom through a branch or agency in the United Kingdom or otherwise holding Subordinated Notes in connection with a trade or business outside the United States.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of your partners will generally depend on the status of the partners and your activities. If you are a partnership holding Subordinated Notes or a partner therein, you should consult your tax advisor as to your particular U.S. federal income tax consequences of holding and disposing of the Subordinated Notes.

The statements regarding U.K. and U.S. tax laws and practices set out below, including those regarding the U.K./U.S. double taxation convention relating to income and capital gains (the “Treaty”), are based on those laws, practices and conventions as of the date hereof. They are subject to changes in those laws, practices and conventions, and any relevant judicial decision, after the date hereof, which may apply with retrospective effect. This summary is not exhaustive of all possible tax considerations that may be relevant in the particular circumstances of each U.S. holder. In particular, this summary does not deal with the tax treatment of the Subordinated 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 acquisition, ownership and disposition of the Subordinated Notes.

## United Kingdom Taxation

*Payments.* Interest that we pay on the Subordinated 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 Subordinated Notes, which will be the case if (i) the Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Treaty and will under current HM Revenue & Customs (“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 Subordinated Notes, the Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes may be required to be provided to HMRC in certain circumstances. This may include the value of the Subordinated Notes, details of the holders or beneficial owners of the Subordinated Notes (or the persons for whom the Subordinated Notes are held), details of the persons to whom payments derived from the Subordinated Notes are or may be paid and information and documents in connection with transactions relating to the Subordinated Notes. Information may be required to be provided by, amongst others, the holders of the Subordinated Notes, persons by (or via) whom payments derived from the Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated

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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes. Provided that the Regulations apply to the Subordinated Notes (see above), no U.K. stamp duty or SDRT will be payable on the transfer of the Subordinated Notes.

## **United States**

*Characterization of the Subordinated 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. Therefore, prospective investors should consult their tax advisers as to the proper characterization of the Subordinated Notes for U.S. federal income tax purposes. We believe the Subordinated Notes should be treated as debt for U.S. federal income tax purposes and the remainder of this discussion so assumes.

*Payments of Interest.* Stated interest on the Subordinated 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. Interest income from the Subordinated Notes 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.

*Sale, Exchange or Redemption.* A U.S. holder will, upon sale, exchange or redemption of a Subordinated Note, generally recognise capital 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, which will be treated as stated interest as described in “—*Payments of Interest*” above) and the U.S. holder’s tax basis in the Subordinated Note. 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 Subordinated 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 Internal Revenue Service in connection with payments on the Subordinated Notes and the proceeds from a sale or other disposition of the Subordinated 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 Internal Revenue Service.

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 Subordinated Notes (or information regarding the Subordinated Notes if the Subordinated Notes are not held through any financial institution). U.S. holders should consult their tax advisers regarding their reporting obligations with respect to the Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Notes are advised to seek their own professional advice in relation to the FTT.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions in the purchase agreement among the Issuer and the Initial Purchasers, each Initial Purchaser named below has agreed severally and not jointly to purchase the principal amount of the Subordinated Notes set forth opposite its name below.

<u>Initial Purchasers</u>	<u>Principal Amount of Subordinated Notes</u>
Goldman, Sachs & Co. ....	\$166,667,000
Lloyds Securities Inc. ....	\$166,667,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	\$166,666,000
Total.....	<u>\$500,000,000</u>

The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase Subordinated Notes from us, are several and not joint. The purchase agreement provides that the Initial Purchasers will purchase all the Subordinated Notes if any of them are purchased.

The Initial Purchasers initially propose to offer the Subordinated Notes for resale at the issue price that appears herein. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell Subordinated Notes through certain of their affiliates.

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

Certain of the Initial Purchasers are not broker-dealers registered with the SEC, and therefore may not make sales of any Subordinated Notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that any such Initial Purchaser intends to effect sales of the Subordinated Notes in the United States, it will do so only through one or more affiliated U.S. registered broker dealers, or otherwise as permitted by applicable U.S. law.

In the purchase agreement, we have agreed that:

- We will not offer, sell, contract to sell or otherwise dispose of any of our U.S. dollar denominated debt securities (other than the Subordinated Notes) having tenor of more than one year up to and including the Issue Date without the prior written consent of the Initial Purchasers.
- We will indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

The Subordinated Notes have not been registered under the Securities Act or the securities laws of any other place. In the purchase agreement, each Initial Purchaser has agreed that:

- The Subordinated Notes may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements.
- It will offer or sell Subordinated Notes only to qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S.

In connection with the offering of the Subordinated Notes, the Initial Purchasers may sell the Subordinated Notes in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Subordinated Notes than they are required to purchase in the offering. Short sales may occur if the Initial Purchasers sell Subordinated Notes in excess of the offering amount, which would create a naked short position. The Initial Purchasers must close out any naked short position by purchasing Subordinated Notes in the open market. A naked short position is more likely to be created if the Initial Purchasers are concerned that there may be downward



pressure on the price of the Subordinated Notes in the open market prior to the completion of the offering. Stabilizing transactions consist of various bids for or purchase of the Subordinated Notes made by the Initial Purchasers in the open market prior to the completion of the offering. Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of the Subordinated Notes. Additionally, these purchases may stabilize, maintain or otherwise affect the market price of the Subordinated Notes. As a result of the price of the Subordinated Notes may be higher than the respective price that might otherwise exist in the open market. These transactions may be effected in the over-the-counter market or otherwise.

The Subordinated Notes are a new issue of securities and there is currently no established trading market for the Subordinated Notes. In addition, the Subordinated Notes are subject to certain restrictions on resale and transfer as described under “*Transfer Restrictions*”. We do not intend to apply for the Subordinated Notes to be listed on any securities exchange or to arrange for the Subordinated Notes to be quoted on any quotation system. The Initial Purchasers are not obligated to make a market in the Subordinated Notes and any market-making activities, if commenced, may be discontinued at any time without notice. Accordingly, we cannot assure you that a liquid trading market will develop for the Subordinated Notes, that you will be able to sell your Subordinated Notes at a particular time or that the prices that you receive when you sell will be favorable.

Each purchaser of Subordinated Notes will be deemed, by its acceptance or purchase thereof, to have made the representations set forth under “*Transfer Restrictions*” herein.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer’s affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer’s securities, including potentially any Subordinated Notes. Any such short positions could adversely affect future trading prices of any Subordinated Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Issuer expects that delivery of the Subordinated Notes will be made against payment on the respective Subordinated Notes on or about the date specified on the cover page of this Offering Memorandum, which will be five business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Subordinated Notes (this settlement cycle is being referred to as “T+5”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Subordinated Notes on the date of this Offering Memorandum or the next business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Subordinated Notes who wish to make such trades should consult their own advisors.

Lloyds Securities Inc., an Initial Purchaser of the Subordinated Notes, is an affiliate of the Issuer.

## **Selling Restrictions**

### ***General***

No action has been or will be taken in any jurisdiction that would permit a public offering of the Subordinated Notes or the distribution of this Offering Memorandum or any material relating the Subordinated Notes in any jurisdiction where action for that purpose is required. Accordingly, the Subordinated Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed, in or from any such country or jurisdiction, except in compliance with any applicable rules or regulations of any such country or jurisdiction.

This Offering Memorandum does not constitute an offer to buy or sell or a solicitation of an offer to buy or sell Subordinated 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.

### ***United States***

The Subordinated Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each of the Initial Purchasers has agreed that, except as permitted by the Purchase Agreement, it will not offer or sell the Subordinated Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the date the Subordinated Notes are issued, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Subordinated Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of Subordinated Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Initial Purchasers propose to offer the Subordinated Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Subordinated Notes except:

- to persons they reasonably believe to be QIBs within the meaning of Rule 144A; or
- pursuant to offers and sales to non-U.S. persons outside the United States within the meaning of Regulation S.

In addition, until the expiration of 40 days after the commencement of this offering, an offer or sale of the Subordinated Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Resales of the Subordinated Notes are restricted as described under “*Transfer Restrictions*”.

### ***Canada***

The Subordinated Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Subordinated Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions

of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### ***United Kingdom***

Each Initial Purchaser has represented and agreed that, in connection with the distribution of the Subordinated Notes, it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom (the "FSMA")) received by it in connection with the issue or sale of such Subordinated Notes or any investments representing the Subordinated Notes in circumstances in which section 21(1) of the FSMA does not apply to us and that it has complied and will comply with all the applicable provisions of the FSMA with respect to anything done by it in relation to any Subordinated Notes in, from or otherwise involving the United Kingdom.

### ***Hong Kong***

The Subordinated Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) ("Companies (Winding Up and Miscellaneous Provisions) Ordinance") or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("Securities and Futures Ordinance"), or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the Subordinated Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Subordinated Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

### ***Japan***

Subordinated Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. Subordinated Notes may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

### ***Singapore***

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Subordinated Notes may not be circulated or distributed, nor may the Subordinated 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 Subordinated 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 Subordinated 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.

### **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 Subordinated Notes. Our Scottish solicitors, CMS Cameron McKenna LLP, will pass upon certain matters of Scots law relating to the validity of the Subordinated Notes. Clifford Chance LLP, United States and English law counsel to the Initial Purchasers, will pass upon certain legal matters relating to the Subordinated Notes.

### **INDEPENDENT AUDITORS**

The Group's audited consolidated annual financial statements incorporated in this Offering Memorandum by reference to the 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.

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