



29 January 2016

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(SEE “OFFER AND DISTRIBUTION RESTRICTIONS” BELOW)

LBG CAPITAL NO.1 PLC AND LBG CAPITAL NO. 2 PLC LAUNCH CASH TENDER OFFERS ON CERTAIN EURO AND STERLING SECURITIES

On the terms of and subject to the conditions contained in a tender offer memorandum dated 29 January 2016 (the “**Tender Offer Memorandum**”):

- (i) LBG Capital No. 1 plc (“**LBG 1**”) has today invited Holders of certain of its euro and sterling denominated Enhanced Capital Notes (the “**LBG 1 Existing Notes**”) to tender any and all of their LBG 1 Existing Notes for purchase by LBG 1 for cash (the “**LBG 1 Offers**”); and
- (ii) LBG Capital No. 2 plc (“**LBG 2**” and, together with LBG 1, the “**Offerors**” and each an “**Offeror**”) has today invited Holders of certain of its euro and sterling denominated Enhanced Capital Notes (the “**LBG 2 Existing Notes**” and together with the LBG 1 Existing Notes, the “**Existing Notes**”) to tender any and all of their LBG 2 Existing Notes for purchase by LBG 2 for cash (the “**LBG 2 Offers**” and, together with the LBG 1 Offers, the “**Offers**”).

Capitalised terms not otherwise defined in this announcement have the same meaning as assigned to them in the Tender Offer Memorandum. The Tender Offer Memorandum is available from the Tender Agent.

THE OFFERS

The Offerors invite Holders of the Existing Notes to tender any and all of their Existing Notes (subject to the Offer and Distribution Restrictions contained herein) for purchase at the relevant Purchase Price set out in the table below plus an Accrued Interest Payment (if any).

Title of Security	Issuer	ISIN Number	Principal Amount Outstanding	Reference Benchmark	Make Whole Premium	Purchase Price
€486,527,000 15.000 per cent. Enhanced Capital Notes due December 2019	LBG 2	XS0459089412	€486,527,000	3.75 per cent. German Government Bonds due January 2019 (ISIN: DE0001135374)	2 %	The sum of the relevant Make Whole Premium and the relevant Make Whole Redemption Price
€125,330,000 8.875 per cent. Enhanced Capital Notes due February 2020	LBG 2	XS0459087986	€125,330,000	N/A	N/A	€1,020 per €1,000 in aggregate principal amount
€53,040,000 Floating Rate Enhanced Capital Notes due March 2020	LBG 1	XS0459090931	€53,040,000	N/A	N/A	€1,020 per €1,000 in aggregate principal amount
€94,737,000 7.375 per cent. Enhanced Capital Notes due March 2020	LBG 1	XS0459090774	€94,737,000	N/A	N/A	€1,020 per €1,000 in aggregate principal amount
€661,955,000 6.385 per cent. Enhanced Capital Notes due May 2020	LBG 2	XS0459088794	€661,955,000	N/A	N/A	€1,020 per €1,000 in aggregate principal amount
€226,172,000 7.625 per cent. Enhanced Capital Notes due October 2020	LBG 1	XS0459091236	€226,172,000	N/A	N/A	€1,020 per €1,000 in aggregate principal amount
£775,158,000 15.000 per cent. Enhanced Capital Notes due December 2019	LBG 2	XS0459089255	£703,465,000	4.75 per cent. UK treasury Stock due March 2020 (ISIN: GB00B058DQ55)	2 %	The sum of the relevant Make Whole Premium and the relevant Make Whole Redemption Price
£67,853,000 15.000 per cent. Enhanced Capital Notes due January 2029	LBG 2	XS0459089685	£67,853,000	6.00 per cent. UK treasury Stock due December 2028 (ISIN: GB0002404191)	2 %	The sum of the relevant Make Whole Premium and the relevant Make Whole Redemption Price

Rationale for the Offers

Background to the Offers

In 2009, the Group undertook a significant capital raising exercise which included the issuance of approximately £8.4 billion of ECNs. Approximately £3.3 billion in aggregate principal amount of these ECNs remain outstanding as at the date of the Tender Offer Memorandum.

The ECNs were issued for the purpose of counting as “stress test” core capital of the Group. Pursuant to the relevant Conditions, should any series of ECNs cease to be taken into account for the purposes of any “stress test” applied by the PRA in the circumstances more fully described in Condition 8(e) of the Existing Notes, the issuer of the relevant series of Existing Notes has the ability to exercise the Regulatory Call Right.

The ECNs were not taken into account as core capital for the most recent PRA stress tests, the results of which were published on 16 December 2014 and 1 December 2015. As confirmed by the Civil Division of the English Court of Appeal on 10 December 2015, a Capital Disqualification Event has occurred and the Regulatory Call Right is available to each of the issuers of the ECNs. The ECN trustee has sought permission to appeal from the Supreme Court of the United Kingdom.

Offers

The Group is today launching the Offers (outside the United States of America), as well as a global offer (including into the United States of America) in relation to two further series of U.S. dollar-denominated ECNs (together with the Offers, the “Tender Offers”). The Tender Offers provide eligible holders of the relevant series of ECNs with a means to tender their ECNs at a price which, in the case of the Fixed Price Existing Notes is, and in the case of the Make Whole Existing Notes is expected to be, higher than the contractual redemption price at which the relevant issuer of the ECNs is entitled to redeem such ECNs upon an exercise of the Regulatory Call Right.

Redemption

The issuers of the ECNs have today given redemption notices in respect of certain series of ECNs which are not the subject of the Tender Offers and which were prioritised for redemption following the liability management exercise conducted in 2014. Those redemptions are scheduled to occur on 9 February 2016.

Subject to the satisfaction of the conditions set out in Condition 8(b) of the Existing Notes, the relevant issuer will exercise the Regulatory Call Right and redeem any Existing Notes that are not validly tendered and accepted for purchase following completion of the Offers. The Group has received permission from the PRA, under Article 78 of the Capital Requirements Regulation (Regulation 575/2013/EU), for the redemption of all series of ECNs outstanding.

Acceptance of Offers

Holders of Existing Notes whose Offers are accepted by the relevant Offeror will receive the Purchase Price of the relevant Series of Existing Notes, together with the relevant Accrued Interest Payment (if any).

Accrued Interest Payment

An amount equal to Accrued Interest (if any) will also be paid as purchase consideration in respect of all Existing Notes validly tendered and accepted for purchase by the Offerors pursuant to the Offers from, and including, the immediately preceding interest payment date for the relevant Series of Existing Notes to, but excluding, the Settlement Date.

Total Consideration

The total consideration payable to each Holder in respect of Existing Notes validly tendered and accepted for purchase by the Offerors will be an amount in cash equal to (i) the relevant Purchase Price for the Existing Notes, multiplied by each €1,000 in aggregate principal amount or £1,000 in aggregate principal amount (as applicable) of Existing Notes tendered and delivered by such Holder and accepted by the Offerors for purchase (rounded to the nearest €0.01 or £0.01 (as applicable), with €0.005 or £0.005 being rounded upwards) plus (ii) any Accrued Interest Payment payable in respect of the relevant Existing Notes.

Offer Period and Results

The Offers commenced today, 29 January 2016, and will end at 4:00 p.m. (London time) on 8 February 2016 (the "Expiration Deadline"), unless extended, re-opened, amended or terminated as provided in the Tender Offer Memorandum.

The relevant deadline set by any intermediary or each Clearing System may be earlier than this deadline.

The Offerors will announce on the Price Determination Date the Accrued Interest Payment, if any, the Series Acceptance Amount in relation to each Series of Existing Notes, the Make Whole Redemption Prices used to establish the Make Whole Existing Notes Purchase Prices, together with the relevant Make Whole Existing Notes Purchase Prices. Settlement of the relevant Purchase Price and, where applicable, Accrued Interest Payment is expected to take place on 10 February 2016.

To tender Existing Notes in the Offers, a Holder should deliver, or arrange to have delivered on its behalf, via the relevant Clearing System and in accordance with the requirements of such Clearing System, a valid Tender Instruction that is received in each case by the Tender Agent by the Expiration Deadline.

To tender Existing Notes in the Offers, a Holder must submit a Tender Instruction with an aggregate principal amount of at least the applicable Minimum Submission Amount for each Series of Existing Notes it holds. Where a Holder submits a Tender Instruction in respect of a principal amount of a Series which is less than the Minimum Submission Amount, such Tender Instruction will be rejected. Announcements in connection with the Offers will be made via RNS announcement. Such announcements may also be made (i) on the relevant Reuters International Insider Screen, (ii) by the issue of a notice to a Notifying News Service and (iii) by delivery of notices to the relevant Clearing Systems for communication to Direct Participants. Copies of all announcements, notices and press releases can also be obtained from the Tender Agent, the contact details for which are set out below.

INDICATIVE TIMETABLE

The following table sets out the expected dates and times of the key events relating to the Offers. This is an indicative timetable and is subject to change.

Date and Time	Action
29 January 2016	<p>Commencement of the Offers</p> <p>Offers announced through RNS announcement and may also be made by announcement on the relevant Reuters International Insider Screen, publication on a Notifying News Service and by delivery to the Clearing Systems.</p> <p>Tender Offer Memorandum available from the Tender Agent.</p>
4.00 p.m. (London time) on 8 February 2016	<p>Expiration Deadline</p> <p>Deadline for receipt by the Tender Agent of all Tender Instructions in order for Holders to be able to participate in the Offers and to be eligible to receive the relevant Purchase Price and any Accrued Interest Payment on the Settlement Date.</p>
At or around 11.00 a.m. (London time) on 9 February 2016 (the “ Price Determination Date ”)	<p>Price Determination Time</p> <p>Determination of the relevant Make Whole Redemption Prices used to establish the Make Whole Existing Notes Purchase Prices.</p>
As soon as practicable after the Price Determination Time	<p>Announcement of Results</p> <p>Announcement by the Offerors of such Make Whole Redemption Prices used to establish the Make Whole Existing Notes Purchase Prices, together with the relevant Make Whole Existing Notes Purchase Prices and the Accrued Interest Payment, if any, and the Series Acceptance Amount in relation to each Series of Existing Notes.</p>
Expected to be 10 February 2016	<p>Settlement Date</p> <p>Expected Settlement Date for Existing Notes validly tendered and accepted by the Offerors. Payment of the relevant Purchase Price and any Accrued Interest Payment in respect of any such Existing Notes.</p>

Holders are advised to check with any bank, securities broker or other intermediary through which they hold Existing Notes when such intermediary would require to receive instructions to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the Offers before the deadlines set out above. **The deadlines set by any such intermediary and each Clearing System for the submission and withdrawal of Tender Instructions will be earlier than the relevant deadlines specified in the Tender Offer Memorandum.**

Holders are advised to read carefully the Tender Offer Memorandum, including in particular the section headed “Risk Factors and other Considerations”, for full details of, and information on the procedures for participating in, the Offers.

FURTHER INFORMATION

Lucid Issuer Services Limited has been appointed by the Offerors as tender agent (the “**Tender Agent**”) in connection with the Offers.

BNP Paribas, Deutsche Bank AG, London Branch, Goldman Sachs International, Lloyds Bank plc, Merrill Lynch International and UBS Limited have been appointed by the Offerors as Dealer Managers (the “**Dealer Managers**”) for the purposes of the Offers.

For further information:

Investor Relations

Douglas Radcliffe +44 (0) 20 7356 1571
Group Investor Relations Director
Email: douglas.radcliffe@finance.lloydsbanking.com

Corporate Affairs

Matt Smith +44 (0) 20 7356 3522
Head of Corporate Media
Email: matt.smith@lloydsbanking.com

Requests for information in relation to the Offers should be directed to:

DEALER MANAGERS

BNP Paribas

10 Harewood Avenue
London NW1 6AA
United Kingdom

Telephone: +44 20 7595 8668
Attention: Liability Management Group
email:
liability.management@bnpparibas.com

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Telephone: +44 20 7545 8011
Attention: Liability Management Group
email:
liability.management@db.com

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

Telephone: +44 20 7774 9862
Attention: Liability Management Group
email:
liabilitymanagement.eu@gs.com

Lloyds Bank plc

10 Gresham Street
London EC2V 7AE
United Kingdom

Telephone: +44 20 7158 2720
Attention: Liability Management Group
email:
liability.management@lloydsbanking.com

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
United Kingdom

Telephone: +44 20 7996 5698
Attention: Liability Management Group
email:
DG.LM_EMEA@baml.com

UBS Limited

1 Finsbury Avenue
London EC2M 2PP
United Kingdom

Telephone: +44 20 7568 2133
Attention: Liability Management Group
email:
ol-liabilitymanagement-eu@ubs.com

Requests for information in relation to the procedures for tendering Existing Notes in, and for any documents or materials relating to, the Tender Offer should be directed to:

TENDER AGENT

Lucid Issuer Services Limited

Tankerton Works

12 Argyle Walk

London WC1H 8HA

United Kingdom

Tel: +44 20 7704 0880

Attention: Sunjeeve Patel / Paul Kamminga

Email: lbg@lucid-is.com

DISCLAIMER

This announcement must be read in conjunction with the Tender Offer Memorandum. This announcement and the Tender Offer Memorandum contain important information which must be read carefully before any decision is made with respect to the Offers. If any Holder is in any doubt as to the action it should take, it is recommended to seek its own legal, tax, accounting and financial advice, including as to any tax consequences, from its stockbroker, bank manager, solicitor, accountant or other independent financial adviser. Any individual or company whose Notes are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Offers. None of the Offerors, the Dealer Managers, the Tender Agent and any person who controls, or is a director, officer, employee or agent of such persons, or any affiliate of such persons, makes any recommendation as to whether Holders should participate in the Offers.

OFFER AND DISTRIBUTION RESTRICTIONS

This announcement and the Tender Offer Memorandum do not constitute an offer or an invitation to participate in the Offers in the United States or in any other jurisdiction in which, or to any person to or from whom, it is unlawful to make such offer or invitation or for there to be such participation under applicable laws. The distribution of this announcement and the Tender Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this announcement and/or the Tender Offer Memorandum comes are required by each of the Offerors, the Dealer Managers and the Tender Agent to inform themselves about and to observe any such restrictions.

United States

The Offers are not being made and will not be made, directly or indirectly, in or into, or by use of the mail of, or by any means or instrumentality of interstate or foreign commerce of, or of any facilities of a national securities exchange of, the United States. This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone and the internet. The Existing Notes may not be tendered in any Offer by any such use, means, instrumentality or facility from or within the United States or by persons located or resident in the United States or by U.S. Persons as defined in Regulation S of the United States Securities Act of 1933, as amended (each a "**U.S. Person**"). Accordingly, copies of this announcement, the Tender Offer Memorandum and any other documents or materials relating to the Offers are not being, and must not be, directly or indirectly, mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States or to any persons located or resident in the United States or to U.S. Persons. Any purported tender of Existing Notes in an Offer

resulting directly or indirectly from a violation of these restrictions will be invalid and any purported tender of Existing Notes made by a person located or resident in the United States or by a U.S. Person, or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States or for a U.S. Person will be invalid and will not be accepted.

Each Holder participating in an Offer will represent that it is not a U.S. Person and it is not located or resident in the United States and is not participating in such Offer from the United States or it is acting on a non-discretionary basis for a principal located outside the United States that is not giving an order to participate in such Offer from the United States and is not a U.S. Person. For the purposes of this and the above paragraph, "United States" means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

United Kingdom

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

France

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

Italy

None of the Offers, this announcement, the Tender Offer Memorandum nor any other document or materials relating to the Offers have been or will be submitted to the clearance procedures of the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian laws and regulations. Each Offer is being carried out in the Republic of Italy as an exempted offer pursuant to article 101-*bis*, paragraph 3-*bis* of the Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and article 35-*bis*, paragraph 4, of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the "**Issuers' Regulation**"). The Offers are also being carried out in compliance with article 35-*bis*, paragraph 7 of the Issuers' Regulation. Holders or beneficial owners of Existing Notes that are located in the Republic of Italy can tender Existing Notes for purchase in the Offers through authorised persons (such as investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority. Each intermediary must comply with the applicable laws and regulations

concerning information duties *vis-à-vis* its clients in connection with the Existing Notes or the Offers.

General

The Offers do not constitute an offer to buy or the solicitation of an offer to sell Existing Notes in any circumstances in which such offer or solicitation is unlawful. In those jurisdictions where the securities or other laws require the Offers to be made by a licensed broker or dealer and the Dealer Managers or, where the context so requires, any of their respective affiliates is such a licensed broker or dealer in that jurisdiction, the Offers shall be deemed to be made on behalf of the Offerors by such Dealer Manager or affiliate (as the case may be) in such jurisdiction.

In addition to the representations referred to above in respect of the United States, each Holder participating in an Offer will also be deemed to give certain representations in respect of the other jurisdictions referred to above and generally as set out in "*Procedures for Participating in the Offers*" in the Tender Offer Memorandum. Any tender of Existing Notes for purchase pursuant to an Offer from a Holder that is unable to make these representations may be rejected. Each of the Offerors, the Dealer Managers and the Tender Agent reserves the right, in their sole and absolute discretion, to investigate, in relation to any tender of Existing Notes for purchase pursuant to an Offer, whether any such representation given by a Holder is correct and, if such investigation is undertaken and as a result the relevant Offeror determines (for any reason) that such representation is not correct, such tender may be rejected.

The Dealer Managers and the Tender Agent (and their respective directors, employees or affiliates (other than the Offerors in their capacity as such)) make no representations or recommendations whatsoever regarding this announcement, the Tender Offer Memorandum or the Offers. The Tender Agent is the agent of the Offerors and owes no duty to any Holder. None of the Offerors, the Dealer Managers or the Tender Agent (or any of their respective directors, employees or affiliates) makes any recommendation as to whether or not Holders should participate in the Offers.