

FILED

2014 JUL 28 P 4:47

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

US DISTRICT COURT
HARTFORD CT

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UNITED STATES OF AMERICA : CRIMINAL NO. 3:14CR165 (mps)
:
- v. - :
:
LLOYDS BANKING GROUP PLC, :
:
Defendant. :
----- x

DEFERRED PROSECUTION AGREEMENT

Defendant Lloyds Banking Group plc ("LBG"), by its undersigned representatives, pursuant to authority granted by LBG's Board of Directors, and the United States Department of Justice, Criminal Division, Fraud Section and Antitrust Division (together, the "Department"), enter into this Deferred Prosecution Agreement (the "Agreement"), the terms and conditions of which are as follows:

Criminal Information and Acceptance of Responsibility

1. LBG acknowledges and agrees that the Department will file the attached one-count criminal Information in the United States District Court for the District of Connecticut charging LBG with one-count of wire fraud, in violation of Title 18, United States Code, Section 1343. In so doing, LBG: (a)

knowingly waives its right to indictment on this charge, as well as all rights to a speedy trial pursuant to the Sixth Amendment to the United States Constitution, Title 18, United States Code, Section 3161, and Federal Rule of Criminal Procedure 48(b); and (b) knowingly waives for purposes of this Agreement and any charges by the United States arising out of the conduct described in the attached Statement of Facts any objection with respect to venue and consents to the filing of the Information, as provided under the terms of this Agreement, in the United States District Court for the District of Connecticut.

2. LBG admits, accepts, and acknowledges that it is responsible under United States law for the acts of the officers, directors, employees, and agents of certain companies that are currently subsidiaries of LBG as charged in the Information, and as set forth in the Statement of Facts attached hereto as Attachment A and incorporated by reference into this Agreement, and that the allegations described in the Information and the facts described in Attachment A are true and accurate. Should the Department pursue the prosecution that is deferred by this Agreement, LBG stipulates to the admissibility of the Statement of Facts in any proceeding, including any trial, guilty plea, or sentencing proceeding, and will not contradict anything in the Statement of Facts at any such proceeding.

Term of the Agreement

3. This Agreement is effective for a period beginning on the date on which the Information is filed and ending two (2) years and seven (7) calendar days from that date (the "Term"). LBG agrees, however, that, in the event the Department determines, in its sole discretion, that LBG has knowingly violated any provision of this Agreement, an extension or extensions of the term of the Agreement may be imposed by the Department, in its sole discretion, for up to a total additional time period of one year, without prejudice to the Department's right to proceed as provided in Paragraphs 13-15 below. Any extension of the Agreement extends all terms of this Agreement for an equivalent period.

Relevant Considerations

4. The Department enters into this Agreement based on the individual facts and circumstances presented by this case and by LBG. Among the factors considered were the following:

a. After being contacted by regulatory authorities and the Department in connection with investigations into the alleged manipulation of LIBOR, LBG promptly commenced an internal investigation and, upon discovery, disclosed to the Department misconduct described in the Information and the

Statement of Facts. During the course of this cooperation, LBG collected, analyzed, and organized voluminous evidence, data, and information for the Department. LBG also expanded the scope of its internal investigation to include potential misconduct relating to areas that the Department had not been focusing on at the time.

b. LBG has taken remedial action to guard against improper behavior in connection with LIBOR submissions, including: adopting a policy that sets out the factors that can and cannot be considered when formulating LIBOR submissions; providing training to submitters, money-market traders, and derivatives traders on how to appropriately handle improper requests to manipulate LIBOR rates; requiring approval and regular monitoring of submissions by supervisors who are to be held accountable for any future malfeasance; implementing regular monitoring of submissions by its internal control function and compliance; and undertaking regular internal audits and a recent external audit. LBG has also agreed to take additional remedial actions to guard against improper behavior.

c. The misconduct identified in the attached Information and Statement of Facts took place, with certain exceptions, on the money-market desks in London, and included managers on those desks. Although the misconduct was serious,

it was limited in scope relative to certain other LIBOR panel banks and was not pervasive within LBG or its predecessor entities. Moreover, while additional serious misconduct came to light during the investigation – relating, in particular, to fees that LBG owed to the Bank of England (the “BoE”) in connection with funding that LBG obtained from the BoE pursuant to a Special Liquidity Scheme¹ – that conduct is appropriately being addressed by authorities in the United Kingdom (the “U.K.”), rather than through a resolution of the Department’s criminal investigation in the United States.

d. LBG has agreed to continue to cooperate with the Department in any ongoing investigation of the conduct of LBG and its current and former officers, directors, employees and agents relating to manipulation or attempted manipulation of benchmark rates, including, but not limited to, manipulation and interbank coordination of benchmark rate submissions, or additional conduct, as provided in Paragraphs 5 and 6 below.

e. LBG has provided valuable information that has expanded and advanced the criminal investigation.

f. Significant remedies and sanctions are also being imposed on LBG by other regulators.

¹ Prior to the execution of this Agreement, LBG has provided full compensation to the BoE for the loss resulting from this conduct.

Future Cooperation and Disclosure Requirements

5. LBG shall cooperate fully with the Department in any and all matters relating to the conduct described in this Agreement and Attachment A and other conduct under investigation by the Department at any time during the Term of this Agreement, subject to applicable law and regulations, until the date upon which all investigations and prosecutions arising out of such conduct are concluded, whether or not those investigations and prosecutions are concluded within the term specified in Paragraph 3. At the request of the Department, LBG shall also cooperate fully with other domestic or foreign law enforcement and regulatory authorities and agencies in any investigation of LBG or its affiliates, or any of their respective present or former officers, directors, employees, agents, and consultants, or any other party, in any and all matters relating to the conduct described in this Agreement and Attachment A and other conduct under investigation by the Department at any time during the Term of this Agreement. LBG agrees that its cooperation pursuant to this paragraph shall include, but not be limited to, the following:

a. LBG shall truthfully disclose all factual information not protected by a valid claim of attorney-client privilege or work-product doctrine with respect to its

activities, those of its affiliates, and those of their respective present and former directors, officers, employees, agents, and consultants, including any evidence or allegations and internal or external investigations, about which LBG has any knowledge or about which the Department may inquire. This obligation of truthful disclosure includes, but is not limited to, the obligation of LBG to provide to the Department, upon request, any document, record or other tangible evidence about which the Department may inquire of LBG.

b. Upon request of the Department, LBG shall designate knowledgeable employees, agents or attorneys to provide to the Department the information and materials described in Paragraph 5(a) above on behalf of LBG. It is further understood that LBG must at all times provide complete, truthful, and accurate information.

c. LBG shall use its best efforts to make available for interviews or testimony, as requested by the Department, present or former officers, directors, employees, agents and consultants of LBG or its subsidiaries. This obligation includes, but is not limited to, sworn testimony before a federal grand jury or in federal trials, as well as interviews with domestic or foreign law enforcement and regulatory authorities. Cooperation under this Paragraph shall include

identification of witnesses who, to the knowledge of LBG, may have material information regarding the matters under investigation.

d. With respect to any information, testimony, documents, records or other tangible evidence provided to the Department pursuant to this Agreement, LBG consents to any and all disclosures, subject to applicable law and regulations, to other governmental authorities, including United States authorities and those of a foreign government of such materials as the Department, in its sole discretion, shall deem appropriate.

6. In addition to the obligations in Paragraph 5, during the Term of the Agreement, should LBG learn of credible evidence or allegations of any manipulation or attempted manipulation of benchmark rates, including, but not limited to, manipulation and interbank coordination of benchmark rate submissions, LBG shall promptly report such evidence or allegations to the Department.

Payment of Monetary Penalty

7. LBG agrees to pay a monetary penalty in the amount of \$86 million to the United States Treasury within ten (10) days of the filing of the Information. LBG and the Department agree that this penalty is appropriate given the facts and circumstances of this case, including the nature and extent of

LBG's cooperation, internal investigation, and remediation in this matter, as well as the monetary penalties LBG has agreed to pay to other regulatory enforcement authorities in the U.K. and the United States relating to the same conduct at issue in this case. The \$86-million penalty is final and shall not be refunded. Furthermore, nothing in this Agreement shall be deemed an agreement by the Department that \$86 million is the maximum penalty that may be imposed in any future prosecution, and the Department is not precluded from arguing in any future prosecution that the Court should impose a higher fine, although the Department agrees that under those circumstances, it will recommend to the Court that any amount paid under this Agreement should be offset against any fine the Court imposes as part of a future judgment. LBG acknowledges that no United States tax deduction may be sought in connection with the payment of any part of this \$86-million penalty.

Conditional Release from Liability

8. Subject to Paragraphs 13-15 of this Agreement, the Department agrees, except as provided herein, that it will not bring any criminal or civil case against LBG or its affiliates relating to any of the conduct described in the Statement of Facts attached hereto as Attachment A, the criminal Information filed pursuant to this Agreement, or for the conduct that the

Company disclosed to the Department prior to the signing of this Agreement. The Department, however, may use any information related to the conduct described in the attached Statement of Facts against LBG: (a) in a prosecution for perjury or obstruction of justice; (b) in a prosecution for making a false statement; (c) in a prosecution or other proceeding relating to any crime of violence; or (d) in a prosecution or other proceeding relating to a violation of any provision of Title 26 of the United States Code.

a. This Agreement does not provide any protection against prosecution for any future conduct by LBG.

b. In addition, this Agreement does not provide any protection against prosecution of any current or former officer, director, employee, shareholder, agent, consultant, contractor, or subcontractor of LBG or its subsidiaries for any violations committed by them.

Corporate Compliance Program

9. LBG represents that it has implemented and will continue to implement a compliance and ethics program designed to prevent and detect manipulation and interbank coordination of benchmark rate submissions throughout its operations, including those of its affiliates.

10. In order to address any deficiencies in its internal controls, policies, and procedures, LBG represents that it has undertaken, and will continue to undertake in the future, in a manner consistent with all of its obligations under this Agreement, reviews to ensure against the manipulation of benchmark rates, including reviews to ensure against the manipulation and interbank coordination of benchmark rate submissions. If necessary and appropriate, LBG will adopt new or modified internal controls, policies, and procedures in order to ensure that LBG maintains a system of internal controls designed to ensure against the manipulation and attempted manipulation of benchmark rates, including the manipulation and interbank coordination of benchmark rate submissions.

Deferred Prosecution

11. In consideration of: (a) the past and future cooperation of LBG described in Paragraphs 5 and 6 above; (b) LBG's payment of a criminal penalty of \$86 million; and (c) LBG's implementation and maintenance of remedial measures as described in Paragraphs 9 and 10 above, the Department agrees that any prosecution of LBG for the conduct set forth in the attached Statement of Facts, and for the conduct that LBG disclosed to the Department prior to the signing of this Agreement, be and hereby is deferred for the Term of this

Agreement. To the extent there is conduct disclosed by LBG that the parties have specifically discussed and agreed is not covered by this Agreement, such conduct will not be exempt from further prosecution and is not within the scope of or relevant to this Agreement.

12. The Department further agrees that if LBG fully complies with all of its obligations under this Agreement, the Department will not continue the criminal prosecution against LBG described in Paragraph 1 and, at the conclusion of the Term, this Agreement shall expire. Within thirty (30) days of the Agreement's expiration, the Department shall seek dismissal with prejudice of the criminal Information filed against LBG described in Paragraph 1, and agrees not to file charges in the future against LBG based on the conduct described in this Agreement and Attachment A.

Breach of the Agreement

13. If, during the Term of this Agreement, LBG (a) commits any felony under U.S. federal law; (b) provides in connection with this Agreement deliberately false, incomplete, or misleading information; (c) fails to cooperate as set forth in Paragraphs 5 and 6 of this Agreement; (d) fails to implement a compliance program as set forth in Paragraphs 9 and 10 of this Agreement; or (e) otherwise fails specifically to perform or to

fulfill completely each of LBG's obligations under the Agreement, LBG shall thereafter be subject to prosecution for any federal criminal violation of which the Department has knowledge, including, but not limited to, the charge in the Information described in Paragraph 1, which may be pursued by the Department in the U.S. District Court for the District of Connecticut or any other appropriate venue. Determination of whether LBG has breached the Agreement and whether to pursue prosecution of LBG shall be in the Department's sole discretion. Any such prosecution may be premised on information provided by LBG. Any such prosecution relating to the conduct described in the attached Statement of Facts or relating to conduct known to the Department prior to the date on which this Agreement was signed that is not time-barred by the applicable statute of limitations on the date of the signing of this Agreement may be commenced against LBG, notwithstanding the expiration of the statute of limitations, between the signing of this Agreement and the expiration of the Term plus one year. Thus, by signing this Agreement, LBG agrees that the statute of limitations with respect to any such prosecution that is not time-barred on the date of the signing of this Agreement shall be tolled for the Term plus one year.

14. In the event the Department determines that LBG has breached this Agreement, the Department agrees to provide LBG with written notice of such breach prior to instituting any prosecution resulting from such breach. Within thirty (30) days of receipt of such notice, LBG shall have the opportunity to respond to the Department in writing to explain the nature and circumstances of such breach, as well as the actions LBG has taken to address and remediate the situation, which explanation the Department shall consider in determining whether to pursue prosecution of LBG.

15. In the event that the Department determines that LBG has breached this Agreement: (a) all statements made by or on behalf of LBG to the Department or to the Court, including the attached Statement of Facts, and any testimony given by LBG before a grand jury, a court, or any tribunal, or at any legislative hearings, whether prior or subsequent to this Agreement, and any leads derived from such statements or testimony, shall be admissible in evidence in any and all criminal proceedings brought by the Department against LBG; and (b) LBG shall not assert any claim under the United States Constitution, Rule 11(f) of the Federal Rules of Criminal Procedure, Rule 410 of the Federal Rules of Evidence, or any other federal rule that any such statements or testimony made by

or on behalf of LBG prior or subsequent to this Agreement, or any leads derived therefrom, should be suppressed or are otherwise inadmissible. The decision whether conduct or statements of any current director, officer or employee, or any person acting on behalf of, or at the direction of, LBG, will be imputed to LBG for the purpose of determining whether LBG has violated any provision of this Agreement shall be in the sole discretion of the Department.

16. LBG acknowledges that the Department has made no representations, assurances, or promises concerning what sentence may be imposed by the Court if LBG breaches this Agreement and this matter proceeds to judgment. LBG further acknowledges that any such sentence is solely within the discretion of the Court and that nothing in this Agreement binds or restricts the Court in the exercise of such discretion.

Sale or Merger of Company

17. Except as may otherwise be agreed by the parties hereto in connection with a particular transaction, LBG agrees that in the event it sells, merges, or transfers all or substantially all of its business operations as they exist as of the date of this Agreement, whether such sale is structured as a sale, asset sale, merger, or transfer, it shall include in any contract for sale, merger, or transfer a provision binding the

purchaser, or any successor in interest thereto, to the obligations described in this Agreement.

Public Statements by Company

18. LBG expressly agrees that it shall not, through present or future attorneys, officers, directors, employees, agents, or any other person authorized to speak for LBG make any public statement, in litigation or otherwise, contradicting the acceptance of responsibility by LBG set forth above or the facts described in the attached Statement of Facts. Any such contradictory statement shall, subject to cure rights of LBG described below, constitute a breach of this Agreement, and LBG thereafter shall be subject to prosecution as set forth in Paragraphs 13-15 of this Agreement. The decision whether any public statement by any such person contradicting a fact contained in the Statement of Facts will be imputed to LBG for the purpose of determining whether it has breached this Agreement shall be at the sole discretion of the Department. If the Department determines that a public statement by any such person contradicts in whole or in part a statement contained in the Statement of Facts, the Department shall so notify LBG, and LBG may avoid a breach of this Agreement by publicly repudiating such statement(s) within five (5) business days after notification. LBG shall be permitted to raise defenses, take

legal positions, and to assert affirmative claims in other proceedings relating to the matters set forth in the Statement of Facts provided that such defenses, positions, and claims do not contradict, in whole or in part, a statement contained in the Statement of Facts. This Paragraph does not apply to any statement made by any present or former officer, director, employee, or agent of LBG in the course of any criminal, regulatory, or civil case initiated against such individual, unless such individual is speaking on behalf of LBG.

19. LBG agrees that if it, or any of its direct or indirect subsidiaries or affiliates issues a press release or holds any press conference in connection with this Agreement, LBG shall first consult with the Department to determine (a) whether the text of the release or proposed statements at the press conference are true and accurate with respect to matters between the Department and LBG; and (b) whether the Department has any objection to the release.

20. The Department agrees that, if requested to do so, it will bring to the attention of law enforcement and regulatory authorities the facts and circumstances relating to the nature of the conduct underlying this Agreement, including the nature and quality of LBG's cooperation and remediation. By agreeing to provide this information to such authorities, the Department

is not agreeing to advocate on behalf of LBG, but rather is agreeing to provide facts to be evaluated independently by such authorities.

Limitations on Binding Effect of Agreement

21. This Agreement is binding on LBG and the Department but specifically does not bind any other component of the Department of Justice, other federal agencies, or any state, local or foreign law enforcement or regulatory agencies, or any other authorities, although the Department will bring the cooperation of LBG and its compliance with its other obligations under this Agreement to the attention of such agencies and authorities if requested to do so by LBG.

Notice

22. Any notice to the Department under this Agreement shall be given by personal delivery, overnight delivery by a recognized delivery service, or registered or certified mail, addressed to Benjamin Singer, Deputy Chief - Securities and Financial Fraud Unit, Fraud Section, Criminal Division, U.S. Department of Justice, Third Floor, 1400 New York Avenue, NW, Washington, DC 20530, and the Director of Criminal Enforcement, Antitrust Division, U.S. Department of Justice, 950 Pennsylvania Avenue, NW, Room 3211, Washington, DC 20530. Any notice to LBG under this Agreement shall be given by personal delivery,

overnight delivery by a recognized delivery service, or registered or certified mail, addressed to Megan Dixon, Hogan Lovells US LLP, 3 Embarcadero Center, Suite 1500, San Francisco, CA 94111. Notice shall be effective upon actual receipt by the Department or LBG.

Complete Agreement

23. This Agreement sets forth all the terms of the agreement between LBG and the Department. No amendments, modifications or additions to this Agreement shall be valid unless they are in writing and signed by the Department, the attorneys for LBG and a duly authorized representative of LBG.

AGREED:

FOR LLOYDS BANKING GROUP PLC:

Date: JULY 28, 2014

By:


Andrew Whittaker
General Counsel
Lloyds Banking Group plc

Date: _____

By:

Kevin McKendry
Chief Legal Officer, North America
Lloyds Bank plc
Bank of Scotland plc

Date: JULY 28, 2014

By:


George Culmer
Chief Financial Officer
Lloyds Banking Group plc

Date: _____

By:

Megan Dixon, Esq.
Marc J. Gottridge, Esq.
Hogan Lovells US LLP

FOR THE DEPARTMENT OF JUSTICE, Criminal Division, Fraud Section:

JEFFREY H. KNOX
Chief, Fraud Section
Criminal Division
United States Department of Justice

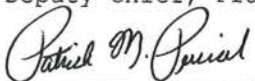
Date: July 28, 2014

By:


Daniel A. Braun
Deputy Chief, Fraud Section

Date: July 28, 2014

By:


Patrick M. Pericak
Trial Attorney, Fraud Section

AGREED:

FOR LLOYDS BANKING GROUP PLC:

Date: _____

By: _____

Andrew Whittaker
General Counsel
Lloyds Banking Group plc

Date: 7/28/2014

By: _____

Kevin McKendry
Chief Legal Officer, North America
Lloyds Bank plc
Bank of Scotland plc

Date: _____

By: _____

George Culmer
Chief Financial Officer
Lloyds Banking Group plc

Date: _____

By: _____

Megan Dixon, Esq.
Marc J. Gottridge, Esq.
Hogan Lovells US LLP

FOR THE DEPARTMENT OF JUSTICE, Criminal Division, Fraud Section:

JEFFREY H. KNOX
Chief, Fraud Section
Criminal Division
United States Department of Justice

Date: _____

By: _____

Daniel A. Braun
Deputy Chief, Fraud Section

Date: _____

By: _____

Patrick M. Pericak
Trial Attorney, Fraud Section

AGREED:

FOR LLOYDS BANKING GROUP PLC:

Date: _____

By: _____
Andrew Whittaker
General Counsel
Lloyds Banking Group plc

Date: _____

By: _____
Kevin McKendry
Chief Legal Officer, North America
Lloyds Bank plc
Bank of Scotland plc

Date: _____

By: _____
George Culmer
Chief Financial Officer
Lloyds Banking Group plc

Date: 28 July 2014

By: Megan Dixon
Megan Dixon, Esq.
Marc J. Gottridge, Esq.
Hogan Lovells US LLP

FOR THE DEPARTMENT OF JUSTICE, Criminal Division, Fraud Section:

JEFFREY H. KNOX
Chief, Fraud Section
Criminal Division
United States Department of Justice

Date: _____

By: _____
Daniel A. Braun
Deputy Chief, Fraud Section

Date: _____

By: _____
Patrick M. Pericak
Trial Attorney, Fraud Section

FOR THE DEPARTMENT OF JUSTICE, Antitrust Division:

JEFFREY D. MARTINO
Chief, New York Office
Antitrust Division
United States Department of Justice

Date: JULY 28, 2014

By: Michael T. Koenig/pw
Michael T. Koenig
Richard A. Powers
Trial Attorneys
Antitrust Division

COMPANY OFFICER'S CERTIFICATE

I have read this Agreement and carefully reviewed every part of it with outside counsel for Lloyds Banking Group plc ("LBG"). I understand the terms of this Agreement and voluntarily agree, on behalf of LBG, to each of its terms. Before signing this Agreement, I consulted outside counsel for LBG. Counsel fully advised me of the rights of LBG, of possible defenses, of the Sentencing Guidelines' provisions, and of the consequences of entering into this Agreement.

Under the Articles of Association of LBG, the Board of LBG may delegate any of its powers to a committee of the Board of Directors. By a resolution of the Board of Directors of LBG dated July 7, 2014 the Board of Directors of LBG delegated its power to consider and approve this Agreement and to authorize the execution and delivery of this Agreement on behalf of LBG to a committee of the Board (the "Board Committee").

I have circulated the terms of this Agreement to the Board of Directors of LBG and I have carefully reviewed the terms of this Agreement with the Board Committee.

I have advised and caused outside counsel for LBG to advise the Board Committee fully of the rights of LBG, of possible

defenses, of the Sentencing Guidelines' provisions, and of the consequences of entering into the Agreement.

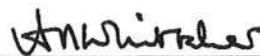
On July 24, 2014 the Board Committee considered and approved this Agreement and authorized the execution and delivery of this Agreement on behalf of LBG.

No promises or inducements have been made other than those contained in this Agreement. Furthermore, no one has threatened or forced me, or to my knowledge any person authorizing this Agreement on behalf of LBG, in any way to enter into this Agreement. I am also satisfied with outside counsel's representation in this matter. I certify that I am Group General Counsel of Lloyds Banking Group plc and that I have been duly authorized by LBG to execute this Agreement on behalf of LBG.

Date: JULY 28, 2014

Lloyds Banking Group plc

By: _____



Andrew Whittaker
Group General Counsel

CERTIFICATE OF COUNSEL

I am counsel for Lloyds Banking Group plc ("LBG") in the matter covered by this Agreement. In connection with such representation, I have examined relevant LBG documents and have discussed the terms of this Agreement with a Committee of the Board of Directors of LBG that has been specifically authorized by the Board of Directors of LBG to consider and approve this Agreement and authorize its execution and delivery on behalf of LBG (the "Board Committee"). Based on our review of the foregoing materials and discussions, I am of the opinion that the representative of LBG has been duly authorized to enter into this Agreement on behalf of LBG and that this Agreement has been duly and validly authorized, executed, and delivered on behalf of LBG and is a valid and binding obligation of LBG. Further, I have carefully reviewed the terms of this Agreement with the Board Committee and Andrew Whittaker, Group General Counsel of LBG. I have fully advised them of the rights of LBG, of possible defenses, of the Sentencing Guidelines' provisions and of the consequences of entering into this Agreement. To my knowledge, the decision of LBG to enter into this Agreement, based on the authorization of the Board Committee, is an informed and voluntary one.

Date: 28 July, 2014

By: 
Megan Dixon
Partner
Hogan Lovells US LLP

ATTACHMENT A

STATEMENT OF FACTS

This Statement of Facts is incorporated by reference as part of the Deferred Prosecution Agreement, dated July 28, 2014, between the United States Department of Justice, Criminal Division, Fraud Section and Antitrust Division, and Lloyds Banking Group plc ("LBG"). The parties agree that the following information is true and accurate:

BACKGROUND

A. LIBOR

1. Since its inception in approximately 1986, the London Interbank Offered Rate ("LIBOR") has been a benchmark interest rate used in financial markets around the world. Futures, options, swaps, and other derivative financial instruments traded in the over-the-counter market and on exchanges worldwide are settled based on LIBOR. The Bank of International Settlements has estimated that in the second half of 2009, for example, the notional amount of over-the-counter interest rate derivative contracts was valued at approximately \$450 trillion. Financial institutions also use LIBOR as a reference rate in a variety of other agreements and transactions, including when these institutions borrow and loan funds. In addition, mortgages, credit cards, student loans, and other consumer lending products often use LIBOR as a reference rate.

2. LIBOR was, at all relevant times, published under the auspices of the British Bankers' Association ("BBA"), a trade association with over 200 member banks that addresses issues involving the United Kingdom (the "U.K.") banking and financial services industries. The BBA defined LIBOR as:

The rate at which an individual Contributor Panel bank could borrow funds, were it to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11:00 [a.m.] London time.

This definition has been in place since approximately 1998.

3. LIBOR rates were initially calculated for three currencies: the United States Dollar, the British Pound Sterling, and the Japanese Yen. Over time, the use of LIBOR expanded, and benchmark rates were calculated for ten currencies, including the original three.

4. At all relevant times, the LIBOR for a given currency was the result of a calculation based upon submissions from a panel of banks for that currency (the "Contributor Panel") selected by the BBA. Each member of the Contributor Panel submitted its rates every London business day through electronic means to Thomson Reuters, as an agent for the BBA, by 11:10 a.m. London time. Once each Contributor Panel bank submitted its rate, the contributed rates were ranked. The highest and lowest quartiles were excluded from the calculation, and the middle two quartiles (i.e., 50% of the submissions) were averaged to

formulate the resulting LIBOR "fix" or "setting" for that particular currency and maturity.

5. At all relevant times, the LIBOR contribution of each Contributor Panel bank was submitted to between two and five decimal places, and the LIBOR fix was rounded, if necessary, to five decimal places. In the context of measuring interest rates, one "basis point" (or "bp") is one-hundredth of one percent (0.01%).

6. At all relevant times, Thomson Reuters calculated and published the LIBOR rates each business day by approximately 11:30 a.m. London time. Fifteen maturities (or "tenors") were quoted for each currency, ranging from overnight to twelve months. The published rates were made available worldwide by Thomson Reuters and other data vendors through electronic means and through a variety of information sources. In addition to the LIBOR fix resulting from the calculation, Thomson Reuters published each Contributor Panel bank's submitted rates along with the names of the banks.

7. According to the BBA, each Contributor Panel bank was required to submit its rate without reference to rates contributed by other Contributor Panel banks. Further, a Contributor Panel bank could not contribute a rate based on the pricing of any financial instrument. In other words, a Contributor Panel bank's LIBOR submissions were not to be

influenced by its motive to maximize profit or minimize losses in financial transactions tied to LIBOR.

8. The Contributor Panel for United States Dollar ("Dollar") LIBOR from at least 2006 through 2010 was comprised of 16 banks. From 2006 through February 6, 2009, Lloyds TSB Bank plc ("LTSB") and HBOS plc ("HBOS") (through HBOS Treasury Services plc ("HBOS Treasury") until September 2007, and then through Bank of Scotland until February 6, 2009) were both on the Dollar Contributor Panel. In January 2009, LTSB's parent corporation acquired HBOS, and the acquiring entity was renamed LBG. On February 6, 2009, LTSB (later renamed Lloyds Bank plc ("Lloyds Bank")) became the sole submitter on the Dollar Contributor Panel on behalf of LBG. Presently, there are 18 banks on the Dollar Contributor Panel, including Lloyds Bank.

9. From at least 2006 through February 6, 2009, LTSB and HBOS (through the entities named above) were members of the Contributor Panel for Pound Sterling LIBOR, and after the acquisition of HBOS in January 2009, LTSB became the sole submitter on the Pound Sterling Contributor Panel on behalf of LBG. Presently, there are 16 banks on the Pound Sterling LIBOR Contributor Panel, including Lloyds Bank.

10. LTSB was a member of the Contributor Panel for Yen LIBOR from at least 2006 until January 2009, and remained the submitter for LBG on the Yen Contributor Panel after the

acquisition of HBOS. Presently, there are 13 banks on the Yen LIBOR Contributor Panel, including Lloyds Bank.

11. Because of the widespread use of LIBOR and other benchmark interest rates in financial markets, these rates play a fundamentally important role in financial systems around the world.

B. LBG

12. LBG is currently one of the world's 50 largest banks and is among the 25 largest companies listed on the London Stock Exchange. It operates a retail and commercial bank and insurance business that is concentrated in the U.K. LBG serves over 30 million customers; within the U.K., it is a leading provider of retail financial services such as individual bank accounts, mortgages, and credit cards. The U.K. Government currently owns 24.9% of LBG. As stated above, LBG was formed in January 2009 through the acquisition of HBOS by Lloyds TSB Group plc (now called LBG).

13. From 2006 through February 6, 2009, employees on LTSB's money-markets desk in London were responsible for contributing LTSB's LIBOR submissions, and employees on HBOS's money-markets desk in London were responsible for contributing HBOS's (through the entities described above) LIBOR submissions. After the acquisition, employees on the money-markets desk of LTSB/HBOS in London were responsible for contributing LIBOR

submissions on behalf of LBG. At all relevant times, traders on the money-markets desks of LTSB and HBOS, including the traders responsible for contributing LIBOR submissions, were responsible for entering into borrowing and lending transactions on behalf of LTSB and HBOS. These traders regularly borrowed and loaned funds, and entered into other transactions, at rates tied to LIBOR.

THE MANIPULATION OF LIBOR
SUBMISSIONS AT LBG AND ITS SUBSIDIARIES

14. Between at least as early as 2006 and at least as late as July 2009, Yen, Dollar, and Pound Sterling LIBOR submitters at LTSB and HBOS submitted LIBOR rates intended to benefit trading positions, rather than rates that complied with the definition of LIBOR. The submitters contributed these improper rates in order to benefit their own trading positions or the trading positions of others. At times, the submitters contributed improper rates at the request of traders in the U.K., Japan, and Australia.

A. U.S. Dollar LIBOR

15. From at least July 2007 through February 6, 2009, Submitter-1 was the Dollar LIBOR submitter at HBOS. Between at least as early as January 2008 and February 2009, Submitter-1 contributed rates intended to benefit HBOS's trading positions instead of rates that complied with the definition of LIBOR.

16. For example, on January 17, 2008, an HBOS derivatives trader in Sydney, Australia ("Trader-1") wrote in an email to Submitter-1: "3mth higher today pls!"¹ Submitter-1 responded: "Should be 92 for guide ill put in 93 to get counted." Trader-1 replied: "Good man then lower tomorrow if convenient" On January 17, 2008, Submitter-1 put in a submission – as he indicated he would – of 3.93 for the three-month tenor. Had Submitter-1 contributed a rate of 3.92, the composition of the rates used to calculate the LIBOR fix for that day would have been different.

17. From at least January 2006 through November 2010, Submitter-2 was the Dollar LIBOR submitter at LTSB.

18. Between at least as early as May 2008 and at least as late as May 2009, Submitter-2 contributed rates to benefit LTSB's and, after the acquisition, HBOS's trading positions instead of rates that complied with the definition of LIBOR.

19. For example, on May 11, 2009, Submitter-1 (the former Dollar LIBOR submitter at HBOS, who remained a money-markets trader after the acquisition) wrote to Submitter-2's Assistant: "do u put in the usd libors?" Submitter-2's Assistant responded: "yep[,] why my mate? don't you?" Submitter-1 replied: "we got kicked off remember but i used too." Submitter-1 then asked: "can you put in a lower 1 month today

¹ Quoted statements are set forth as in the original and communications have not been corrected for spelling or grammar.

pls cheers." Submitter-2's Assistant responded: "hehehe what sort of fixings have you got?" Submitter-1 replied, "6 yard liability," which referred to a \$6-billion borrowing. Submitter-1 later said in the same exchange that he was "being cheeky" to which Submitter-2's Assistant responded: "hehehe[,] will see what we can do . . . !" Submitter-1 replied: "was just joking being silly but that being said i will tell you when we have big resets as to be honest we shoudl be co ordinating the libor inputs to suit the books. for example later this month i have a 5y 3 month liability reset so we shoudl put in a low one there ill let u know." Submitter-2's Assistant responded: "of course, that is very sensible."

20. Subsequently, on May 19, 2009, Submitter-1 wrote in a Bloomberg message to Submitter-2: "have 5 yard 3month liability rolls today so would be advantageous to have lower 3month libor setting if doesn't conflict with any of your fix's." Submitter-1 then sent a Bloomberg message to Submitter-2's Assistant: "do u normally put the usd libors in? or is it [Submitter-2]." Submitter-2's Assistant responded: "me, consulting with [Submitter-2]." Submitter 1 replied: "ok cool ive already sent [Submitter-2] a bloomberg but he hasn't read it yet can u let him know that we hav 5 yards of 3 month liability resets so if it doesn't conflict with anythign you have a lower 3 month libor would be advantageous." Submitter-2's Assistant responded: "ok,

tk's." Submitter-1 then wrote another Bloomberg message to Submitter-2's Assistant: "can u get [Submitter-2] back to me when he has a second no rush." Submitter-2's Assistant wrote back: "just ask for him my friend he can hear you and is seating at his chair right now but I will also tell him . . . he will talk to you in a min," followed by, "just to let you know we are going 74 i/o 75 in 3s ;)." Submitter-1 replied: "legend." Later that day, Submitter-2 told Submitter-1 in a phone call: "obviously we got the Libors down for you." On May 19, 2009, LTSB submitted a rate of 0.74 for the three-month tenor, which was five basis points lower than the previous day's submission.

B. Pound Sterling LIBOR

21. Submitter-3 was the Pound Sterling LIBOR submitter for LTSB from at least January 2006 through July 2009.

22. Between at least as early as August 2007 and July 2009, Submitter-3 contributed rates to benefit LTSB's and, after the acquisition, HBOS's trading positions instead of rates that complied with the definition of LIBOR.

23. Submitter-3 informed others that he improperly took his trading positions into account when making LIBOR submissions. For instance, in an August 17, 2007 phone call with Broker-1 -- who worked at a London-based inter-dealer brokerage firm that, among other things, arranged financial

transactions between institutional market participants --
Broker-1 stated: "I was just thinking, if um, if you went 75 for 3s LIBOR you might get taken out of the um, the 8. Whereas if you go 70 you'll still be included in the 8 and you'll get the higher fixing. It seems odd, but that's what I reckon."
Submitter-3 responded: "I've got no fixings today. So I can do my LIBORs wherever I fucking want to put them, mate."

24. As another example, on October 5, 2007, Submitter-3 informed a broker at another inter-dealer brokerage firm, "I put mine higher because I have a little bit of fixing here and there." On October 5, 2007, Submitter-3 contributed a rate in the one-month tenor of 6.11, which was the highest contribution among the panel banks.

25. Submitter-4 was the Pound Sterling LIBOR submitter for HBOS from at least January 2006 through February 6, 2009. Submitter-4 subsequently became the Pound Sterling LIBOR submitter for LTSB from September 2010 through November 2010. After the acquisition, Submitter-4 (who remained a money-markets trader) made improper requests to Submitter-3 to submit LIBOR contributions to benefit HBOS's trading positions instead of rates that complied with the definition of LIBOR.

26. For instance, on March 6, 2009, Submitter-4 told Submitter-3 in a phone call: "Um, I'm paying on 12 yards of 1s today, . . . so if there is any way of making 1s relatively low

it would just be helpful for us all," and then added: "I think it's gonna be about one twenty six something or one twenty seven, maybe one twenty eight. It's a tricky one at the moment." Submitter-3 responded: "Well I've left mine at one twenty five mate." Submitter-4 replied: "Yeah, if you get at one twenty five, that's why, that's what I'm hoping to shape it down to. So, if you can do that it would be great." Submitter-3 then stated: "I've got-I've got some-I've got fixes, small, nowhere near 12 yards, so yeah I'll do twenty five alright?" Submitter-4 responded: "And I'm a payer in the 3s as well, what were you going to do in the 3s?" Submitter-3 replied: "Well 3s really should be ninety eight." Later, Submitter-3 asked: "Yeah, I mean, again, how much you got in 3s?" Submitter-4 replied: "I've only got five in 3s, so it's not, I'm not, it's not the end of the world, but if you're the other way around don't worry about it" Submitter-3 responded: "No no no, I've got a small loan going out, it's less than that. I'll probably have to go ninety, probably ninety six. I'll let you know before" On March 6, 2009, Submitter-3 contributed a rate of 1.26 in the one-month tenor, which was ten basis points lower than the previous day's submission, and a rate of 1.96 in the three-month tenor, which was four basis points lower than the previous day's submission.

27. As another example, on March 31, 2009, Submitter-4 told Submitter-3 in a phone call: "Uh, I was just gonna say I am receiving on 3s LIBOR today on a couple, on a reset, about two and a half yards and I'm receiving tomorrow on five yards, so, on the LIBOR for, obviously I don't know if you've got anything counter to that, but if you haven't, the firmer the better please." Seeking clarification, Submitter-3 asked: "The higher the better?" Submitter-4 responded: "Yes, please." Submitter-3 then explained: "Um, I always got-I've always got loads of loans going out at the end of the month, so I always try and fix it higher, so. Trouble is mate, I can't work out why it's fucking going down all the time." Later in the conversation, Submitter-3 asked: "What you need, and what was the other period, was it all 3s?" Submitter-4 responded: "Uh, no just it's 3s today and tomorrow." Submitter-3 replied: "Yeah, okay, I'm willing to do it at sixty-seven," to which Submitter-4 stated: "Yeah, cool. Um, just so you- 1s on the- I'm small receiving today. Tomorrow's massive all in the 1s. I'm paying, but what about 1s tomorrow?" Submitter-3 answered: "Well, luckily not today mate because I've got like trillions and billions in 1s going out today . . . Tomorrow you ask and do it slightly lower." Submitter-4 responded: "Yeah, no it's cool. I'm receiving on 1s today as well in a yard. But tomorrow, I'm paying on eleven and a half yards . . . in the 1s. But we'll worry about tomorrow

tomorrow." On March 31, 2009, Submitter-3 contributed, as he said he would, a rate of 1.67 in the three-month tenor; and, on April 1, 2009, Submitter-3 submitted a rate of 1.64. In the one-month tenor, on April 1, 2009, Submitter-3 contributed a rate of 1.02, which was three basis points lower than the previous day's submission.

C. Yen LIBOR

28. Submitter-5 was the Yen LIBOR submitter at LTSB from at least January 2006 through January 2007, and from May 2007 through February 6, 2009.

29. Between at least as early as June 2006 and January 2007, and between May 2007 and February 6, 2009, Submitter-5 contributed rates to benefit LTSB's trading positions instead of rates that complied with the definition of LIBOR.

30. In addition, from as early as June 2006 through at least October 2008, Submitter-5 and Paul Robson,² a submitter at Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

("Rabobank")³ who traded money-markets and derivatives products, had an agreement to make Yen LIBOR submissions that benefitted

² On April 28, 2014, a grand jury sitting in the Southern District of New York returned an indictment charging Robson with one count of conspiracy to commit wire fraud and bank fraud, in violation of Title 18, United States Code, Section 1349, and multiple counts of wire fraud, in violation of Title 18, United States Code, Section 1343.

³ Rabobank entered into a Deferred Prosecution Agreement ("DPA") with the Department of Justice that was filed in the United States District Court for the District of Connecticut on October 29, 2013. The DPA includes a statement of facts describing Rabobank's manipulation of LIBOR submissions, which includes some of the same facts set forth in this statement.

their respective trading positions, rather than submissions that complied with the definition of LIBOR. More particularly, Submitter-5 and Robson agreed that, upon request, they would contribute Yen LIBOR submissions to benefit each other's trading positions, or the trading positions of other traders, when doing so did not adversely affect their own trading positions. As Submitter-5 explained in an email forwarding a Yen LIBOR submission request from Robson to two LTSB money markets traders who were then responsible for making the Yen LIBOR contributions for LTSB (while Submitter-5 was seconded to a location outside London): "We usually try and help each other out ... but only if it suits."

31. For example, on June 27, 2006, Robson wrote to Submitter-5: "i need a high 1mth today - so i will be setting an obseently high 1mth." Submitter-5 responded: "sure mate no worries...give us an idea where and I'll try n oblige...;)." Robson replied: "ok great - well at mo thinking of setting mine around 17." Submitter-5's submission for that day in the one-month tenor was 0.17.

32. Shortly thereafter on that same day, Submitter-5 wrote to Robson: "mrng mate . . . my turn today ... what u going 3s libor . . . hoping for a higher one . . . 0.35 or u think that is pushing it a bit?" Robson responded: "nope - fine with me mate - will set 35 for you." Submitter-5 replied: "cheers dude."

33. On July 6, 2006, Robson communicated with Submitter-5: "for info i need a high 1mth set today - i will be setting something ridiclous like 28 or 29 for info." That day, Submitter-5 contributed a one-month Yen LIBOR submission that was two basis points higher than the previous day.

34. On occasions when Robson or Submitter-5 was unable to, or failed to, accommodate the other's trading position, an effort was sometimes made to explain the attendant circumstances and to preserve their agreement. For example, on March 28, 2008, Robson preemptively contacted Submitter-5 to explain that their submissions would be at odds that day: "morning skip - Yagami⁴] has asked me to set high libors today - gave me levels of 1m 82, 3m 94 ... 6m 1.02." Submitter-5 responded: "sry mate cant oblige today ... i need em lower!!!" Robson then explained: "yes was told by [a third party] ... just thought i'd let you know why mine will be higher ... and you don't get cross with me."

35. Similarly, on January 5, 2007, Submitter-5 explained how he had mistakenly failed to accommodate a request from Robson: "just b4 you beat me up ... I was in meeting so didn't do me libors today ... thk they put .52 for 1s" Robson answered: "hahah no thats fine - thats what i set too ... cheers skip."

⁴ On June 10, 2014, Takayuki Yagami, who was a derivatives trader at Rabobank, pleaded guilty to a criminal Information filed in the United States District Court for the Southern District of New York, which charged him with conspiracy to commit wire fraud and bank fraud, in violation of Title 18, United States Code, Section 1349.

36. The agreement between Robson and Submitter-5 was also used to attempt to manipulate Yen LIBOR to benefit other traders at both LTSB and Rabobank. For example, on July 19, 2007, Trader-2, an LTSB money-markets trader who was then in Tokyo, Japan, told Submitter-5: "I need a little favor today, for what it's worth. I don't know what you've been doing in three months, but we've got a lot of fixing of eighty three billion on Monday. . . . So if you could do a nice little low 3s that would be-."

Submitter-5 responded: "What do you want to do, what you want me to do, put low LIBOR in, is that what you're saying?" Trader-2 replied: "Yeah, low LIBOR in the 3s," to which Submitter-5 responded, "Yeah, of course I can mate, no worries at all."

Submitter-5 then told Trader-2, "I'll have a word with [Robson] as well, he'll drop it down for you as well I'm sure. . . . It needs more than one, mate, trust me." Submitter-5 subsequently sent a message to Robson: "mrng beautiful.....if u can would love a low fixing in 3s libor today...." Robson then asked: "ok skip - what u need?" Submitter-5 answered: ".77 if poss but just no higher than yest!!" Robson agreed, stating: "no prob." On that day, both LTSB and Rabobank submitted 0.77 for the three-month Yen LIBOR tenor, as Robson and Submitter-5 had discussed.

37. As another example, on July 27, 2006, Robson contacted Submitter-5 on behalf of Yagami to request a high one-month submission consistent with Rabobank's submission: "[Yagami] wants

a high 1m fix from me today ... am going to set .37." Submitter-5 agreed: "that suits mate," "so happy to ablige." On July 27, LTSB's submission moved up two basis points to 0.37.

38. The following day, July 28, Robson contacted Submitter-5 and stated: "morning skipper.....will be setting an obscenely high 1m again today...poss 38 just fyi." Submitter-5 responded: "(K)...oh dear..my poor customers....hehehe!! manual input libors again today then!!!!" Both banks' submissions on July 28 moved up one basis point, from 0.37 to 0.38.

39. On March 19, 2008, Robson contacted Submitter-5 and wrote: "Yagami needs a high 6m libor if u can help skip - asked me to set 1.10!" Submitter-5 answered: "oops my 6s is 1.15!!!," "he'll love me," and "send him my regards the lovely fella....not heard from him in a while....."

Implications of Submissions
Intended to Benefit Trading Positions

40. When LTSB and HBOS submitters - along with Robson at Rabobank, as set forth above - contributed rates to benefit their own or others' trading positions, the manipulation of the submissions affected the fixed rates, at least on occasion.

41. Indeed, the purpose of this activity was to influence the resulting fixes and thus to have a favorable effect on the financial performance of the books of LTSB, HBOS, and, in the case of Yen LIBOR, Rabobank's books as well.

42. Even very small movements in the LIBOR fix could have had a significant positive impact on the profitability of a trader's portfolio, and a correspondingly negative impact on their counterparties' trading positions.

43. LTSB and HBOS borrowed and loaned money at interest rates tied to LIBOR, and also entered into derivatives transactions tied to LIBOR. Some of the counterparties to those transactions were located in the United States. Those United States counterparties included, among others, asset management corporations, mortgage and loan corporations, and insurance companies. Those counterparties also included banks and other financial institutions in the United States or located abroad with branches in the United States.

44. In the instances when the published benchmark interest rates were manipulated in LTSB's and HBOS's favor due to the manipulation of their own or Rabobank's submissions, that manipulation, at least with respect to the particular transactions comprising the trading positions that the submitters took into account in making their LIBOR contributions, benefitted LTSB and HBOS to the detriment of counterparties. Submitters and traders who tried to manipulate LIBOR submissions understood that to the extent they increased their profits or decreased their losses in certain transactions from their efforts to manipulate rates, their counterparties would suffer corresponding adverse

financial consequences with respect to those particular transactions.

45. When submitters made submissions that took trading positions into account, the submissions they contributed were false and misleading. Those false and misleading LIBOR contributions affected or tended to affect the price of commodities, including futures contracts that were traded on commodities exchanges and used LIBOR as a reference rate. Moreover, the traders and submitters involved in the making of these false and misleading submissions were engaged in a deceptive course of conduct in an effort to gain an advantage over their counterparties. As part of that effort: (1) traders and submitters submitted and caused the submission of materially false and misleading LIBOR contributions; and (2) traders and submitters, both before and after initiating and continuing their effort to manipulate LIBOR contributions, negotiated and entered into transactions with counterparties that did not know that LTSB and HBOS employees were attempting to manipulate the relevant rate.

LBG'S ACCOUNTABILITY

46. LBG acknowledges that the wrongful acts taken by the participating employees in furtherance of the misconduct set forth above were within the scope of their employment at LTSB and HBOS. LBG further acknowledges that the participating employees intended, at least in part, to benefit the trading positions on the books of LTSB and HBOS through the actions described above. Due to this misconduct, LBG has been exposed to substantial financial risk, and partly as a result of the penalties imposed by this Deferred Prosecution Agreement and under agreements reached with other government authorities, has suffered actual financial loss.

ATTACHMENT B

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EXTRACT OF THE MINUTES OF A MEETING OF THE BOARD OF DIRECTORS (THE "BOARD") OF LLOYDS BANKING GROUP PLC ("LBG") HELD ON 7 JULY 2014 AT 25 GRESHAM STREET, LONDON AT 10.00AM ("EXTRACT 1").

Project Matthew

After due consideration, the Board:

authorised the Project Matthew Committee, on the condition that an Executive Director was present, to consider and approve the final settlement terms for Project Matthew and authorise the execution and delivery on behalf of the LBG by such persons as the Project Matthew Committee deems fit of any settlement agreement and such other documents as are required to give effect to a settlement with each of the Financial Conduct Authority (the "FCA"), the United States Commodity Futures Trading Commission (the "CFTC") and the United States Department of Justice, Criminal Division, Fraud Section, and the Antitrust Division (together, the "DOJ").

EXTRACT OF THE MINUTES OF A MEETING OF THE PROJECT MATTHEW COMMITTEE (THE "BOARD COMMITTEE") HELD ON 24 JULY 2014 AT 25 GRESHAM STREET, LONDON AT 3.00PM ("EXTRACT 2").

Project Matthew

The Board Committee having considered:

1. the discussions between LBG, through its legal counsel, and the United States Department of Justice, Criminal Division, Fraud Section, and the Antitrust Division (together, the "DOJ") regarding issues arising in relation to the manipulation, attempted manipulation, and interbank coordination of benchmark interest rate submissions;
2. the terms of the proposed deferred prosecution agreement with the DOJ as circulated to the Board and the Board Committee on 22 July 2014 (the "DPA"); and
3. the advice to the Board Committee from its legal counsel regarding the terms of the DPA, as well as the advice regarding the waiver of rights and other consequences of entering into such an agreement with the DOJ.

RESOLVED THAT:

1. In terms of the DPA, LBG:
 - (a) acknowledges and agrees the filing of a one-count criminal Information charging LBG with one count of wire fraud, in violation of Title 18, United States Code, Section 1343;

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- (b) waives indictment on such charges and enters into a DPA with the DOJ; and
 - (c) agrees to accept monetary criminal penalties against LBG totalling \$86 million and to pay that sum to the United States Treasury with respect to the conduct described in the Information;
- 2. any director of LBG and the Group General Counsel of LBG are hereby each individually authorised, empowered and directed, on behalf of LBG, to execute the DPA substantially in such form reviewed by the Board Committee at this meeting with such changes as any director of LBG or the Group General Counsel may approve;
- 3. any director of LBG and the Group General Counsel of LBG are hereby each individually authorised, empowered and directed to take any and all actions as may be necessary or appropriate and to approve the forms, terms or provisions of any agreement or other documents as may be necessary or appropriate, to carry out and effectuate the purpose and intent of the foregoing resolutions;
- 4. all of the actions of any director of LBG and the Group General Counsel which actions would have been authorised by the foregoing resolutions except that such actions were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved, and adopted as actions on behalf of LBG;
- 5. Kevin McKendry, Chief Legal Officer, North America of Lloyds Bank plc and Bank of Scotland plc, be hereby authorised, empowered and directed to take the following steps on behalf of LBG in order to effectuate the proposed settlement with the DOJ:
 - (a) to sign the DPA as an additional LBG signatory, in addition to the individuals authorised above;
 - (b) to attend, either in person, by videoconference or telephone conference, as LBG's company representative, such court proceedings in the United States District Court for the District of Connecticut (the "Court") in the DOJ's criminal case against LBG in relation to LIBOR, as are or may be scheduled in connection with the filing by the DOJ of the DPA and of a criminal Information and the entry on behalf of LBG of a plea of not guilty to the charge set out in such Information;
 - (c) in such capacity, to:
 - (i) represent to the Court that:
 - (1) LBG understands its right under the United States Constitution to require the DOJ to prosecute by grand jury indictment but nevertheless, having been informed of that right, freely and voluntarily desires to waive the right to indictment and as a consequence permit the DOJ to file a criminal Information alleging a single count of violation of the U.S. wire fraud

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statute, thereby commencing a criminal case in the Court against LBG;

- (2) LBG has freely and voluntarily entered into the DPA;
 - (3) he has executed the DPA on behalf of LBG as co-signatory with the authorisation of the Board Committee; and
 - (4) LBG waives any objection it might otherwise have to the DOJ laying venue for the criminal case in the District of Connecticut;
- (ii) sign such documents as the Court may require in order to effectuate or evidence such waiver of indictment and waiver of objection to venue; and
 - (iii) enter on behalf of LBG a plea of not guilty to the charge set out in the Information.

I confirm that:

- (a) the resolutions set out in Extract 1 were passed by the Board of Directors of Lloyds Banking Group plc on 7 July 2014; and
- (b) the resolutions set out in Extract 2 were passed by the Board Committee on 24 July 2014.

Marc Boston

Marc Boston

Company Secretary, Lloyds Banking Group plc

28 JULY 2014