



U.S. Department of Justice

Tax Division

Washington, D.C. 20530

CDC:TJS:BDBailey
5-16-4642
2014200643

November 30, 2015

Philip Urofsky, Esquire
Richard J. Gagnon Jr., Esquire
Shearman & Sterling LLP
801 Pennsylvania Avenue, NW
Washington, DC 20004-2634

Re: Aargauische Kantonalbank
DOJ Swiss Bank Program – Category 2
Non-Prosecution Agreement

Dear Mr. Urofsky:

Aargauische Kantonalbank (“AKB”) submitted a Letter of Intent on December 20, 2013, to participate in Category 2 of the Department of Justice’s Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks, as announced on August 29, 2013 (hereafter “Swiss Bank Program”). This Non-Prosecution Agreement (“Agreement”) is entered into based on the representations of AKB in its Letter of Intent and information provided by AKB pursuant to the terms of the Swiss Bank Program. The Swiss Bank Program is incorporated by reference herein in its entirety in this Agreement.¹ Any violation by AKB of the Swiss Bank Program will constitute a breach of this Agreement.

On the understandings specified below, the Department of Justice will not prosecute AKB for any tax-related offenses under Titles 18 or 26, United States Code, or for any monetary transaction offenses under Title 31, United States Code, Sections 5314 and 5322, in connection with undeclared U.S. Related Accounts held by AKB during the Applicable Period (the “conduct”). AKB admits, accepts, and acknowledges responsibility for the conduct set forth in the Statement of Facts attached hereto as Exhibit A and agrees not to make any public statement contradicting the Statement of Facts. This Agreement does not provide any protection against prosecution for any offenses except as set forth above, and applies only to AKB and does not apply to any other entities or to any individuals. AKB expressly understands that the protections provided under this Agreement shall not apply to any acquirer or successor entity unless and until such acquirer or successor formally adopts and executes this Agreement. AKB enters into

¹ Capitalized terms shall have the meaning ascribed to them in the Swiss Bank Program.

this Agreement pursuant to the authority granted by its Board of Directors in the form of a Board Resolution (a copy of which is attached hereto as Exhibit B).

In recognition of the conduct described in this Agreement and in accordance with the terms of the Swiss Bank Program, AKB agrees to pay the sum of \$1,983,000 as a penalty to the Department of Justice ("the Department"). This shall be paid directly to the United States within seven (7) days of the execution of this Agreement pursuant to payment instructions provided to AKB. This payment is in lieu of restitution, forfeiture, or criminal fine against AKB for the conduct described in this Agreement. The Department will take no further action to collect any additional criminal penalty from AKB with respect to the conduct described in this Agreement, unless the Tax Division determines AKB has materially violated the terms of this Agreement or the Swiss Bank Program as described on pages 5-6 below. AKB acknowledges that this penalty payment is a final payment and no portion of the payment will be refunded or returned under any circumstance, including a determination by the Tax Division that AKB has violated any provision of this Agreement. AKB agrees that it shall not file any petitions for remission, restoration, or any other assertion of ownership or request for return relating to the penalty amount or the calculation thereof, or file any other action or motion, or make any request or claim whatsoever, seeking to collaterally attack the payment or calculation of the penalty. AKB agrees that it shall not assist any others in filing any such claims, petitions, actions, or motions. AKB further agrees that no portion of the penalty that AKB has agreed to pay to the Department under the terms of this Agreement will serve as a basis for AKB to claim, assert, or apply for, either directly or indirectly, any tax deduction, any tax credit, or any other offset against any U.S. federal, state, or local tax or taxable income.

The Department enters into this Agreement based, in part, on the following Swiss Bank Program factors:

(a) AKB's timely, voluntary, and thorough disclosure of its conduct, including:

- how its cross-border business for U.S. Related Accounts was structured, operated, and supervised (including internal reporting and other communications with and among management);
- the name and function of the individuals who structured, operated, or supervised the cross-border business for U.S. Related Accounts during the Applicable Period;
- how AKB attracted and serviced account holders; and
- an in-person presentation and documentation, properly translated, supporting the disclosure of the above information and other information that was requested by the Tax Division;

(b) AKB's cooperation with the Tax Division, including conducting an internal investigation and making presentations to the Tax Division on the status and findings of the internal investigation;

(c) AKB's production of information about its U.S. Related Accounts, including:

- the total number of U.S. Related Accounts and the maximum dollar value, in the aggregate, of the U.S. Related Accounts that (i) existed on August 1, 2008; (ii) were opened between August 1, 2008, and February 28, 2009; and (iii) were opened after February 28, 2009;
- the total number of accounts that were closed during the Applicable Period; and
- upon execution of the Agreement, as to each account that was closed during the Applicable Period, (i) the maximum value, in dollars, of each account, during the Applicable Period; (ii) the number of U.S. persons or entities affiliated or potentially affiliated with each account, and further noting the nature of the relationship to the account of each such U.S. person or entity or potential U.S. person or entity (e.g., a financial interest, beneficial interest, ownership, or signature authority, whether directly or indirectly, or other authority); (iii) whether it was held in the name of an individual or an entity; (iv) whether it held U.S. securities at any time during the Applicable Period; (v) the name and function of any relationship manager, client advisor, asset manager, financial advisor, trustee, fiduciary, nominee, attorney, accountant, or other individual or entity functioning in a similar capacity known by AKB to be affiliated with said account at any time during the Applicable Period; and (vi) information concerning the transfer of funds into and out of the account during the Applicable Period, including (a) whether funds were deposited or withdrawn in cash; (b) whether funds were transferred through an intermediary (including but not limited to an asset manager, financial advisor, trustee, fiduciary, nominee, attorney, accountant, or other third party functioning in a similar capacity) and the name and function of any such intermediary; (c) identification of any financial institution and domicile of any financial institution that transferred funds into or received funds from the account; and (d) identification of any country to or from which funds were transferred; and

(d) AKB's retention of a qualified independent examiner who has verified the information AKB disclosed pursuant to II.D.2 of the Swiss Bank Program.

Under the terms of this Agreement, AKB shall: (a) commit no U.S. federal offenses; and (b) truthfully and completely disclose, and continue to disclose during the term of this Agreement, consistent with applicable law and regulations, all material information described in Part II.D.1 of the Swiss Bank Program that is not protected by a valid claim of privilege or work product with respect to the activities of AKB, those of its parent company and its affiliates, and its officers, directors, employees, agents, consultants, and others, which information can be used for any purpose, except as otherwise limited in this Agreement.

Notwithstanding the term of this Agreement, AKB shall also, subject to applicable laws or regulations: (a) cooperate fully with the Department, the Internal Revenue Service, and any other federal law enforcement agency designated by the Department regarding all matters related to the conduct described in this Agreement; (b) provide all necessary information and assist the

United States with the drafting of treaty requests seeking account information of U.S. Related Accounts, whether open or closed, and collect and maintain all records that are potentially responsive to such treaty requests in order to facilitate a prompt response; (c) assist the Department or any designated federal law enforcement agency in any investigation, prosecution, or civil proceeding arising out of or related to the conduct covered by this Agreement by providing logistical and technical support for any meeting, interview, federal grand jury proceeding, or any federal trial or other federal court proceeding; (d) use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, director, employee, agent, or consultant of AKB at any meeting or interview or before a federal grand jury or at any federal trial or other federal court proceeding regarding matters arising out of or related to the conduct covered by this Agreement; (e) provide testimony of a competent witness as needed to enable the Department and any designated federal law enforcement agency to use the information and evidence obtained pursuant to AKB's participation in the Swiss Bank Program; (f) provide the Department, upon request, consistent with applicable law and regulations, all information, documents, records, or other tangible evidence not protected by a valid claim of privilege or work product regarding matters arising out of or related to the conduct covered by this Agreement about which the Department or any designated federal law enforcement agency inquires, including the translation of significant documents at the expense of AKB; and (g) provide to any state law enforcement agency such assistance as may reasonably be requested in order to establish the basis for admission into evidence of documents already in the possession of such state law enforcement agency in connection with any state civil or criminal tax proceedings brought by such state law enforcement agency against an individual arising out of or related to the conduct described in this Agreement.

AKB further agrees to undertake the following:

1. AKB agrees, to the extent it has not provided complete transaction information pursuant to Part II.D.2.b.vi of the Swiss Bank Program, and set forth in subparagraph (c) on page 3 of this Agreement, because the Tax Division has agreed to specific dollar threshold limitations for the initial production, AKB will promptly provide the entirety of the transaction information upon request of the Tax Division.
2. AKB agrees to close as soon as practicable, and in no event later than two years from the date of this Agreement, any and all accounts of recalcitrant account holders, as defined in Section 1471(d)(6) of the Internal Revenue Code; has implemented, or will implement, procedures to prevent its employees from assisting recalcitrant account holders to engage in acts of further concealment in connection with closing any account or transferring any funds; and will not open any U.S. Related Accounts except on conditions that ensure that the account will be declared to the United States and will be subject to disclosure by AKB.
3. AKB agrees to use best efforts to close as soon as practicable, and in no event later than the four-year term of this Agreement, any and all U.S. Related Accounts classified as "dormant" in accordance with applicable laws, regulations and guidelines, and will provide periodic reporting upon request of the Tax Division if unable to close any dormant accounts within that time period. AKB will only

provide banking or securities services in connection with any such "dormant" account to the extent that such services are required pursuant to applicable laws, regulations and guidelines. If at any point contact with the account holder(s) (or other person(s) with authority over the account) is re-established, AKB will promptly proceed to follow the procedures described above in paragraph 2.

4. AKB agrees to retain all records relating to its U.S. cross-border business, including records relating to all U.S. Related Accounts closed during the Applicable Period, for a period of ten (10) years from the termination date of the this Agreement.

With respect to any information, testimony, documents, records or other tangible evidence provided to the Tax Division pursuant to this Agreement, the Tax Division provides notice that it may, subject to applicable law and regulations, disclose such information or materials to other domestic governmental authorities for purposes of law enforcement or regulatory action as the Tax Division, in its sole discretion, shall deem appropriate.

AKB's obligations under this Agreement shall continue for a period of four (4) years from the date this Agreement is fully executed. AKB, however, shall cooperate fully with the Department in any and all matters relating to the conduct described in this Agreement, until the date on which all civil or criminal examinations, investigations, or proceedings, including all appeals, are concluded, whether those examinations, investigations, or proceedings are concluded within the four-year term of this Agreement.

It is understood that if the Tax Division determines, in its sole discretion, that: (a) AKB committed any U.S. federal offenses during the term of this Agreement; (b) AKB or any of its representatives have given materially false, incomplete, or misleading testimony or information; (c) the misconduct extended beyond that described in the Statement of Facts or disclosed to the Tax Division pursuant to Part II.D.1 of the Swiss Bank Program; or (d) AKB has otherwise materially violated any provision of this Agreement or the terms of the Swiss Bank Program, then (i) AKB shall thereafter be subject to prosecution and any applicable penalty, including restitution, forfeiture, or criminal fine, for any federal offense of which the Department has knowledge, including perjury and obstruction of justice; (ii) all statements made by AKB's representatives to the Tax Division or other designated law enforcement agents, including but not limited to the appended Statement of Facts, any testimony given by AKB's representatives before a grand jury or other tribunal whether prior to or subsequent to the signing of this Agreement, and any leads therefrom, and any documents provided to the Department, the Internal Revenue Service, or designated law enforcement authority by AKB shall be admissible in evidence in any criminal proceeding brought against AKB and relied upon as evidence to support any penalty on AKB; and (iii) AKB shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or documents or any leads therefrom should be suppressed.

Determination of whether AKB has breached this Agreement and whether to pursue prosecution of AKB shall be in the Tax Division's sole discretion. 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, AKB, will be imputed to AKB for the purpose of determining whether AKB has

materially violated any provision of this Agreement shall be in the sole discretion of the Tax Division.

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


In addition, any prosecution for any offense referred to on page 1 of this Agreement that is not time-barred by the applicable statute of limitations on the date of the announcement of the Swiss Bank Program (August 29, 2013) may be commenced against AKB, notwithstanding the expiration of the statute of limitations between such date and the commencement of such prosecution. For any such prosecutions, AKB waives any defenses premised upon the expiration of the statute of limitations, as well as any constitutional, statutory, or other claim concerning pre-indictment delay and agrees that such waiver is knowing, voluntary, and in express reliance upon the advice of AKB's counsel.

It is understood that AKB contends that it has jurisdictional arguments and defenses that it could raise to support a claim that it is not subject to prosecution for any criminal offense in the courts of the United States. By entering into this Agreement, AKB does not prospectively waive these arguments or defenses and it reserves the right to assert any applicable jurisdictional argument or defense in any future prosecution or civil action by the United States.

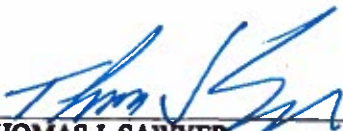
It is understood that the terms of this Agreement, do not bind any other federal, state, or local prosecuting authorities other than the Department. If requested by AKB, the Tax Division will, however, bring the cooperation of AKB to the attention of such other prosecuting offices or regulatory agencies.

It is further understood that this Agreement and the Statement of Facts attached hereto may be disclosed to the public by the Department and AKB consistent with Part V.B of the Swiss Bank Program.

This Agreement supersedes all prior understandings, promises and/or conditions between the Department and AKB. No additional promises, agreements, and conditions have been entered into other than those set forth in this Agreement and none will be entered into unless in writing and signed by both parties.


CAROLINE D. CIRAOLO
Acting Assistant Attorney General
Tax Division

12/8/2015
DATE



THOMAS J. SAWYER
Senior Counsel for International Tax Matters

8 December 2015
DATE



BRIAN D. BAILEY
Trial Attorney

8 DEC 2015
DATE

AGREED AND CONSENTED TO:
Aargauische Kantonalbank

By: 

DIETER EGLOFF
Chairman of the Board

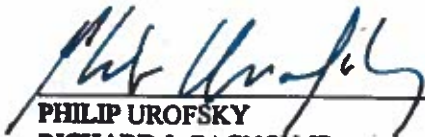
DEC. 4, 2015
DATE

By: 

LUC P. TSCHUDIN
Secretary and General Counsel

Dec. 4, 2015
DATE

APPROVED:



PHILIP UROFSKY
RICHARD J. GAGNON JR.
Shearman & Sterling LLP

7 December 2015
DATE

**EXHIBIT A TO AARGAUISCHE KANTONALBANK
NON-PROSECUTION AGREEMENT**

STATEMENT OF FACTS

Introduction

1. Aargauische Kantonalbank ("AKB" or the "Bank") was founded in 1912 and is headquartered in Aarau, Switzerland. Organized under the laws of Switzerland, all of its branches are located in Switzerland. The canton of Aargau owns 100 percent of the Bank and guarantees its deposits.
2. The main focus of AKB's business is the canton of Aargau. Generally, the Bank's population of U.S. Related Accounts¹ arose from connections the account holders had to the canton. For example, most of AKB's clients who are U.S. citizens opened their accounts at the Bank while living and working in or around Aargau. Many of the Bank's clients living in the United States are Swiss nationals who either opened their accounts while they were residents of Switzerland or inherited their accounts from relatives who lived there.

U.S. Income Tax & Reporting Obligations

3. U.S. citizens, resident aliens, and legal permanent residents have an obligation to report all income earned from foreign bank accounts on their tax returns and to pay the taxes due on that income. Since tax year 1976, U.S. citizens, resident aliens, and legal permanent residents have had an obligation to report to the Internal Revenue Service ("IRS") on the Schedule B of a U.S. Individual Income Tax Return, Form 1040, whether they had a financial interest in, or signature authority over, a financial account in a foreign country in a particular year by checking "Yes" or "No" in the appropriate box and identifying the country where the account was maintained.
4. Since 1970, U.S. citizens, resident aliens, and legal permanent residents who have had a financial interest in, or signature authority over, one or more financial accounts in a foreign country with an aggregate value of more than \$10,000 at any time during a particular year were required to file with the Department of the Treasury a Report of Foreign Bank and Financial Accounts, FinCEN Form 114, formerly known as Form TD F 90-22.1 (the "FBAR"). Due on or before June 30 of each succeeding year, the FBAR required the U.S. taxpayer filing the form to identify the financial institution that held the foreign account, the type of account (whether bank, securities, or other), the account number, and the maximum value of the account during the calendar year for which the FBAR was being filed.

¹ Capitalized terms not otherwise defined in this Statement of Facts have the meanings set forth in the Program for Non-Prosecution or Non-Target Letters for Swiss Banks, issued on August 29, 2013 (the "Swiss Bank Program").

5. An "undeclared account" was a financial account owned by an individual subject to U.S. tax and maintained in a foreign country that had not been reported by the individual account owner to the U.S. government on an income tax return or an FBAR.
6. "U.S. Related Accounts" means accounts which exceeded \$50,000 in value at any time during the Applicable Period, and as to which indicia exist that a U.S. Person or Entity has or had a financial or beneficial interest in, ownership of, or signature authority (whether direct or indirect) or other authority over the account.
7. Since 1935, Switzerland has maintained laws that ensure the secrecy of client relationships at Swiss banks. While Swiss law permits the exchange of information in response to administrative requests made pursuant to a tax treaty with the United States and certain legal requests in cases of tax fraud, Swiss law otherwise prohibits the disclosure of identifying information without client authorization. Because of the secrecy guarantee that they created, these Swiss criminal provisions enabled U.S. clients to conceal their Swiss bank accounts from U.S. authorities.
8. In or about 2008, Swiss bank UBS AG ("UBS") publicly announced that it was the target of a criminal investigation by the Internal Revenue Service and the United States Department of Justice and that it would be exiting and no longer accepting certain U.S. clients. On February 18, 2009, the Department of Justice and UBS filed a deferred prosecution agreement in the Southern District of Florida in which UBS admitted that its cross-border banking business used Swiss privacy law to aid and assist U.S. clients in opening accounts and maintaining undeclared assets and income from the IRS. After the UBS announcement, several other Swiss banks have publicly announced that they were or are the targets of similar criminal investigations and that they would likewise be exiting and not accepting certain U.S. clients (UBS and the other targeted Swiss banks are collectively referred to as "Category 1 banks"). The Category 1 banks' cases have been closely monitored by banks operating in Switzerland including AKB since at least August of 2008.

AKB's U.S. Related Accounts

9. From at least 2008 through 2014, AKB maintained and serviced 454 U.S. Related Accounts having a maximum aggregate value of \$639,846,985. These accounts included 22 accounts held by mostly Swiss operating companies (e.g., whose only connection to the U.S. was an executive who qualified as a U.S. person having a power of attorney over the account) having a maximum aggregate value of \$442,187,668. The individuals in this segment of the Bank's business were primarily Americans who worked and lived in the Canton of Aargau, local Swiss clients who had moved to the United States, or dual citizens. Apart from dealing with regulatory requirements unique to its U.S. client base, the Bank managed its U.S. Related Accounts in the same fashion it managed its other accounts.
10. AKB's retail unit serviced the majority of the accounts and was responsible for implementing any regulations or policies the Bank imposed on those accounts. That retail unit assisted the client in opening the account and, according to the client's desires

and the Bank's conforming goals, maintained the secrecy of the client's finances. Client advisors were assigned to accounts that (1) were assigned to the private banking division due to a balance of one million Swiss francs or greater; or (2) held securities and had an account holder domiciled outside Switzerland. About 71 U.S. Related Accounts had a bank client advisor assigned to manage it. The Bank did not maintain a separate U.S. desk or employ relationship managers with a U.S. focus. The Bank did not market its services in the United States, send employees to solicit or serve clients in the United States, or offer special products or services, such as tax advisory or structuring services, to U.S. clients.

11. In several instances, an external asset manager was authorized to deal directly with the Bank's client advisor on behalf of the client. The Bank compensated such managers for bringing clients to the Bank through commissions based on the value of assets under management or by discounting fees for Bank services. Fifteen of the Bank's U.S. Related Accounts used an external asset manager.
12. As early as 2008, AKB knew that some U.S. Related Accounts held untaxed funds, which were described within the Bank in one instance as "Schwarzgeld" or "black money." AKB knew that U.S. persons had a duty under U.S. law to report their income to the IRS and to pay taxes on that income, including all income earned in accounts maintained by AKB in Switzerland. Despite this knowledge, AKB opened, maintained, and serviced accounts for U.S. persons that it knew or had reason to know were likely not declared to the IRS or the U.S. Department of the Treasury as required by U.S. law.
13. In 2009, however, responding to what it considered "astonishing and alarming" international pressure to lift Switzerland's longstanding client-bank confidentiality for tax-offending foreign clients, the Bank decided to start dealing with "openly declared black money and domiciliary companies." The latter situation, where the domiciliary company was in truth a nominee or sham entity, was one the Bank knew its employees either "knew or should expect" to involve tax evasion. As of February 19, 2010, then, AKB formally renounced its previous practice of accepting "manifestly untaxed assets from foreign clients."
14. In 2001, AKB had agreed with the IRS to be a Qualified Intermediary ("QI"). As a QI, the Bank agreed to supply the IRS with information and to withhold tax in connection with trades in U.S. securities. The agreement's purpose was to ensure that, with respect to U.S. securities held in an account at AKB, non-U.S. account holders would be subject to the proper U.S. tax rates on withholding, and that U.S. account holders would properly pay U.S. taxes.
15. Upon the opening of a securities account, the Bank required the client to answer questions aimed at determining whether the client was a U.S. person. If the client was determined to be a U.S. person, the client was instructed to provide a W-9, unless the client elected not to hold U.S. securities. As a practical matter, however, the Bank reported income pursuant to the QI agreement on only three of its U.S. Related Accounts. For each U.S. client who did not provide a W-9, the Bank blocked any trading in U.S.

securities, which, in the Bank's view, obviated any payment or reporting obligation under the QI agreement.

16. The Bank also offered a variety of traditional Swiss banking services that it knew could assist, and did assist, U.S. taxpayers in concealing their identity from the IRS by minimizing the paper trail associated with their undeclared assets and income. These and other practices helped U.S. taxpayer-clients who were intent on not declaring their accounts or reporting the income for tax purposes. For example:
 - a. The Bank agreed not to send any mail to 47 U.S. resident clients. This ensured that documents acknowledging the existence of the accounts remained outside of the United States and beyond the reach of U.S. tax authorities.
 - b. Further, AKB offered to identify accounts only by number. This is a common practice in Switzerland usually intended to protect the confidentiality of the account holder within the confines of the Bank. But AKB offered the service to its U.S. clients knowing that those clients believed the practice would conceal their identities, thereby reducing the likelihood of U.S. tax authorities uncovering their interests in the Bank's accounts. At least eight U.S. clients held numbered accounts with the Bank.
 - c. Further, in 2008 AKB accepted some former UBS clients following the U.S. investigation of untaxed assets. Eleven of these account holders, comprising about \$7,500,000 in assets under management, did not submit an IRS Form W-9 upon opening their accounts. In opening the accounts, AKB ignored the origin of the accounts as an indication they may have been undeclared. In addition, two accounts were maintained in the name of a domiciliary company.
 - d. Further, AKB opened five accounts for foundations and other entities that hid their U.S. ownership. For instance, one account was opened for a Liechtenstein foundation that had a U.S. beneficial owner who waived buying U.S. securities, resulting in the continued nondisclosure of the U.S. interest and nonpayment of taxes. Four other structured accounts were opened with U.S. residents as the beneficial owners. For three of these five accounts, the Bank knew of their U.S. ownership at the time they were opened. For the other two, the Bank discovered the U.S. ownership only as a result of its participation in the Program.
 - e. Further, clients who lived in the United States engaged in a pattern of cash withdrawals. For instance, one client personally came to the Bank and, over the counter, withdrew large amounts of cash from her account -- over 100,000 Swiss francs in 2009 and over 180,000 Swiss francs in 2010. Thirteen other clients with U.S. domiciles similarly withdrew over 100,000 Swiss francs in cash between 2008 and 2012.
 - f. Further, from time to time, AKB assisted its U.S. clients in sending money to themselves, relatives, business partners, or other businesses in the United States by issuing checks drawn on one of AKB's bank accounts. Issuing such checks is

a service routinely provided by banks to clients (and is similar to cashier's checks in the United States). Because these checks listed only AKB as the account holder, they did not reveal that the funds were ultimately paid out of the U.S. clients' Swiss bank account. U.S. clients were thus able to utilize this technique to conceal their ownership of a Swiss account.

17. As a result of the foregoing, AKB was aware of the risk that certain U.S. clients might have been maintaining undeclared accounts at AKB for the purposes of evading their U.S. tax obligations in violation of U.S. law.
18. From at least 2001 through 2013, certain clients of AKB who had U.S. tax obligations evaded those obligations, filed false federal tax returns with the IRS, and otherwise hid from the IRS their undeclared accounts at AKB.
19. Aware of a growing risk to the Bank's reputational interests from these circumstances, the Bank, well before the U.S. government's settlement with UBS, voluntarily implemented a series of remedial measures to curb the use of undeclared accounts by U.S. clients to evade U.S. income tax.
 - a. In August 2008, the Executive Board rejected the hiring of a UBS team with U.S. clients.
 - b. In November 2008, AKB decided to only take new U.S. clients who had a direct connection to Switzerland (e.g., a job), generally excluding those clients whose sole purpose was to use the business relationship for hiding untaxed assets.
 - c. In March 2009, AKB imposed a moratorium on new client relationships with U.S. persons, subject to a few narrow exceptions. Post-moratorium, AKB only took new U.S. clients who met the following four requirements: (1) approval by the Executive Board, (2) maintenance of a close connection to the economic area, (3) execution of a Form W-9 and a waiver, and (4) no domiciliary companies.
 - d. In January 2011, the Executive Board decided to eliminate these exceptions and impose a full moratorium on new U.S. clients, pending a full analysis of the Foreign Account Tax Compliance Act.
 - e. In August 2011, the Executive Board issued a cross-border banking directive to provide clearer guidelines for client relationships with foreign clients. The March 2009 moratorium on new client relationships with U.S. Persons was confirmed and, the following month, all existing clients were required to submit a Form W-9 and a disclosure authorization based on the new directive. Any clients who failed to do so had their accounts closed.
 - f. In February 2012, the Bank decided to close all relationships with clients with residence in the United States, and all domiciliary companies with a U.S. person as the beneficial owner.

- g. Finally, in October, 2013, AKB placed a prohibition on opening new relationships with U.S. persons. By December 31, 2013 AKB had closed most of its accounts belonging to U.S. clients domiciled in the United States.
20. Throughout its participation in the Swiss Bank Program, AKB has committed to providing full cooperation to the U.S. government and has made timely and comprehensive disclosures regarding its U.S. cross-border business.

EXHIBIT B TO NON-PROSECUTION AGREEMENT


CERTIFICATE OF CORPORATE RESOLUTION OF THE BOARD OF DIRECTORS OF
AARGAUISCHE KANTONALBANK

I, Luc P. Tschudin, corporate secretary of Aargauische Kantonalbank (the Bank), a corporation duly organized and existing under the laws of the Canton of Aargau, Switzerland, do hereby certify that the following is a complete and accurate copy of resolution adopted by the board of directors (Bank Council) of the Bank at a meeting held on December 4, 2015, at which a quorum was present and resolved as follows :

- That the board of directors has (i) reviewed the entire Non-Prosecution Agreement attached hereto, including the Statement of Facts attached as Exhibit A to the Non-Prosecution Agreement; (ii) consulted with Swiss and U.S. counsel in connection with this matter; and (iii) unanimously voted to enter into the Non-Prosecution Agreement, including to pay a sum of USD 1,983,000 to the U.S. Department of Justice in connection with the Non-Prosecution Agreement; and
- That Dieter Egloff, Chairman of the Board, and Luc P. Tschudin, General Counsel, both registered in the Commercial Register of the Canton of Aargau as having joint signatory authority, are hereby authorized (i) to jointly execute the Non-Prosecution Agreement on behalf of the Bank substantially in such form as reviewed by the Board with such non-material changes as each of them may approve; and (ii) to take, on behalf of the Bank, all actions as may be necessary or advisable in order to carry out the foregoing; and
- That Philip Urofsky and Richard J. Gagnon Jr., Shearman Sterling LLP, are hereby authorized to sign the Non-Prosecution Agreement in their capacity as the Bank's U.S. counsels.

I further certify that the above resolution has not been amended or revoked in any respect and remains in full force and effect.

IN WITNESS WHEREOF, I have executed this Certification this 4th day of December 2015.



Luc P. Tschudin
Secretary and General Counsel