



LLOYDS TSB BANK plc
*(incorporated in England with limited liability under the Companies Act 1862
 and the Companies Act 1985 with registered number 2065)*

£25,000,000,000
Euro Medium Term Note Programme

This Prospectus (the “**Prospectus**”) supersedes the prospectus dated 13 June 2006 in connection with the Programme (as defined below). Any Notes (as defined below) issued under the Programme on or after the date of this Prospectus are issued subject to the provisions described herein. This does not affect any Notes already in issue. Under the Euro Medium Term Note Programme described in this Prospectus (the “**Programme**”), Lloyds TSB Bank plc (the “**Bank**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the “**Notes**”). The aggregate nominal amount of Notes outstanding will not at any time exceed £25,000,000,000 (or the equivalent in other currencies), subject to increase as provided herein.

Notes to be issued under the Programme may comprise (i) unsubordinated Notes (“**Ordinary Notes**”), (ii) Notes which are subordinated as described herein with a maturity date (“**Dated Subordinated Notes**”) and (iii) Notes which are subordinated as described herein with no maturity date (“**Undated Subordinated Notes**”).

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**UK Listing Authority**”) for Notes issued under the Programme for the period of twelve months from the date of this Prospectus to be admitted to the Official List of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s Gilt Edged and Fixed Interest Market (the “**Market**”). References in this Prospectus to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Investment Services Directive 93/22/EC. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms (as defined herein) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted for trading on the Market (or listed on any other stock exchange).

Each Tranche (as defined herein) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “**temporary Global Note**”) or a permanent global note in bearer form (each a “**permanent Global Note**”) and, together with the temporary Global Notes, the “**Global Notes**”). If the Global Notes are stated in the applicable Final Terms to be issued in new global note (“**NGN**”) form, they are intended to be eligible collateral for Eurosystem monetary policy and the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and/or any other agreed clearing system. Global Notes which are not issued in NGN form (“**Classic Global Notes**” or “**CGNs**”) will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. Notes in registered form (“**Registered Notes**”) will be represented by registered certificates (each a “**Certificate**”). Registered Notes which are sold to persons that are not U.S. persons in an ‘offshore transaction’ within the meaning of Regulation S (“**Unrestricted Notes**”) under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), will initially be represented by a permanent registered global certificate (each, an “**Unrestricted Global Certificate**”), which will be deposited on the issue date of the relevant Tranche either with (a) a common depository on behalf of Euroclear and Clearstream, Luxembourg, or (b) a custodian (the “**Custodian**”) for, and registered in the name of Cede & Co. as nominee for, the Depository Trust Company (“**DTC**”), and/or any other agreed clearing system. Registered Notes which are sold in the United States to qualified institutional buyers within the meaning of Rule 144A (“**Rule 144A**”) under the Securities Act (“**Restricted Notes**”) will initially be represented by a permanent registered global certificate (each, a “**Restricted Global Certificate**”) and, together with the “**Unrestricted Global Certificate**”, the “**Global Certificates**”), which will be deposited on the issue date of the relevant Tranche either with (a) a common depository on behalf of Euroclear and Clearstream, Luxembourg, or (b) a Custodian for, and registered in the name of Cede & Co. as nominee for, DTC. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Bearer Notes are described in “Summary of Provisions Relating to the Notes while in Global Form”.

Prospective investors should have regard to the factors described under the section headed “**Risk Factors**” in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Notes.

Prospective investors in Notes should ensure that they understand the nature of the relevant Notes and the extent of their exposure to risks and that they consider the suitability of the relevant Notes as an investment in the light of their own circumstances and financial condition. CERTAIN ISSUES OF NOTES INVOLVE A HIGH DEGREE OF RISK AND POTENTIAL INVESTORS SHOULD BE PREPARED TO SUSTAIN A LOSS OF ALL OR PART OF THEIR INVESTMENT. It is the responsibility of prospective investors to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Notes and are not relying on the advice of the Bank, the Trustee (as defined herein) or any Dealer (as defined below) in that regard.

Arranger
Merrill Lynch International

Dealers

Citi
Goldman Sachs International
Lehman Brothers
Merrill Lynch International

UBS Investment Bank

Deutsche Bank
JPMorgan Cazenove
Lloyds TSB Corporate Markets
Nomura International

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”) and for the purpose of giving information with regard to the Bank and Lloyds TSB Group (as defined below) which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Bank.

The Bank accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Bank (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The applicable Final Terms will (if applicable) specify the nature of the responsibility taken by the Bank for the information relating to any underlying equity security, index, debt security or other item(s) (each, a “Reference Item”) to which the relevant Notes relate and which is contained in such Final Terms. However, unless otherwise expressly stated in the Final Terms, any information contained therein relating to a Reference Item will only consist of extracts from, or summaries of, information contained in financial and other information released publicly by the issuer, owner or sponsor, as the case may be, of such Reference Item. Unless otherwise expressly stated in the applicable Final Terms, the Bank accepts responsibility for accurately reproducing such extracts or summaries (insofar as it is applicable) and, so far as the Bank is aware and is able to ascertain from information published by the issuer, owner or sponsor, as the case may be, of such Reference Item, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Each Tranche of Notes may be rated or unrated. Where a Tranche of Notes is rated by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Inc. (“Standard and Poor’s”), it is expected that it will be rated “AA” for Ordinary Notes with a maturity of one year or more, “A-1+” for Ordinary Notes with a maturity of less than one year, “AA—” for Dated Subordinated Notes and “A+” for Undated Subordinated Notes. Where a Tranche of Notes is rated by Moody’s Investors Service Limited, it is expected that it will be rated “Aaa” for Ordinary Notes with a maturity of one year or more, P-1 for Ordinary Notes with a maturity of less than one year and “Aa1” for Dated Subordinated Notes and “Aa1” for Undated Subordinated Notes.

As defined by Standard & Poor’s, an “AA” rating means that the ability of the Bank to meet its financial commitment on the Notes is very strong, an “A-1+” rating means that the ability of the Bank to repay its short term debt obligations on the Notes is extremely strong, and an “A” rating means that the ability of the Bank to meet its financial commitments on the Notes is strong. An addition of a plus (+) or minus (—) sign shows relative standing within the major rating categories.

As defined by Moody’s Investors Service Limited, an “Aaa” rating means that the capacity of the Bank to meet its obligations on the Notes is of the highest quality and subject to minimal credit risk and an “Aa” rating means that the capacity of the Bank to meet its obligations on the Notes is of high quality and subject to very low credit risk. The addition of a “1” indicates that the obligation ranks in the higher end of its rating category, a “2” indicates a mid-range ranking and a “3” indicates a ranking in the lower end of that rating category. A “P-1” rating means that the Bank has a superior ability to repay its short term debt obligations on the Notes.

A rating is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by the assigning rating agency.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference”).

No person is or has been authorised to give any information or to make any representation other than as contained in this Prospectus in its entirety in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank or any of the Dealers or the Arranger or the Trustee (each as defined in “Summary of the Programme”). Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank or Lloyds TSB Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Bank, the Trustee or any of the Dealers that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each prospective investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank. Neither this Prospectus nor any other information supplied in connection

with the Programme or the issue of any Notes constitutes an offer of, or an invitation by or on behalf of, the Bank or any of the Dealers or the Trustee to any person to subscribe for or purchase, any Notes.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or any other persons named in the section “Non-exempt offer” of the Final Terms (if any), as the case may be.

The Dealers expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Programme.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Bank, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the accounts or benefit of, U.S. persons. The Notes are being offered and sold outside the United States to persons that are not U.S. persons (as defined in Regulation S (“Regulation S”) under the Securities Act) in reliance on Regulation S and (in the case of Restricted Notes) within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see “Selling Restrictions”.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to “£”, “pounds” and “Sterling” are to pounds sterling, references to “U.S. dollars” and to “U.S.\$” are to United States dollars, references to “Yen” are to Japanese Yen and references to “€” and “euro” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

In connection with the issue of any Tranche (as defined in “Summary of the Programme”), the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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

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FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements with respect to the business, strategy and plans of Lloyds TSB Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Lloyds TSB Group's or management's beliefs and expectations, are forward-looking statements. Words such as 'believes', 'anticipates', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'estimate' and variations of these words and similar future or conditional expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future.

Examples of such forward-looking statements include, but are not limited to, projections or expectations of profit attributable to shareholders, provisions, economic profit, dividends, capital structure or any other financial items or ratios; statements of plans, objectives or goals of Lloyds TSB Group or its management; statements about the future trends in interest rates, foreign exchange rates, stock market levels and demographic trends and any impact on Lloyds TSB Group; statements concerning any future UK or other economic environment or performance including in particular any such statements included in this Prospectus or its annual report; statements about strategic goals, competition, regulation, disposals and consolidation or technological developments in the financial services industry; and statements of assumptions underlying such statements.

Factors that could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by Lloyds TSB Group or on Lloyds TSB Group's behalf include, but are not limited to, general economic conditions in the UK and internationally; inflation, deflation, interest rates, policies of the Bank of England and other G-8 central banks, exchange rate, market and monetary fluctuations; changing demographic developments including mortality and changing customer behaviour including consumer spending, saving and borrowing habits, borrower credit quality, technological changes, natural and other disasters, adverse weather and similar contingencies outside Lloyds TSB Group's control; inadequate or failed internal or external processes, people and systems; terrorist acts, other acts of war, geopolitical, pandemic or other such events; changes in laws, regulations, taxation, government policies or accounting standards or practices, exposure to regulatory scrutiny, legal proceedings or complaints, changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the ability to secure new customers and develop more business from existing customers; the ability to achieve value-creating mergers and/or acquisitions at the appropriate time and prices and the success of Lloyds TSB Group in managing the risks of the foregoing.

Lloyds TSB Group may also make or disclose written and/or oral forward-looking statements in reports filed with or furnished to the US Securities and Exchange Commission, Lloyds TSB Group's annual review, half yearly announcement, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of Lloyds TSB Group to third parties, including financial analysts. The forward-looking statements in this Prospectus are made as of the date hereof, and Lloyds TSB Group undertakes no obligation to update any of the forward-looking statements.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited consolidated annual financial statements for the financial years ended 31 December 2005 and 31 December 2006 of the Bank, together with the audit reports thereon, and the Trading Statement dated 8 June 2007 (the “Trading Statement”) (save to the extent set out below), all of which have been previously published and filed with the Financial Services Authority and which shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The following items of the Trading Statement shall not be incorporated by reference into, and shall not form part of, this Prospectus:

- (i) the first and final sentence of the second paragraph under the heading “Lloyds TSB – Trading Update”;
- (ii) the final sentence of the paragraph under the heading “Sale of Lloyds TSB Registrars”;
- (iii) the second sentence of the paragraph under the heading “Continuing to build our strong customer franchises and delivering on our financial goals”; and
- (iv) Appendix 1.

The Bank will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated in whole or in part by reference herein. Written or oral requests for such documents should be directed to the Bank at its principal office set out at the end of this Prospectus.

The Bank will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus (a “**Supplementary Prospectus**”) or publish a new prospectus for use in connection with any subsequent issue of Notes. The Bank has undertaken to the Dealers in the Programme Agreement (as defined in “Subscription and Sale”) that it will comply with section 87G of the Financial Services and Markets Act 2000.

PRESENTATION OF FINANCIAL INFORMATION

The financial information relating to the Bank, as incorporated by reference into this Prospectus, in respect of the financial years ended 31 December 2005 and 31 December 2006 has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the European Union (“**EU**”).

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Prospectus. Any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference, by any investor. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area (an “EEA State”), the responsible persons may have civil liability in respect of this summary, if it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in an EEA State, the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Issuer

Lloyds TSB Bank plc.

The businesses of Lloyds TSB Group plc and its subsidiaries (together, “**Lloyds TSB Group**” or the “**Group**”) are in or owned by Lloyds TSB Bank plc. Lloyds TSB Group plc is the parent company of Lloyds TSB Bank plc and is a leading UK-based financial services group, whose businesses provide a wide range of banking and financial services in the UK and a limited number of locations overseas. At 31 December 2006 total Lloyds TSB Group assets were £343,598 million and Lloyds TSB Group had some 63,000 employees. Lloyds TSB Group’s market capitalisation at that date was some £32,200 million. The profit before tax for the 12 months to 31 December 2006 was £4,248 million and the risk asset ratios as at that date were 10.7 per cent. for total capital and 8.2 per cent. for tier 1 capital.

The operations of Lloyds TSB Group in the UK were conducted through over 2,000 branches of Lloyds TSB Bank plc, Lloyds TSB Scotland plc and Cheltenham & Gloucester plc at the end of December 2006. International business is conducted mainly in the US and continental Europe. Lloyds TSB Group’s services in these countries are offered largely through branches of Lloyds TSB Bank plc. Lloyds TSB Group also offers offshore banking facilities in a number of countries.

Lloyds TSB Group’s activities are organised into three divisions: UK Retail Banking, Insurance and Investments and Wholesale and International Banking. UK Retail Banking provides banking and other financial services to personal customers, private banking and mortgages. Insurance and Investments offers life assurance, pensions and investment products, general insurance and fund management services. Wholesale and International Banking provides banking and related services for major UK and multinational companies, banks and financial institutions, and small and medium-sized UK businesses, including venture capital finance. It also provides asset finance and share registration services to personal and corporate customers (see “Lloyds TSB Group - Recent Developments”), manages Lloyds TSB Group’s activities in financial markets through its treasury function and provides banking and financial services overseas.

Risk Factors

Risk factors relating to Lloyds TSB Group

Lloyds TSB Group may be subject in particular to the following risks.

- Risks concerning borrower credit quality and general and sector specific UK and international economic conditions.
- The risk of market fluctuations, changing demographic developments, changing customer behaviour, adverse weather and similar contingencies outside its control.
- Terrorist acts and other acts of war.
- Legal and regulatory risk including the risk of mis-selling financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice.
- Tax risk associated with changes in, or errors in the interpretation of, taxation rates or law.

Risk factors relating to the Notes

- There is no assurance that a liquid secondary market for certain Notes will develop or continue.
- Certain Notes may be subject to early redemption at the Bank's discretion.
- The Bank may issue Notes with interest calculations in one or more currencies which may differ from the currency in which the principal of the Notes is denominated.
- The Bank may issue structured Notes, investment in which may entail significant risk not associated with similar investments in a conventional debt instrument.
- The Bank's obligations under Subordinated Notes are subordinated.

Description	Euro Medium Term Note Programme.
Size	Up to £25,000,000,000 (or the equivalent in other currencies at the date of issue).
Arranger	Merrill Lynch International
Dealers	Citigroup Global Markets Limited Deutsche Bank AG, London Branch Goldman Sachs International J.P. Morgan Securities Ltd. Lehman Brothers International (Europe) Lloyds TSB Bank plc Merrill Lynch International Nomura International plc UBS Limited (together, the " Dealers "). The Bank may terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or the Programme.
Trustee	The Law Debenture Trust Corporation p.l.c.
Issuing and Paying Agent	Citibank, N.A.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis and will be issued in series (each, a " Series ") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each, a " Tranche ") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant final terms (each, the " Final Terms ").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium thereto. Notes may be issued on a partly paid basis (" Partly Paid Notes "), the issue price of which will be payable in two or more instalments.
Form of Notes	The Notes may be issued in bearer form only (" Bearer Notes "), in bearer form exchangeable for Registered Notes (" Exchangeable Bearer Notes ") or in registered form only (" Registered Notes "). Unrestricted Notes will initially be represented by an Unrestricted Global Certificate and Restricted Notes will initially be represented by a Restricted Global Certificate.
Clearing Systems	Clearstream, Luxembourg, Euroclear and/or DTC and such other clearing system as agreed between the Bank, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).

Initial Delivery of Notes	<p>On or before the issue date for each Tranche, if the relevant Global Note is intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, it will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. If the relevant Global Note is not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, it may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes may also be deposited with any other clearing system or delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Bank, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).</p> <p>Unrestricted Notes will initially be represented by an Unrestricted Global Certificate, which will be deposited on the issue date of the relevant Tranche either with (a) a common depositary on behalf of Euroclear and Clearstream, Luxembourg, or (b) the Custodian for, and registered in the name of Cede & Co. as nominee for, DTC and/or any other agreed clearing system. Restricted Notes will initially be represented by a Restricted Global Certificate, which will be deposited on the issue date of the relevant Tranche either with (a) a common depositary on behalf of Euroclear and Clearstream, Luxembourg, or (b) the Custodian for, and registered in the name of Cede & Co. as nominee for, DTC.</p>
Currencies	Subject to compliance with all relevant laws, regulations and directives, any currency agreed between the Bank and the relevant Dealer(s).
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity. Unless otherwise permitted by then current laws, regulations and directives, (i) Subordinated Notes may be undated and (ii) Dated Subordinated Notes will have a minimum maturity of five years.
Denomination	Definitive Notes will be in such denominations as agreed between the Bank and the relevant Dealer and as specified in the relevant Final Terms save that the minimum denomination of each Note admitted to trading on an EEA exchange and/or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or the equivalent amount in any other currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and, save that the minimum denomination of each Note offered and sold in the United States pursuant to Rule 144A will be U.S.\$100,000 (or equivalent).
Fixed Interest Rate Notes	Fixed interest will be payable in arrear on the date(s) in each year specified in the relevant Final Terms at the rate specified in the relevant Final Terms.
Floating Rate Notes	<p>Floating Rate Notes will bear interest as follows (and/or as specified in the relevant Final Terms):</p> <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (unless the 2006 ISDA Definitions are specified in the relevant Final Terms) (as amended and supplemented) published by the International Swaps and Derivatives Association, Inc; or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.
Index Linked Interest Notes	Payments of interest in respect of Index Linked Interest Notes will be calculated by reference to a single index or basket of indices and/or such formula as specified in the relevant Final Terms.
Index Linked Redemption Notes	Payments of principal in respect of Index Linked Redemption Notes will be calculated by reference to a single index or basket of indices. Each nominal amount of Notes equal

	to the Calculation Amount specified in the relevant Final Terms will be redeemed by payment of the Final Redemption Amount(s) specified in the relevant Final Terms or, if not so specified, as defined in the Terms and Conditions of the Notes.
	If an Index Adjustment Event occurs, the Notes may be subject to adjustment or the Bank may redeem the Notes.
Other provisions relating to Floating Rate Notes and Index Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate and/or a minimum interest rate. Interest on any such Notes will be payable on such Interest Payment Dates, and calculated on the basis of such Day Count Fraction, as specified in the relevant Final Terms.
Equity Linked Interest Notes	Payments of interest in respect of Equity Linked Interest Notes will be calculated by reference to a single equity security or basket of equity securities on such terms as specified in the relevant Final Terms.
Equity Linked Redemption Notes	Payments of principal in respect of Equity Linked Redemption Notes will be calculated by reference to a single equity security or basket of equity securities. Each nominal amount of Notes equal to the Calculation Amount will be redeemed by payment of the Final Redemption Amount(s), in each case, specified in the relevant Final Terms. Equity Linked Redemption Notes may also provide for redemption by physical delivery of the Asset Amount(s). If any of Potential Adjustment Events, De-listing, Merger Event, Nationalisation, Insolvency and/or Tender Offer are specified as applying in the relevant Final Terms, the Notes will be subject to adjustment or may be redeemed in the event of certain corporate events occurring in respect of the Equity Issuer(s) specified in the relevant Final Terms.
Additional Disruption Event	Upon the occurrence of an Additional Disruption Event, if so specified in the relevant Final Terms, the Notes will be subject to adjustment or may be redeemed.
Currency Linked Notes	Payments (of principal or interest and/or at maturity or otherwise) in respect of Currency Linked Notes will be made in such currencies, and by reference to such rates of exchange and/or such formulae, as specified in the relevant Final Terms.
Credit Linked Notes	Notes with respect to which payment of principal and/or interest is linked to the credit of a specified entity or entities will be issued on such terms as specified in the relevant Final Terms.
Zero Coupon Notes	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest other than after the Maturity Date.
Dual Currency Notes	Payments (of principal or interest and/or at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as specified in the relevant Final Terms.
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes, Notes in respect of which payments of principal and/or interest will be made by reference to a formula or the performance of a fund and any other type of Note that the Bank, the Trustee and any Dealer(s) may agree that the Bank may issue under the Programme will be set out in the relevant Final Terms and/or any Supplementary Prospectus.
Redemption	The relevant Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified circumstances) or that such Notes will be redeemable at the option of the Bank and/or the Noteholders upon giving notice to the Noteholders or the Bank, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be specified in the relevant Final Terms.

Redemption by Instalments	The Final Terms issued in respect of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts at which, such Notes may be redeemed.
Status of Notes	Senior Notes will constitute unsecured and unsubordinated obligations of the Bank and Subordinated Notes will constitute unsecured and subordinated obligations of the Bank.
Early Redemption	Except as provided in “Redemption” above, Notes will be redeemable at the option of the Bank prior to maturity only for tax reasons.
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the United Kingdom subject to Condition 12.
Governing Law	English.
Listing and Admission to Trading	Application has been made to list Notes issued under the Programme on the Official List and to admit them to trading on the Market or as otherwise specified in the relevant Final Terms, and references to listing shall be construed accordingly. A Series of Notes may be unlisted.
Ratings	Each Tranche of Notes may be rated, as specified in the relevant Final Terms, or unrated.
Selling Restrictions	<p>United States, EEA, UK, Japan, The Netherlands, Singapore, Hong Kong, Republic of Korea, Belgium, People’s Republic of China, Sweden, France, United Arab Emirates, Spain, Malta and other restrictions as may be required in connection with a particular issue of Notes. See “Selling Restrictions”. The Bank is Category 2 for the purposes of Regulation S under the Securities Act.</p> <p>The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.</p> <p>There are restrictions on the transfer of Registered Notes offered and sold pursuant to Rule 144A under the Securities Act.</p>

RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Prospectus prior to making any investment decision with respect to the Notes. Each of the risks highlighted below could have a material adverse effect on the Banks' business, operations, financial condition or prospects, which, in turn, could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Notes. In addition, each of the risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks the Bank faces. The Bank has described only those risks relating to its operations that it considers to be material. There may be additional risks that the Bank currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.

Risk Factors relating to the Bank

Set out below are certain risk factors which could affect Lloyds TSB Group's future results and cause them to be materially different from expected results. Lloyds TSB Group's results could also be affected by competition and other factors. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties that Lloyds TSB Group's businesses face.

Lloyds TSB Group's businesses are subject to inherent risks concerning borrower credit quality as well as general and sector specific UK and international economic conditions. The development of adverse conditions in the UK or in other major economies could cause profitability to decline

Lloyds TSB Group's businesses are subject to inherent risks regarding borrower credit quality as well as general UK and international economic conditions. Each of these can change the level of demand for, and supply of, Lloyds TSB Group's products and services. Changes in the credit quality of Lloyds TSB Group's UK and/or international borrowers and counterparties could reduce the value of Lloyds TSB Group's assets, and increase allowances for impairment losses. In addition, changes in economic conditions may result in a deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default. Furthermore, a general deterioration in the UK economy would also reduce Lloyds TSB Group's profit from both its UK banking and financial services businesses. A general deterioration in any other major world economy could also adversely impact Lloyds TSB Group's profitability. See "Lloyds TSB Group – Risk Management – Credit Risk".

Lloyds TSB Group's businesses are inherently subject to the risk of market fluctuations, which could reduce profitability

Lloyds TSB Group's businesses are inherently subject to the risk of market fluctuations. The most significant market risks Lloyds TSB Group faces are those that impact the Group's pension schemes, principally equity risk and interest rate risk; adverse market movements would have an effect upon the financial condition of the pension schemes which would be reflected in Lloyds TSB Group's financial statements. Interest rate risk, foreign exchange risk and credit spread risk arise from banking and trading activities while equity risk is also present in the insurance businesses. See "Lloyds TSB Group – Risk Management – Market Risk".

Lloyds TSB Group's insurance businesses are subject to inherent risks relating to changing demographic developments, changing customer behaviour, adverse weather and similar contingencies outside its control. Development of adverse conditions could reduce profitability

Lloyds TSB Group's insurance businesses are subject to inherent risk relating to changing demographic developments (including mortality), changing customer behaviour, adverse weather and similar contingencies outside its control, both in the UK and overseas. Such contingencies can change the risk profile and profitability of such products and services.

Adverse experience in the operational risks inherent in Lloyds TSB Group's businesses could have a negative impact on its results of operations

Operational risks, through inadequate or failed internal processes or from people-related or external events are present in Lloyds TSB Group's businesses. Lloyds TSB Group's businesses are dependent on their ability to process accurately and efficiently a high volume of complex transactions across numerous and diverse products and services, in different currencies and subject to a number of different legal and regulatory regimes. Lloyds TSB Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled, but

Lloyds TSB Group realises that any weakness in these systems could have a negative impact on its results of operations during the affected period. See “Lloyds TSB Group – Risk Management – Operational Risk”.

Terrorist acts, and other acts of war, geopolitical, pandemic or other such events could have a negative impact on the business and results of operations of Lloyds TSB Group

Terrorist acts, other acts of war or hostility, geopolitical, pandemic or other such events and responses to those acts/events may create economic and political uncertainties, which could have a negative impact on UK and international economic conditions generally, and more specifically on the business and results of operations of Lloyds TSB Group in ways that cannot be predicted.

Lloyds TSB Group’s businesses are subject to substantial regulation, and regulatory and governmental oversight. Any significant adverse regulatory developments or changes in government policy could have a negative impact on Lloyds TSB Group’s results of operations

Lloyds TSB Group conducts its businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK and the other markets where it operates. Future changes in regulation, fiscal or other policies are unpredictable and beyond the control of Lloyds TSB Group. See “Lloyds TSB Group – Regulation”.

In addition, in the UK and elsewhere, there is continuing political and regulatory scrutiny of the banking industry and, in particular, retail banking. In the UK, the Competition Commission and the Office of Fair Trading (“OFT”) are carrying out several inquiries, which are referred to in “Lloyds TSB Group — Competitive environment”.

In recent years there have been several issues in the UK financial services industry in which the Financial Services Authority (“FSA”) has intervened directly, including the sale of personal pensions and the sale of mortgage-related endowments. The FSA may intervene further in relation to the areas of industry risk already identified or new areas of industry risk may be identified, which could adversely affect Lloyds TSB Group.

Lloyds TSB Group is exposed to various forms of legal and regulatory risk including the risk of mis-selling financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice, any of which could have a negative impact on its results or its relations with its customers

Lloyds TSB Group is exposed to many forms of legal and regulatory risk, which may arise in a number of ways. Primarily:

- (i) certain aspects of Lloyds TSB Group’s business may be determined by the authorities, the Financial Ombudsman Service (“FOS”) or the courts as not being conducted in accordance with applicable laws or, in the case of the FOS, what is fair and reasonable in the Ombudsman’s opinion;
- (ii) the possibility of alleged mis-selling of financial retail products, which, as a result, may require additional provisions;
- (iii) contractual obligations may either not be enforceable as intended or may be enforced against Lloyds TSB Group in an adverse way;
- (iv) the intellectual property of Lloyds TSB Group (such as its trade names) may not be adequately protected; and
- (v) Lloyds TSB Group may be liable for damages to third parties harmed by the conduct of its business.

In addition, Lloyds TSB Group faces risk where legal or regulatory proceedings or FOS or other complaints are brought against it in the UK or in jurisdictions outside the UK, including other European countries and the United States. Regardless of whether or not such claims have merit, the outcome of such proceedings or complaints is inherently uncertain and could have a material adverse effect on Lloyds TSB Group’s operations and/or financial condition, particularly if extended more broadly. For additional information, see “Lloyds TSB Group – Regulation”.

Although Lloyds TSB Group has policies for the management of legal and regulatory risk, failure to manage these risks could impact on Lloyds TSB Group adversely, both financially and reputationally.

Lloyds TSB Group is exposed to tax risk

Tax risk is the risk associated with changes in, or errors in the interpretation of, taxation rates or law. This could result in increased charges or financial loss. Although Lloyds TSB Group devotes considerable resources to managing tax risk, failure to manage this risk could impact Lloyds TSB Group adversely.

Lloyds TSB Group's businesses are conducted in highly competitive environments. Creation of an appropriate return for shareholders depends upon management's ability to respond effectively to competitive pressures

The market for UK financial services and the other markets within which Lloyds TSB Group operates are highly competitive, and management expects such competition to intensify in response to consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors, which could result in a reduction in profit margins. Lloyds TSB Group's ability to generate an appropriate return for its shareholders depends significantly upon the competitive environment and management's response to it. See "Lloyds TSB Group – Competitive environment".

Lloyds TSB Group is devoting considerable time and resources to securing new customers and developing more business from existing customers. If Lloyds TSB Group is unsuccessful, its organic growth prospects will decline

Lloyds TSB Group seeks to achieve further organic growth by securing new customers and developing more business from existing customers. Lloyds TSB Group is currently expending significant resources and effort to bring about this growth, particularly with respect to its UK retail financial services business. If these expenditures and efforts do not meet with success, its operating results would grow more slowly or decline.

Lloyds TSB Group's strategic plans and related risks

Lloyds TSB Group devotes considerable management and planning resources to developing strategic plans for organic growth and identifying possible acquisitions which would provide further opportunities for growth. If these strategic plans do not meet with success, Lloyds TSB Group's earnings could grow more slowly or decline.

Lloyds TSB Group's businesses are conducted in a marketplace that is consolidating, and significant cross-border mergers and acquisitions may happen in the coming years. Lloyds TSB Group's ability to generate an appropriate return for its shareholders over the long-term may depend upon whether management is able to achieve value creating acquisitions and/or mergers at the appropriate times and prices. Lloyds TSB Group cannot be sure that it will ultimately be able to make such mergers or acquisitions or that if it does, such mergers or acquisitions will be integrated successfully or realise anticipated benefits.

Risk Factors relating to the Notes

The Bank believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Bank believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Bank believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Bank may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Bank does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable Supplementary Prospectus;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In addition, an investment in Index Linked Interest Notes, Index Linked Redemption Notes, Equity Linked Interest Notes, Equity Linked Redemption Notes, Currency Linked Notes, Credit Linked Notes or other Notes linked to other assets or bases of reference, may entail significant risks not associated with investments in conventional securities such as debt or equity securities, including, but not limited to, the risks set out below in "*Risks related to the structure of a particular issue of Notes*".

Some Notes are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes linked to one or more underlying assets

An investment in Notes linked to one or more Reference Items (such Notes being referred to as "**Reference Notes**") may entail significant risks not associated with investments in a conventional debt security, including the risks set out below. The amount paid by the Bank on redemption of the Notes may be less than the principal amount of the Notes together with any accrued interest and may in certain circumstances be zero. Where the Notes are redeemed by the Bank by delivery of Reference Item(s) the value of the Reference Item(s) may be less than the principal amount of the Notes together with any accrued interest and may in certain circumstances be valueless. A Note will not represent a claim against any Reference Item and, in the event of any loss, a Noteholder will not have recourse under a Note to any Reference Item.

Prospective investors in Reference Notes should understand the risks of transactions involving Reference Notes and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Reference Notes in light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Reference Notes and the particular Reference Item(s) to which the value of, or payments in respect of, the relevant Reference Notes may relate, as specified in the applicable Final Terms.

As the amount of interest payable periodically and/or the Final Redemption Amount(s) payable at maturity may be linked to the performance of the relevant Reference Item(s), an investor in a Reference Note must generally be knowledgeable as to, and take a view with respect to, the direction, timing and magnitude of an anticipated change in the value of the relevant Reference Item(s).

Where the applicable Final Terms specify one or more Reference Item(s), the Reference Notes will represent an investment linked to the economic performance of such Reference Item(s) and prospective investors should note that the return (if any) on their investments in Reference Notes will depend upon the performance of such Reference Item(s). Potential investors should also note that whilst the market value of such Reference Notes is linked to such Reference Item(s) and will be influenced (positively or negatively) by such Reference Item(s), any change may not be comparable and may be disproportionate. It is impossible to predict how the level of the relevant Reference Item(s), will vary over time. In contrast to a direct investment in the relevant Reference Item(s), Reference Notes represent the right to receive payment or delivery, as the case may be, of the relevant Final Redemption Amount(s) or Asset Amount(s), as the case

may be, on the relevant Maturity Date as well as periodic payments of interest (if specified in the applicable Final Terms), all or some of which may be determined by reference to the performance of the relevant Reference Item(s). The applicable Final Terms will set out the provisions for the determination of the Final Redemption Amount(s) and of any periodic interest payments.

PROSPECTIVE INVESTORS MUST REVIEW THE APPLICABLE FINAL TERMS TO ASCERTAIN WHAT THE RELEVANT REFERENCE ITEM(S) ARE AND TO SEE HOW BOTH THE FINAL REDEMPTION AMOUNT(S) AND ANY PERIODIC INTEREST PAYMENTS ARE DETERMINED AND WHEN ANY SUCH AMOUNTS ARE PAYABLE AND/OR DELIVERABLE, AS THE CASE MAY BE, BEFORE MAKING ANY DECISIONS TO PURCHASE ANY REFERENCE NOTES.

Fluctuations in the value and/or volatility of the relevant Reference Item(s) may affect the value of the relevant Reference Notes. Investors in Reference Notes may risk losing their entire investment if the value of the relevant Reference Item(s) does not move in the anticipated direction.

There is no return on Reference Notes other than the potential payment or delivery, as the case may be, of the Final Redemption Amount(s) or the Asset Amount(s), as the case may be, on the Maturity Date and payment of any periodic interest payments.

Other factors which may influence the market value of Reference Notes include interest rates, potential dividend or interest payments (as applicable) in respect of the relevant Reference Item(s), changes in the method of calculating the level of the relevant Reference Item(s) from time to time and market expectations regarding the future performance of the relevant Reference Item(s), its composition and such Reference Notes.

If any of the relevant Reference Item(s) is an index, the value of such Reference Item on any day will reflect the value of its constituents on such day. Changes in the composition of such Reference Item and factors (including those described above) which either affect or may affect the value of the constituents, will affect the value of such Reference Item and therefore may affect the return on an investment in Reference Notes.

The Bank may issue several issues of Reference Notes relating to particular Reference Item(s). However, no assurance can be given that the Bank will issue any Reference Notes other than the Reference Notes to which the applicable Final Terms relate. At any given time, the number of Reference Notes outstanding may be substantial. Reference Notes provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the Reference Item(s) to which such Reference Notes relate.

The Bank's obligations under Dated Subordinated Notes are subordinated

The Bank's obligations under Dated Subordinated Notes will be unsecured and subordinated and will, in the event of the winding-up of the Bank, be subordinated, in the manner provided in the Trust Deed, to the claims of depositors and all other creditors of the Bank other than Subordinated Creditors (as defined in "Terms and Conditions of the Notes" herein). Although Dated Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Dated Subordinated Notes will lose all or some of his investment should the Bank become insolvent.

Undated Subordinated Notes

The Bank is under no obligation to redeem the Undated Subordinated Notes at any time and may elect not to pay interest on any given interest payment date and the holders of Undated Subordinated Notes have no right to call for their redemption. Furthermore the Bank's obligations under Undated Subordinated Notes are subordinated to the claims of Senior Creditors (as defined in "Terms and Conditions of the Notes" herein). Although Undated Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Undated Subordinated Notes will lose all or some of his investment should the Bank become insolvent.

Notes subject to optional redemption by the Bank

An optional redemption feature is likely to limit the market value of Notes. During any period when the Bank may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Bank may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest

rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Bank would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax (or in certain other circumstances if the Notes are Undated Capital Notes), the Bank may redeem all outstanding Notes in accordance with the Conditions.

Index Linked Notes, Dual Currency Notes, Equity Linked Notes, Currency Linked Notes and Credit Linked Notes

The Bank may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates, to the value of one or more Reference Item(s) or other factors (each, a “**Relevant Factor**”). In addition, the Bank may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of any such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected or may be subject to withholding or deduction for or on account of any taxes or other charges imposed by relevant governmental authorities or agencies;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of any such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Index Linked Redemption Notes may be redeemable by the Bank by payment of either the par value amount or an amount determined by reference to the value of the Reference Item(s). Interest payable on Index Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Index Linked Interest Notes and Index Linked Redemption Notes are referred to herein as “**Index Linked Notes**”.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Index Adjustment Events

Where the Notes are Index Linked Redemption Notes and an Index Adjustment Event occurs, the Bank may either require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the Notes and if so, to calculate the Reference Price as further provided in Condition 8(b)(ii)(a) or the Bank may elect to give notice to the Noteholders in accordance with Condition 19 and redeem all, but not some only, of the Notes each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the relevant Final Terms together with, if so specified in the relevant Final Terms, accrued interest.

Equity Linked Notes

Equity Linked Redemption Notes may be redeemable by the Bank by payment of the par value amount and/or by the physical delivery of a given number of the Reference Item(s) and/or by payment of an amount determined by

reference to the value of the Reference Item(s). Accordingly, an investment in Equity Linked Redemption Notes may bear similar market risks to a direct equity investment and prospective investors should take advice accordingly. Interest payable on Equity Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Equity Linked Interest Notes and Equity Linked Redemption Notes are referred to herein as “**Equity Linked Notes**”.

Potential Adjustment Events, De-listing, Merger Event, Nationalisation and Insolvency, Tender Offer and Adjustments for Equity Linked Redemption Notes in respect of Underlying Equities quoted in European Currencies

Where the Notes are Equity Linked Redemption Notes and Potential Adjustment Events and/or De-listing, Merger Event, Nationalisation and Insolvency and/or Tender Offer are specified as applying in the applicable Final Terms, the Notes will be subject to adjustment or may be redeemed in the event of certain corporate events occurring in respect of the Equity Issuer(s) specified in the applicable Final Terms as further provided in Condition 9(b).

In respect of Equity Linked Redemption Notes relating to Underlying Equities originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty establishing the European Community, as amended, if such Underlying Equities are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange, then the Notes will be subject to such adjustment as the Calculation Agent determines to be appropriate to preserve the economic terms of the Notes.

Settlement Risk

Where any Notes are to be settled by Physical Delivery, the Calculation Agent may determine that a Settlement Disruption Event is subsisting and/or, where “Failure to Deliver due to Illiquidity” is specified as applying in the applicable Final Terms, that it is impossible or impractical to deliver when due some or all of the assets due to be delivered due to illiquidity in the relevant market. Any such determination may affect the value of the Notes and/or may delay settlement in respect of the Notes and/or result in whole or partial cash settlement in respect of the Notes. Prospective investors should review the Conditions and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

Disrupted Days

Where the Notes are Index Linked Redemption Notes or Equity Linked Redemption Notes, the Calculation Agent may determine that a Disrupted Day has occurred or exists at a relevant time. Any such determination may have an effect on the value of the Notes and/or may delay settlement in respect of the Notes. Prospective investors should review the Conditions to ascertain whether and how such provisions apply to the Notes.

Currency Linked Notes

Currency Linked Redemption Notes may be redeemable by the Bank by payment of either the par value amount or an amount determined by reference to the value of the Reference Item(s). Interest payable on Currency Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Currency Linked Interest Notes and Currency Linked Redemption Notes are referred to herein as “**Currency Linked Notes**”.

In the course of day to day FX-trading, the Bank and/or its affiliates may enter into transactions which may affect currency exchange rates. This in turn may affect the value of Currency Linked Notes and may trigger certain provisions of such Notes.

Credit Linked Notes

In the event of the occurrence of certain circumstances specified in the applicable Final Terms the Bank’s obligation to pay principal may be replaced by an obligation to pay other amounts calculated by reference to the value of the Reference Item(s) and/or to deliver the Reference Item(s). In addition interest bearing Credit Linked Notes may cease to bear interest on or prior to the date of occurrence of such circumstances.

Hedging

In the ordinary course of its business, including without limitation in connection with its market making activities, the Bank and/or any of its affiliates may effect transactions for its own account or for the account of its customers and hold long or short positions in Reference Item(s) or related derivatives. In addition, in connection with the offering of the Notes, the Bank and/or any of its affiliates may enter into one or more hedging transactions with respect to the Reference Item(s) or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Bank and/or any of its affiliates, the Bank and/or any of its

affiliates may enter into transactions in the Reference Item(s) or related derivatives which may affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the relevant Noteholders.

Potential Conflicts of Interest

Where the Bank acts as Calculation Agent or the Calculation Agent is an affiliate of the Bank, potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the Conditions that may influence the amount receivable upon redemption of the Notes.

The Bank and/or any Dealer and/or any Distributor may at the date hereof or at any time hereafter be in possession of information in relation to a Reference Item that is or may be material in the context of the Notes and may or may not be publicly available to Noteholders. There is no obligation on the Bank, any Dealer or any Distributor to disclose to Noteholders any such information.

The Bank and/or any of its affiliates may have existing or future business relationships including, but not limited to, lending, depositary, risk management, advisory and banking relationships with any issuer, owner or sponsor of any Reference Item(s), and will pursue actions and take steps that they or it deems necessary or appropriate to protect their and/or its interest arising therefrom without regard to the consequences for a Noteholder.

Partly-paid Notes

The Bank may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Bank may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Bank's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Bank converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of the Noteholders, agree to (i) any modification of, or waiver or authorisation of any breach or proposed breach of, any of the Terms and Conditions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another entity as principal debtor under any Notes in place of the Bank, in the circumstances described in Condition 16 of the Terms and Conditions of the Notes.

Basel Capital Requirements Directive

The Basel Committee on Banking Supervision published the text of a new framework on 26 June 2004 under the title “Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework.” This new framework (the “**Basel II Framework**”), which has been recently published in a consolidated version, and which places enhanced emphasis on market discipline and sensitivity to risk, is the basis for national rule-making and approval processes to continue and for banking organisations to complete their preparations for implementation of the Basel II Framework. The Basel Committee confirmed that it is currently intended that the various approaches under the Basel II Framework will be implemented in stages, some from the end of 2006 and the most advanced at the end of 2007. As and when implemented (including through the EU Capital Requirements Directive), the Basel II Framework could affect the risk-weighting of the Notes in respect of certain investors if those investors are subject to the Basel II Framework following its implementation. In all other respects, the Bank cannot predict the precise effects of the potential changes that might result from implementation of the proposals on both its own financial performance or the impact on the pricing of its Notes issued under this Programme. Prospective investors in the Notes should consult their own advisers as to the consequences for them of the potential application of the Basel II Framework.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes. It is possible that prior to the maturity of the Notes the United Kingdom may become a participating Member State and that the Euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Notes denominated in Sterling may become payable in Euro (ii) the law may allow or require such Notes to be redenominated into Euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State of the European Economic Area is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain other persons in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead operate a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system, or through another country that has adopted similar measures, and an amount of or in respect of, tax were to be withheld from that payment, neither the Bank nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. However, the Bank is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Notes where denominations involve integral multiples

In the case of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Market value of Reference Notes

The market value of an issue of Reference Notes will be affected by a number of factors independent of the creditworthiness of the Bank, including, but not limited to:

- (i) the value and volatility of the Reference Item(s);
- (ii) in the case of Credit Linked Notes, the creditworthiness of the specified entity or entities;
- (iii) market interest and yield rates;
- (iv) where the Reference Item(s) is/are equity securities, the dividend rate on the Reference Item(s) and the financial results and prospects of the issuer of each Reference Item;
- (v) fluctuations in exchange rates;
- (vi) liquidity of the Notes or any Reference Item(s) in the secondary market; and
- (vii) the time remaining to any redemption date or the maturity date.

In addition, the value of any Reference Item may depend on a number of interrelated factors, including economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and the stock exchange(s) on which any Reference Item may be traded. The price at which a Noteholder will be able to sell any Reference Notes prior to maturity may be at a discount, which could be substantial, to the market value of such Reference Notes on the issue date, if, at such time, the market price of the Reference Item(s) is below, equal to or not sufficiently above the market price of the Reference Item(s) on the issue date. The historical market prices of any Reference Item should not be taken as an indication of such Reference Item's future performance during the term of any Reference Note.

Exchange rate risks and exchange controls

The Bank will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risk

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Investors to rely on the procedures of Euroclear, Clearstream, Luxembourg and DTC for transfer, payment and communication with the Bank

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or a custodian as nominee for DTC. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes or Certificates. Euroclear, Clearstream, Luxembourg and DTC will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg or DTC.

While the Notes are represented by one or more Global Notes or Global Certificates, the Bank will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear, Clearstream, Luxembourg or a custodian as nominee for DTC for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of Euroclear, Clearstream, Luxembourg and DTC to receive payments under the relevant Notes. The Bank has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interest in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg or DTC to appoint appropriate proxies.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

TERMS AND CONDITIONS OF THE NOTES

Neither the Trust Deed constituting the Notes nor the Terms and Conditions of the Notes will contain any negative pledge covenant by the Bank or any events of default other than those set out in Condition 14 below (which do not include, *inter alia*, a cross default provision).

The following is the text of the Terms and Conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Registered Notes and the Bearer Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the relevant Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on the Bearer Notes or on the Certificates relating to Registered Notes. All capitalised terms that are not defined in the Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a Trust Deed originally dated 4 October 1996 and amended and restated on 12 June 2007 (as modified and/or supplemented and/or restated as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") between Lloyds TSB Bank plc (the "**Bank**") and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Agency Agreement dated 4 October 1996 and amended and restated on 12 June 2007 (as modified and/or supplemented and/or restated as at the Issue Date, the "**Agency Agreement**") has been entered into in relation to the Notes between the Bank, the Trustee, Citibank, N.A., London office, as issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the exchange agents, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall, where the context so permits, include the Issuing and Paying Agent), the "**Registrar**", the "**Exchange Agents**", the "**Transfer Agents**" (which expression shall, where the context so permits, include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection free of charge during usual business hours at the registered office of the Trustee (being, for the time being, Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments (the "**Receiptholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**", which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form ("**Registered Notes**") or in bearer form exchangeable for Registered Notes ("**Exchangeable Bearer Notes**") in each case in the Specified Denomination(s) shown hereon.

All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Equity Linked Interest Note, an Equity Linked Redemption Note, a Currency Linked Interest Note, a Currency Linked Redemption Note, a Credit Linked Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after

the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”).

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Bank shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes

(a) Exchange of Exchangeable Bearer Notes

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same aggregate nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 6(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate duly completed and executed and such other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Bank, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of the Bank’s or a Noteholder’s option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 5(e)) or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for

exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) *Exchange Free of Charge*

Exchange and transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Bank, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may reasonably require).

(f) *Closed Periods*

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Bank at its option pursuant to Condition 5(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

3 Status

(a) *No Set-off*

Subject to applicable law and unless the Dated or Undated Subordinated Notes provide otherwise, no Dated or Undated Subordinated Noteholder may exercise or claim any right of set-off in respect of any amount owed to it by the Bank arising under or in connection with the Dated or Undated Subordinated Notes, the relative Receipts or Coupons and each Dated and Undated Subordinated Noteholder, Couponholder and Receiptholder shall, by virtue of being the holder of any Dated or Undated Subordinated Note, Receipt or Coupon, be deemed to have waived all such rights of set-off, both before and during any winding-up, liquidation or administration of the Bank. Notwithstanding the provision of the foregoing sentence, if any of the said rights and claims of any Subordinated Noteholder, Receiptholder or Couponholder against the Bank is discharged by set-off, such Subordinated Noteholder, Receiptholder or Couponholder will immediately pay an amount equal to the amount of such discharge to the Bank or, in the event of winding-up of the Bank the liquidator of the Bank and accordingly such discharge will be deemed not to have taken place.

(b) *Status of Senior Notes*

Subject to such exceptions as may be provided by mandatory provisions of applicable law, the Senior Notes (being those Notes that specify their status as Senior) and the Receipts and Coupons relating to them constitute unsecured and unsubordinated obligations of the Bank and rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Bank.

(c) *Status of Dated Subordinated Notes*

The Dated Subordinated Notes (being those Notes that specify their status as Dated Subordinated) and the Receipts and Coupons relating to them constitute unsecured obligations of the Bank and rank *pari passu* without any preference among themselves. The claims of the Trustee, the Noteholders, the Receiptholders and the Couponholders against the Bank in respect of the Dated Subordinated Notes and the Receipts and Coupons relating to them will, in the event of the winding-up of the Bank, be subordinated, in the manner provided in the Trust Deed, to the claims of depositors and all other creditors of the Bank other than Subordinated Creditors (as defined below).

For the purposes of these Conditions, “**Subordinated Creditors**” means (i) persons whose claims are subordinated in the event of the winding-up of the Bank in any manner (other than by statute) to the claims of any unsecured creditors of the Bank and (ii) persons whose claims in the event of the winding-up of the Bank should have been, but shall not have been, subordinated to the claims of unsecured creditors of the Bank in the manner required by any

agreement, deed or instrument entered into by the Bank (whether before, on or after the date of the Trust Deed) whereunder the claims of any creditor or class of creditors of the Bank are required to be subordinated to the claims of any unsecured creditor of the Bank.

(d) Status of Undated Subordinated Notes

The Undated Subordinated Notes (being those Notes that specify their status as Undated Subordinated) and the Coupons relating to them constitute unsecured obligations of the Bank, conditional as described below, and rank *pari passu* without any preference among themselves.

The rights of the holders of the Undated Subordinated Notes and the Coupons relating to them are subordinated to the claims of Senior Creditors (as defined below) and, accordingly, payments of principal and interest are, in addition to the right of the Bank to defer payment of interest in accordance with Condition 4, conditional upon the Bank being solvent at the time of payment by the Bank and no principal or interest shall be payable in respect of the Undated Subordinated Notes except to the extent that the Bank could make such payment and still be solvent immediately thereafter. For the purpose of this Condition 3(d), the Bank shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (each as defined below) (other than its Liabilities to persons who are not Senior Creditors). A report as to the solvency of the Bank by two Directors of the Bank or, in certain circumstances as provided in the Trust Deed, the auditors of the Bank or, if the Bank is in winding-up, its liquidator, shall in the absence of proven error be treated and accepted by the Bank, the Trustee, the Noteholders and the Couponholders as correct and sufficient evidence thereof.

If at any time an order is made or an effective resolution is passed for the winding-up in England of the Bank, there shall be payable on each Undated Subordinated Note (in lieu of any other payment), but subject as provided in this Condition 3(d), such amount, if any, as would have been payable to the holder thereof if, on the day prior to the commencement of the winding-up and thereafter, such holder of such Undated Subordinated Note were the holder of a preference share in the capital of the Bank (ranking *pari passu* with the cumulative floating rate preference share of £1 in the capital of the Bank (the “**Cumulative Preference Share**”)) having a preferential right to a return of assets in the winding-up over the holders of all issued shares for the time being in the capital of the Bank on the assumption that such preference share was entitled to receive on a return of assets in such winding-up an amount equal to the nominal amount of such Undated Subordinated Note together with Arrears of Interest (as defined in Condition 4(b)), if any, any interest that has not been paid as a consequence of the provisions of this Condition 3(d), if any, and any accrued interest (other than Arrears of Interest) up to, but excluding, the date of repayment (as provided in the Trust Deed) in respect thereof.

For the purposes of these Conditions, “**Senior Creditors**” means creditors of the Bank (i) who are depositors or other unsubordinated creditors of the Bank or (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up of the Bank or otherwise) to the claims of depositors and other unsubordinated creditors of the Bank but not further or otherwise or (iii) who are subordinated creditors of the Bank other than those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Undated Subordinated Notes; “**Assets**” means the unconsolidated gross assets of the Bank; and “**Liabilities**” means the unconsolidated gross liabilities of the Bank, in each case as shown by the latest published audited balance sheet of the Bank, but adjusted for contingent assets and contingent liabilities and for subsequent events, all in such manner as such Directors, the auditors or the liquidator (as the case may be) may determine.

N.B. The obligations of the Bank in respect of the Undated Subordinated Notes and the related Coupons are conditional upon the Bank being solvent for the purpose of this Condition 3(d) immediately before and after payment by the Bank. If this Condition 3(d) is not satisfied, any amounts which might otherwise have been allocated in or towards payment of principal and interest in respect of the Undated Subordinated Notes may be used to absorb losses of the Bank, whilst enabling the Bank to continue its business, and any such amounts shall not be deemed to be due for the purposes of Condition 14.

The Bank may defer payments of interest in respect of Undated Subordinated Notes as provided in Condition 4.

4 Interest and other Calculations

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date, provided, however, that interest on Undated Subordinated Notes shall (subject to

Condition 3(d)) be payable only at the option of the Bank. The amount of interest payable shall be determined in accordance with Condition 4(k).

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused or is not made by reason of Condition 3(d), in which event interest shall continue to accrue as provided in the Trust Deed.

(b) *Interest on Undated Subordinated Notes*

On an Interest Payment Date there may be paid (subject to Condition 3(d)) the interest accrued in the Interest Period ending on the day immediately preceding such date, but the Bank shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Bank for any purpose. If the Bank opts not to pay interest on an Interest Payment Date, it shall give not less than 30 days' notice of such option to the holders of the Undated Subordinated Notes in accordance with Condition 19. Any interest not paid on an Interest Payment Date together with any other interest not paid on any other Interest Payment Date shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest may, at the option of the Bank but subject to Condition 3(d), be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the holders of the Undated Subordinated Notes in accordance with Condition 19, but all Arrears of Interest on all Undated Subordinated Notes outstanding shall (subject to Condition 3(d)) become due in full on whichever is the earlier of (i) the date set for any redemption pursuant to Condition 5(c) or 5(d) or (ii) the commencement of a winding-up of the Bank. Notwithstanding the foregoing, if notice is given by the Bank of its intention to pay the whole or any part of Arrears of Interest in respect of the Undated Subordinated Notes, the Bank shall be obliged (subject to Condition 3(d)) to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be in respect of the Arrears of Interest accrued to the relevant Interest Payment Date or consecutive Interest Payment Dates furthest from the date of payment. Arrears of Interest shall not themselves bear interest.

If, on an Interest Payment Date, interest in respect of any series of Undated Subordinated Notes shall not have been paid as a result of the exercise by the Bank of its option pursuant to this Condition 4 or the operation of Condition 3(d), then from the date of such Interest Payment Date until such time as the full amount of such Arrears of Interest has been received by the Issuing and Paying Agent or the Trustee and no other Arrears of Interest remains unpaid, the Dividend and Capital Restriction shall apply.

The "**Dividend and Capital Restriction**" means that, subject as provided below:

- (i) the Bank may not declare, pay or distribute a dividend or make a payment on: (A) any class of its share capital or its securities (excluding any Non Deferrable Capital other than the Preference Shares) or (B) guarantees given by the Bank, in each case ranking *pari passu* with or below the Cumulative Preference Share;
- (ii) the Bank may not redeem, purchase or otherwise acquire any class of its share capital or its securities ranking *pari passu* with or below the Cumulative Preference Share (save where those shares or securities being redeemed, purchased or acquired are (A) the Preference Shares or (B) replaced contemporaneously by an issue of shares or securities of the same aggregate principal amount and the same ranking on a return of assets on a winding-up or in respect of a distribution or payment of dividends and/or any other amounts thereunder to those shares or securities being redeemed, purchased or acquired); and
- (iii) the Bank will procure that no payment is made, or any redemption, purchase or acquisition is effected, by any subsidiary undertaking (other than payments made in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment, any such subsidiary or the Bank) on any security (howsoever named or designated) benefiting from a guarantee given by the Bank ranking *pari passu* with or below the Cumulative Preference Share,

in each case, other than a dividend or interest payment which has been declared by the Bank or any such subsidiary undertaking on such share capital, guarantees or security (howsoever named or designated) benefiting from any such guarantee or any such redemption, purchase or acquisition which has been effected by the Bank or any such subsidiary undertaking, as the case may be, prior to the date on which the decision to opt to defer the interest which would otherwise be due on the Undated Subordinated Notes is notified to the Noteholders in accordance with Condition 19.

For the purposes of these Conditions:

"**Non Deferrable Capital**" means any class of the Bank's share capital or securities, the terms of which do not enable it to defer, pass or eliminate a dividend or other distribution.

“**Preference Shares**” means the 6 per cent. non-cumulative redeemable preference shares of £1 each in the Bank.

(c) *Interest on Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes and Notes with other variable-linked interest provisions*

(i) *Interest Payment Dates*

Each Floating Rate Note, Index Linked Interest Note and Equity Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date, provided, however, that interest on Undated Subordinated Notes shall (subject to Condition 3(d)) be payable only at the option of the Bank. The amount of interest payable shall be determined in accordance with Condition 4(k). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity”, “Reset Date” and “Swap Transaction” have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated hereon, the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or if sub-paragraph (x)(i) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(ii) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent;

(z) if paragraph (y) above applies, the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which at the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Bank suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period);

- (iv) Rate of Interest for Index Linked Interest Notes, Equity Linked Interest Notes and Notes with other variable-linked interest provisions

The Rate of Interest in respect of Index Linked Interest Notes, Equity Linked Interest Notes and Notes with other variable-linked interest provisions for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(d) Currency Linked Interest Notes

The rate or amount of interest in respect of Currency Linked Interest Notes shall be determined in the manner specified hereon, provided, however, that interest on Undated Subordinated Notes shall (subject to Condition 3(d)) be payable only at the option of the Bank.

(e) Credit Linked Notes

The rate on amount of interest in respect of Credit Linked Notes shall be determined in the manner specified hereon, provided, however, that interest on Undated Subordinated Notes shall (subject to Condition 3(d)) be payable only at the option of the Bank.

(f) Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the due date for redemption, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 5(b)(i)).

(g) Dual Currency Notes

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon, provided, however, that interest on Undated Subordinated Notes shall (subject to Condition 3(d)) be payable only at the option of the Bank.

(h) Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon, provided, however, that interest on Undated Subordinated Notes shall (subject to Condition 3(d)) be payable only at the option of the Bank.

(i) Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue or, in the case of Zero Coupon Notes, shall accrue (in each case, as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 12).

(j) Margin, Maximum Rate of Interest, Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding

- (i) If any Margin is specified hereon (either (A) generally, or (B) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (A), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (B), calculated in accordance with Condition 4(c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin subject always to the next paragraph.
- (ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (B) all figures shall be rounded to seven

significant figures (with halves being rounded up) and (C) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Yen, which shall be rounded down to the nearest Yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country of such currency.

(k) Calculations

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be applied to the period for which interest is required to be calculated.

(l) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts

The Calculation Agent shall as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount(s), Early Redemption Amount, Optional Redemption Amount or any Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount(s), Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Bank, each of the Paying Agents, the Registrar, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange or admitted to listing by another relevant authority and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and repayable under Condition 14, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding on all parties.

(m) Determination or Calculation by Trustee

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount(s), Early Redemption or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(n) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; or
- (ii) in the case of euro, a day on which the TARGET System is operating (a “**TARGET Business Day**”); and
- (iii) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in any Business Centre(s) specified hereon.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/365**” or “**Actual/Actual – ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (A) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (v) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (vi) if “**Actual/Actual-ICMA**” is specified hereon:
 - (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in such Calculation Period divided by the product of:
 - (x) the number of days in such Determination Period; and
 - (y) the number of Determination Periods normally ending in any year; or
 - (B) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Periods normally ending in any year;

where:

“**Determination Period**” means the period from and including a Determination Date (as specified hereon) in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date specified as such hereon or, if none is so specified, the Interest Payment Date.

“**Euro-zone**” means the region comprised of member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“**Interest Amount**” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending on the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified hereon.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“**Interest Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified hereon.

“**ISDA Definitions**” means the 2000 ISDA Definitions or, if the 2006 ISDA Definitions are specified hereon, the 2006 ISDA Definitions, in each case, as amended and supplemented and published by the International Swaps and Derivatives Association, Inc. (or as otherwise specified hereon).

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

“**Reference Rate**” means the rate specified as such hereon.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon.

“**Relevant Time**” means, if the Reference Rate is LIBOR, approximately 11.00 am (London time) or if the Reference Rate is EURIBOR, 11.00 am (Brussels time).

“**Specified Currency**” means the currency specified hereon or, if none is specified, the currency in which the Notes are denominated.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

(o) *Calculation Agent*

The Bank shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent or, pursuant to Condition 4(m), the Trustee fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Bank shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(p) *Nature of the Return*

Any interest paid to the Noteholder shall constitute consideration paid for the use of the principal and for the assumption of the risk that the Noteholder may not recover its original investment or that its return may be variable.

5 Redemption, Purchase and Options

(a) *Redemption by Instalments and Final Redemption*

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 5, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note (unless it is a Currency Linked Redemption Note, an Index Linked Redemption Note, an Equity Linked Redemption Note or a Credit Linked Note, each of which will be finally redeemed in accordance with Conditions 7, 8(a), 9(a) and 5(a)(iv), respectively) shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount(s) (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.
- (iii) Undated Subordinated Notes have no final maturity date and are only redeemable in accordance with the following provisions of this Condition 5.
- (iv) Provisions relating to the redemption of Credit Linked Notes will be set out hereon.

(b) *Early Redemption*

- (i) **Zero Coupon Notes**
 - (A) The Early Redemption Amount payable in respect of any Zero Coupon Note the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and repayable as provided in Condition 14 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
 - (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount(s) of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c) or upon it becoming due and repayable as provided in Condition 14 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as calculated in accordance with sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the reference therein to the Maturity Date were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount(s) of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(f).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and repayable as provided in Condition 14(b), shall be the Final Redemption Amount(s) unless otherwise specified hereon.

(c) *Redemption for Taxation Reasons*

- (i) If at any time the Bank satisfies the Trustee immediately prior to the giving of the notice referred to below that (A) if a payment of principal or interest in respect of the Notes were to be due (whether or not the same is in fact then due) on or before the next Interest Payment Date, the Bank would, for reasons outside its control, be unable (after using such endeavours as the Trustee shall consider reasonable) to make such payment of principal or interest without having to pay additional amounts as provided or referred to in Condition 12 or (B) in the case of Undated Subordinated Notes only, on the next Interest Payment Date the payment of interest in respect of such Notes would be treated, for reasons outside the control of the Bank, as a “distribution” within the meaning of the Income and Corporation Taxes Act 1988 for the time being of the United Kingdom, the Bank may at its option (subject, in the case of Undated Subordinated Notes, to Condition 3(d)), having given not less than 30 nor more than 60 days’ notice in accordance with Condition 19, redeem on such Interest Payment Date (if the Note is either Floating Rate, an Index Linked Note, an Equity Linked Note, a Currency Linked Interest Note or a Credit Linked Note) or, at any time (if the Note is a Fixed Rate Note) all, but not some only, of the Notes then outstanding at the Early Redemption Amount (as described in Condition 5(b) above) (together with interest accrued to the date fixed for redemption) and, in the case of Undated Subordinated Notes, shall also pay Arrears of Interest (if any) and any accrued interest (other than Arrears of Interest) up to, but excluding, the date of redemption.
- (ii) Subject only to the obligation of the Bank to use such endeavours as aforesaid, it shall be sufficient to establish the existence of the circumstances required to be established pursuant to this paragraph (c) if the Bank shall deliver to the Trustee a certificate of an independent lawyer or accountant satisfactory to the Trustee, in a form satisfactory to the Trustee, to the effect either that such circumstances exist or that, upon a change in, or amendment to, the taxation laws (or regulations made thereunder) of the United Kingdom or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations, which at the date of such certificate is proposed and which in the opinion of such lawyer or accountant can reasonably be expected to become effective on or prior to such Interest Payment Date or time as is referred to in (i) above, becoming so effective, such circumstances would exist.

In the case of any redemption of Dated Subordinated Notes or Undated Subordinated Notes pursuant to (i) above prior to the fifth anniversary of the Issue Date, or such other date as the FSA may from time to time require, any such redemption shall be subject to the prior consent of the FSA (for so long as such consent is required).

(d) *Redemption at the Option of the Bank*

If Call Option is specified hereon, the Bank may, on giving not less than five nor more than 30 days’ irrevocable notice to the Noteholders (or such other notice period as may be specified hereon, which in the case of Notes that clear through the Depository Trust Company (“DTC”) should be not less than 30 days nor more than 60 days), redeem all or, if so provided, some only of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption or, in the case of

Undated Subordinated Notes, together with all Arrears of Interest (if any) as provided in Condition 4(b). Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, stock exchange requirements or the requirements of any other relevant authority.

(e) Redemption at the Option of Noteholders other than holders of Undated Subordinated Notes

If Put Option is specified hereon, the Bank shall, at the option of the holder of any Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Bank (or such other notice period as may be specified hereon), redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Bank.

N.B. In the case of redemption of Dated Subordinated Notes (save for final redemption on the relevant Maturity Date in accordance with Condition 5(a)(ii)) and Undated Subordinated Notes, the FSA requires to be notified by the Bank one month (or such other period, longer or shorter, as the FSA may then require or accept) before the date of the proposed repayment providing details of how it will meet its Capital Resources Requirement after such repayment and the FSA must have raised no objection thereto (if required), where:

"Capital Regulations" means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the FSA;

"Capital Resources Requirement" has the meaning given to such term in the Capital Regulations and shall include any successor term from time to time equivalent thereto as agreed between the Bank and the Trustee; and

"FSA" means the Financial Services Authority or such other governmental authority in the United Kingdom (or, if the Bank becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary supervisory authority with respect to the Bank.

(f) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(g) Purchases

The Bank or any of its subsidiaries or any holding company of the Bank or any other subsidiary of any such holding company may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) Cancellation

All Notes purchased by or on behalf of the Bank or any of its subsidiaries or any holding company of the Bank or any other subsidiary of any such holding company may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Bank, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered

therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Bank in respect of any such Notes shall be discharged.

6 Payments and Talons

(a) Bearer Notes

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency or, if such currency is euro, in a city in which banks have access to the TARGET System.

(b) Registered Notes

- (i) Payments of principal (which for the purposes of this Condition 6(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest (which for the purpose of this Condition 6(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by a cheque drawn on a bank in the principal financial centre of such currency, subject as provided in paragraph (a) above, and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date and subject as provided in paragraph (a) above, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of the country of such currency.
- (iii) Registered Notes, if specified hereon, may be registered in the name of, or in the name of a nominee for, DTC. Payments of principal and interest in respect of Registered Notes denominated in U.S. Dollars will be made in accordance with (i) and (ii) above. Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. Dollars will be made or procured to be made by a Paying Agent in the Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Paying Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Bank by the Paying Agent who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payments, on or prior to the third DTC business day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 DTC business days prior to the relevant payment date, to receive that payment in such Specified Currency. For the purposes of this Condition 6(b), “**DTC business day**” means any day on which DTC is open for business. The Paying Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. Dollars, will cause the Exchange Agent to deliver such U.S. Dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made.

(c) Payments in the United States

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Bank shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by

exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Bank, any adverse tax consequence to the Bank.

(d) Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations, directives and orders of any court of competent jurisdiction, but without prejudice to the provisions of Condition 12. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments. The Bank reserves the right to require a Noteholder or Couponholder to provide a Paying Agent, the Registrar or a Transfer Agent with such certification or information as may be required to enable the Bank to comply with the requirements of the United States federal income tax laws.

(e) Appointment of Agents

The Issuing and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Exchange Agent initially appointed by the Bank and their respective specified offices are listed below. Subject as provided in the Trust Deed and the Agency Agreement, the Issuing and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents, the Exchange Agent and the Calculation Agent act solely as agents of the Bank and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Bank reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent, the Exchange Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Bank shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes which may be the Registrar, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in Europe, which, so long as the Notes are listed on the official list (the “**Official List**”) of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**UK Listing Authority**”) and are admitted to trading on the London Stock Exchange plc’s Gilt Edged and Fixed Interest Market, shall be in London, (vi) a Paying Agent outside the United Kingdom, (vii) an Exchange Agent, (viii) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case as approved by the Trustee and (ix) a Paying Agent with a specified office in a European Union member state that is not obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Bank shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders by the Bank in accordance with Condition 19.

(f) Unmatured Coupons and Receipts and unexchanged Talons

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than (i) any Fixed Rate Notes where the total value of the unmatured coupons appertaining thereto exceeds the nominal amount of such Note or (ii) Dual Currency Notes, Index Linked Notes, Equity Linked Notes, Currency Linked Notes and Credit Linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 13). In relation to any Undated Subordinated Note, if any payment is to be made in respect of interest the Interest Payment Date for which falls on or after the date on which the winding-up of the Bank is deemed to have commenced, such payment shall be made only against presentation of the relevant Note and the Coupon for any such Interest Payment Date shall be void. In addition, any Undated Subordinated Note presented for payment after an order is made or an effective resolution is passed for the winding-up in England of the Bank must be presented together with all Coupons in respect of Arrears of Interest relating to Interest Payment Dates falling prior to such commencement of the winding-up of the Bank, failing which there shall be withheld from any payment otherwise due to the holder of such Undated Subordinated Note such proportion thereof as the Arrears of Interest due in respect of any such missing Coupon bears to the

total of the principal amount of the relevant Undated Subordinated Note, all Arrears of Interest in respect thereof and interest (other than Arrears of Interest) accrued on such Undated Subordinated Note in respect of the Interest Period current at the date of the commencement of the winding-up.

- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Interest Note, Index Linked Note, Equity Linked Notes, Currency Linked Notes or Credit Linked Note or, a Fixed Rate Note where the total value of the unmatured coupons exceeds the minimal amount of such Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Bank may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 13).

(h) Non-Business Days

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “Financial Centres” hereon and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

7 Currency Linked Redemption Notes

Provisions relating to Currency Linked Redemption Notes will be set out hereon.

8 Index Linked Redemption Notes

(a) Redemption of Index Linked Redemption Notes

Unless previously redeemed or purchased and cancelled, each nominal amount of the Index Linked Redemption Notes equal to the Calculation Amount set out hereon (the “**Specified Amount**”) will be redeemed by the Bank at the Final Redemption Amount(s) specified in, or determined in the manner specified hereon on the Maturity Date.

(b) *Adjustments to an Index*

(i) **Successor Index Sponsor Calculates and Reports an Index**

If a relevant Index is (A) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor (a “**Successor Index Sponsor**”) acceptable to the Calculation Agent or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then, in each case, that index (the “**Successor Index**”) will be deemed to be the Index.

(ii) **Modification and Cessation of Calculation of an Index**

If (A) on or prior to the Valuation Date or an Averaging Date the relevant Index Sponsor makes or announces that it will make a material change in the formula for or the method of calculating a relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation, contracts or commodities and other routine events) (an “**Index Modification**”) or permanently cancels the Index and no Successor Index exists (an “**Index Cancellation**”), or (B) on the Valuation Date or an Averaging Date the Index Sponsor or (if relevant) the Successor Index Sponsor fails to calculate and announce a relevant Index (an “**Index Disruption**” and together with an Index Modification and an Index Cancellation, each, an “**Index Adjustment Event**”), then the Bank may take the action described in (x) or (y) below:

- (x) require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the Notes and, if so, to calculate the Reference Price using, in lieu of a published level for that Index, the level for that Index as at the Valuation Time on the Valuation Date or that Averaging Date, as the case may be, as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation but using only those securities/commodities that comprised that Index immediately prior to that Index Adjustment Event;
- (y) give notice to the Noteholders in accordance with Condition 19 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined as set out hereon together with, if so specified hereon, accrued interest.

(iii) **Notice**

Upon the occurrence of an Index Adjustment Event, the Bank shall give notice as soon as practicable to Noteholders in accordance with Condition 19 giving details of the action proposed to be taken in relation thereto.

(iv) **Correction of an Index**

If Correction of an Index is specified as applying hereon and the official closing level of an Index published on the Valuation Date or an Averaging Date is subsequently corrected and the correction (the “**Corrected Index Level**”) is published by the Index Sponsor or (if relevant) the Successor Index Sponsor prior to the Correction Cut-Off Date specified hereon, then such Corrected Index Level shall be deemed to be the closing level for such Index for the Valuation Date or such Averaging Date, as the case may be, and the Calculation Agent shall use such Corrected Index Level in determining the Final Redemption Amount(s).

(c) *Definitions relevant to Index Linked Redemption Notes*

“**Averaging Date**” means each date specified as an Averaging Date hereon or (if any such date is not a Scheduled Trading Day) the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then:

- (i) if “**Omission**” is specified hereon as applying, then such date will be deemed not to be an Averaging Date for purposes of determining the Final Redemption Amount(s) provided that, if through the operation of this provision there would not be an Averaging Date, then the provisions of the definition of “**Valuation Date**” will apply for the purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (ii) if “**Postponement**” is specified hereon as applying, then the provisions of the definition of “**Valuation Date**” will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or

(iii) if “**Modified Postponement**” is specified hereon as applying:

- (A) where the Notes relate to a single Index, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (x) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether the eighth Scheduled Trading Day is already an Averaging Date), and (y) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (i)(B) of the definition of “Valuation Date” below; and
- (B) where the Notes relate to a Basket of Indices, the Averaging Date for each Index not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the “**Scheduled Averaging Date**”) and the Averaging Date for an Index affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index. If the first succeeding Valid Date in relation to such Index has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (x) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Index, and (y) the Calculation Agent shall determine the relevant level, price or amount for such Averaging Date in accordance with sub-paragraph (ii)(B) of the definition of “Valuation Date” below;

“**Disrupted Day**” means (i) where the relevant Index is specified hereon as not being a Multi-Exchange Index, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred or (ii) where the relevant Index is specified hereon as being a Multi-Exchange Index, any Scheduled Trading Day on which (A) the Index Sponsor fails to publish the level of the Index, (B) any Related Exchange fails to open for trading during its regular trading session or (C) a Market Disruption Event has occurred.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

“**Exchange**” means:

- (i) where the relevant Index is not specified hereon as being a Multi-Exchange Index, each exchange or quotation system specified hereon as such for such Index, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities/commodities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities/commodities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange); and
- (ii) where the relevant Index is specified hereon as being a Multi-Exchange Index, in relation to each component security of that Index (each, a “**Component Security**”), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.

“**Exchange Business Day**” means either (i) where the relevant Index is not specified hereon as being a Multi-Exchange Index, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time or (ii) where the relevant Index is specified hereon as being a Multi-Exchange Index, any Scheduled Trading Day on which (A) the Index Sponsor publishes the level of the Index and (B) each Related Exchange is open for trading during its regular trading session, notwithstanding the Related Exchange closing prior to its Scheduled Closing Time.

“**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in,

or obtain market values for: (i) any Component Security on the Exchange in respect of such Component Security; or (ii) futures or options contracts relating to the Index on any Related Exchange.

“**Indices**” and “**Index**” mean, subject to adjustment in accordance with Condition 8(b), the indices or index specified hereon and related expressions shall be construed accordingly.

“**Index Sponsor**” means, in relation to an Index, the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Index and (ii) announces (directly or through an agent) the level of such Index on a regular basis during each Scheduled Trading Day, which as of the Issue Date is the index sponsor specified for such Index hereon.

“**Market Disruption Event**” means, in respect of an Index,

- (i) where such Index is specified hereon as not being a Multi-Exchange Index:
 - (A) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time:
 - (x) of any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
 - (i) on any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of the relevant Index; or
 - (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange; or
 - (y) of any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, on any relevant Exchange(s), securities that comprise 20 per cent. or more of the level of the relevant Index, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange; or
 - (B) the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities/commodities that comprise 20 per cent. or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (x) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or, if earlier, (y) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day,

which in any such case the Calculation Agent determines is material; or

- (ii) where such Index is specified hereon as being a Multi-Exchange Index, in respect of a Component Security included in such Index either:
 - (A) the occurrence or existence, in respect of any Component Security, of:
 - (x) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange in respect of such Component Security; or
 - (y) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange in respect of such Component Security; or

- (z) an Early Closure in respect of such Component Security, which the Calculation Agent determines is material; and

either:

- (i) where it is not specified hereon that the X Percentage applies, the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; or
- (ii) where it is specified hereon that the X Percentage applies, the sum of (A) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists and (B) the X Percentage, comprises 20 per cent. or more of the level of the Index:

OR

- (B) the occurrence or existence, in respect of futures or options contracts relating to the Index, of:
 - (x) a Trading Disruption at any time during the one hour period that ends at the Valuation Time in respect of any Related Exchange;
 - (y) an Exchange Disruption at any time during the one hour period that ends at the Valuation Time in respect of any Related Exchange; or
 - (z) an Early Closure,

in each case in respect of such futures or options contracts and which the Calculation Agent determines is material.

For the purpose of determining whether a Market Disruption Event exists in relation to an Index or in respect of a Component Security at any time, if an event giving rise to a Market Disruption Event occurs in respect of a security included in the Index or such Component Security at that time, then the relevant percentage contribution of that security or Component Security, as the case may be, to the level of that Index shall be based on a comparison of (i) the portion of the level of that Index attributable to that security or Component Security, as the case may be, and (ii) the overall level of that Index, in each case either (x) except where the relevant Index is specified hereon as being a Multi-Exchange Index, immediately before the occurrence of such Market Disruption Event or (y) where the relevant Index is specified hereon as being a Multi-Exchange Index, using the official opening weightings as published by the Index Sponsor as part of the market "opening data".

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 19 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Averaging Date or a Valuation Date. Without limiting the obligation of the Calculation Agent to give notice to the Noteholders as set forth in the preceding sentence, failure by the Calculation Agent to notify the Noteholders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.

"Reference Price" means:

- (i) where the Notes are specified hereon to relate to a single Index, an amount equal to the official closing level of the Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified hereon, the level of the Index determined by the Calculation Agent at such Valuation Time) on (A) if a Valuation Date is specified hereon, the Valuation Date (as defined below) or (B) if Averaging Dates are specified hereon, an Averaging Date and, in either case, if specified hereon, without regard to any subsequently published correction; and
- (ii) where the Notes are specified hereon to relate to a Basket of Indices, an amount equal to the sum of the values calculated for each Index as the official closing level of each Index as determined by the Calculation (or if a Valuation Time other than the Scheduled Closing Time is specified hereon, the level of the Index determined by the Calculation Agent at such Valuation Time) on (A) if a Valuation Date is specified hereon, the Valuation Date or (B) if Averaging Dates are specified hereon, an Averaging Date and, in either case, if specified hereon, without regard to any subsequently published correction, multiplied by the relevant Multiplier specified hereon.

“Related Exchange” means, in relation to an Index, each exchange or quotation system specified hereon as such for such Index, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where “All Exchanges” is specified hereon as the Related Exchange, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or option contracts relating to such Index.

“Scheduled Closing Time” means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

“Scheduled Trading Day” means (i) where the relevant Index is specified hereon as not being a Multi-Exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions or (ii) where the relevant Index is specified hereon as being a Multi-Exchange Index, (A) any day on which the Index Sponsor is scheduled to publish the level of that Index, (B) each Related Exchange is scheduled to be open for trading for its regular trading session and (C) where it is specified hereon that the X Percentage applies in relation to such Index, no more than 20 per cent. of the Component Securities that comprise the level of such Index are scheduled to be unavailable for trading on the relevant Exchange(s) by virtue of such day not being a day upon which any such relevant Exchange is scheduled to be open for trading for its regular trading sessions (such unavailable percentage being the “X Percentage”).

For the purposes of determining the X Percentage, the relevant percentage contribution of each Component Security unavailable for trading shall be based on a comparison of (x) the portion of the level of that Index to that Component Security relative to (y) the overall level of that Index, in each case using the official opening weightings as published by the relevant Index Sponsor as part of the market “opening data”.

“Scheduled Valuation Date” means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

“Trading Disruption” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange, as the case may be, or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (i) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on any Related Exchange.

“Valid Date” means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

“Valuation Date” means the date specified hereon as such or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day then:

- (i) where the Notes are specified hereon as relating to a single Index, the Valuation Date shall be the first succeeding Scheduled Trading Day unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (A) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date (notwithstanding the fact that such day is a Disrupted Day) and (B) the Calculation Agent shall determine the Reference Price in the manner set out hereon or, if not set out or not practicable, determine the Reference Price by determining the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in the Index (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day); or

- (ii) where the Notes are specified hereon as relating to a Basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date and the Valuation Date for each Index affected by the occurrence of a Disrupted Day (each an “**Affected Index**”) shall be the next following Scheduled Trading Day that is not a Disrupted Day relating to the Affected Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Index. In that case, (A) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Index, notwithstanding the fact that such day is a Disrupted Day and (B) the Calculation Agent shall determine the Reference Price using, in relation to the Affected Index, the level of that Index determined in the manner set out hereon or, if not set out or if not practicable, using the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in that Index (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day).

“**Valuation Time**” means:

- (i) in respect of each Index specified hereon as not being a Multi-Exchange Index, the Relevant Time specified hereon or if no Relevant Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to such Index. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time; or
- (ii) in respect of each Index specified hereon as being a Multi-Exchange Index, (A) for the purposes of determining whether a Market Disruption Event has occurred: (x) in respect of a Component Security, the Scheduled Closing Time on the relevant Exchange and (y) in respect of any options contracts or futures contracts on the relevant Index, the close of trading on the relevant Related Exchange, and (B) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor. If, for the purposes of (A) above, the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

9 Equity Linked Redemption Notes

(a) *Redemption of Equity Linked Redemption Notes*

Unless previously redeemed or purchased and cancelled, each nominal amount of Equity Linked Redemption Notes equal to the Calculation Amount specified hereon (the “**Specified Amount**”) will be redeemed by the Bank (i) if Cash Settlement is specified hereon, by payment of the Final Redemption Amount(s) specified hereon, or determined in the manner specified hereon, on the Maturity Date or (ii) if Physical Delivery is specified hereon, by delivery of the Asset Amount(s) specified hereon, or determined in the manner specified hereon, on the Maturity Date (subject as provided below) or (iii) if Cash Settlement and/or Physical Delivery is specified hereon, by payment of the Final Redemption Amount(s) and/or by delivery of the Asset Amount(s) on the terms set out hereon, in each case on the Maturity Date (subject as provided below).

(b) *Potential Adjustment Events, De-listing, Merger Event, Tender Offer, Nationalisation and Insolvency, Adjustments for Equity Linked Redemption Notes in respect of Underlying Equities quoted in European Currencies and Correction of Underlying Equity Prices*

- (i) If Potential Adjustment Events are specified hereon, then following the declaration by an Equity Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting, concentrative or other effect on the theoretical value of the Underlying Equities and, if so, will (A) make the corresponding adjustment, if any, to any one or more of the Final Redemption Amount(s) and/or the Asset Amount(s) and/or the Strike Price and/or the Multiplier and/or any of the other terms hereof as the Calculation Agent determines appropriate to account for that diluting, concentrative or other effect (provided that no adjustment will be made to account solely for changes in

volatility, expected dividends, stock loan rate or liquidity relative to the Underlying Equity) and (B) determine the effective date of that adjustment. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Underlying Equities traded on that options exchange.

In making any determination in respect of any such adjustment, the Calculation Agent shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of any such determination for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and no Noteholder, Receiptholder or Couponholder shall be entitled to claim, from the Bank, the Calculation Agent, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such determination upon individual Noteholders, Receiptholders or Couponholders.

Upon making any such adjustment, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 19, stating the adjustment to the Final Redemption Amount(s) and/or the Asset Amount(s) and/or the Strike Price and/or the Multiplier and/or any of the other terms hereof and giving brief details of the Potential Adjustment Event.

- (ii) If (x) De-listing, Merger Event, Nationalisation and Insolvency is specified hereon as applying and/or (y) Tender Offer is specified hereon as applying and (in the case of (x)) a De-listing, Merger Event, Nationalisation or Insolvency occurs or (in the case of (y)) a Tender Offer occurs, in each case, in relation to an Underlying Equity, the Bank in its sole and absolute discretion may:
 - (A) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of the Final Redemption Amount(s) and/or the Asset Amount(s) and/or the Strike Price and/or the Multiplier and/or any of the other terms hereof to account for the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment; or
 - (B) give notice to the Noteholders in accordance with Condition 19 and redeem all, but not some only, of the Notes, with each Specified Amount being redeemed at the Early Redemption Amount (determined as specified hereon) together with, if so specified hereon, accrued interest.

If the provisions of Condition 9(b)(ii)(A) apply, the Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency or Tender Offer, as the case may be, made by an options exchange to options on the Underlying Equities traded on that options exchange.

In making any determination in respect of any such adjustment, the Bank and/or Calculation Agent shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of any such determination for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and no Noteholder, Receiptholder or Couponholder shall be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Bank, the Calculation Agent, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such determination upon individual Noteholders, Receiptholders or Couponholders.

Upon the occurrence (if relevant) of a De-listing, Merger Event, Nationalisation or Insolvency or Tender Offer, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 19 stating the occurrence of the De-listing, Merger Event, Nationalisation or Insolvency or Tender Offer, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

- (iii) In respect of Equity Linked Redemption Notes relating to Underlying Equities originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty establishing the European Community, as amended, if such Underlying Equities are at any time after the Trade Date quoted, listed and/or dealt

exclusively in euro on the relevant Exchange, then the Calculation Agent will adjust any one or more of the Final Redemption Amount(s) and/or the Asset Amount(s) and/or the Strike Price and/or the Multiplier and/or any of the other terms hereof as the Calculation Agent determines to be appropriate to preserve the economic terms of the Notes. The Calculation Agent will make any conversion necessary for the purposes of any such adjustment as of the Valuation Time at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of the Valuation Time. No adjustments under this Condition 9(b)(iii) will affect the currency denomination of any payments in respect of the Notes.

Upon making any such adjustment, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 19, stating the adjustment to the Final Redemption Amount(s) and/or the Asset Amount(s) and/or the Strike Price and/or the Multiplier and/or any of the other terms hereof.

- (iv) If Correction of Underlying Equity Prices is specified hereon as applying and the price of an Underlying Equity published on the Valuation Date is subsequently corrected and the correction (the “**Corrected Underlying Equity Price**”) is published on the relevant Exchange prior to the Correction Cut-Off Date specified hereon, then such Corrected Underlying Equity Price shall be deemed to be the closing price for such Underlying Equity for the Valuation Date, as the case may be, and the Calculation Agent shall use such Corrected Underlying Equity Price in determining the Final Redemption Amount(s).

(c) *Physical Delivery*

- (i) If Physical Delivery is specified hereon as applying in relation to an Equity Linked Redemption Note, the Asset Amount(s) will be delivered at the risk of the relevant Noteholder on the Maturity Date (such date, subject to adjustment in accordance with this Condition the “**Delivery Date**”), provided that the Asset Transfer Notice (as defined below) is duly delivered in the manner and on the dates specified in Condition 9(c)(ii).

If the holder of any such Note fails to deliver an Asset Transfer Notice in the manner and on the dates specified in Condition 9(c)(ii), then the Asset Amount(s) in respect of such Note will be delivered as soon as practicable after the Maturity Date (in which case, such date of delivery shall be the Delivery Date) at the risk of such Noteholder in the manner provided above. For the avoidance of doubt, in such circumstances such Noteholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Delivery Date falling after the originally designated Delivery Date and no liability in respect thereof shall attach to the Bank.

If the holder of any such Note fails to give an Asset Transfer Notice in the manner and on the dates specified in Condition 9(c)(ii) on the Final Date, then the Bank shall have no further liability or obligation whatsoever in respect of such Note.

- (ii) In order to obtain delivery of the Asset Amount(s) in respect of any Note, the relevant Noteholder must deliver (i) if such Note is a Bearer Note, to any Paying Agent or (ii) if such Note is a Registered Note, to the Registrar or any Paying Agent, in each case with a copy to the Bank, not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice.

Forms of the Asset Transfer Notice may be obtained during normal business hours from the specified office of the Registrar or any Paying Agent and this Note must be delivered together with the duly completed Asset Transfer Notice.

An Asset Transfer Notice must:

- (1) specify the name and address of the relevant Noteholder, the person from whom the Bank may obtain details for the delivery of the Asset Amount(s) and any details required for delivery of the Asset Amount(s) set out hereon;
- (2) include an undertaking to pay all Delivery Expenses;
- (3) specify an account to which dividends (if any) payable pursuant to Condition 9(c) or any other cash amounts specified hereon as being payable are to be paid; and
- (4) authorise the production of such notice in any relevant administrative or legal proceedings.

No Asset Transfer Notice may be withdrawn after receipt thereof by the Registrar or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Noteholder may not transfer the Notes which are the subject of such notice.

- (iii) Failure to properly complete and deliver an Asset Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Terms and Conditions shall be made by the relevant Paying Agent or the Registrar, as the case may be, after consultation with the Bank, and shall be conclusive and binding on the Bank and the relevant Noteholder.
- (iv) Delivery of the Asset Amount(s) in respect of each Note shall be made in such commercially reasonable manner as the Calculation Agent shall determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice or in such manner as is specified hereon. All Delivery Expenses arising from the delivery of the Asset Amount(s) in respect of such Notes shall be for the account of the relevant Noteholder and no delivery of the Asset Amount(s) shall be made until all Delivery Expenses have been paid to the satisfaction of the Bank by the relevant Noteholder.

After delivery of the Asset Amount(s) and for the Intervening Period, none of the Bank, the Calculation Agent, the Trustee and any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Noteholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of such securities or obligations, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations or (iii) be under any liability to a Noteholder in respect of any loss or damage which such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations.

As used herein:

“**Asset Transfer Notice**” means a duly completed asset transfer notice substantially in the form set out in the Agency Agreement.

“**Delivery Expenses**” means all costs, taxes, duties and/or expenses, including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes arising from the delivery of the Asset Amount(s).

“**Intervening Period**” means such period of time as any person other than the relevant Noteholder shall continue to be registered as the legal owner of any securities or other obligations comprising the Asset Amount(s).

- (v) If, prior to the delivery of the Asset Amount(s) in accordance with this Condition, a Settlement Disruption Event is subsisting, then the Delivery Date in respect of such Note shall be postponed until the date on which no Settlement Disruption Event is subsisting and notice thereof shall be given to the relevant Noteholder in accordance with Condition 19. Such Noteholder shall not be entitled to any payment, whether of interest or otherwise, on such Note as a result of any delay in the delivery of the Asset Amount(s) pursuant to this paragraph. Where delivery of the Asset Amount(s) has been postponed as provided in this paragraph the Bank shall not be in breach of these Terms and Conditions and no liability in respect thereof shall attach to the Bank.

For so long as delivery of the Asset Amount(s) in respect of any Note is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof, the Bank may elect in its sole discretion to satisfy its obligations in respect of the relevant Note by payment to the relevant Noteholder of the Disruption Cash Settlement Price not later than on the third Business Day following the date that the notice of such election (the “**Election Notice**”) is given to the Noteholders in accordance with Condition 19. Payment of the Disruption Cash Settlement Price will be made in such manner as shall be notified to the Noteholders in accordance with Condition 19.

Where the Asset Amount(s) is, in the determination of the Bank, an amount other than an amount of Relevant Assets capable of being delivered, the Noteholders will receive an Asset Amount(s) comprising of the nearest number (rounded down) of Relevant Assets capable of being delivered by the Bank (taking into account that a Noteholder’s entire holding may be aggregated at the Bank’s discretion for the purpose of delivering the Asset Amounts), and an amount in the Specified Currency which shall be the value of the amount of the Relevant Assets which have not been delivered, as calculated by the Calculation Agent from such source(s) as it may select (converted if necessary into the Specified Currency by reference to such

exchange rate as the Calculation Agent deems appropriate). Payment will be made in such manner as shall be notified to the Noteholders in accordance with Condition 19.

For the purposes of the Notes (A) the Bank shall be under no obligation to register or procure the registration of any Noteholder or any other person as the registered shareholder in the register of members of any Equity Issuer, (B) the Bank shall not be obliged to account to any Noteholder or any other person for any entitlement received or that is receivable in respect of any Underlying Equities comprising the Asset Amount(s) in respect of any Note if the date on which the Underlying Equities are first traded on the Relevant Exchange ex such entitlement is on or prior to the Maturity Date and (C) any interest, dividend or other distribution in respect of any Asset Amount(s) will be payable to the party that would receive such interest, dividend or other distribution according to market practice for a sale of the relevant Underlying Equity executed on the Maturity Date and to be delivered in the same manner as the Asset Amount(s). Any such interest dividend or other distribution to be paid to a Noteholder shall be paid to the account specified in the relevant Asset Transfer Notice.

(d) Failure to Deliver due to Illiquidity

If Failure to Deliver due to Illiquidity is specified as applying hereon and, in the opinion of the Calculation Agent, it is impossible or impracticable to deliver, when due, some or all of the Relevant Assets comprising the Asset Amount(s) (the “**Affected Relevant Assets**”), where such failure to deliver is due to illiquidity in the market for the Relevant Assets (a “**Failure to Deliver**”), then:

- (i) subject as provided elsewhere herein, any Relevant Assets which are not Affected Relevant Assets, will be delivered on the originally designated Delivery Date in accordance with Condition 9(c); and
- (ii) in respect of any Affected Relevant Assets, in lieu of physical settlement and notwithstanding any other provision hereof, the Bank may elect in its sole discretion, in lieu of delivery of the Affected Relevant Assets, to pay to the relevant Noteholder in respect of each Specified Amount the Failure to Deliver Settlement Price on the fifth Business Day following the date the Failure to Deliver Notice is given to the Noteholders in accordance with Condition 19. Payment of the Failure to Deliver Settlement Price will be made in such manner as shall be notified to the Noteholders in accordance with Condition 19. The Calculation Agent shall give notice (such notice a “**Failure to Deliver Notice**”) as soon as reasonably practicable to the Noteholders in accordance with Condition 19 that the provisions of this Condition 9(d) apply.

(e) Definitions relevant to Equity Linked Redemption Notes

“**Affiliate**” means, in relation to any entity (the “**First Entity**”), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity, directly or indirectly, under common control with the First Entity. For these purposes “control” means ownership of a majority of the voting power of an entity.

“**Asset Amount(s)**” has the meaning set out hereon.

“**De-listing**” means, in respect of any Underlying Equity, the Exchange announces that pursuant to the rules of such Exchange, such Underlying Equity ceases (or will cease), to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and is not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) or another exchange or quotation system located in another country which exchange or quotation system and country is deemed acceptable by the Calculation Agent.

“**Disruption Cash Settlement Price**” means an amount equal to the fair market value of the relevant Note (but not taking into account any interest accrued on such Note as such interest shall be paid pursuant to Conditions 4 and 6) on such day as shall be selected by the Bank in its sole and absolute discretion provided that such day is not more than 15 days before the date that the Election Notice is given as provided above adjusted to take account fully for any losses, expenses and costs to the Bank and/or any Affiliate of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Bank and/or any of its Affiliates may hold as part of such hedging arrangements), all as calculated by the Calculation Agent.

“**Disrupted Day**” means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

“**Exchange**” means, in respect of an Underlying Equity, each exchange or quotation system specified hereon as such for such Underlying Equity, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Underlying Equity has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Underlying Equity on such temporary substitute exchange or quotation system as on the original Exchange).

“**Exchange Business Day**” means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

“**Failure to Deliver Settlement Price**” means, in respect of each Specified Amount, the fair market value of the Affected Relevant Assets on a Business Day selected by the Calculation Agent prior to the date on which the Failure to Deliver Notice is given as provided above, less the proportionate cost to the Bank and/or its Affiliates of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Bank and/or any of its Affiliates may hold as part of such hedging arrangements), all as calculated by the Calculation Agent.

“**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding up of, or any analogous proceeding affecting, an Equity Issuer (i) all the Underlying Equities of that Equity Issuer are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Equities of that Equity Issuer become legally prohibited from transferring them.

“**Market Disruption Event**” means, in respect of an Underlying Equity:

- (i) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:
 - (A) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
 - (x) relating to the Underlying Equity on the relevant Exchange; or
 - (y) in futures or options contracts relating to the Underlying Equity on any relevant Related Exchange; or
 - (B) any event (other than an event described in (ii) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (x) to effect transactions in, or obtain market values for, the Underlying Equities on the Exchange, or (y) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Underlying Equity on any relevant Related Exchange,
- (ii) the closure on any Exchange Business Day of any relevant Exchange(s) or Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or if earlier (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day,

which in any such case the Calculation Agent determines is material.

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 19 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Calculation Agent to give notice to the Noteholders as set forth in the preceding sentence, failure by the Calculation Agent to notify the Noteholders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.

“**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law relevant to such Merger Event, such other date as determined by the Calculation Agent.

“**Merger Event**” means, in respect of any relevant Underlying Equities, any:

- (i) reclassification or change of such Underlying Equities that results in a transfer of, or an irrevocable commitment to transfer all such Underlying Equities outstanding to another entity or person; or
- (ii) consolidation, amalgamation, merger or binding share exchange of an Equity Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Equity Issuer is the continuing entity and which does not result in any such reclassification or change of all such Underlying Equities outstanding); or
- (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Equities of the Equity Issuer that results in a transfer of or an irrevocable commitment to transfer all such Underlying Equities (other than such Underlying Equities owned or controlled by such other entity or person); or
- (iv) consolidation, amalgamation, merger or binding share exchange of the Equity Issuer or its subsidiaries with or into another entity in which the Equity Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Equities outstanding but results in the outstanding Underlying Equities (other than Underlying Equities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Equities immediately following such event,

in each case where the Merger Date is on or before the Valuation Date or, if the Notes are to be redeemed by delivery of Underlying Equities, the Maturity Date.

“**Nationalisation**” means that all the Underlying Equities or all or substantially all the assets of an Equity Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“**Potential Adjustment Event**” means any of the following:

- (i) a subdivision, consolidation or reclassification of relevant Underlying Equities (unless resulting in a Merger Event), or a free distribution or dividend of any such Underlying Equities to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Underlying Equities of (A) such Underlying Equities or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of an Equity Issuer equally or proportionately with such payments to holders of such Underlying Equities or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Equity Issuer as a result of a spin-off or other similar transaction or (D) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (iii) an extraordinary dividend as determined by the Calculation Agent;
- (iv) a call by an Equity Issuer in respect of relevant Underlying Equities that are not fully paid;
- (v) a repurchase by an Equity Issuer or any of its subsidiaries of relevant Underlying Equities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (vi) in respect of an Equity Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Equity Issuer, pursuant to a shareholder rights plan or arrangement directed against hostile take-overs that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event that has or may have, in the opinion of the Calculation Agent, a diluting, concentrative or other effect on the theoretical value of the relevant Underlying Equities.

“**Reference Price**” means:

- (i) where the Notes are specified hereon as relating to a single Underlying Equity, an amount equal to the official closing price (or the price at the Valuation Time on the Valuation Date, if so specified hereon) of the Underlying Equity quoted on the Relevant Exchange and, if specified hereon, without regard to any

subsequently published correction as determined by or on behalf of the Calculation Agent (or if, in the opinion of the Calculation Agent, no such official closing price (or, as the case may be, the price at the Valuation Time on the Valuation Date, if so specified hereon) can be determined at such time and, if the Valuation Date is not a Disrupted Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date, if so specified hereon) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the Valuation Date, if so specified hereon) for the Underlying Equity based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Equity or on such other factors as the Calculation Agent shall decide). The amount determined pursuant to the foregoing shall be converted, if Exchange Rate is specified hereon as applying, into the Specified Currency at the Exchange Rate and such converted amount shall be the Reference Price; and

- (ii) where the Notes are specified hereon as relating to a Basket of Underlying Equities, an amount equal to the sum of the values calculated for each Underlying Equity as the official closing price (or the price at the Valuation Time on the Valuation Date, if so specified hereon) of the Underlying Equity quoted on the Relevant Exchange as determined by or on behalf of the Calculation Agent and, if so specified hereon, without regard to any subsequently published correction (or if, in the opinion of the Calculation Agent, no such official closing price (or, as the case may be, the price at the Valuation Time on the Valuation Date, if so specified hereon) can be determined at such time and, if the Valuation Date is not a Disrupted Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date, if so specified hereon) and the closing fair market selling price (or, as the case may be, the fair market selling price at the Valuation Time on the Valuation Date, if so specified hereon) for the Underlying Equity based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Equity or on such other factors as the Calculation Agent shall decide), multiplied by the relevant Multiplier. Each value determined pursuant to the foregoing shall be converted, if the Exchange Rate is specified hereon as applying, into the Specified Currency at the Exchange Rate and the sum of such converted amounts shall be the Reference Price.

“Related Exchange” means, in relation to an Underlying Equity, each exchange or quotation system specified hereon as such in relation to such Underlying Equity, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Underlying Equity has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Underlying Equity on such temporary substitute exchange or quotation system as on the original Related Exchange), Provided that where “All Exchanges” is specified hereon as the Related Exchange, Related Exchange shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Underlying Equity.

“Settlement Disruption Event” means an event beyond the control of the Bank, as a result of which, in the opinion of the Calculation Agent, delivery of the Asset Amount(s) by or on behalf of the Bank in accordance herewith is not practicable.

“Scheduled Closing Time” means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

“Scheduled Trading Day” means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

“Scheduled Valuation Date” means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Valuation Date.

“Tender Offer” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Equity Issuer, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

“**Valuation Date**” means the date specified hereon as such or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day then:

- (i) where the Notes are specified hereon as relating to a single Underlying Equity, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (A) the eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (B) the Calculation Agent shall, where practicable, determine the Reference Price in the manner set out hereon or, if not set out or not so practicable, determine the Reference Price in accordance with its good faith estimate of the Reference Price as of the Valuation Time on that eighth Scheduled Trading Day; or
- (ii) where the Notes are specified hereon as relating to a Basket of Underlying Equities the Valuation Date for each Underlying Equity not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Underlying Equity affected (each an Affected Equity) by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Equity unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Equity. In that case, (A) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Equity, notwithstanding the fact that such day is a Disrupted Day, and (B) the Calculation Agent shall determine, where practicable, the Reference Price using, in relation to the Affected Equity, a price determined in the manner set out hereon or, if not set out or if not practicable, using its good faith estimate of the value for the Affected Equity as of the Valuation Time on that eighth Scheduled Trading Day and otherwise in accordance with the above provisions.

“**Valuation Time**” means the Valuation Time specified hereon or, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the Valuation Date in relation to each Underlying Equity to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

10 Additional Disruption Events

(a) Definitions

“**Additional Disruption Event**” means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing and/or Loss of Stock Borrow, in each case if specified hereon.

“**Change in Law**” means that, on or after the Trade Date (as specified hereon) (i) due to the adoption of or any change in any relevant law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any relevant law or regulation (including any action taken by a taxing authority), the Bank determines in its sole and absolute discretion that (A) it has become illegal to hold, acquire or dispose of any relevant Underlying Equity (in the case of Equity Linked Redemption Notes) or any relevant security/commodity comprised in an Index (in the case of Index Linked Redemption Notes) or (B) the Bank will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Bank and/or any of its Affiliates).

“**Hedging Disruption**” means that the Bank and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) the Bank deems necessary to hedge the equity or other price risk of the Bank issuing and performing its obligations with respect to the Notes, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

“**Hedging Shares**” means the number of Underlying Equities (in the case of Equity Linked Redemption Notes) or securities/commodities comprised in an Index (in the case of Index Linked Redemption Notes) that the Bank deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Notes.

“Increased Cost of Hedging” means that the Bank and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) the Bank deems necessary to hedge the equity or other price risk of the Bank issuing and performing its obligations with respect to the Notes, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Bank and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

“Increased Cost of Stock Borrow” means that the Bank and/or any of its Affiliates would incur a rate to borrow any Underlying Equity (in the case of Equity Linked Redemption Notes) or any security/commodity comprised in an Index (in the case of Index Linked Redemption Notes) that is greater than the Initial Stock Loan Rate.

“Initial Stock Loan Rate” means, in respect of an Underlying Equity (in the case of Equity Linked Redemption Notes) or a security/commodity comprised in an Index (in the case of Index Linked Redemption Notes), the rate which the Bank and/or any of its Affiliates would have incurred to borrow such Underlying Equity or such security/commodity, as the case may be, as of the Trade Date, as determined by the Bank.

“Insolvency Filing” means that an Equity Issuer institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Equity Issuer shall not be deemed an Insolvency Filing.

“Loss of Stock Borrow” means that the Bank and/or any Affiliate is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Underlying Equity (in the case of Equity Linked Redemption Notes) or any securities/commodities comprised in an Index (in the case of Index Linked Redemption Notes) in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

“Maximum Stock Loan Rate” means, in respect of an Underlying Equity (in the case of Equity Linked Redemption Notes) or a security/commodity comprised in an Index (in the case of Index Linked Redemption Notes), the lowest rate at which the Bank and/or any of its Affiliates, after using commercially reasonable efforts, would have incurred to borrow (and maintain a borrowing of) such Underlying Equity or such security/commodity, as the case may be, in an amount equal to the Hedging Shares, as of the Trade Date, as determined by the Bank.

(b) Occurrence of Additional Disruption Events

If an Additional Disruption Event occurs, the Bank in its sole and absolute discretion may take the action described in (i) or (ii) below:

- (i) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of the Final Redemption Amount(s) and/or the Asset Amount(s) and/or the Strike Price and/or the Multiplier and/or any of the other terms hereof to account for the Additional Disruption Event and determine the effective date of that adjustment; or
- (ii) give notice to the Noteholders in accordance with Condition 19 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount (determined in accordance herewith) together with, if so specified hereon, accrued interest.

If the provisions of this Condition 10(b) apply, the Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the relevant Additional Disruption Event, made by an options exchange to options on the Underlying Equities traded on that options exchange.

Upon the occurrence (if relevant) of an Additional Disruption Event, the Bank shall give notice as soon as practicable to the Noteholders in accordance with Condition 19 stating the occurrence of the Additional Disruption Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

11 Credit Linked Notes

Provisions relating to Credit Linked Notes will be set out hereon.

12 Taxation

All payments of principal and/or interest by or on behalf of the Bank in respect of the Notes, the Receipts and the Coupons shall be made without withholding or deduction for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of the United Kingdom or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Bank shall pay such additional amounts of principal and interest as will result (after such withholding or deduction) in receipt by the Noteholders, the Receiptholders and the Couponholders of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes and/or Receipts and/or Coupons, as the case may be; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of any holder who is liable to such tax, duty or charge in respect of such Note, Receipt or Coupon by reason of such holder having some connection with the United Kingdom other than the mere holding of such Note, Receipt or Coupon; or
- (b) to, or to a third party on behalf of, a holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom, unless such holder proves that he is not entitled so to comply or to make such declaration or claim; or
- (c) to, or to a third party on behalf of, a holder that is a partnership, or a holder that is not the sole beneficial owner of the Note, Receipt or Coupon, or which holds the Note, Receipt or Coupon in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly his beneficial or distributive share of the payment; or
- (d) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) in respect of any Note, Receipt or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

The “**Relevant Date**” in respect of any payment means the date on which such payment first becomes due or (if the full amount of the moneys payable has not been duly received by the Issuing and Paying Agent or the Trustee on or prior to such date) the date on which notice is given to the Noteholders that such moneys have been so received.

References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts, the Failure to Deliver Settlement Price, the Disruption Cash Settlement Price and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” (other than such interest as is referred to in Condition 14(g)) shall be deemed to include any additional amounts that may be payable under this Condition 12 or under any obligations undertaken in addition thereto or in substitution therefor under the Trust Deed.

13 Prescription

Claims for payment of principal (excluding principal comprised in a withheld amount) will become void 12 years, and claims for payment of interest (other than interest comprised in, or accrued on, a withheld amount) will become void six years, after the Relevant Date (as defined in Condition 12) relating thereto. Claims in respect of

principal comprised in a withheld amount and claims in respect of interest comprised in, or accrued on, a withheld amount will, in the case of such principal, become void 12 years and will, in the case of such interest, become void six years after the due date for payment thereof as specified in Condition 14(f) or, if the full amount of the moneys payable has not been duly received by the Issuing and Paying Agent, another Paying Agent, the Registrar, a Transfer Agent or the Trustee, as the case may be, on or prior to such date, the date of which notice is given in accordance with Condition 19 that the relevant part of such moneys has been so received.

The prescription period in respect of Talons shall be:

- (a) as to any Talon the original due date for exchange of which falls within the 12 years immediately prior to the due date for redemption (pursuant to Condition 5(a), 5(c), 5(d) or 5(e)) of the Note to which it pertains, six years from the Relevant Date for the redemption of such Note, but so that the Coupon sheet for which it is exchangeable shall be issued without any Coupon itself prescribed in accordance with this Condition 13 or the Relevant Date for payment of which would fall after the Relevant Date for the redemption of the relevant Note and without a Talon; and
- (b) as to any other Talon, 12 years from the Relevant Date for payment of the last Coupon of the Coupon sheet of which it formed part.

Claims against the Bank for delivery of any Asset Amount(s) shall be prescribed and become void unless made within one year of the date on which the relevant Asset Amount(s) becomes deliverable.

14 Events of Default and Enforcement

- (a) If the Bank shall not make payment (1) other than in the case of Undated Subordinated Notes, of any principal or any interest in respect of the Notes for a period of 14 days or more after the due date for the same, or (2) in the case of Undated Subordinated Notes only, in respect of such Notes (in the case of any payment of principal) for a period of 14 days or more after the due date for the same or (in the case of any payment of interest) for a period of 14 days or more after the date on which any payment of interest is due unless the Bank has opted not to pay interest on such date, the Trustee may:
 - (i) in respect of Senior Notes, at any time at its discretion and without notice institute such proceedings and/or take such other action as it may think fit against or in relation to the Bank to enforce its obligations under the Senior Notes; or
 - (ii) in respect of Dated Subordinated Notes and Undated Subordinated Notes, institute proceedings in England (but not elsewhere) for the winding-up of the Bank, but may take no other action in respect of such default, provided that it shall not have the right to institute such proceedings and/or, as the case may be, to take such other action if the Bank withholds or refuses any such payment (A) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment, the Bank, the relevant Paying Agent, Transfer Agent or Registrar or the holder of the Note, Receipt or Coupon or (B) (subject as provided in the Trust Deed) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or applicability given at any time during the said period of 14 days by independent legal advisers acceptable to the Trustee.
- (b) If, other than in the case of Undated Subordinated Notes, otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for winding-up the Bank, the Trustee may at its discretion give notice to the Bank that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount, together with accrued interest (calculated as provided in the Trust Deed).
- (c) The Trustee shall not be bound to institute proceedings and/or take the action referred to in paragraph (a) or (b) above or (d) below to enforce the obligations of the Bank in respect of the Notes, Receipts and Coupons or to take any other actions under the Trust Deed unless (i) it shall have been so requested by Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding (as defined in the Trust Deed) and (ii) it shall have been indemnified and/or secured to its satisfaction.
- (d) No Noteholder, Receiptholder or Couponholder shall be entitled to institute such proceedings and/or take such other action as is referred to in paragraph (a)(i) above or institute proceedings for the winding-up in

England (but not elsewhere) of the Bank as is referred to in paragraph (a)(ii) above, or to prove in such winding-up, except that if the Trustee, having become bound to proceed against the Bank as aforesaid, fails to do so, or, being able to prove in such winding-up, fails to do so, in either case within a reasonable period and such failure is continuing, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute such proceedings and/or take such other action or institute proceedings for the winding-up in England (but not elsewhere) of the Bank and/or prove in such winding-up to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do. In the case of Dated and Undated Subordinated Notes, no remedy against the Bank, other than the institution of proceedings for the winding-up of the Bank in England or, as the case may be, proving in the winding-up of the Bank in the manner and by the persons aforesaid, shall be available to the Trustee or the Noteholders, Receiptholders or Couponholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Bank of any of its obligations under the Notes or the Trust Deed (other than for recovery of the Trustee's remuneration or expenses). The Bank has undertaken in the Trust Deed to pay English stamp and other duties (if any) on or in connection with the execution of the Trust Deed and English, Belgian and Luxembourg stamp and other duties or taxes (if any) on the constitution and issue of the Notes in temporary global, permanent global or definitive form (provided such stamp and other duties or taxes result from laws applicable on or prior to the date 40 days after the Issue Date specified hereon of such Notes and, in the case of exchange of a global Note for Notes in definitive form, such tax results from laws applicable on or prior to the date of such exchange) and stamp and other duties or taxes (if any) payable in England (but not elsewhere) solely by virtue of and in connection with any permissible proceedings under the Trust Deed or the Notes, save that the Bank shall not be liable to pay any such stamp or other duties or taxes to the extent that the obligation arises or the amount payable is increased by reason of the holder at the relevant time unreasonably delaying in producing any relevant document for stamping or similar process. Subject as aforesaid, the Bank will not be otherwise responsible for stamp or other duties or taxes otherwise imposed and in particular (but without prejudice to the generality of the foregoing) for any penalties arising on account of late payment where due by the holder at the relevant time. Any such stamp or other duties or taxes that might be imposed upon or in respect of Notes in temporary global, permanent global or definitive form or the Receipts, Coupons or Talons (in each case other than as aforesaid) are the liability of the holders thereof.

- (e) If payment to any Noteholder of any amount due in respect of the Notes (other than interest) is improperly withheld or refused (any withholding or refusal effected in reliance upon the proviso to paragraph (a) of this Condition where the relevant law, regulation or order proves subsequently not to be valid or applicable shall be treated, for the purpose of ascertaining entitlement to accrued interest but not for any other purpose, as if it had been at all times an improper withholding or refusal), interest shall accrue until, but excluding, the date on which notice is given in accordance with Condition 19 that the full amount in the Specified Currency payable in respect of such Notes is available for payment or the date of payment, whichever first occurs and shall be calculated by applying the Rate of Interest determined in accordance with these Conditions on the first day of the then current Interest Period (and each relevant Interest Period (if any) thereafter) to such amount withheld or refused, multiplying the sum by the relevant Day Count Fraction for such Interest Period and rounding the resultant figure to the nearest unit (as such term is defined in Condition 4(j)(iii)).
- (f) If, in reliance upon the proviso to paragraph (a) above, payment of any amount (each a "withheld amount") in respect of the whole or any part of the principal and/or any interest due in respect of the Notes, or any of them, is not paid or provided by the Bank to the Trustee or to or to the account of or with the Issuing and Paying Agent, or is withheld or refused by any of the Paying Agents, the Registrar or the Transfer Agents, in each case other than improperly within the meaning of paragraph (e) above, or which is paid or provided after the due date for payment thereof, such withheld amount shall, where not already on interest bearing deposit, if lawful, promptly be so placed, all as more particularly described in the Trust Deed. If subsequently it shall be or become lawful to make payment of such withheld amount in the Specified Currency, notice shall be given in accordance with Condition 19, specifying the date (which shall be no later than seven days after the earliest date thereafter upon which such interest bearing deposit falls or may (without penalty) be called due for repayment) on and after which payment in full of such withheld amount (or that part thereof which it is lawful to pay) will be made. In such event (but subject in all cases to any applicable fiscal or other law or regulation or the order of any court of competent jurisdiction), the withheld amount or the relevant part thereof, together with interest accrued thereon from, and including, the date the same was placed on deposit to, but excluding, the date upon which such interest bearing deposit was repaid, shall be paid to (or released by) the Issuing and Paying Agent for payment to the relevant holders of Notes and/or Receipts and/or Coupons, as the case may be (or, if the Issuing and Paying Agent advises the Bank of its inability to effect such payment, shall be paid to (or released by) such other Paying Agent, Registrar

or Transfer Agent (as the case may be) as there then may be or, if none, to the Trustee, in any such case for payment as aforesaid). For the purposes of paragraph (a) above, the date specified in the said notice shall become the due date for payment in respect of such withheld amount or the relevant part thereof. The obligations under this paragraph (f) shall be in lieu of any other remedy otherwise available under these Conditions, the Trust Deed or otherwise in respect of such withheld amount or the relevant part thereof.

(g) Any interest payable as provided in paragraph (f) above shall be paid net of any taxes applicable thereto and Condition 12 shall not apply in respect of the payment of any such interest.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Bank and/or any subsidiary and/or any holding company of the Bank and/or any other subsidiary of any such holding company without accounting for any profit resulting therefrom.

16 Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any of the provisions of the Notes, the Receipts, the Coupons or the Trust Deed, except that certain provisions of the Trust Deed may only be modified subject to approval by Extraordinary Resolution passed at a meeting of Noteholders to which special quorum provisions shall have applied. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes.

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable in accordance with Condition 19.

(c) Substitution – Senior Notes

The Trustee shall agree, if requested by the Bank and subject to such amendment of the Trust Deed and such other conditions as the Trustee may reasonably require, but without the consent of the Noteholders or the Couponholders, to the substitution, subject to the Notes, the Receipts and the Coupons being unconditionally and irrevocably guaranteed by the Bank on an unsubordinated basis, of a subsidiary of the Bank or a holding company of the Bank or another subsidiary of any such holding company in place of the Bank as principal debtor under the Trust Deed, the Notes, the Receipts and the Coupons and as a party to the Agency Agreement.

(d) Substitution – Subordinated Notes

The Trustee shall agree, if requested by the Bank and subject to such amendment of the Trust Deed and such other conditions as the Trustee may reasonably require, but without the consent of the Noteholders or the Couponholders, to the substitution, subject to the Notes, the Receipts and the Coupons being irrevocably guaranteed by the Bank on a subordinated basis equivalent to that mentioned in Condition 3(c) or 3(d), as the case may be, of a subsidiary of the Bank or a holding company of the Bank or another subsidiary of any such holding company in place of the Bank as principal debtor under the Trust Deed, the Notes, the Receipts and the Coupons and as a party to the Agency Agreement and so that the claims of the Noteholders, the holders of the Receipts and the Couponholders may, in the case of the substitution of a holding company of the Bank or a banking company (as defined in the Trust Deed) in the place of the Bank, also be subordinated to the rights of (i) in the case of Dated Subordinated Notes, depositors and other unsubordinated creditors of that holding company or banking company but not further or otherwise or (ii) in the case of Undated Subordinated Notes,

Senior Creditors (as defined in Condition 3(d), but with the substitution of references to “that holding company” or to “that subsidiary” in place of references to “the Bank” together with such consequential amendments as are appropriate).

(e) *Change of Governing Law*

In the case of a substitution pursuant to Condition 16(c) or Condition 16(d) the Trustee may in its absolute discretion agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed and/or the Agency Agreement provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(f) *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder, Receiptholder or Couponholder shall, in connection with any such modification, waiver, authorisation or substitution, be entitled to claim, and the Trustee shall not be entitled to require, from the Bank any indemnification or payment in respect of any tax or other consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent provided for by Condition 12.

17 Replacement of Notes, Certificates, Receipts, Coupons and Talons

(a) If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other place of which notice shall be given in accordance with Condition 19 in each case on payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Bank on demand the amount payable by the Bank in respect of such Note, Certificate, Receipt, Coupon or further Coupons) and otherwise as the Bank may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued. In addition, the Bank may require the person requesting delivery of a replacement Note, Certificate, Receipt, Coupon or Talon to pay, prior to delivery of such replacement Note, Certificate, Receipt, Coupon or Talon, any stamp or other tax or governmental charges required to be paid in connection with such replacement. No replacement Note shall be issued having attached thereto any Receipt, Coupon or Talon, claims in respect of which shall have become void pursuant to Condition 13.

(b) Where:

- (i) a Talon (the “**relevant Talon**”) has become prescribed in accordance with Condition 13; and
- (ii) the Note to which the relevant Talon pertains has not become void through prescription; and
- (iii) no Coupon sheet (or part thereof, being (a) Coupon(s) and/or a Talon, hereinafter called a “**part Coupon sheet**”), which Coupon sheet would have been exchangeable for the relevant Talon or for any subsequent Talon bearing the same serial number pertaining to such Note, has been issued; and
- (iv) either no replacement Coupon sheet or part Coupon sheet has been issued in respect of any Coupon sheet or part Coupon sheet referred to in (iii) above or, in the reasonable opinion of the Bank, there is no reasonable likelihood that any such replacement has been issued,

then upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity or security as the Bank may reasonably require there may be obtained at the specified office of the Issuing and Paying Agent (or such other place of which notice shall be given in accordance with Condition 19) a Coupon sheet or Coupon sheets or part Coupon sheet(s), as the circumstances may require, issued:

- (A) in the case of a Note that has become due for redemption (x) without any Coupon itself prescribed in accordance with Condition 13 or the Relevant Date for payment of which would fall after the Relevant Date for the redemption of the relevant Note, and (y) without any Talon or Talons, as the case may be; or
- (B) in any other case, without any Coupon or Talon itself prescribed in accordance with Condition 13 and without any Talon pertaining to a Coupon sheet the Relevant Date of the final Coupon of which falls on or prior to the date when the Coupon sheet(s) or part Coupon sheet(s) is (are) delivered to or to the order of the claimant, but in no event shall any Coupon sheet be issued the original due date for exchange of which falls after the date of delivery of such Coupon sheet(s) as aforesaid.

For the avoidance of doubt, the provisions of this Condition 17(b) shall not give, or revive, any rights in respect of any Talon that has become prescribed in accordance with Condition 13.

18 Further Issues

The Bank may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further notes shall be consolidated and form a single Series with the Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition and forming a single Series with the Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other Series in certain circumstances where the Trustee so decides.

19 Notices

Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in the United Kingdom (which is expected to be the Financial Times). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in the United Kingdom, approved by the Trustee. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and shall be deemed to have been given on the weekday (being a day other than a Saturday or a Sunday) after the date of mailing provided that, if at any time by reason of the suspension or curtailment (or expected suspension or curtailment) of postal services within the United Kingdom or elsewhere the Bank is unable effectively to give notice to holders of Registered Notes through the post, notices to holders of Registered Notes will be valid if given in the same manner as other notices as set out above.

20 Governing Law

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

21 Third Party Rights

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person that exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

If the Global Notes are stated in the relevant Final Terms to be issued in NGN form they are intended to be eligible collateral for Eurosystem monetary policy and the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depository (as defined below).

Upon the initial deposit of a Global Note in CGN form with a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Upon the initial deposit of a Global Certificate in respect of and registration of Registered Notes in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository or the Common Safekeeper, as the case may be, may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other permitted clearing system (“**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or such Alternative Clearing System as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such nominal amount of such Notes for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than in respect of the payment of principal and interest on such Notes, the right to which shall be vested, as against the Bank and the Trustee, solely in the bearer of the relevant Global Note or the registered holder of the relevant Global Certificate in accordance with and subject to its terms and the terms of the Trust Deed. Accountholders shall have no claim directly against the Bank in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Bank will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined in paragraph 6 below):

- 1.1 if the relevant Final Terms indicates that such temporary Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Summary of the Programme — Selling Restrictions”), in whole, but not in part, for the Definitive Notes, as defined and described below; and

- 1.2 otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

2 *Permanent Global Notes*

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part for Definitive Notes or, in the case of 2.3 below, Registered Notes:

- 2.1 by the Bank giving notice to the Noteholders, the Trustee and the Issuing and Paying Agent of its intention to effect such exchange (unless principal in respect of any Notes has not been paid when due);¹
- 2.2 if the relevant Final Terms provides that the permanent Global Note is exchangeable at the request of the holder, by the holder (acting on the instructions of the person(s) with beneficial interest(s) in such permanent Global Note) giving notice to the Issuing and Paying Agent of its election for such exchange;¹
- 2.3 if the permanent Global Note is an Exchangeable Bearer Note, by the holder (acting on the instructions of the person(s) with beneficial interest(s) in such permanent Global Note) giving notice to the Issuing and Paying Agent of its election to exchange the whole or a part of such permanent Global Note for Registered Notes; and
- 2.4 otherwise, (i) upon the happening of any of the events defined in the Trust Deed as “Events of Default”; or (ii) if Euroclear or Clearstream, Luxembourg or an Alternative Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearance system satisfactory to the Trustee is available.

3 *Global Certificates*

If the relevant Final Terms state that the Notes are to be represented by an Unrestricted Global Certificate and/or a Restricted Global Certificate on issue, transfers of the holding of Notes represented by any Unrestricted Global Certificate or Restricted Global Certificate pursuant to Condition 2(b) may only be made in part:

- 3.1 upon the happening of any of the events defined in the Trust Deed as “Events of Default”; or
- 3.2 if such Notes are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System (except for DTC) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearance system satisfactory to the Trustee is available; or
- 3.3 if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Bank that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Unrestricted Global Certificate or Restricted Global Certificate, as applicable, or DTC ceases to be a “clearing agency” registered under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), or is at any time no longer eligible to act as such, and the Bank is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- 3.4 with the consent of the Bank,

provided that, in the case of the first transfer of part of a holding pursuant to 3.1, 3.2 or 3.3 above, the Registered Holder has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Notes as set out under ‘Transfer Restrictions’.

¹ Not applicable to Notes with a minimum Specified Denomination plus a higher integral multiple of a smaller amount.

4 *Partial Exchange of Permanent Global Notes*

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

5 *Delivery of Notes*

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Bank will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or (iii) if the Global Note is a NGN, the Bank will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them, if applicable, all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and, if applicable, a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Bank will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

6 *Exchange Date*

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

7 *Legend*

In the case of Restricted Notes, each Restricted Global Certificate and each Certificate issued in exchange for a beneficial interest in a Restricted Global Certificate will bear a legend applicable to purchasers who purchase the Registered Notes pursuant to Rule 144A as described under “Transfer Restrictions”.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions. The following is a summary of certain of those provisions:

1 *Payments*

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified

to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 6(e)(ix) and Condition 12(f) will apply to Definitive Notes only. If the Global Note is a NGN, the Bank shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Bank's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

2 Prescription

Claims against the Bank in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 12 years (in the case of principal) and six years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 12).

3 Cancellation

Cancellation of any Note represented by a Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Global Note.

4 Purchase

Notes represented by a permanent Global Note may only be purchased by the Bank, or any of its subsidiaries or any holding company of the Bank or any other subsidiary of any such holding company if they are purchased together with the right to receive all future payments of interest and Instalment Amounts (if any) thereon.

5 Bank's Option

Any option of the Bank provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Bank giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the certificate numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Bank is exercised in respect of some but not all of the Notes of any Series, the rights of Accountholders in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

6 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent (electronically or otherwise) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of, or containing substantially similar information as contained in, the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN, the Bank shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

7 NGN nominal amount

Where the Global Note is a NGN, the Bank shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

8 Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided

to it by such clearing system or its operator as to the identity (either individually or by category) of its Accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such Accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

9 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to the relative Accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

10 Physical Delivery

In respect of Equity Linked Redemption Notes represented by a Global Note or Global Certificate to which Physical Delivery applies, the Asset Amount(s) will be delivered at the risk of the relevant Noteholder, in the manner provided below on the Maturity Date (such date, subject to adjustment in accordance with Condition 9(c)(ii), the “**Delivery Date**”).

Delivery of the Asset Amount(s) will (subject as provided below) be made against presentation or surrender, as the case may be, of the relevant Global Note or Global Certificate at the specified office of any Paying Agent outside the United States. A record of each delivery made against presentation or surrender of such Global Note or Global Certificate will be made on such Global Note or Global Certificate on behalf of the Bank by the Paying Agent to which such Global Note or Global Certificate is presented for the purpose of making such delivery, and such record shall be prima facie evidence that the delivery in question has been made.

The holder of a Global Note or Global Certificate shall be the only person entitled to receive delivery of the Asset Amount(s) in respect of Notes represented by such Global Note or Global Certificate and the Bank will be discharged by delivery to, or to the order of, the holder of such Global Note or Global Certificate in respect of each amount so delivered. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each delivery so made by the Bank to, or to the order of, the holder of such Global Note or Global Certificate. No person other than the holder of such Global Note or Global Certificate shall have any claim against the Bank in respect of any deliveries due on that Global Note or Global Certificate.

For the avoidance of doubt, no Asset Transfer Notice will be required.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Bank may forfeit such Notes and shall have no further obligation to their holder in respect of them.

USE OF PROCEEDS

The net proceeds of each issue of Notes will be used for the general business purposes of Lloyds TSB Group. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

CLEARING AND SETTLEMENT

Book-Entry Ownership

Bearer Notes

The Bank may make applications to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note in bearer form without coupons may be deposited with a common depository for Clearstream, Luxembourg and/or Euroclear or an Alternative Clearing System as agreed between the Bank and Dealer. Transfers of interests in such temporary Global Notes or permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear or, if appropriate, the Alternative Clearing System. Each Global Note deposited with a Common Depository on behalf of Euroclear and Clearstream, Luxembourg will have an ISIN and a Common Code.

Registered Notes

The Bank may make applications to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of the Registered Notes to be represented by an Unrestricted Global Certificate or a Restricted Global Certificate. Each Unrestricted Global Certificate or Restricted Global Certificate deposited with a nominee for Clearstream, Luxembourg and/or Euroclear will have an ISIN and a Common Code.

The Bank and a relevant U.S. agent appointed for such purpose that is an eligible DTC participant may make application to DTC for acceptance in its book-entry settlement system of the Global Certificates. Each such Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "Transfer Restrictions". In certain circumstances, as described below in "Transfers of Registered Notes", transfers of interests in a Restricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Global Certificates are deposited, and DTC will electronically record the nominal amount of the Notes held within the DTC system. Investors may hold their beneficial interests in a Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Global Certificate registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of such Global Certificate. The Bank expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Global Certificate as shown on the records of DTC or the nominee. The Bank also expects that payments by DTC participants to owners of beneficial interests in such Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Bank, any Issuing and Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by an Unrestricted Global Certificate, in amounts specified in the applicable Final Terms, and, in the case of Notes initially represented by a Restricted Global Certificate, in amounts of U.S.\$100,000 (or its equivalent), or higher integral multiples of U.S.\$1,000, in certain limited circumstances described below.

Transfers of Registered Notes

Transfers of interests in Global Certificates within DTC, Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

In the case of Registered Notes to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the distribution compliance period (as used in “**Selling Restrictions**”) relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request by the holder of an interest in the Unrestricted Global Certificate giving details of the account at either Euroclear or Clearstream, Luxembourg or DTC to be credited and debited, respectively, with an interest in the relevant Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and/or DTC to be credited and debited, respectively, with an interest in the relevant Global Certificates.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under “Transfer Restrictions”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar, the Transfer Agent and the Trustee.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and/or Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Certificates will be effected through the Trustee, the Transfer Agent, the Custodian and the Registrar receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Trustee, the Transfer Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see “Transfer Restrictions”.

DTC has advised the Bank that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Global Certificates for exchange for individual Certificates (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Bank as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a ‘banking organisation’ under the laws of the State of New York, a member of the U.S. Federal Reserve System, a ‘clearing corporation’ within the meaning of the New York Uniform Commercial Code and a ‘clearing agency’ registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

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

Individual Certificates

Registration of title to Registered Notes in a name other than a depository or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will be permitted only in the circumstances set forth in “Summary of Provisions Relating to the Notes while in Global Form – Exchange – Global Certificates”. In such circumstances, the Bank will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Bank and the Registrar may require to complete, execute and deliver such individual Certificates; and
- (ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Registered Notes in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact that the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant Issue Date should consult their own adviser.

LLOYDS TSB GROUP

All of the businesses of Lloyds TSB Group are in or owned by Lloyds TSB Bank plc. Lloyds TSB Group plc is the parent company of Lloyds TSB Bank plc. The Bank was incorporated on 20 April 1865 (Registration number 00002065). The Bank's registered office is at 25 Gresham Street, London EC2V 7HN, telephone number 020 7626 1500.

History and development of Lloyds TSB Group

The history of Lloyds TSB Group can be traced back to the 18th century when the banking partnership of Taylor and Lloyds was established in the UK. Lloyds Bank plc was incorporated in 1865 and the late 19th and early 20th century were marked by many acquisitions and mergers, significantly increasing the number of banking offices in the UK.

In 1988 Lloyds Bank plc acquired a majority shareholding in Abbey Life Group Plc (renamed Lloyds Abbey Life plc ("LAL")) in return for the sale to LAL of five of Lloyds Bank plc's businesses; and in 1995 it acquired the business of Cheltenham and Gloucester Building Society.

TSB Group plc became operational in 1986 when, following UK government legislation, the operations of four Trustee Savings Banks and other related companies were transferred to TSB Group plc and its new banking subsidiaries. By 1995, TSB Group plc had, either through organic growth or acquisition, developed life and general insurance operations, investment management activities, a motor vehicle hire purchase and leasing operation, and an estate agency business to supplement its retail banking activities.

In 1995, TSB Group plc merged with Lloyds Bank plc. Under the terms of the merger, the TSB and Lloyds Bank groups were combined under TSB Group plc, which was re-named Lloyds TSB Group plc, with Lloyds Bank plc, which was subsequently renamed Lloyds TSB Bank plc, the principal subsidiary. In 1999, the businesses, assets and liabilities of TSB Bank plc, the principal banking subsidiary of TSB Group plc prior to the merger, and its subsidiary Hill Samuel Bank Limited were vested in Lloyds TSB Bank plc. In 1996, Lloyds TSB Group acquired the minority interest in LAL and in 2000, Lloyds TSB Group acquired Scottish Widows. In addition to being one of the leading providers of banking services in the UK, this transaction also positioned Lloyds TSB Group as one of the leading suppliers of long-term savings and protection products in the UK.

In more recent years, Lloyds TSB Group has disposed of a number of its overseas operations, as part of the process of managing its portfolio of businesses to focus on its core markets. These disposals have resulted in a significant reduction in the size of Lloyds TSB Group's international business.

Strategy of Lloyds TSB Group

In an environment of strong competition, Lloyds TSB Group believes that shareholder value can best be achieved by:

- focusing on markets where it can build and sustain competitive advantage;
- developing business strategies for those markets which are founded on being profitably different in the way it creates customer value; and
- building a high-performance organisation focused on the right goals and the best possible execution of those strategies.

Reflecting this, in 2003 Lloyds TSB Group put in place a three-phase strategy. In phase 1, now completed, Lloyds TSB Group focused on enhancing the quality of its earnings by exiting businesses which were not regarded as core or which added unnecessary volatility to its earnings. During this phase, Lloyds TSB Group divested businesses in New Zealand and Latin America, markets in which it did not expect to be able to build and sustain competitive advantage. In phase 2, Lloyds TSB Group's focus is on accelerating growth by deepening its customer relationships and improving its productivity and in the process building competitive advantage through enhancing its capabilities. This has already resulted in improved earnings growth in Lloyds TSB Group's core markets. In phase 3, Lloyds TSB Group expects to leverage its financial strength and enhanced capabilities in new markets.

Lloyds TSB Group remains alert for opportunities to grow inorganically to complement its organic strategies and help provide new opportunities for profitable growth, both in the UK and overseas. In delivering this strategy Lloyds TSB Group believes that shareholder value will be maximised over time.

Markets

Lloyds TSB Group continues to focus on building competitive advantage in its core markets by seeking opportunities to consolidate its position in businesses where it is already strong, through a combination of organic growth and acquisitions, and by divesting businesses in markets where it is not a leader and cannot aspire reasonably to leadership.

Strategy

Lloyds TSB Group's strategy for phase 2 is based on a belief that sustained growth comes from simultaneously focusing on (i) building strong customer franchises, (ii) continuous productivity improvement and (iii) maximising capital efficiency.

(i) Strong customer franchises

In an increasingly competitive financial services market, and with customers able to exercise choice amongst alternative providers, shareholder value creation is closely linked to customer value creation. Shareholder value can only be created by attracting and retaining customers and winning a greater share of their financial services business. Across its main businesses, Lloyds TSB Group has strong core banking franchises, but smaller market shares in associated product areas. Lloyds TSB Group's strategy is focused on being differentiated in the creation of customer value to win a bigger share of its customers' total financial services spend.

Strong franchises depend on having highly motivated employees. Since 2003, measures of Lloyds TSB Group's employee engagement from an independent survey by Towers Perrin – IRS have shown a sustained steady improvement across all divisions, so that by 2006, Lloyds TSB Group's score was on a par with the UK's highest performing companies and 6 per cent. above the UK financial services norm. Towers Perrin – IRS' research shows that high employee engagement scores are positively correlated with business performance.

Motivated employees, combined with investments in improving service, help to build customer satisfaction. Lloyds TSB Group's customer satisfaction scores have also improved consistently in recent periods, as shown by internal CARE scores and supported by external estimates from MORI, and are now starting to become differentiated from competitors. Lloyds TSB Group will continue to invest in the drivers of customer satisfaction, with a goal of moving beyond satisfaction to customer advocacy. Improving customer satisfaction is already being reflected in stronger sales and income growth in its three business divisions, UK Retail Banking, Insurance and Investments and Wholesale and International Banking.

(ii) Continuous productivity improvement

Superior economic profit growth also requires a continuous focus on productivity improvement, which drives both improved customer service and cost reduction. In recent years, Lloyds TSB Group has been building a set of capabilities in 'six sigma' (error reduction) 'lean manufacturing' (operations efficiency) and procurement. Alongside those capabilities, Lloyds TSB Group applies an 'income growth must exceed cost growth' discipline in setting goals for each business, requiring a wider gap between income growth and cost growth for lower growth/return businesses than for higher growth/return businesses. Finally, Lloyds TSB Group has been simplifying management structures, aiming to reduce layers of management and increase spans of control.

The results are showing across all three divisions in much reduced error rates in key processes, growing levels of income per employee and falling unit costs, without impacting investment in future growth. Further improvements in Lloyds TSB Group's cost income ratio are expected going forward as these capabilities and disciplines are extended further.

(iii) Capital efficiency

Lloyds TSB Group measures value internally by economic profit growth, a measure of financial performance which signals unambiguously where value is being created or destroyed. It has developed a framework to be able to measure economic equity requirements across all its businesses, taking into account market, credit, insurance, business and operational risk. Using economic profit as a key performance measure enables Lloyds TSB Group to understand which strategies, products, channels and customer segments are destroying value and which are creating the most value and to make better capital allocation decisions as a result. Economic profit metrics also drive management of our balance sheet, and Lloyds TSB Group has recently initiated an active programme of securitisation and the structuring and distribution of risk.

The application of these economic profit disciplines, alongside goal-setting linked to ensuring that revenue growth constantly exceeds cost growth, has already been reflected in significant improvement in the capital efficiency of Lloyds TSB Group's Insurance and Investment division and by a shift in business mix towards sectors offering higher risk-adjusted returns in wholesale banking. By the continued rigorous application of these disciplines at every level, Lloyds TSB Group expects to further improve capital efficiency going forward.

It is Lloyds TSB Group's belief that the set of management processes and capabilities being built to drive differentiated customer satisfaction, continuously improve productivity and maximise capital efficiency will enable Lloyds TSB Group to achieve its Phase 2 goal of double digit economic profit growth over time and, in Phase 3, expand from strength into new markets.

Businesses and Activities of Lloyds TSB Group

Lloyds TSB Group's activities are organised into three divisions: UK Retail Banking, Insurance and Investments, and Wholesale and International Banking. The main activities of Lloyds TSB Group's three divisions are described below.

UK Retail Banking

UK Retail Banking provides banking, financial services, mortgages and private banking to some 16 million personal customers through Lloyds TSB Group's multi-channel distribution capabilities.

Branches

Lloyds TSB Group provides wide-reaching geographic branch coverage in England, Scotland and Wales, with over 2,000 branches of Lloyds TSB Bank plc, Lloyds TSB Scotland plc ("**Lloyds TSB Scotland**") and Cheltenham & Gloucester plc ("**Cheltenham & Gloucester**" or "**C&G**") as at the end of 2006.

Internet banking

Internet banking provides online banking facilities for personal customers. Some 4.4 million customers have registered to use Lloyds TSB Group's internet banking services. At the end of 2006, these customers were conducting more than 57 million transactions per month online, a 24 per cent. increase on 2005.

Telephone banking

Telephone banking continues to grow and Lloyds TSB Group now provides one of the largest telephone banking services in Europe. At the end of 2006, some 5.3 million customers had registered to use the services of PhoneBank and the automated voice response service, PhoneBank Express. Lloyds TSB Group's telephone banking centres handled some 62 million calls during 2006.

Cash machines

Lloyds TSB Group has one of the largest cash machine networks of any leading banking group in the UK and, at 31 December 2006, personal customers of Lloyds TSB Bank plc and Lloyds TSB Scotland were able to withdraw cash and check balances through some 4,100 ATMs at branches and external locations around the country. In addition, Lloyds TSB Group's personal customers have access to over 60,000 cash machines via LINK in the UK and to cash machines worldwide through the VISA and MasterCard networks.

Current accounts

Lloyds TSB Bank plc and Lloyds TSB Scotland offer a wide range of current accounts, including interest bearing current accounts and a range of added value accounts.

Savings accounts

Lloyds TSB Bank plc and Lloyds TSB Scotland offer a wide range of savings accounts and Cheltenham & Gloucester provide retail investments through their branch networks and a postal investment centre.

Personal loans

Lloyds TSB Bank plc and Lloyds TSB Scotland offer a range of personal loans through their branch networks and directly to the customer via the internet and telephone.

Cards

Lloyds TSB Group provides a range of card-based products and services, including credit and debit cards and card transaction processing services for retailers. Lloyds TSB Group is a member of both the VISA and MasterCard payment systems and has access to the American Express payment system. Lloyds TSB Group had a 12.4 per cent. share of outstanding UK card balances at 31 December 2006.

Mortgages

Cheltenham & Gloucester is Lloyds TSB Group's specialist residential mortgage provider, offering a range of mortgage products to personal customers through its own branches and those of Lloyds TSB Bank plc in England and Wales, as well as through the telephone, internet and postal service, Mortgage Direct. Lloyds TSB Group also provides mortgages through Lloyds TSB Scotland and Scottish Widows Bank. Lloyds TSB Group is one of the largest residential mortgage lenders in the UK on the basis of outstanding balances, with mortgages outstanding at 31 December 2006 of £95,333 million, representing a market share of 8.8 per cent.

UK Wealth Management

Wealth Management provides financial planning and advice for Lloyds TSB Group's affluent customers, providing financial solutions across investments, retirement planning and income, trusts, tax and estate planning as well as share dealing. Expert advice is provided through a large population of Lloyds TSB Group financial planners who can be accessed via the retail branch network and Private Banking offices nationwide. Customers are also provided with access to relationship banking as part of Lloyds TSB Private Banking, one of the largest private banks in the UK.

Insurance and Investments

Insurance and Investments offers life assurance, pensions and investment products, general insurance and fund management services.

Life assurance, pensions and investments

Scottish Widows is Lloyds TSB Group's specialist provider of life assurance, pensions and investment products, which are distributed through Lloyds TSB Bank plc's branch network, through independent financial advisers and directly via the telephone and the internet. The Scottish Widows brand is the main brand for new sales of Lloyds TSB Group's life, pensions, Open Ended Investment Companies ("OEICs") and other long-term savings products.

In common with other life assurance companies in the UK, the life and pensions business of each of the life assurance companies in Lloyds TSB Group is written in a long-term business fund. The main long term business fund is divided into With-Profits and Non-Profit sub-funds.

With-profits life and pensions products are written from the With-Profits sub-fund. The benefits accruing from these policies are designed to provide a smoothed return to policyholders who hold their policies to maturity through a mix of annual and final (or terminal) bonuses added to guaranteed basic benefits. The guarantees generally only apply on death or maturity. The actual bonuses declared will reflect the experience of the With-Profits sub-fund.

Other life and pensions products are generally written from the Non-Profit sub-fund. Examples include unit-linked policies, annuities, term assurances and health insurance (under which a predetermined amount of benefit is payable in the event of an insured event such as being unable to work through sickness). The benefits provided by linked policies are wholly or partly determined by reference to a specific portfolio of assets known as unit-linked funds.

General insurance

Lloyds TSB General Insurance provides general insurance through the retail branches of Lloyds TSB Bank plc and Cheltenham & Gloucester, and through a direct telephone operation and the internet. Lloyds TSB General Insurance is one of the leading distributors of household insurance in the UK.

Scottish Widows Investment Partnership

Scottish Widows Investment Partnership manages funds for Lloyds TSB Group's retail life, pensions and investment products. Clients also include corporate pension schemes, local authorities and other institutions in the UK and overseas.

Wholesale and International Banking

Wholesale and International Banking provides banking and related services for major UK and multinational corporates and financial institutions, and small and medium-sized UK businesses. It also provides asset finance services to personal and corporate customers, manages Lloyds TSB Group's activities in financial markets through its treasury function and provides banking and financial services overseas.

A new organisational structure for Wholesale and International Banking is effective in 2007. The division's corporate customers with turnover between £2 million and £25 million per annum have been transferred from Corporate Markets to Business Banking, which has been renamed Commercial Banking; in addition, Lloyds TSB Commercial Finance has been transferred from Asset Finance to Commercial Banking.

In May 2007, Lloyds TSB Group announced the sale of Lloyds TSB Registrars (see "Recent Developments" below).

Wholesale

Corporate Markets

Combining the respective strengths of some 3,000 people in Corporate Banking and Products & Markets, Corporate Markets plays an integral role in leveraging and expanding the customer franchise and building deep, long-lasting relationships with around 18,000 corporate customers.

Corporate Banking manages the core customer franchise, providing a relationship-based financial and advisory service to the corporate market place through dedicated regional teams throughout the UK and key strategic locations abroad, including New York. Customers have access to expert advice and a broad range of financial solutions. The Relationship Managers act as a conduit to product and service partners in Corporate Markets and other parts of Lloyds TSB Group.

Products & Markets is where the specialist product capability resides for transactions undertaken by the corporate relationship customers of the Bank. It offers customers a comprehensive range of finance and capital solutions, and also provides tailored risk management solutions and structured solutions across all areas of risk, including foreign exchange, interest rates, credit, inflation and commodities on behalf of Lloyds TSB Group. Additionally, Products & Markets fulfils the treasury role for Lloyds TSB Group, managing balance sheet liquidity.

Registrars

Lloyds TSB Registrars is the UK's leading provider of share registration services and employee share plans. It acts for over 650 client companies, including around 60 per cent. of the FTSE 100 (see "Recent Developments" below).

Asset Finance

Lloyds TSB Group's asset finance businesses provide individuals and companies with finance through leasing, hire purchase and contract hire packages. Hire purchase, or instalment credit, is a form of consumer financing where a customer takes possession of goods on payment of an initial deposit but the legal title to the goods does not pass to the customer until the agreed number of instalments have been paid and the option to purchase has been exercised. Specialist personal lending, store credit and the Dutton-Forshaw motor dealerships complete this group of businesses. Altogether Asset Finance has over 1.7 million individual customers and relationships with some 15,000 companies and small businesses.

Commercial Banking

Commercial Banking is a growing business serving nearly one million customers across the UK from one-person start-ups to large, established enterprises. The expanded business focuses on providing banking facilities and solutions to customers with business turnover up to £15 million per annum, and incorporates the invoice discounting and factoring subsidiary, Lloyds TSB Commercial Finance, through which Lloyds TSB Group provides working capital finance for its customers. Lloyds TSB Group has a leading share of the new business start-up market, with some 100,000 new businesses opening an account with Lloyds TSB Group in 2006. The main activity of The Agricultural Mortgage Corporation is to provide long-term finance to the agricultural sector.

International Banking

Lloyds TSB Group has continued to shape its international network to support its UK operations. International Banking has a presence in more than 30 countries around the globe, providing a range of financial services for its customers based in over 120 countries. Employing more than 3,000 people speaking more than 40 languages, International Banking services comprise International Private Banking, Offshore Wealth Management, Expatriate Banking, Island Banking and the remaining onshore business in Latin America and other regions, with its customers ranging from personal and small business, through to commercial.

Recent Developments

Sale of the business and assets of Lloyds TSB Registrars

Lloyds TSB Group announced on 22 May 2007 that it has agreed the sale of the business and assets of Lloyds TSB Registrars for a total cash consideration of £550 million, subject to completion and other adjustments. The transaction is expected to be completed in the second half of 2007 and is subject to regulatory approval. Subject to completion and other adjustments, it is expected that a profit before tax of circa £440 million (tax: nil) will be recognised in the income statement of Lloyds TSB Group for the year ending 31 December 2007.

Trading statement

Lloyds TSB Group issued a trading statement on 8 June 2007. See “Documents Incorporated by Reference”.

Other than the recent developments described in this section there has been no significant change since the date of the Consolidated Financial Statements.

Competitive environment

Lloyds TSB Group’s key markets are in the UK, in both the retail and wholesale financial services sectors, where the markets are relatively mature. Retail banking markets have shown strong rates of growth in recent years, notably in consumer borrowing and mortgages; the resultant higher rates of consumer indebtedness may affect the rate of growth going forward. The markets for life, pensions and investment products are expected to continue to grow in a number of key areas. Investment sales have recovered reflecting rising stock markets and the return of investor confidence; sales of pensions products were boosted by changes in legislation in 2006. Wholesale markets have shown strong growth recently, and cyclically low levels of bad debt. Going forward, some slowing of market growth is likely, together with a return to more normal levels of bad debt.

Lloyds TSB Group’s competitors include all the major financial services companies operating in the UK. In the retail banking market, Lloyds TSB Group competes with banks and building societies, major retailers and internet-only providers. In the mortgage market, competitors include the traditional banks and building societies and new entrants to the market, with the market becoming increasingly competitive as both new entrants and incumbents endeavour to gain market share.

The fragmented nature of life, pensions and investments market in the UK has resulted in some consolidation within certain product sectors, but the overall share of new business of the top ten providers remains broadly similar. However, on closed books there has been some activity led by non-traditional players. In the general insurance sector, the long-term trend of consolidation amongst underwriters and brokers continues, while distribution remains fragmented through growth in the number of affinity partnerships.

In the wholesale banking market, Lloyds TSB Group competes with both UK and foreign financial institutions; in asset finance the main competition comes from other banks and specialised asset finance providers.

In the UK and elsewhere, there is continuing political and regulatory scrutiny of financial services.

Competition Commission

In February 2007 the Office of Fair Trading, following its own market study launched in April 2006, referred the payment protection insurance market to the Competition Commission, which will report within two years.

Office of Fair Trading (‘OFT’)

The following reviews and inquiries are being carried out:

The OFT is carrying out a review of undertakings given by some banks in 2002 regarding the supply of banking services to small and medium-sized entities ('SMEs').

The OFT is conducting an inquiry into credit card interchange fees charged by both the MasterCard and Visa networks.

The OFT is also undertaking an in-depth study of retail bank pricing which will sit alongside a formal investigation into the fairness of bank current account charges. The market study will enable the OFT to consider wider questions about competition and price transparency in the provision of personal current accounts and obtain the necessary context for assessing the fairness of unauthorised overdraft charges.

The European Commission

The European Commission is conducting its own inquiry into retail banking services across the European Union.

The European Commission is also considering a number of regulatory proposals including a Consumer Credit Directive, a Payment Services Directive and revised capital adequacy requirements for insurance companies (Solvency II). This is in addition to a number of EU directives, including the Markets in Financial Instruments Directive ('MiFID') and the Capital Requirements Directive, which are currently being implemented in the UK.

These investigations and any connected matters are likely to affect the industry and have an impact on Lloyds TSB Group's business. Lloyds TSB Group is considering actions to mitigate any financial impact. The net effect from a product and cost/income perspective is currently under consideration. However, Lloyds TSB Group is presently unable to quantify with any reasonable certainty the aggregate cost or income implications in relation to the above inquiries.

Regulation

Other relevant legislation and regulation

Financial Ombudsman Service ("FOS")

The FOS was established pursuant to the Financial Services and Markets Act 2000 (the "FSMA") to provide customers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from the regulated firm. The FOS resolves disputes that cover most financial products and services provided in (or from) the UK, from insurance and pension plans to bank accounts and investments, for eligible complainants, private individuals and small businesses, charities or trusts. Although the FOS takes account of relevant regulation and legislation, their guiding principle is to resolve cases on the basis of what is fair and reasonable; in this regard, the FOS is not bound by law or even its own precedent. The decisions made by the FOS are binding on firms.

Banking Code Standards Board ("BCSB")

The BCSB monitors compliance with the Banking Code and the Business Banking Code. These Codes are voluntary codes agreed by UK banks and building societies that initially became effective in 1992, with several subsequent revisions, and which have been adopted by Lloyds TSB Group. The Banking Code and Business Banking Code define the responsibilities of the banks and building societies to their personal customers and smaller business customers, respectively, in connection with the operation of their UK accounts and sets out minimum standards of service that these customers can expect from institutions which subscribe to the Code.

Office of Fair Trading

The OFT is responsible for regulating implementation of the Consumer Credit Act 1974, which regulates both brokerage and lending activities in the provision of personal secured and unsecured lending. The OFT is also responsible for regulating issues such as credit card default fees, payment protection insurance (in conjunction with the FSA), and payment services.

Information Commissioner's Office

This office is responsible for overseeing implementation of the Data Protection Act 1998. This Act regulates, among other things, the retention and use of data relating to individual customers.

European Union Impact for UK Financial Services Regulation

Work continues on the Financial Services Action Plan which is intended to create a single market for financial services across the EU. Lloyds TSB Group intends to continue to monitor the progress of these initiatives, provide specialist input on their drafting and assess the likely impact on its business.

EU directives, which are required to be implemented in EU member states through national legislation, have a strong influence over the framework for supervision and regulation of financial services in the UK. The directives aim to harmonise financial services regulation and supervision throughout the EU by setting minimum standards in key areas such as capital adequacy, access to financial markets, consumer protection and compensation schemes.

Financial institutions, such as those in Lloyds TSB Group, are primarily regulated in their home state by a local regulator but the EU directives prescribe minimum criteria for the authorisation of such institutions and the prudential supervision applicable to them. Different directives require member states to give 'mutual recognition' to each other's standards of regulation through the operation of a 'passport' concept. This passport gives a financial institution which has been authorised in its 'home' state the freedom to establish branches in, and to provide cross-border services into, other member states without the need for additional local authorisation.

Key directives currently being implemented are:

- Capital Requirements Directive – this came into effect on 1 January 2007 and implements Basel II throughout the EU for banks and investment firms. The final rules for the UK jurisdiction were published during 2006, resulting in substantial changes to the capital adequacy rules applying to Lloyds TSB Group. The Group was fully involved in the consultative process with the regulatory authorities. The new framework covers three main areas:
 - minimum capital requirements and methodologies for allocation of regulatory capital for credit and other risks including operational risk;
 - a supervisory review process, including the setting of capital ratios by bank supervisors; and
 - improvement of transparency in the financial system by reliable and timely disclosure of risk information.
- MiFID – this is one of the key initiatives of the Financial Services Action Plan and will come into effect in November 2007. It will replace the 1996 Investment Services Directive. MiFiD:
 - extends the coverage of the current regime for both firms and products;
 - introduces more extensive requirements, in particular in relation to conduct of business (both business operations and customer interaction); and
 - details additional governance requirements, such as organisation of risk functions, outsourcing and conflicts of interest management.
- Third Money Laundering Directive – this comes into effect on 17 December 2007 and is designed to strengthen the fight against money laundering and terrorist financing. It will provide a common EU basis for implementing the revised Financial Action Task Force ('FATF') Recommendations (issued in June 2003) and replace the 1st and 2nd Money Laundering Directives. Although some enhancements to the Group's processes may be required these are not expected to be significant or involve material change. Changes arising through this Directive will be incorporated into the UK's Joint Money Laundering Steering Group ('JMLSG') Guidance Notes. In the UK the JMLSG has also recently reinforced a risk-based approach to anti-money laundering.

US

In the United States, Lloyds TSB Bank plc maintains a branch in New York and an agency in Miami, licensed by the States of New York and Florida, respectively. A subsidiary of Lloyds TSB Bank plc maintains representative offices in several US cities. The existence of branch and agency offices of the Bank in the US subjects Lloyds TSB Group plc and its subsidiaries doing business or conducting activities in the US to oversight by the Federal Reserve Board and limits the nature of the activities in which Lloyds TSB Group plc and its subsidiaries can engage in the US. The Bank's branch and agency offices are subject to extensive federal and state supervision and regulation relating to their operations, and the Group generally is expected to provide a measure of management and financial support and

guidance to its US operations and activities. A major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with US economic sanctions, with serious legal and reputational consequences for any failures arising in these areas.

Rest of the world

Lloyds TSB Group operates in many other countries around the world. The Group's overseas branches and subsidiaries are subject to reporting and reserve requirements and controls imposed by the relevant central banks and regulatory authorities.

Risk Management

Credit risk

Definition

Credit risk is the risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the failure of the party with whom the Bank has contracted to meet its obligations (both on and off balance sheet).

Risk appetite

Credit risk appetite is defined as the quantum and quality of the desired credit portfolio and the direction in which the Group wants to manage it, in order to achieve its short and long-term strategic goals.

Credit risk appetite is described and reported through a suite of metrics derived from a combination of accounting and economic equity model parameters which in turn uses the various credit risk rating systems as inputs. These metrics are supplemented by a variety of policies, sector caps and limits to manage concentration risk at an acceptable level.

Exposures

The principal sources of credit risk within the Group arise from loans and advances to retail customers, financial institutions and corporate clients.

Credit risk can arise from lending or investing or through off balance sheet activities such as guarantees or the undertaking of settlement or delivery risk. The primary off balance sheet instruments used by the Group are guarantees together with standby, documentary and commercial letters of credit.

Credit risk exposures in the insurance businesses arise primarily from holding investments and from exposure to reinsurers.

Credit risk also arises from the use of derivatives.

Credit risk may also arise through the existence of contracts for the provision of services or products to Lloyds TSB Group and this is also considered through individual credit assessments, where the risks of loss are material.

Control

Credit risk is managed according to baseline credit framework standards, against which all activity is assessed. This framework identifies the following key elements: governance, organisational framework, policies, people, processes and procedures, management information, and systems and technology.

In its principal retail portfolios, the Group uses statistically-based decisioning techniques (primarily credit scoring), although thresholds are set above which an individual credit assessment takes place. Divisional risk departments review scorecard effectiveness and approve changes, with material changes subject to group risk approval. Credit risk in non-retail portfolios is subject to individual credit assessments, which consider the strengths and weaknesses of individual transactions and the balance of risk and reward.

Day-to-day credit management and asset quality within each business is primarily the responsibility of the relevant business director.

Credit quality is supported by specialist units to provide, for example: intensive management and control; security perfection, maintenance and retention; expertise in documentation for lending and associated products; sector-specific expertise; and legal services applicable to the particular market place and product range offered by the business.

Impairment provisions are provided for losses that have been incurred at the balance sheet date. Changes in general economic conditions in the UK or in interest rates could result in losses that are different from those provided for at the balance sheet date.

The following are the principal control mechanisms through which the Group manages credit risk:

- Credit rating systems. All business units operate appropriate rating system(s) for their portfolio(s). All rating systems, which are authorised by executive management, comply with the Group's standard methodology. The Group uses a 'Master Scale' rating structure with ratings corresponding to a range of probabilities of future default. The Group uses rating systems as an integral part of the credit process deployed within the credit life cycle. Whilst divisional risk teams have responsibility for monitoring rating model performance, group risk reviews new models and material changes to existing models, seeking executive management approval as necessary.
- Portfolio monitoring and reporting. With group risk, businesses and divisions identify and define portfolios of credit and related risk exposures and the key benchmarks, behaviours and characteristics by which those portfolios are managed in terms of credit risk exposure. This entails the production and analysis of regular portfolio monitoring reports for review by group risk. Group risk in turn produces an aggregated review of credit risk throughout the Group, which is presented to the group business risk committee.
- Credit principles and policy. Group risk sets out the group credit principles according to which credit risk is managed. These form the basis of the group credit policy, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines which define the responsibilities of lending officers and seek to provide a disciplined and focused benchmark for credit decisions.
- Counterparty limits. Exposure to individual counterparties, groups of counterparties or customer risk segments is controlled through a tiered hierarchy of delegated sanctioning authorities. Approval requirements for each decision are based on the transaction amount, the customer's aggregate facilities, credit risk ratings and the nature and term of the risk. Regular reports on significant credit exposures are provided to the group executive committee and board.
- Cross-border and cross-currency exposures. Country limits are authorised and managed by a dedicated unit taking into account economic and political factors.
- Concentration risk. Credit risk management sets portfolio controls on certain industries, sectors and product lines that reflect risk appetite, and monitors exposures to prevent excessive concentration of risk. These concentration risk controls are not necessarily in the form of a maximum limit on lending but may instead require new business in concentrated sectors to fulfil additional hurdle requirements. Amongst these controls is a series of sector caps to manage residual value risk exposure, seeking to ensure an acceptable distribution of risk. The Group's large exposures are managed in accordance with regulatory reporting requirements.
- Impairment process. The maintenance of adequate impairment allowances is considered a key issue from a credit control perspective. Impairment methodology is set out in credit policy and is subject to a rigorous governance process, including the preparation of a regular impairment review paper to executive management, consideration by dedicated business unit and divisional impairment review committees and the reporting to the group executive committee of material individual counterparty impairment charges.
- Facilities database. A database is maintained of all non-retail customer relationships to assist in the identification and aggregation of cross-business unit commitments. The Group uses a system known as parent company executives, under which there is a central person responsible for each non-retail customer relationship, to whom other business units wishing to do business with the same customer must apply for credit limits.
- Credit portfolio model. The Group models portfolio credit risk based on defaults, using a statistically-based model which calculates the economic equity employed and credit value at risk for each portfolio.
- Stress testing and scenario analysis. The credit portfolio model is also used in stress-testing, to simulate a scenario and calculate its impact. Our modelling capabilities are currently subject to further development.

Events are modelled both at a group wide level, at divisional and business unit level and by portfolio, for example, for a specific industry sector.

- Risk assurance and oversight. Divisional and group level oversight teams monitor credit performance trends, review and challenge exceptions to planned outcomes and test the adequacy of credit risk infrastructure and governance processes throughout the Group. This includes tracking portfolio performance against an agreed set of key risk indicators. Risk assurance teams and group audit are engaged where appropriate to conduct further credit reviews if a need for closer scrutiny is identified.

Lloyds TSB Group also uses a range of approaches to mitigate credit risk. In the case of individual exposures, the Group makes use of credit enhancement techniques such as netting and collateralisation, where security is provided against the exposure. The Group also undertakes asset sales, securitisations and credit derivative-based approaches as appropriate for the nature of the assets and market conditions.

Where it is efficient and likely to be effective (generally with counterparties with which it undertakes a significant volume of transactions), the Group enters into master netting arrangements. Although master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis, they do reduce the credit risk to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

Market risk

Definition

Market risk is the risk of reductions in earnings and/or value, through financial or reputational loss, arising from unexpected changes in financial prices, including interest rates, exchange rates and bond, commodity and equity prices. It arises in all areas of Lloyds TSB Group's activities and is managed by a variety of different techniques.

Risk appetite

Market risk appetite is defined as the quantum and composition of market risk that exists currently in the Group and the direction in which the Group wishes to manage this.

This statement of the Group's overall appetite for market risk is reviewed and approved annually by the board. The group chief executive allocates this risk appetite across the Group. Individual members of the group executive committee ensure that market risk appetite is further delegated to an appropriate level within their areas of responsibility.

Exposures

The Group's banking activities expose it to the risk of adverse movements in interest rates or exchange rates, with little or no exposure to equity or commodity risk.

- Most of the Group's trading activity is undertaken to meet the requirements of wholesale and retail customers for foreign exchange and interest rate products. However, some interest rate and exchange rate positions are taken using derivatives and on-balance sheet instruments with the objective of earning a profit from favourable movements in market rates.
- Market risk in the Group's retail portfolios and in the Group's capital funds arises from the different repricing characteristics of the Group's banking assets and liabilities. Interest rate risk arises from the mismatch between interest rate insensitive liabilities and interest rate sensitive assets.
- Foreign currency risk also arises from the Group's investment in its overseas operations.
- The Group's insurance activities also expose it to market risk, encompassing interest rate, exchange rate, property and equity risk.
- The management of with-profits funds leads to assets and liabilities that are mismatched with the aim of generating a higher rate of return to meet policyholders' expectations.

- Unit-linked liabilities are matched with the same assets that are used to define the liability but future fee income is dependent upon the performance of those assets.
- For other insurance liabilities the aim is to invest in assets such that the cash flows on investments will match those on the projected future liabilities. It is not possible to eliminate risk completely as the timing of insured events is uncertain and bonds are not available at all of the required maturities. As a result, the cash flows cannot be precisely matched and so sensitivity tests are used to test the extent of the mismatch.
- Surplus assets are held primarily in three portfolios: the surplus in the non-profit fund within the Long Term Fund of Scottish Widows, assets in shareholder funds of life assurance companies and an investment portfolio within the general insurance business.

The Group's defined benefit pension schemes are exposed to significant risks from the constituent parts of their assets, primarily equity and interest rate risk, and from the present value of their liabilities.

The primary market risk measure used within the Group is the Value at Risk ("VaR") methodology, which incorporates the volatility of relevant market prices and the correlation of their movements. Although an important measure of risk, VaR has limitations as a result of its use of historical data, assumed distribution, holding periods and frequency of calculation. The use of confidence levels does not convey any information about potential loss when the confidence level is exceeded. VaR is also not well suited to options positions. The Group recognises these limitations and supplements its use with a variety of other techniques. These reflect the nature of the business activity, and include interest rate re-pricing gaps, open exchange positions and sensitivity analysis. Stress testing and scenario analysis are also used in certain portfolios and at group level, to simulate extreme conditions to supplement these core measures.

The risk of loss measured by the VaR model is the potential loss in earnings. The total and average trading VaR does not assume any diversification benefit across the three risk types. The maximum and minimum VaR reported for each risk category did not necessarily occur on the same day as the maximum and minimum VaR reported as a whole.

Trading:

Based on the commonly used 95 per cent. confidence level, assuming positions are held overnight and using observation periods of the preceding three years, the VaR for the years ended 31 December 2006 and 2005 based on the Group's global trading positions was as detailed in the table below (the table also aggregates potential loss measures from options portfolios).

	<i>31 December 2006</i>				<i>31 December 2005</i>			
	<i>Closing</i> <i>£m</i>	<i>Average</i> <i>£m</i>	<i>Maximum</i> <i>£m</i>	<i>Minimum</i> <i>£m</i>	<i>Closing</i> <i>£m</i>	<i>Average</i> <i>£m</i>	<i>Maximum</i> <i>£m</i>	<i>Minimum</i> <i>£m</i>
Interest rate risk	3.3	2.3	4.6	0.6	0.9	1.8	4.5	0.5
Foreign exchange risk	0.3	0.3	0.7	0.0	0.2	0.3	0.4	0.2
Equity risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total VaR (no diversification)	3.6	2.6	5.0	0.9	1.1	2.1	4.7	0.8

Non-trading:

It is estimated that a hypothetical immediate and sustained 100 basis point increase in interest rates on 1 January 2007 would decrease net interest income by £237.8 million for the 12 months to 31 December 2007, while a hypothetical immediate and sustained 100 basis point decrease in interest rates would increase net interest income by £237.4 million. An analysis by currency is shown below.

	<i>UK</i> <i>£m</i>	<i>North</i> <i>America</i> <i>£m</i>	<i>Asia &</i> <i>Australasia</i> <i>£m</i>	<i>Europe &</i> <i>Middle East</i> <i>£m</i>	<i>Total</i> <i>2007</i> <i>£m</i>	<i>Total</i> <i>2006</i> <i>£m</i>
Change in net interest income from a +100 basis point shift in yield curves	(207.6)	(12.8)	0.3	(17.7)	(237.8)	(112.5)
Change in net interest income from a -100 basis point shift in yield curves	207.2	12.8	(0.3)	17.7	237.4	104.7

The analysis above is subject to certain simplifying assumptions including, but not limited to, all rates of all maturities worldwide move simultaneously by the same amount; all positions in the wholesale books run to maturity; and there is no management action in response to movements in interest rates, in particular no changes to product margins.

In practice, positions in both the retail and wholesale books are actively managed and actual impact on net interest income may be different to the model.

For the insurance businesses, the composition and value of surplus assets held in excess of liabilities are reported to group risk on a monthly basis. The figures quoted below are the sum of the two portfolios with no allowance for diversification between portfolios or asset classes and represents the potential loss in earnings.

The table below shows closing, average, maximum and minimum VaR for surplus assets held in excess of liabilities in the Group's insurance businesses for the years ended 31 December 2006 and 2005 on a 99 per cent. confidence ten day basis.

	<i>31 December 2006</i>				<i>31 December 2005</i>			
	<i>Closing £m</i>	<i>Average £m</i>	<i>Maximum £m</i>	<i>Minimum £m</i>	<i>Closing £m</i>	<i>Average £m</i>	<i>Maximum £m</i>	<i>Minimum £m</i>
Interest rate risk	17.9	19.1	20.5	16.9	19.8	17.9	20.0	15.8
Foreign exchange risk	2.6	3.2	3.5	2.6	3.3	2.8	3.5	2.3
Equity risk	43.1	40.9	43.1	39.4	41.7	47.7	57.3	39.4
Total VaR	63.6	63.2	65.9	59.7	64.8	68.4	77.8	59.1

Control

The group asset and liability committee regularly reviews market risk exposure and makes recommendations to the group chief executive concerning overall market risk appetite and market risk policy.

Banking activity:

- Trading is restricted to a number of specialist centres, the most important centre being financial markets division in London. These centres also manage market risk in the wholesale banking books, both in the UK and internationally. The level of exposure is strictly controlled and monitored within approved limits. Active management of the wholesale book is necessary to meet customer requirements and changing market circumstances.
- Market risk in the Group's retail portfolios and in the Group's capital funds is managed within limits defined in the detailed group policy for interest rate risk in the banking book, which is reviewed annually by the group asset and liability committee. The structural foreign exchange position is managed having regard to the currency composition of the Group's risk-weighted assets. The objective is to limit the effect of exchange rate movements on the published risk asset ratio.

Insurance activity:

- Market risk exposures from the insurance businesses are controlled via approved investment policies set with reference to the Group's overall risk appetite and regularly reviewed by the group asset and liability committee.
- With-profits funds are managed in accordance with the relevant fund's Principles and Practices of Financial Management.
- The investment strategy for other insurance liabilities is determined by the term and nature of the underlying liabilities and asset/liability matching positions are actively monitored. Actuarial tools are used to project and match the cash flows.
- Investment strategy for surplus assets held in excess of liabilities takes account of the regulatory and internal business requirements for capital to be held to support the business now and in the future.

The Group discusses strategies for the overall mix of pension assets with the pension scheme trustees.

Operational risk

Definition

Operational risk is the risk of reductions in earnings and/or value, through financial or reputational loss, from inadequate or failed internal processes and systems, or from people-related or external events.

Risk appetite

Operational risk appetite is defined as the quantum and composition of operational risk that exists in the Group and the direction in which the Group wishes to manage it.

The Group has developed an impact on earnings approach to operational risk appetite. This involves looking at how much the Group could lose due to operational risk losses at various levels of severity. In setting operational risk appetite, the Group looks at both impact on solvency and the Group's reputation, including customer service requirements.

Exposures

The main sources of operational risk within Lloyds TSB Group relate to uncertainties created by the changing business environment in which it operates and how this is managed across the Group. Throughout 2006 there has been ongoing development of operational risk metrics to ensure both current and potential future operational risk exposures are understood in terms of both risk and reward potential.

Control

The Group continues to develop and refine its approach to managing operational risk. A consistent operational risk management framework for the timely identification, measurement, monitoring and control of operational risk has been introduced across the Group. Further development of operational risk metrics is taking place to seek to ensure that current and potential future operational risk exposures are understood in terms of both risk and reward potential.

The Group has seven sub operational risk types: governance risk, legal and regulatory risk, customer treatment risk, process and resource risk, theft, fraud and other criminal acts risk, people risk and change-related risk each of which is described in further detail below.

Governance risk

Definition

Governance risk is the risk of reductions in earnings and/or value, through financial or reputational loss, from poor corporate governance at group, divisional and business unit level. Corporate governance in this context embraces the structures, systems and processes that provide direction, control and accountability for the enterprise.

Control

The Group's governance arrangements are based upon the following core principles:

- the interests of shareholders and other stakeholders are protected by ensuring that excessive powers are not delegated to individuals;
- decisions taken by management are consistent with the Group's strategic objectives and risk appetite, which are approved by the board;
- managers are accountable for the management of risk, including internal controls, in their business;
- risk management arrangements and risk exposures (including material transactions, financial positions or portfolios) are subject to independent oversight;
- business is conducted in line with authorities and accountabilities ultimately delegated by the board; these are described within specific policies;
- clear accountabilities are delegated by management to people who have the right level of skills, competencies and experience;
- managers are required to safeguard against conflicts of interest;

- every member of staff is responsible for understanding and managing the risk they take on behalf of the Group and for ensuring that they act within the authorities and accountabilities delegated to them; and
- all staff are required to comply with group policies.

The Group's policy is to maintain strong corporate governance arrangements, as it believes this is consistent with the Group's objective of maximising shareholder value over time. This includes the means by which risks are effectively managed in order to enable successful implementation of the Group's strategy. The Group's high level corporate governance arrangements reflect the Group's policy which is that the board adheres to the principles contained in the Combined Code on corporate governance, issued by the Financial Reporting Council, when determining and reviewing its governance arrangements. The directors review the application of the principles and provisions of the Combined Code annually.

The policy regarding organisational structure is that the Group seeks to optimise performance by allowing divisions, subsidiaries and business units to operate within established capital and risk parameters and the Group's policy framework. Group policy requires that they must do so in a way which is consistent with realising the Group's strategy and meets agreed business performance targets.

Group functions (e.g. group human resources, group risk, group finance, group strategy, group audit) are established to provide functional leadership (e.g. policy, strategy and standards), challenge and support across the Group and ensure information is consolidated at group level.

Group audit has unrestricted access to all functions, property, records and staff. It independently reviews adherence to the policies and processes that make up the control environment, disseminating best practices throughout the Group in the course of its monitoring and corrective action activities. The director of group audit reports to and meets regularly with the group chief executive and the audit committee chairman and periodically with the audit committee.

The Group's whistleblowing arrangements, reviewed and supported by the independent charity Public Concern at Work, encourage staff to speak up if they have concerns about any possible wrongdoing.

Legal and regulatory risk

Definition

Legal and regulatory risk is the risk of reductions in earnings and/or value, through financial or reputational loss, from failing to comply with the laws, regulations or codes applicable.

Control

The Group's business is regulated primarily by the FSA, the BCSB and the OFT and additionally by local regulators in offshore and overseas jurisdictions. Each business has a nominated individual with 'compliance oversight' responsibility under FSA rules. The role of such individuals is to advise and assist management to ensure that each business has a control structure which creates awareness of the rules and regulations to which the Group is subject, and to monitor and report on adherence to these rules and regulations.

All compliance personnel also have a reporting line to the group compliance director who sets compliance standards across the Group and provides independent reporting and assessment to the board and business directors.

Group compliance also provides leadership on compliance with money laundering and terrorist financing legislation and regulation across the Group. It sets group policy and standards on the topic and undertakes high level oversight of anti-money laundering risks. A specialist team within Group compliance provides a centre of excellence on the relevant legislation and regulation as well as interfacing with external public and private bodies in order to evolve the Group's approach and seek to ensure greater effectiveness and focus on key risk areas. Its remit also includes compliance with financial sanctions.

Each business unit is responsible for complying with relevant laws and legal principles. Business units have access to legal advice both internal and external. The group chief legal adviser provides policies to assist business units identify areas where legal risk management procedures are necessary. Reports to the group chief legal adviser are required in relation to both significant litigation and also material legal issues.

The group compliance director and the group chief legal adviser have access to the chairman and group chief executive.

Customer treatment risk

Definition

Customer treatment risk is the risk of reductions in earnings and/or value, through financial or reputational loss, from inappropriate or poor customer treatment.

Control

The Group is committed to the fair treatment of its customers. It is an essential part of the way the Group conducts its business and develops deep long-lasting relationships with its customers. A range of management information measures is in place across the Group to support the tracking of key customer treatment indicators. Group risk and group audit are required to report regularly on customer treatment risk, management information trends and on compliance with the Group's standards.

Service improvements are monitored by customer satisfaction surveys, as well as internal process evaluations. The results of the research are fed into the Group's CARE Index, which measures ongoing performance against five principal objectives: customer understanding; accessibility; responsibility; expertise; and overall service quality improvement. This is tracked monthly and is a key indicator for the Group.

A framework is in place to guide the consideration and documentation of customer treatment risk when developing policies and procedures. The Group has defined customer treatment principles and benchmark standards in all the key areas and enhanced its processes and procedures for a number of individual initiatives including the governance of responsible lending and complaints handling. The divisions are required to meet or exceed these standards, tailoring customer treatment to the needs of each customer segment. The revised detailed group product governance policy also requires customer treatment standards to be tailored.

Trends across all the CARE Index categories are monitored and fed into a programme of continuous customer service improvement. The Group also provides its staff with clear FSA compliant guidelines and processes for dealing with customer complaints.

All advertising and marketing material is required to comply with the Group's governing policy on business conduct. Businesses are required to have procedures in place to seek to ensure that the material is clear, fair and not misleading bearing in mind the knowledge and sophistication of the customer. Any statement of fact should be substantiated through documentary evidence; any comparison should be made in a fair and balanced way; and any reference to past performance should clearly state the basis of measurement.

Process and resource risk

Definition

Process and resource risk is the risk of reductions in earnings and/or value, through financial or reputational loss, resulting from inadequate or failed internal processes and systems, people-related events, damage to resources (excluding human resources), and deficiencies in the performance of external suppliers/service providers.

Control

Businesses have primary responsibility for identifying and managing their process and resource risks. They employ internal control techniques to reduce their likelihood or impact to tolerable levels within the Group's risk appetite. Where appropriate, risk is mitigated by way of insurance.

The Group has defined high-level process and resource risk policies to seek to ensure a wide-ranging and consistent approach to the identification and management of process and resource risk. These include policies covering physical and information security, business continuity, outsourcing, procurement and incident management when policy implementation and oversight is led by specialist teams with a group wide remit.

Theft, fraud and other criminal acts risk

Definition

People risk is the risk of reductions in earnings and/or value, through financial or reputational loss, resulting from frauds carried out against the Group, and/or theft of the Group's assets, and other criminal acts.

Control

The Group has in place appropriate policies, procedures and tools for the management of theft, fraud and other criminal acts risks, which fall under the remit of the Chief Security Office.

Business units and group functions have primary responsibility for identifying and managing fraud risk at a local level in consultation with the Group Financial Crime Unit. Additionally the group fraud strategy and policy committee is responsible for monitoring fraud risk as well as ensuring that fraud risks are effectively identified and assessed and that strategies for fraud prevention are effectively coordinated. This includes external scanning of the threat environment across all service delivery channels and translation mechanisms with particular focus on card payment and internet transactions.

The Chief Security Office establishes policy for the security of the people, premises and assets, including identifying and developing countermeasures to minimise the impact of physical threats to the Group. Business unit management seek to ensure that the level of security risk applicable to each site they occupy is assessed, and that the appropriate security countermeasures are determined in order to protect people, premises and assets.

People risk

Definition

The risk of reductions in earnings and/or value, through financial or reputational loss, from inappropriate staff behaviour, industrial action or health and safety issues. Loss can also be incurred through failure to recruit, retain, train, reward and incentivise appropriately skilled staff to achieve business objectives and through failure to take appropriate action as a result of staff underperformance.

Control

The Group's approach to people management is to employ skilled, committed staff, working as a team for the benefit of customers and shareholders, who are given the opportunity to fulfil their potential; employ the highest ethical standards of behaviour and best practice management principles; and recruit on the basis of ability and competence.

- Standards of behaviour. The Group has a code of business conduct which applies to all employees. It seeks to ensure that employees act with integrity and endeavour to deliver high levels of customer service. It promotes a working environment free from discrimination, harassment, bullying or victimisation of any kind. Employees are encouraged and expected to alert management to suspected misconduct, fraud or other serious malpractice. Mechanisms are provided to facilitate disclosure if an employee is unable to inform their direct line management, who will thoroughly investigate any reports made in good faith. The code as amended from time to time is available to the public on the Company's website at www.lloydstsb.com.
- Performance and reward management. The Group seeks to ensure that all employees understand their role, the purpose of the role and where it fits into the wider team and organisational context. It manages and measures employees' performance and contribution to collective goals and recognises the contribution of individuals in the context of the pay market and the performance of the business in which they work and rewards appropriately.
- Training and development. The Group believes that long-term success depends on the quality and skills of its staff and that it has a joint responsibility with employees for their personal and career development to improve current performance and to enhance future prospects.

Change risk

Definition

Change-related risk is the risk of reductions in earnings and/or value, through financial or reputational loss, from change initiatives failing to deliver to requirements, budget or timescale or failing to implement change effectively or realise the desired benefits.

Control

To deliver the Group's strategic aims, change must be managed in an effective, risk-aware and appropriately controlled manner throughout the organisation. The Group's change management standards seek to ensure appropriate control across the project portfolio and the approach is regularly benchmarked against other leading institutions and practices. The Group's change management committee reviews the overall change portfolio monthly, with particular

focus on initiatives having a high impact on customers and staff. The committee ensures that the aggregate impact of the implementation of change on customers, staff and systems is understood, managed and controlled.

Directors

The directors of Lloyds TSB Group and of Lloyds TSB Bank plc, the business address of each of whom is 25 Gresham Street, London EC2V 7HN, England, and their respective principal outside activities, where significant to the Bank, are as follows:

<u>Name</u>	<u>Principal outside activities</u>
Sir Victor Blank Chairman	Member of the Financial Reporting Council and the Council of Oxford University. Chairs two charities, Wellbeing of Women and UJS Hillel, as well as the Council of University College School
Executive directors	
J. Eric Daniels Group Chief Executive	
Michael E. Fairey Deputy Group Chief Executive	President of The British Quality Foundation and chairman of Race for Opportunity
Terri A. Dial Group Executive Director, UK Retail Banking	A non-executive director of LookSmart Corporation and member of the London Skills and Employment Board
Archie G. Kane Group Executive Director, Insurance and Investments	A member of the board of the Association of British Insurers
G. Truett Tate Group Executive Director, Wholesale & International Banking	
Helen A. Weir Group Finance Director	A non-executive director of Royal Mail Holdings and a member of the Accounting Standards Board
Non-executive directors	
Wolfgang C. G. Berndt	A non-executive director of Cadbury-Schweppes, GfK AG and Telekom Austria and a board member of the Institute for the Future
Ewan Brown CBE FRSE	A non-executive director of Noble Grossart and Stagecoach Group and senior governor of the Court of the University of St Andrews
Jan P. du Plessis	Chairman of British American Tobacco
Gavin J. N. Gemmell CBE	A non-executive director of Archangel Informal Investment and chairman of the Court of Heriot-Watt University
Philip N. Green	Chief Executive of United Utilities
Sir Julian Horn-Smith	A non-executive director of Digicel Group, a member of the Altimo International advisory board and a senior adviser to UBS in relation to the global telecommunications sector

Lord Leitch

Chairman of the Government's Review of Skills and deputy chairman of the Commonwealth Education Fund. Chairman of BUPA and Intrinsic Financial Services and a non-executive director of Paternoster and United Business Media

None of the directors of Lloyds TSB Group and of Lloyds TSB Bank plc have any actual or potential conflict between their duties to Lloyds TSB Group or Lloyds TSB Bank plc and their private interests or other duties as listed above.

TAXATION

United Kingdom Taxation

The comments below are of a general nature based on current United Kingdom law and H.M. Revenue & Customs practice and are not intended to be exhaustive. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons such as dealers to whom special rules may apply. Any Noteholders who are in doubt as to their tax position or may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.

Taxation of Interest

While the Notes continue to be listed on a recognised stock exchange within the meaning of Section 1005 Income Tax Act 2007 (the “Act”), payments of interest may be made without withholding or deduction for or on account of income tax. The London Stock Exchange is recognised for the purposes of section 1005 of the Act. Under H.M. Revenue & Customs published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the United Kingdom Listing Authority and admitted to trading on the Market. This practice is expected to be formally enacted in the Finance Act 2007.

The Bank, provided that it continues to be a bank within the meaning of section 991 of the Act, and provided that the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of the Act, will be entitled to make payments of interest without withholding or deduction for or on account of United Kingdom income tax. Interest will not be regarded as being paid in the ordinary course of business where the borrowing relates to the capital structure of the Bank. The borrowing will be regarded as relating to the capital structure of the Bank if it conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the UK Financial Services Authority, whether or not the borrowing actually counts towards tier 1, 2 or 3 capital for regulatory purposes.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, the Bank reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) either:

- (a) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; or
- (b) that the payment is made to one of the bodies or persons set out in section 935 to 937 of the Act,

provided that H.M. Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on Notes with a maturity date of less than a year after the issue date may be paid without withholding or deduction on account of United Kingdom tax provided that interest is not payable in respect of a debt which is intended to be outstanding for a year or more.

In all other cases, an amount must generally be withheld from payments of yearly interest on the Notes on account of United Kingdom income tax at the savings rate (currently 20 per cent.), subject to any direction to the contrary by the H.M. Revenue & Customs under an applicable double taxation treaty.

Persons in the United Kingdom paying interest to or receiving interest on behalf of another person may be required to provide certain information to H.M. Revenue & Customs regarding the identity of the payee or person entitled to the interest. H.M. Revenue & Customs also has power to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and other Income) Act 2005 to or receives such amounts for the benefit of an individual. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by H.M. Revenue & Customs with the tax authorities of the jurisdictions in which the Noteholder is resident for tax purposes. However, in relation to amounts payable on the redemption of such Notes HM Revenue & Customs' published practice indicates that HM Revenue & Customs will not exercise its power to obtain information where such amounts are paid or received on or before 5 April, 2008.

The interest has a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment. Where the interest is paid without withholding or deduction, the interest will not be assessed to United Kingdom tax in the hands of holders of the Notes (other than certain trustees) who are not resident for tax purposes in the United Kingdom, except where such persons carry on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that person is a company, unless that person carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agent.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an applicable double taxation treaty.

Noteholders should recognise that the provisions relating to additional amounts referred to in “Terms and Conditions of the Notes — Taxation” would not apply if H.M. Revenue & Customs sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain other persons in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead operate a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

United States Taxation

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE BANK IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE BANK OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Notes at the issue price that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the Bank, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal tax purposes or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Notes with a term of 30 years or less. The U.S. federal income tax consequences of owning Notes with a longer term will be discussed in the applicable Final Terms.

As used herein, the term “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation created or organised under the laws of the

United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax adviser concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as the income tax treaty between the United States and the United Kingdom (the “Treaty”) all as currently in effect and all subject to change at any time, possibly with retroactive effect.

Bearer Notes (including Exchangeable Bearer Notes while in bearer form) are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the United States Internal Revenue Code.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY AND DOES NOT ADDRESS THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF EVERY TYPE OF NOTES WHICH MAY BE ISSUED UNDER THE PROGRAMME. ADDITIONAL U.S. FEDERAL INCOME TAX CONSEQUENCES, IF ANY, APPLICABLE TO A PARTICULAR ISSUANCE OF NOTES WILL BE SET FORTH IN THE APPLICABLE FINAL TERMS. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Characterisation of the Notes

The determination whether an obligation represents a debt or equity interest is based on all the relevant facts and circumstances, and courts at times have held that obligations purporting to be debt constituted equity for U.S. federal income tax purposes. There are no regulations, published rulings or judicial decisions addressing the characterisation for U.S. federal income tax purposes of securities with terms substantially the same as the Notes. The Bank intends to take the position that the Ordinary Notes and the Dated Subordinated Notes (together, the “Dated Notes”) are debt of the Bank for U.S. federal income tax purposes. There is a risk that the Dated Subordinated Notes could be treated as equity for U.S. federal income tax purposes. For U.S. federal income tax purposes, a strong likelihood exists that the Undated Subordinated Notes will be treated as equity, and accordingly the Bank will treat the Undated Subordinated Notes as equity. The balance of the discussion herein assumes that, for U.S. federal income tax purposes, the Ordinary Notes and the Dated Subordinated Notes will be treated as debt, and the Undated Subordinated Notes will be treated as equity interests in the Bank. Prospective purchasers should consult their tax advisers concerning the U.S. federal income tax characterisation of the Notes.

Dated Notes

Payments of Interest

General

Interest on a Dated Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a “foreign currency”), other than interest on a “Discount Note” that is not “qualified stated interest” (each as defined below under “Original Issue Discount – General”), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for U.S. federal income tax purposes. Interest paid by the Bank on the Dated Notes and OID, if any, accrued with respect to the Dated Notes (as described below under “Original Issue Discount”) generally will constitute income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Dated Notes.

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Dated Notes issued with original issue discount (“**OID**”). The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event the Bank issues contingent payment debt instruments, the applicable Final Terms will describe the material U.S. federal income tax consequences thereof.

A Dated Note, other than a Dated Note with a term of one year or less (a “**Short-Term Note**”) will be treated as issued with OID (a “**Discount Note**”) if the excess of the Dated Note’s “stated redemption price at maturity” over its issue price is equal to or more than a de minimis amount (0.25 per cent. of the Dated Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an “**installment obligation**”) will be treated as a Discount Note if the excess of the Note’s stated redemption price at maturity over its issue price is greater than 0.25 per cent. of the Note’s stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note’s weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note’s stated redemption price at maturity. Generally, the issue price of a Dated Note will be the first price at which a substantial amount of Dated Notes included in the issue of which the Dated Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Dated Note is the total of all payments provided by the Dated Note that are not payments of “qualified stated interest”. A qualified stated interest payment is generally any one of a series of stated interest payments on a Dated Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under “Variable Interest Rate Notes”), applied to the outstanding principal amount of the Dated Note. Solely for purposes of determining whether a Dated Note has OID, the Bank will be deemed to exercise any call option that has the effect of decreasing the yield on the Dated Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Dated Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includable in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note (“**accrued OID**”). The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Dated Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Dated Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Dated Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note’s adjusted issue price at the beginning of the accrual period and the Discount Note’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Dated Note allocable to the accrual period. The “adjusted issue price” of a Discount Note at the beginning of any accrual period is the issue price of the Dated Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Dated Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Dated Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being “**acquisition premium**”) and that does not make the election described below under “Election to Treat All Interest as Original Issue Discount”, is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder’s adjusted basis in the Dated Note immediately after its purchase over the Note’s adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note’s adjusted issue price.

Market Discount

A Dated Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a “**Market Discount Note**”) if the Dated Note’s stated redemption price at maturity or, in the case of a Discount Note, the Note’s “revised issue price”, exceeds the amount for which the U.S. Holder purchased the Dated Note by at least 0.25 per cent. of the Dated Note’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Dated Note’s maturity (or in the case of a Note that is an instalment obligation, the Note’s weighted average maturity). If this excess is not sufficient to cause the Dated Note to be a Market Discount Note, then such excess constitutes “de minimis market discount.” For this purpose, the “revised issue price” of a Dated Note generally equals its issue price, increased by the amount of any OID that has accrued on the Dated Note and decreased by the amount of any payments previously made on the Dated Note that were not qualified stated interest payments.

Under current law, any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Dated Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Dated Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Dated Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Internal Revenue Service (the “**IRS**”). A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Dated Note includable in the U.S. Holder’s income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Under current law, market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Dated Note with respect to which it is made and is irrevocable.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Dated Note using the constant-yield method described above under “Original Issue Discount – General,” with certain modifications. For purposes of this election, interest includes stated interest, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortisable bond premium (described below under “Dated Notes Purchased at a Premium”) or acquisition premium. This election will generally apply only to the Dated Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Dated Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under “Market Discount” to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Variable Interest Rate Notes

Dated Notes that provide for interest at variable rates (“**Variable Interest Rate Notes**”) generally will bear interest at a “qualified floating rate” and thus will be treated as “variable rate debt instruments” under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a “variable rate debt instrument” if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified de minimis amount and (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A “qualified floating rate” is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note’s issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum

numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Dated Note.

An “objective rate” is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Bank (or a related party) or that is unique to the circumstances of the Bank (or a related party), such as dividends, profits or the value of the Bank’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Bank). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note’s term. A “qualified inverse floating rate” is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note’s issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a “current value” of that rate. A “current value” of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a “variable rate debt instrument”, then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Bank) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a “variable rate debt instrument” will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a “true” discount (i.e., at a price below the Note’s stated principal amount) in excess of a specified de minimis amount. OID on a Variable Interest Rate Note arising from “true” discount is allocated to an accrual period using the constant-yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a “variable rate debt instrument” will be converted into an “equivalent” fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an “equivalent” fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note’s issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a “variable rate debt instrument” and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note’s issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is then converted into an “equivalent” fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general OID rules to the “equivalent” fixed rate debt instrument and a U.S. Holder

of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the “equivalent” fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that such amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Dated Note the payments on which are determined by reference to an index, does not qualify as a “variable rate debt instrument”, then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Final Terms.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note’s stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder’s purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Further Issues

The Bank may, without the consent of the Holders of outstanding Dated Notes, issue additional Dated Notes with identical terms. These additional Dated Notes, even if they are treated for non-tax purposes as part of the same series as the original Dated Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Dated Notes may be considered to have been issued with OID even if the original Dated Notes had no OID, or the additional Dated Notes may have a greater amount of OID than the original Dated Notes. These differences may affect the market value of the original Dated Notes if the additional Dated Notes are not otherwise distinguishable from the original Dated Notes.

Dated Notes Purchased at a Premium

A U.S. Holder that purchases a Dated Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as “amortisable bond premium,” in which case the amount required to be included in the U.S. Holder’s income each year with respect to interest on the Dated Note will be reduced by the amount of amortisable bond premium allocable (based on the Dated Note’s yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also “Original Issue Discount – Election to Treat All Interest as Original Issue Discount”.

Purchase, Sale and Retirement of Dated Notes

A U.S. Holder’s tax basis in a Dated Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder’s income with respect to the Dated Note and the amount, if any, of income attributable to de minimis OID and de minimis market discount included in the U.S. Holder’s income with respect to the Dated Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Dated Note.

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Dated Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Dated Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income.

Except to the extent described above under “Original Issue Discount – Market Discount” or “Original Issue Discount – Short Term Notes” or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Dated Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder’s holding period in the Dated Notes exceeds one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Dated Note generally will be U.S. source for purposes of U.S. foreign tax credit limitation. The deductibility of capital losses is subject to significant limitations.

Foreign Currency Dated Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Dated Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market Discount on a Dated Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder’s taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Dated Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Dated Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Dated Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Dated Note matures.

Purchase, Sale or Retirement

As discussed above under “Purchase, Sale and Retirement of Dated Notes”, a U.S. Holder will generally recognise gain or loss on the sale or retirement of a Dated Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder’s tax basis in a Dated Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Dated Note. The U.S. dollar cost of a Dated Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Dated Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Dated Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Dated Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder’s purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement.

Disposition of Foreign Currency

Foreign currency received as interest on a Dated Note or on the sale or retirement of a Dated Note will have a tax basis equal to its U.S. dollar value at the time the interest is received or at the time of the sale or retirement. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Undated Subordinated Notes

Payments of Interest

General

Subject to the Passive Foreign Investment Corporation (“PFIC”) rules discussed below, for U.S. federal income tax purposes, payments of interest on Undated Subordinated Notes, will generally be taxable to a U.S. Holder as foreign source dividend income to the extent of the Bank’s current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), and will not be eligible for the dividends received deduction allowed to corporations. Payments in excess of current and accumulated earnings and profits will be treated as a return of capital to the extent of the U.S. Holder’s basis in the Undated Subordinated Notes and thereafter as capital gain. Since the Bank does not maintain calculations of earnings and profits in accordance with U.S. federal income tax accounting principles, U.S. Holders should assume that any payment of interest with respect to an Undated Subordinated Note will constitute ordinary dividend income. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of payments of interest on the Undated Subordinated Notes.

For taxable years that begin before 1 January 2011, amounts paid by the Bank that are treated as dividends for U.S. federal income tax purposes will be taxable to a non-corporate U.S. Holder at the special reduced rate normally applicable to capital gains, provided the Bank qualifies for the benefits of the Treaty. A U.S. Holder will be eligible for this reduced rate only if it has held the Undated Subordinated Notes for a certain period of time. A U.S. Holder will

not be able to claim the reduced rate for any year in which the Bank is treated as a PFIC. See “Passive Foreign Investment Company Considerations” below.

Foreign Currency Denominated Interest

Interest on Undated Subordinated Notes paid in a foreign currency will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the interest is received by the U.S. Holder, regardless of whether the foreign currency is converted into U.S. dollars at that time. If interest received in a foreign currency is converted into U.S. dollars on the day it is received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the interest.

Sale or other Disposition

A U.S. Holder’s tax basis in an Undated Subordinated Note will generally be its U.S. dollar cost. The U.S. dollar cost of an Undated Subordinated Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Undated Subordinated Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

Subject to the PFIC rules discussed below, upon a sale or other disposition of the Undated Subordinated Notes, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder’s adjusted tax basis in the Undated Subordinated Notes. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder’s holding period in the Undated Subordinated Notes exceeds one year. However, regardless of a U.S. Holder’s actual holding period, any loss realised on a sale or disposition of an Undated Subordinated Note issued by the Bank may be long-term capital loss to the extent the U.S. Holder receives a payment that is treated as a dividend for U.S. federal income tax purposes, and qualifies for the reduced rate described above under “The Undated Subordinated Notes-Payments of Interest – General”, and that exceeds 5 or 10 per cent. (depending on the terms of the Undated Subordinated Note) of the U.S. Holder’s basis in the Undated Subordinated Note. Any gain or loss will generally be U.S. source.

The amount realised on a sale or other disposition of Undated Subordinated Notes for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Undated Subordinated Notes traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

Disposition of Foreign Currency

Foreign currency received on the sale or other disposition of an Undated Subordinated Note will have a tax basis equal to its U.S. dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Passive Foreign Investment Company Considerations

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “look-through rules,” either (i) at least 75 per cent. of its gross income is “passive income” or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The Bank does not believe that it should be treated as a PFIC. Although interest income is generally passive income, a special rule allows banks to treat their banking business income as non-passive. To qualify for this rule, a bank must satisfy certain requirements regarding its licensing and activities. The Bank believes that it currently meets these requirements. The Bank’s possible status as a PFIC must be determined annually, however, and may be subject to change if the Bank fails to qualify under this special rule for any year in which a U.S. Holder holds Undated Subordinated Notes. If the Bank were to be treated as a PFIC in any year, U.S. Holders of Undated Subordinated Notes would be required (i) to pay a special U.S. addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale of Undated Subordinated Notes at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain.

Additionally, dividends paid by the Bank would not be eligible for the special reduced rate of tax described above under “Undated Subordinate Notes-Payments of Interest-General”. Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

Backup Withholding and Information Reporting

Payments of principal, interest, and accrued OID on, and the proceeds of sale or other disposition (including exchange) of Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable U.S. Treasury Regulations. Backup withholding may apply to these payments and to accruals of OID if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Reportable Transactions

A U.S. taxpayer that participates in a “reportable transaction” is required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of Notes constitutes participation in a “reportable transaction” for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing the IRS Form 8886. Pursuant to U.S. tax legislation enacted in 2004, a penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases is generally imposed on any taxpayer who fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realises a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the Bank and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

SUBSCRIPTION AND SALE

Summary of Programme Agreement

Subject to the terms and on the conditions contained in a Programme Agreement originally dated 4 October 1996 and amended and restated on 12 June 2007 (as modified and/or supplemented and/or restated as at the date of the issue of the Notes, the “**Programme Agreement**”) between the Bank, the Dealers (the “**Permanent Dealers**”) and such additional persons that are appointed as dealers in respect of the Programme (and whose appointment has not been terminated), as the case may be, and the Arranger, the Notes will be offered on a continuous basis by the Bank to the Permanent Dealers and any such additional dealers. However, the Bank has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Bank through the Dealers, acting as agents of the Bank. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Bank may pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Bank has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment and update of the Programme.

The Bank has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Bank.

SELLING RESTRICTIONS

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Programme Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) (other than resales pursuant to Rule 144A), and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

The Programme Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Registered Notes within the United States only to be qualified institutional buyers in reliance on Rule 144A.

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

Each issue of Index Linked Notes, Equity Linked Notes or Currency Linked Notes will be subject to such additional U.S. selling restrictions as the Bank and any Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms. The Bank or, as the case may be, each Dealer of an issue will agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) in (or, in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last (or, in Sweden, its last two) annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Bank of a prospectus pursuant to Article 3(2) of the Prospectus Directive.

For the purposes of this provision, the expression of an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

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

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

The Netherlands

Zero Coupon Notes in definitive form and other Notes in definitive bearer form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen* as defined in the Dutch Savings Certificates Act or *Wet inzake spaarbewijzen*, the “**SCA**”) may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Bank or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such Notes if they are physically issued outside The Netherlands and are not immediately thereafter distributed in The Netherlands.

Singapore

Each Dealer has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 by a relevant person which is:

- (a) a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:

- (i) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Republic of Korea

The Notes have not been and will not be registered under the Securities and Exchange Act of the Republic of Korea. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered, sold or delivered and will not, directly or indirectly, offer, sell or deliver any Notes in the Republic of Korea or to, or for the account or benefit of, any resident of the Republic of Korea or to others for re-offering or resale, directly or indirectly, in the Republic of Korea or to, or for the account or benefit of, any resident of the Republic of Korea, except as otherwise permitted by applicable Korean laws and regulations.

Belgium

The Notes may not be distributed in Belgium by way of an offer of securities to the public, as defined in Article 3 §1 of the Belgian Law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets (the "**Prospectus Law**"), save in those circumstances set out in Article 3 §2 of the Prospectus Law.

The offering is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and this Prospectus or any other offering material relating to the Notes has not been

and will not be approved by, the Belgian Banking, Finance and Insurance Commission (*Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financier- en Assurantiewezen*).

Accordingly, the offering may not be advertised and each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes and that it has not distributed, and will not distribute, any memorandum, information circular, brochure or any similar documents, directly or indirectly, to any individual or legal entity in Belgium other than:

- (i) qualified investors, as defined in Article 10 of the Prospectus Law;
- (ii) investors required to invest a minimum of €50,000 (per investor and per transaction);

and in any other circumstances set out in Article 3 §2 of the Prospectus Law.

This Prospectus has been issued only for the personal use of the above qualified investors and exclusively for the purpose of the offering of Notes. Accordingly, the information contained herein may not be used for any other purpose nor disclosed to any other person in Belgium.

People's Republic of China

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Sweden

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no offer will be made to the public in Sweden unless it is in compliance with Swedish law.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) Offer to the public in France:

it has only made and will only make an offer of Notes to the public in France in the period beginning on the date of notification to the *Autorité des marchés financiers* ("AMF") of the approval of the prospectus relating to those Notes by the competent authority of a member state of the European Economic Area, other than the AMF, which has implemented the EU Prospectus Directive 2003/71/EC, all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF and ending at the latest on the date which is 12 months after the date of the approval of the Prospectus; or

- (ii) Private placement in France:

it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

United Arab Emirates ("U.A.E.")

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that this Prospectus has not been approved by the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the U.A.E., nor has the placement agent, if any, received authorisation or licensing from the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the U.A.E. to market or sell securities within the U.A.E. No marketing of any financial products or services has been or will be made from within the U.A.E. and no subscription to any securities, products or financial services may or will be consummated within the U.A.E. other than in compliance with any laws applicable in the U.A.E. governing the issue, offering and sale of securities. It should not be assumed that the placement agent, if any, is a licenced broker, dealer or investment advisor under the laws applicable in the U.A.E., or that it advises individuals resident in the U.A.E. as to the appropriateness of investing in or purchasing or selling securities or other financial products. The interests in the Notes may not be offered or sold directly or indirectly to the public in the U.A.E. other than in compliance with any laws applicable in the U.A.E. governing the issue, offering and sale of securities. This Prospectus does not constitute a public offer of securities in the U.A.E. in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that the Notes have not been and will not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre other than in compliance with laws applicable in the Dubai International Financial Centre, governing the issue, offering or sale of securities. The Dubai Financial Services Authority has not approved this Prospectus nor taken steps to verify the information set out in it, and has no responsibility for it.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for information purposes only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. Prospective investors should consult with an appropriate professional for specific advice rendered on the basis of their situation.

Spain

This Prospectus has not been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore it is not intended for a public offer of the Notes in Spain. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it may only offer Notes in Spain pursuant to and in compliance with Law 24/1988 on the Securities Markets, as amended, Royal Decree 1310/2005 and any regulation issued thereunder.

Malta

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no investment advertisements, as defined in the Investment Services Act (Chapter 370 of the Laws of Malta), will be issued or caused to be issued in or from within Malta unless its contents have been approved by a licence holder in terms of the said Act, and that if any advertisement or any other document issued for the purpose of publicising an offer to the public is issued or caused to be issued, it will be so issued or caused to be issued in accordance with the requirements established by or under the Companies Act (Chapter 386 of the Laws of Malta) and any other applicable law or regulations.

General

These selling restrictions may be modified by the agreement of the Bank and the Dealers following a change in a relevant law, regulation or directive. Any such modification and any additional selling restrictions with which any Dealer(s) will be required to comply will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

Other than in the United Kingdom, no action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Neither the Bank nor the Dealers represent that Notes may at any time lawfully be sold in compliance with any appropriate registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will, to the best of its knowledge and belief, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, any other offering material or any Final Terms and neither the Bank nor any other Dealer shall have responsibility therefor.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Restricted Notes, by the acceptance thereof, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a qualified institutional buyer within the meaning of Rule 144A, (b) acquiring such Notes for its own account or for the account of a qualified institutional buyer and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.
2. It understands that such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States. No representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of the Notes.
3. It understands that such Notes, unless otherwise determined by the Bank in accordance with applicable law, will bear a legend to the following effect:

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THE NOTES.

4. The Bank, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
5. It understands that the Notes offered in reliance on Rule 144A will be represented by one or more Restricted Global Certificates. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
6. Distribution of this Prospectus, or disclosure of any of its contents to any person other than such purchaser and those persons, if any, retained to advise such purchaser with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Bank, is prohibited.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Registered Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period (as used in “Selling Restrictions”), by its acceptance of such Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (as such terms are defined in Regulation S) and (b) it is not an affiliate of the Bank or a person acting on behalf of such an affiliate.
- (ii) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer (within the meaning of Rule 144A) purchasing for its own account or the account of a qualified institutional buyer or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (iii) It understands that the Bank, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- (iv) It understands that the Notes offered in reliance on Regulation S will be represented by an Unrestricted Global Certificate. Prior to the expiration of the distribution compliance period, before any interest in the Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

**APPLICABLE FINAL TERMS FOR ISSUES BY THE BANK
WITH A DENOMINATION OF LESS THAN €50,000 (OR EQUIVALENT)
TO BE ADMITTED TO TRADING ON AN EEA REGULATED MARKET AND/OR OFFERED
TO THE PUBLIC ON A NON-EXEMPT BASIS IN THE EUROPEAN ECONOMIC AREA (CGN & NGN)**

Final Terms dated [●]

Lloyds TSB Bank plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £25,000,000,000

Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [date] [and the supplemental Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Bank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from Lloyds TSB Bank plc, 25 Gresham Street, London EC2V 7HN.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental Prospectus dated [date]] and are attached hereto. Full information on the Bank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [original date] and [current date] [and the supplemental Prospectuses dated [date] and [date]]. [The Prospectuses [and the supplemental Prospectuses] are available for viewing at [address] [and] [website] and copies may be obtained from Lloyds TSB Bank plc, 25 Gresham Street, London EC2V 7HN.

[Include whichever of the following apply or specify as Not Applicable (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- | | | |
|---|--|---------------------|
| 1 | Issuer: | Lloyds TSB Bank plc |
| 2 | [(i)] Series Number: | [●] |
| | [(ii)] Tranche Number: | [●] |
| | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] | |
| 3 | Specified Currency or Currencies: | [●] |
| 4 | Aggregate Nominal Amount: | [●] |
| | [(i)] Series: | [●] |

- 5 [(ii)] Tranche: [●]
- 5 Issue Price: per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
(In the case of fungible issue only, if applicable)
- 6 (i) Specified Denominations: [●]
- 6 (ii) Calculation Amount: [●]
- 7 [(i)] Issue Date: [●]
- 7 [(ii)] Interest Commencement Date [●]
- 8 Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year] [N.B. Care must be taken to ensure that if the Notes are Index Linked or Equity Linked or otherwise involve a computation, in any case by reference to one or more Valuation Dates or Averaging Dates, as the case may be, which may be postponed pursuant to the Conditions of such Notes, the Maturity Date is likewise postponed and cannot occur prior to an acceptable period before the last occurring Valuation Date or the Final Averaging Date, as the case may be]*
- 9 Interest Basis: [% Fixed Rate]
[[specify reference rate] +/- [% Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Equity Linked Interest]
 [Credit Linked]
 [Currency Linked Interest]
 [Other (specify)]
(further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Equity Linked Redemption]
 [Credit Linked]
 [Currency Linked Redemption]
 [Dual Currency]
 [Instalment]
 [Partly Paid]
 [Other (specify)]
- 11 Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
- 12 Put/Call Options: [Put Option]
 [Call Option] (further particulars specified below)
- 13 Status of the Notes: [Senior/[Dated/Undated]/Subordinated]
- 14 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 15 **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate(s) of Interest: per cent. per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): in each year
- (iii) Fixed Coupon Amount(s): per Calculation Amount
- (iv) Broken Amount(s): per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]

(v)	Day Count Fraction:	<input type="checkbox"/> (Day count fraction should be Actual/Actual ICMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise agreed)
(vi)	Determination Dates:	<input type="checkbox"/> in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual-ICMA)
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	<input type="checkbox"/> [Not Applicable/give details]
16	Floating Rate Note Provisions	<input type="checkbox"/> [Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate for Notes denominated in euro)
(i)	Interest Period(s):	<input type="checkbox"/>
(ii)	Specified Interest Payment Dates:	<input type="checkbox"/>
(iii)	Business Day Convention:	<input type="checkbox"/> [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
(iv)	Business Centre(s):	<input type="checkbox"/>
(v)	Manner in which the Rate(s) of Interest is/are to be determined:	<input type="checkbox"/> [Screen Rate Determination/ISDA Determination/other (give details)]
(vi)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	<input type="checkbox"/>
(vii)	Screen Rate Determination:	<input type="checkbox"/>
	– Reference Rate:	<input type="checkbox"/>
	– Interest Determination Date(s):	<input type="checkbox"/> [TARGET/City] Business Days in [specify City] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]
	– Relevant Screen Page:	<input type="checkbox"/>
(viii)	ISDA Determination:	<input type="checkbox"/>
	– Floating Rate Option:	<input type="checkbox"/>
	– Designated Maturity:	<input type="checkbox"/>
	– Reset Date:	<input type="checkbox"/>
(ix)	Margin(s):	<input type="checkbox"/> [+/-][<input type="checkbox"/>] per cent. per annum
(x)	Minimum Rate of Interest:	<input type="checkbox"/> per cent. per annum
(xi)	Maximum Rate of Interest:	<input type="checkbox"/> per cent. per annum
(xii)	Day Count Fraction:	<input type="checkbox"/>
(xiii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	<input type="checkbox"/>
17	Zero Coupon Note Provisions	<input type="checkbox"/> [Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Amortisation Yield:	<input type="checkbox"/> per cent. per annum
(ii)	Reference Price:	<input type="checkbox"/>
(iii)	Any other formula/basis of determining amount payable:	<input type="checkbox"/>

20	Currency Linked Note Provisions	[Applicable/Not Applicable]
	(i) Relevant Currency(ies):	[●]
	(ii) Party responsible for calculating the principal and/or interest payable (if not the Issuing and Paying Agent):	[●]
	(iii) Relevant provisions for determining amount of principal and/or interest payable including the Final Redemption Amount, including fall-back provisions:	[●]
21	Dual Currency Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[give details]
	(ii) Party, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent):	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]
PROVISIONS RELATING TO REDEMPTION		
22	Call Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	[●]
	(a) Minimum Redemption Amount:	[●]
	(b) Maximum Redemption Amount:	[●]
	(iv) Notice period	[●]
23	Put Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period:	[●]
24	Final Redemption Amount	[[●] per Calculation Amount/other/see Appendix] <i>(Where Notes are Currency Linked Redemption Notes, Index Linked Redemption Notes, Equity Linked Redemption Notes or Credit Linked Notes specify "Not Applicable" and complete item [20, 25, 26 or 29] [above/below] as applicable)</i>
25	Index Linked Redemption Notes	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Whether the Notes relate to a basket of indices or a single index, the identity of the relevant Index/Indices and details of the relevant index	[Basket of Indices/Single Index] [Give or annex details] [Details of each Index Sponsor]

	sponsors and whether such Index/Indices are a Multi-Exchange Index:	Multi-Exchange Index [Yes/No] [The X Percentage [applies/does not apply] in relation to such Index] <i>(NB: Designated Multi-Exchange Indices only applies in relation to the Euro Stoxx Indices unless otherwise agreed)</i>
	(ii) Party responsible for making calculations pursuant to Condition 8 (if not the Issuing and Paying Agent):	[●]
	(iii) Exchange(s):	[●]
	(iv) Related Exchange(s):	[[●]/All Exchanges]
	(v) Final Redemption Amount:	[Express per Calculation Amount]
	(vi) [Valuation Date/Averaging Dates]: [Adjustment provisions in the event of a Disrupted Day: [Reference Price:	[●] [Omission/Postponement/Modified Postponement] <i>(NB: only applicable where Averaging Dates are specified)</i> [Condition 8(c) applies/other] <i>(NB: if fallback set out in the definition of "Valuation Date" in Condition 8(c) does not apply, set out method for determining the Reference Price in the event that each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day)</i>
	(vii) [Relevant Time/Valuation Time]:	[Condition 8 applies/other]
	(viii) Strike Price:	[●]
	(ix) Multiplier for each Index comprising the basket:	[Insert details/Not Applicable]
	(x) Trade Date:	[●]
	(xi) Correction of Index Levels: [Correction Cut-Off Date:	Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. <i>(If Correction of Index Levels does not apply, delete the following sub-paragraph)</i> [[●] Business Days prior to the Maturity Date/In relation to Averaging Dates other than the final Averaging Dates, [●] days after the relevant Averaging Date and in relation to the final Averaging Date, [●] Business Days prior to the Maturity Date]].
	(xii) Other terms or special conditions:	[●]
26	Equity Linked Redemption Notes:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Whether the Notes relate to a basket of equity securities or a single equity security and the identity of the relevant issuer(s) of the Underlying Equity/Equities:	[Basket of Underlying Equities/Single Underlying Equity] [Give or annex details of each Underlying Equity and each Equity Issuer]
	(ii) Whether redemption of the Notes will be by (a) Cash Settlement or (b) Physical Delivery or (c) Cash Settlement and/or Physical Delivery:	[Cash Settlement/Physical Delivery/Cash Settlement and/or Physical Delivery] <i>(If Cash Settlement and/or Physical Delivery specified, specify details for determining in what circumstances Cash Settlement or Physical Delivery will apply)</i>
	(iii) Party responsible for making calculations pursuant to Condition 9 (if not the Issuing and Paying Agent):	[●]
	(iv) Exchange:	[●]

(v) Related Exchange(s):	<input checked="" type="checkbox"/> /All Exchanges]
(vi) Potential Adjustment Events:	[Applicable/Not Applicable]
(vii) De-listing, Merger Event, Nationalisation and Insolvency:	[Applicable/Not Applicable]
(viii) Tender Offer:	[Applicable/Not Applicable]
(ix) Correction of Underlying Equity Prices:	Correction of Underlying Equity Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. <i>(If Correction of Underlying Equity Prices does not apply, delete the following sub-paragraph)</i>
[Correction Cut-Off Date:	<input checked="" type="checkbox"/> Business Days prior to the Maturity Date.]
(x) Final Redemption Amount:	[Express per Calculation Amount]
Valuation Date:	<input checked="" type="checkbox"/>
Reference Price:	<input checked="" type="checkbox"/> [Condition 9(e) applies [and the Reference Price shall be determined by reference to the price of the relevant Underlying Equity at the Valuation Time on the Valuation Date]/other] <i>(NB: if fallback set out in the definition of "Valuation Date" in Condition 9(e) does not apply, set out method for determining the Reference Price in the event that each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day)</i>
(xi) Valuation Time:	[Condition 9(e) applies/other]
(xii) Strike Price:	<input checked="" type="checkbox"/>
(xiii) Exchange Rate:	[Applicable/Not Applicable] <i>[Insert details]</i>
(xiv) Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in Condition 9(b)):	<i>[Insert details/Not Applicable]</i>
(xv) Trade Date:	<input checked="" type="checkbox"/>
(xvi) Relevant Assets:	<input checked="" type="checkbox"/> (further particulars specified below) <i>[Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery]</i>
(xvii) Asset Amount(s):	<input checked="" type="checkbox"/> <i>[Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery]</i>
(xviii) Cut-off Date:	<input checked="" type="checkbox"/> <i>[Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery]</i>
(xix) Final Date:	<input checked="" type="checkbox"/>
(xx) Delivery provisions for Asset Amount(s) (including details of who is to make such delivery) if different from Terms and Conditions:	<input checked="" type="checkbox"/> <i>[Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery]</i>
(xxi) Other terms or special conditions:	<input checked="" type="checkbox"/>
(xxii) Failure to Deliver due to Illiquidity:	[Applicable/Not Applicable] <i>(NB: Only applicable to certain types of Equity Linked Redemption Notes)</i>
27 Relevant Assets:	[Applicable/Not Applicable]
(i) Type and class of Relevant Asset(s):	<input checked="" type="checkbox"/>
(ii) Legislation under which the Relevant Asset(s) has/have been created:	<input checked="" type="checkbox"/>

- (iii) Form of the Relevant Asset(s): [●]
- (iv) Currency of the Relevant Asset(s): [●]
- (v) Rights attaching to the Relevant Asset(s): [●]
(Need to include information relating to dividend rights, voting rights, pre-emption rights in offers for subscription of Relevant Asset(s) of the same class, rights to share in the issuer of the Relevant Asset's/Assets' profits, rights to share in any surplus in the event of liquidation, redemption provisions and conversion provisions, in each case to the extent applicable)
- (vi) Listing of the Relevant Asset(s): [[●] (specify)/None]
- (vii) Description of any restrictions on the free transferability of the Relevant Asset(s): [●]
- 28 **Additional Disruption Events:** [Applicable/Not Applicable]
[Additional Disruption Events are only applicable to certain types of Index Linked Redemption Notes or Equity Linked Redemption Notes]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
 [Change in Law]
 [Hedging Disruption]
 [Increased Cost of Hedging]
 [Increased Cost of Stock Borrow]
 [Insolvency Filing]
(N.B. Only applicable in the case of Equity Linked Redemption Notes)
 [Loss of Stock Borrow]
- 29 **Credit Linked Notes:** [Applicable/Not Applicable]
- 30 **Early Redemption Amount:**
 Early Redemption Amount(s) payable on redemption for (a) taxation reasons or on event of default or other early redemption (b) in the case of Index Linked Redemption Notes, following an Index Adjustment Event in accordance with Condition 8(b)(ii)(b) or (c) in the case of Equity Linked Redemption Notes, following certain corporate events in accordance with Condition 9(b)(ii)(B) or (d) in the case of Index Linked Redemption Notes or Equity Linked Redemption Notes, following an Additional Disruption Event (if applicable) in accordance with Condition 10(b)(ii), and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 31 **Form of Notes:**
- Bearer Notes:**
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
 [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]
 [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

		[Registered Notes - [Unrestricted] Global Certificate[s]] - [DTC]/[Euroclear/Clearstream]
32	New Global Note:	[Yes][No]
33	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 16(iv) and 18(ix) relate]
34	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, give details]
35	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Bank to forfeit the Notes and interest due on late payment]:	[Not Applicable/give details]
36	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/give details]
37	Redenomination, renominatisation and reconventioning provisions:	[Not Applicable/The provisions annexed to these Final Terms apply]
38	Consolidation provisions:	[Not Applicable/The provisions in [Condition 18] annexed to these Final Terms] apply]
39	Additional U.S. Federal Tax Considerations:	[Not Applicable/give details]
40	Other final terms:	[Not Applicable/give details] <i>(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)</i>

DISTRIBUTION

41	(i) If syndicated, names and addresses of <i>Managers and underwriting commitments:</i>	[Not Applicable/give names, addresses and underwriting commitments] <i>(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)</i>
	(ii) Date of [Subscription] Agreement:	●
	(iii) Stabilising Manager(s) (if any):	[Not Applicable/give name]
42	If non-syndicated, name and address of Dealer:	[Not Applicable/give name and address]
43	Total commission and concession:	● per cent. of the Aggregate Nominal Amount
44	U.S. Selling Restrictions:	[Reg S Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
45	Non-exempt Offer:	[An offer of the Notes may be made by the Managers [and [specify, if applicable]] other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member States(s) – which must be jurisdictions where the Prospectus and any supplements have been passported] during the period from [specify date] until [specify date]. [Not Applicable]
46	Additional selling restrictions:	[Not Applicable/give details]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required for issue [and] [public offer in the countries specified in paragraph 43] [and] admission to trading of the Notes described herein pursuant to the £25,000,000,000 Euro Medium Term Note Programme of Lloyds TSB Bank plc.

RESPONSIBILITY

The Bank accepts responsibility for the information contained in these Final Terms.

[Information on underlying assets] has been extracted from [source]. The Bank confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Bank:

By: [●] _____

Duly authorised

PART B — OTHER INFORMATION

1 LISTING

- (i) Listing: [London/Luxembourg/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].] [Not Applicable.]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*

2 RATINGS

- Ratings: [The Notes to be issued have not been rated.]
- [The Notes to be issued have been rated:
[S & P: [●]]
[Moody's: [●]]
[[Other]: [●]]]
- [Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3 [Notification]

The [include name of competent authority in EEA home Member State] [has been requested to provide/has provided — include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4 [Interests of Natural and Legal Persons involved in the [Issue/Offer]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: “Save as discussed in [“Subscription and Sale”], so far as the Bank is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

5 Reasons for the Offer, Estimated Net Proceeds and Total Expenses

- (i) [Reasons for the offer: [●]]
(See “Use of Proceeds” wording in Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]
- (ii) [Estimated net proceeds: [●]]
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
- (iii) [Estimated total expenses: [●]]
[Include breakdown of expenses.]
- (If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

6 [Fixed Rate Notes only — YIELD

Indication of yield

Calculated as [include details of method of calculation in summary form] on the Issue Date. As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7 [Floating Rate Notes only — HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

8 [Index Linked, Equity Linked, Currency Linked or other variable-linked Notes only — PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/Underlying Equities/currencies/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an index need to include the name of the index and a description if composed by the Bank and if the index is not composed by the Bank need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

9 [Dual Currency Notes only — PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

10 OPERATIONAL INFORMATION

ISIN Code:

Common Code:

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

[Not Applicable/give name(s) and number(s) [and addresses]]

Delivery:

Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any):

Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes] [No].

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [include this text if “yes” selected in which case the Notes must be issued in NGN form]

11 TERMS AND CONDITIONS OF THE OFFER

Offer Period:

[[] to []]

Offer Price:

Conditions to which the offer is subject:

[Not Applicable/give details]

Description of the application process:

[Not Applicable/give details]

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/ <i>give details</i>]
Details of the minimum and/or maximum amount of application:	[Not Applicable/ <i>give details</i>]
Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/ <i>give details</i>]
Manner and date in which results of the offer are to be made public:	[Not Applicable/ <i>give details</i>]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/ <i>give details</i>]
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/ <i>give details</i>]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/ <i>give details</i>]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/ <i>give details</i>]
Name(s) and address(es), to the extent known to the Bank, of the placers in the various countries where the offer takes place.	[None/ <i>give details</i>]

**APPLICABLE FINAL TERMS FOR ISSUES BY THE BANK
WITH A DENOMINATION OF AT LEAST €50,000 (OR EQUIVALENT)
TO BE ADMITTED TO TRADING ON AN EEA REGULATED MARKET (CGN & NGN)**

Final Terms dated [●]

Lloyds TSB Bank plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £25,000,000,000

Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [date] [and the supplemental Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Bank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from Lloyds TSB Bank plc, 25 Gresham Street, London EC2V 7HN.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental Prospectus dated [date]] and are attached hereto. Full information on the Bank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [original date] and [current date] [and the supplemental Prospectuses dated [date] and [date]]. [The Prospectuses [and the supplemental Prospectuses] are available for viewing at [address] [and] [website] and copies may be obtained from Lloyds TSB Bank plc, 25 Gresham Street, London EC2V 7HN.

[The following alternative language applies if Notes are to be issued pursuant to Rule 144A.]

THE NOTES REFERRED TO HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT) EXCEPT IN CERTAIN TRANSACTIONS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE NOTES THAT ARE REPRESENTED BY A RESTRICTED GLOBAL CERTIFICATE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF NOTES.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- | | | |
|----|---|--|
| 1 | Issuer: | Lloyds TSB Bank plc |
| 2 | [(i)] Series Number: | <input checked="" type="checkbox"/> |
| | [(ii)] Tranche Number: | <input checked="" type="checkbox"/> |
| | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.) | |
| 3 | Specified Currency or Currencies: | <input checked="" type="checkbox"/> |
| 4 | Aggregate Nominal Amount: | <input checked="" type="checkbox"/> |
| | [(i)] Series: | <input checked="" type="checkbox"/> |
| | [(ii)] Tranche: | <input checked="" type="checkbox"/> |
| 5 | Issue Price: | <input checked="" type="checkbox"/> per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (if applicable)] |
| 6 | (i) Specified Denominations: | <input checked="" type="checkbox"/> |
| | (ii) Calculation Amount: | <input checked="" type="checkbox"/> |
| 7 | [(i)] Issue Date: | <input checked="" type="checkbox"/> |
| | [(ii)] Interest Commencement Date: | <input checked="" type="checkbox"/> |
| 8 | Maturity Date: | <i>[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year] [N.B. Care must be taken to ensure that if the Notes are Index Linked or Equity Linked or otherwise involve a computation, in any case by reference to one or more Valuation Dates or Averaging Dates, as the case may be, which may be postponed pursuant to the Conditions of such Notes, the Maturity Date is likewise postponed and cannot occur prior to an acceptable period before the last occurring Valuation Date or the Final Averaging Date, as the case may be]</i> |
| 9 | Interest Basis: | <input checked="" type="checkbox"/> % Fixed Rate]
[[specify reference rate]
+/- <input checked="" type="checkbox"/> % Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Equity Linked Interest]
[Credit Linked]
[Currency Linked Interest]
[Other (specify)]
(further particulars specified below) |
| 10 | Redemption/Payment Basis: | [Redemption at par]
[Index Linked Redemption]
[Equity Linked Redemption]
[Credit Linked]
[Currency Linked Redemption]
[Dual Currency]
[Instalment]
[Partly Paid]
[Other (specify)] |

- 11 Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
- 12 Put/Call Options: [Put Option]
[Call Option]
[(further particulars specified below)]
- 13 Status of the Notes: [Senior/[Dated/Undated]/Subordinated]
- 14 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 15 **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (i) Rate(s) of Interest: [●] per cent. per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year
- (iii) Fixed Coupon Amount(s): [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [●] (*Day Count fraction should be Actual/Actual ICMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise agreed*)
- (vi) Determination Dates: [●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual-ICMA*)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- 16 **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate relevance rate for notes denominated in euro)
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (iv) Business Centre(s): [●]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent): [●]
- (vii) Screen Rate Determination:
- Reference Rate: [●]
 - Interest Determination Date(s): [●] [*TARGET/City*] *Business Days in [specify City] prior to [the first day] in each Interest Accrual Period/each Interest Payment Date*
 - Relevant Screen Page: [●]
- (viii) ISDA Determination:
- Floating Rate Option: [●]

	– Designated Maturity:	<input type="checkbox"/>
	– Reset Date:	<input type="checkbox"/>
	(ix) Margin(s):	[+/-] <input type="checkbox"/> per cent. per annum
	(x) Minimum Rate of Interest:	<input type="checkbox"/> per cent. per annum
	(xi) Maximum Rate of Interest:	<input type="checkbox"/> per cent. per annum
	(xii) Day Count Fraction:	<input type="checkbox"/>
	(xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	<input type="checkbox"/>
17	Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub paragraphs of this paragraph)</i>
	(i) Amortisation Yield:	<input type="checkbox"/> per cent. per annum
	(ii) Reference Price:	<input type="checkbox"/>
	(iii) Any other formula/basis of determining amount payable:	<input type="checkbox"/>
18	Index Linked Interest Note and other variable-linked interest Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub paragraphs of this paragraph)</i>
	(i) Index/Formula/other variable:	<i>[give or annex details]</i>
	(ii) Party responsible for calculating the interest due (if not the Issuing and Paying Agent):	<input type="checkbox"/>
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	<input type="checkbox"/>
	(iv) Interest Determination Date(s):	<input type="checkbox"/>
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	<input type="checkbox"/>
	(vi) Interest Period(s):	<input type="checkbox"/>
	(vii) Specified Interest Payment Dates:	<input type="checkbox"/>
	(viii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>]
	(ix) Business Centre(s):	<input type="checkbox"/>
	(x) Minimum Rate of Interest:	<input type="checkbox"/> per cent. per annum
	(xi) Maximum Rate of Interest:	<input type="checkbox"/> per cent. per annum
	(xii) Day Count Fraction:	<input type="checkbox"/>
	(xiii) Other terms or special conditions:	<input type="checkbox"/>
19	Equity Linked Interest Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete remaining sub-paragraphs of this paragraph)</i>
	(i) Formula for calculating interest rate including back up provisions:	<i>[give or annex details]</i>
	(ii) Party responsible for calculating the interest due (if not the Issuing and Paying Agent):	<input type="checkbox"/>

- (iii) Provisions for determining Coupon where calculated by reference to Formula and/or other variable:
- (iv) Interest Determination Date(s):
- (v) Provisions for determining Coupon where calculation by reference to Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (vi) Interest Period(s):
- (vii) Specified Interest Payment Dates:
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (ix) Business Centre(s):
- (x) Minimum Rate of Interest: per cent. per annum
- (xi) Maximum Rate of Interest: per cent. per annum
- (xii) Day Count Fraction:
- (xiii) Other terms or special conditions:
- 20 **Currency Linked Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (i) Relevant Currency(ies):
- (ii) Party responsible for calculating the principal and/or interest payable (if not the Issuing and Paying Agent):
- (iii) Relevant provisions for determining amount of principal and/or interest payable including the Final Redemption Amount, including fall-back provisions:
- 21 **Dual Currency Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: *[give details]*
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent):
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:
- (iv) Person at whose option Specified Currency(ies) is/are payable:
- PROVISIONS RELATING TO REDEMPTION**
- 22 **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (i) Optional Redemption Date(s):
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): per Calculation Amount
- (iii) If redeemable in part:

	(a) Minimum Redemption Amount:	[●]
	(b) Maximum Redemption Amount:	[●]
	(iv) Notice period:	[●]
23	Put Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period:	[●]
24	Final Redemption Amount	[[●] per Calculation Amount/other/see Appendix] <i>(Where Notes are Currency Linked Redemption Notes, Index Linked Redemption Notes, Equity Linked Redemption Notes or Credit Linked Notes specify “Not Applicable” and complete item [20, 25, 26 or 29] [above/below] as applicable)</i>
25	Index Linked Redemption Notes	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Whether the Notes relate to a basket of indices or a single index, the identity of the relevant Index/Indices and details of the relevant index sponsors and whether such Index/Indices are a Multi-Exchange Index:	[Basket of Indices/Single Index] [<i>(Give or annex details)</i>] [Details of each Index Sponsor] Multi-Exchange Index [Yes/No] [The X Percentage [applies/does not apply] in relation to such Index] <i>(NB: Designated Multi-Exchange Indices only applies in relation to the Euro Stoxx Indices unless otherwise agreed)</i>
	(ii) Party responsible for making calculations pursuant to Condition 8 (if not the Issuing and Paying Agent):	[●]
	(iii) Exchange(s):	[●]
	(iv) Related Exchange(s):	[[●]/All Exchanges]
	(v) Final Redemption Amount:	[Express per Calculation Amount]
	(vi) [Valuation Date/Averaging Dates]:	[●]
	[Adjustment provisions in the event of a Disrupted Day:	[Omission/Postponement/Modified Postponement] <i>(NB: only applicable where Averaging Dates are specified)</i>
	[Reference Price:	[Condition 8(c) applies/other] <i>(NB: if fallback set out in the definition of “Valuation Date” in Condition 8(c) does not apply, set out method for determining the Reference Price in the event that each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day)</i>
	(vii) [Relevant Time/Valuation Time]:	[Condition 8 applies/other]
	(viii) Strike Price:	[●]
	(ix) Multiplier for each Index comprising the basket:	[Insert details/Not Applicable]
	(x) Trade Date:	[●]
	(xi) Correction of Index Levels:	Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. <i>(If Correction of Index Levels does not apply, delete the following sub-paragraph)</i>

[Correction Cut-Off Date:	[[●] Business Days prior to the Maturity Date/In relation to Averaging Dates other than the final Averaging Dates, [●] days after the relevant Averaging Date and in relation to the final Averaging Date, [●] Business Days prior to the Maturity Date]].
(xii) Other terms or special conditions:	[●]
26 Equity Linked Redemption Notes:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Whether the Notes relate to a basket of equity securities or a single equity security and the identity of the relevant issuer(s) of the Underlying Equity/Equities:	[Basket of Underlying Equities/Single Underlying Equity <i>[Give or annex details of each Underlying Equity and each Equity Issuer]</i>
(ii) Whether redemption of the Notes will be by (a) Cash Settlement or (b) Physical Delivery or (c) Cash Settlement and/or Physical Delivery:	[Cash Settlement/Physical Delivery/Cash Settlement and or Physical Delivery] <i>(If Cash Settlement and/or Physical Delivery specified, specify details for determining in what circumstances Cash Settlement or Physical Delivery will apply)</i>
(iii) Party responsible for making calculations pursuant to Condition 9 (if not the Issuing and Paying Agent):	[●]
(iv) Exchange:	[●]
(v) Related Exchange(s):	[[●]/All Exchanges]
(vi) Potential Adjustment Events:	[Applicable/Not Applicable]
(vii) De-listing, Merger Event, Nationalisation and Insolvency:	[Applicable/Not Applicable]
(viii) Tender Offer:	[Applicable/Not Applicable]
(ix) Correction of Underlying Equity Prices:	Correction of Underlying Equity Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. <i>(If Correction of Underlying Equity Prices does not apply, delete the following sub-paragraph)</i>
[Correction Cut-Off Date:	[[●] Business Days prior to the Maturity Date.]
(x) Final Redemption Amount:	[Express per Calculation Amount]
Valuation Date:	[●]
Reference Price:	[●][Condition 9(e) applies [and the Reference Price shall be determined by reference to the price of the relevant Underlying Equity at the Valuation Time on the Valuation Date]/other] <i>(NB: if fallback set out in the definition of "Valuation Date" in Condition 9(e) does not apply, set out method for determining the Reference Price in the event that each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day)</i>
(xi) Valuation Time:	[Condition 9(e) applies/other]
(xii) Strike Price:	[●]
(xiii) Exchange Rate:	[Applicable/Not Applicable] <i>[Insert details]</i>
(xiv) Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in Condition 9(b)):	[Insert details/Not Applicable]
(xv) Trade Date:	[●]

(xvi) Relevant Assets:	[●] (further particulars specified below) <i>[Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery]</i>
(xvii) Asset Amount(s):	[●] <i>[Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery]</i>
(xviii) Cut-off Date:	[●] <i>[Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery]</i>
(xix) Final Date:	[●]
(xx) Delivery provisions for Asset Amount(s) (including details of who is to make such delivery) if different from Terms and Conditions:	[●] <i>[Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery]</i>
(xxi) Other terms or special conditions:	[●]
(xxii) Failure to Deliver due to Illiquidity:	[Applicable/Not Applicable] <i>(NB: Only applicable to certain types of Equity Linked Redemption Notes)</i>
27 Relevant Assets:	[Applicable/Not Applicable]
(i) Type and class of Relevant Asset(s):	[●]
(ii) Legislation under which the Relevant Asset(s) has/have been created:	[●]
(iii) Form of the Relevant Asset(s):	[●]
(iv) Currency of the Relevant Asset(s):	[●]
(v) Rights attaching to the Relevant Asset(s):	[●] <i>(Need to include information relating to dividend rights, voting rights, pre-emption rights in offers for subscription of Relevant Asset(s) of the same class, rights to share in the issuer of the Relevant Asset's/Assets' profits, rights to share in any surplus in the event of liquidation, redemption provisions and conversion provisions, in each case to the extent applicable)</i>
(vi) Listing of the Relevant Asset(s):	[[●] (specify)/None]
(vii) Description of any restrictions on the free transferability of the Relevant Asset(s):	[●]
28 Additional Disruption Events:	[Applicable/Not Applicable] <i>[Additional Disruption Events are only applicable to certain types of Index Linked Redemption Notes or Equity Linked Redemption Notes]</i> <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> [Change in Law] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Insolvency Filing] <i>(N.B. Only applicable in the case of Equity Linked Redemption Notes)</i> [Loss of Stock Borrow]
29 Credit Linked Notes:	[Applicable/Not Applicable]
30 Early Redemption Amount:	
Early Redemption Amount(s) payable on redemption for (a) taxation reasons or on event of default or other early redemption (b) in the case of	[●] per Calculation Amount

Index Linked Redemption Notes, following an Index Adjustment Event in accordance with Condition 8(b)(ii)(b) or (c) in the case of Equity Linked Redemption Notes, following certain corporate events in accordance with Condition 9(b)(ii)(B) or (d) in the case of Index Linked Redemption Notes or Equity Linked Redemption Notes, following an Additional Disruption Event (if applicable) in accordance with Condition 10(b)(ii), and/or the method of calculating the same (if required or if different from that set out in the Conditions):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

31	Form of Notes:	<p>Bearer Notes:</p> <p>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]</p> <p>[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]</p> <p>[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]</p> <p>[Registered Notes - [Restricted/Unrestricted] Global Certificate[s]] - [DTC]/[Euroclear/Clearstream]</p>
32	New Global Note:	[Yes][No]
33	Financial Centre(s) or other special provisions relating to payment dates:	<i>[Not Applicable/give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 16(iv) and 18(ix) relate]</i>
34	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. <i>If yes, give details</i>]
35	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Bank to forfeit the Notes and interest due on late payment:	[Not Applicable/ <i>give details</i>]
36	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/ <i>give details</i>]
37	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to these Final Terms apply]
38	Consolidation provisions:	[Not Applicable/The provisions in [Condition 18] [annexed to these Final Terms] apply]
39	Additional U.S. Federal Tax Considerations:	[Not Applicable/ <i>give details</i>]
40	Other final terms:	<p>[Not Applicable/<i>give details</i>]</p> <p><i>(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)</i></p>

DISTRIBUTION

- 41 If syndicated, names of Managers: [Not Applicable/*give names*]
Stabilising Manager(s) (if any): [Not Applicable/*give names*]
- 42 If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- 43 U.S. Selling Restrictions: [Reg S Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
- 44 Additional selling restrictions: [Not Applicable/*give details*]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required for issue and admission to trading of the Notes described herein pursuant to the £25,000,000,000 Euro Medium Term Note Programme of Lloyds TSB Bank plc.

RESPONSIBILITY

The Bank accepts responsibility for the information contained in these Final Terms.

[Information on underlying assets] has been extracted from [Source]. The Bank confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Bank:

By: [●] _____

Duly authorised

PART B — OTHER INFORMATION

1 LISTING

- (i) Listing: [London/Luxembourg/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings: [The Notes to be issued have not been rated.]
[The Notes to be issued have been rated:
[S & P: [●]]
[Moody's: [●]]
[[Other]: [●]]]
[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]
(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3 NOTIFICATION

The [*include name of competent authority in EEA home Member State*] [has been requested to provide/has provided — *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: “Save as discussed in [“Subscription and Sale”], so far as the Bank is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

5 [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer: [●]
(See “Use of Proceeds” wording in Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)
- [(ii)] Estimated net proceeds: [●]
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

- [(iii)] Estimated total expenses: [●]
[Include breakdown of expenses.]
(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]
- 6 **[Fixed Rate Notes only — YIELD]**
 Indication of yield: [●]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]
- 7 **[Floating Rate Notes only — HISTORIC INTEREST RATES]**
 Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]
- 8 **[Index Linked, Equity Linked, Currency Linked or other variable-linked Notes only — PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING]**
Need to include details of where past and future performance and volatility of the index/formula/Underlying Equities/currencies/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Bank and if the index is not composed by the Bank need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]
- 9 **[Dual Currency Notes only — PERFORMANCE OF RATE[S] OF EXCHANGE]**
 Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]
- 10 **OPERATIONAL INFORMATION**
- ISIN Code: [●]
- CUSIP: [●]
- Common Code: [●]
- Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (including the Depository Trust Company) and the relevant identification number(s): [Not Applicable/give name(s) and number(s) [and address(es)]]
- Delivery: Delivery [against/free of] payment
- Names and addresses of additional Paying Agent(s) (if any): [●]
- Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No].
[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [include this text if “yes” selected in which case the Notes must be issued in NGN form]

GENERAL INFORMATION

1 The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or before 14 June 2007. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Notes may be issued pursuant to the Programme.

2 The Bank has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the establishment and update of the Programme and the issue and performance of the Notes. The establishment and updates of the Programme and the issue of the Notes were authorised by resolutions of the Chairman's Committee of the Board of Directors of the Bank passed on 26 September 1996, 18 September 1997, 10 September 1998, 17 June 1999, 23 November 2000, 15 November 2001, 14 November 2002 and by resolutions of the Board of Directors of the Bank passed on 17 October 2003, 15 October 2004, 28 July 2005, 21 April 2006 and 20 April 2007.

3 There has been no significant change in the financial or trading position and no material adverse change in the prospects of Lloyds TSB Group since 31 December 2006.

4 Save as disclosed in "Lloyds TSB Group — Competitive environment" on pages 76 and 77 regarding various enquiries by the OFT and the possible impact they may have on Lloyds TSB Group's business, neither the Bank nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past a significant effect on Lloyds TSB Group's financial position or profitability.

5 Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

6 Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). In addition, the Bank may make an application with respect to any Notes of a Registered Series to be accepted for trading in book-entry form by DTC. Acceptance by DTC of Notes of each Tranche of a Registered Series issued by the Bank will be confirmed in the applicable Final Terms. The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041. The address of any alternative clearing system will be specified in the applicable Final Terms.

7 For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of Lloyds TSB Bank plc, 25 Gresham Street, London EC2V 7HN:

7.1 the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

7.2 the Programme Agreement;

7.3 the Memorandum and Articles of Association of the Bank;

7.4 the audited consolidated reports and financial statements of the Bank for the two financial years ended 31 December 2005 and 31 December 2006;

7.5 each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a

holder of such Note and such holder must produce evidence satisfactory to the Bank and the Issuing and Paying Agent as to its holding of Notes and identity); and

7.6 a copy of this Prospectus together with any supplemental Prospectus or further Prospectus.

Unless otherwise stated in the applicable Final Terms, the Bank does not intend to provide post-issuance information in connection with any issue of Notes.

The Prospectus and the Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be published on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com.

8 Copies of the latest audited consolidated Report and Accounts of the Bank and copies of the Trust Deed will be available for inspection at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding. The Bank does not publish interim accounts.

9 PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, (members of the Institute of Chartered Accountants in England and Wales) have audited, and rendered unqualified audit reports on, the annual consolidated published accounts of the Bank and its subsidiaries for the two financial years ended 31 December 2005 and 31 December 2006.

10 No redemption of the Notes for taxation reasons, no redemption of the Notes, no optional redemption of the Notes pursuant to Condition 5(d) or Condition 5(e) and no purchase and cancellation of the Notes in accordance with the Conditions of the Notes will be made by the Bank without such prior consent of, or notification to (and no objection being raised by), the Financial Services Authority as may for the time being be required therefor.

11 The Bank has agreed that, for so long as any Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Bank will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

12 The Bank is a limited liability company organised under the laws of England. All or a substantial portion of the directors and executive officers of the Bank are non-residents of the United States, and all or a substantial portion of the assets of the Bank and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Bank or such persons or to enforce against any of them in the United States courts judgements obtained in United States courts, including judgements predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

REGISTERED OFFICE OF THE BANK

25 Gresham Street
London EC2V 7HN
Tel: +44 20 7626 1500

DEALERS

Citigroup Global Markets Limited

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Canada Square
Canary Wharf
London E14 5LB

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB

Lehman Brothers International (Europe)

25 Bank Street
London E14 5LE

Merrill Lynch International

Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB

J.P. Morgan Securities Ltd.

125 London Wall
London EC2Y 5AJ

Lloyds TSB Bank plc

10 Gresham Street
London EC2V 7AE

Nomura International plc

Nomura House
1 St Martin's-le-Grand
London EC1A 4NP

UBS Limited

1 Finsbury Avenue
London EC2M 2PP

TRUSTEE

The Law Debenture Trust Corporation p.l.c.

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100 Wood Street
London EC2V 7EX

ISSUING AND PAYING AGENT, CALCULATION AGENT, REGISTRAR AND TRANSFER AGENT

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London E14 5LB

PAYING AGENT AND TRANSFER AGENT

Citigroup Global Markets Deutschland AG & Co KGAA

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