

PROSPECTUS

Dated 20 May 2011



LLOYDS TSB BANK plc

(acting through its London office and Australia branch)

(incorporated in England with limited liability under the Companies Act 1862 and the Companies Act 1985 with registered number 2065 and operating in Australia through its Australia branch with ABN 77 142 617 605)

£50,000,000,000

Euro Medium Term Note Programme

This Prospectus (the “**Prospectus**”) supersedes the prospectus dated 14 May 2010 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**” or “**Lloyds TSB 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 £50,000,000,000 (or the equivalent in other currencies), subject to increase as provided herein.

Notes to be issued under the Programme may comprise (i) unsubordinated Notes (“**Senior Notes**”), (ii) Notes which are subordinated as described herein with a maturity date and with terms capable of qualifying as Lower Tier 2 Capital (as defined below) (the “**Dated Subordinated Notes**”) and (iii) Notes which are subordinated as described herein with no maturity date and with terms capable of qualifying as Upper Tier 2 Capital (“**Undated Subordinated Notes**”) and, together with the Dated Subordinated Notes, the “**Subordinated Notes**”). The terms “Upper Tier 2 Capital” and “Lower Tier 2 Capital” have the respective meanings given to them from time to time by the Financial Services Authority (the “**FSA**”).

Application has been made to the FSA 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 Regulated 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 Directive 2004/39/EC of the European Parliament and of the Council of markets in financial instruments. 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 to 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**”). Notes in registered form may also be issued.

Tranches of Notes (as defined in “Summary of the Programme – Method of Issue”) to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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 herein) in that regard.

Any person (an “**Investor**”) intending to acquire or acquiring any Notes from any person (an “**Offeror**”) should be aware that, in the context of an offer to the public as defined in section 102B of the Financial Services and Markets Act 2000 (the “**FSMA**”), the Bank may only be responsible to the Investor for this Prospectus under section 90 of the FSMA if the Bank has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Bank. If the Offeror is not authorised by the Bank, the Investor should check with the Offeror whether anyone is responsible for the Prospectus for the purposes of section 90 of FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Prospectus and/or who is responsible for its contents, it should take legal advice. Where information relating to the terms of the relevant offer required pursuant to the Prospectus Directive (as defined below) is not contained in the Prospectus, or the applicable Final Terms, it will be the responsibility of the relevant Offeror at the time of such offer to provide the Investor with such information. Such information should be provided by the Offeror at the time of any such offers. This does not affect any responsibility which the Bank may otherwise have under applicable laws.

Arranger
BofA Merrill Lynch
Dealers

Barclays Capital
BNP PARIBAS
Commerzbank
Credit Suisse
Deutsche Bank
Goldman Sachs International
JPMorgan Cazenove
Mizuho International plc
Nomura
SMBC Nikko
The Royal Bank of Scotland
UniCredit Bank

BofA Merrill Lynch
Citi
Crédit Agricole CIB
Daiwa Capital Markets Europe
DZ BANK AG
HSBC
Lloyds Bank Corporate Markets
Morgan Stanley
RBC Capital Markets
Standard Chartered Bank
UBS Investment Bank
Wells Fargo Securities

This Prospectus comprises a base prospectus for the purposes of Directive 2003/71/EC (the “Prospectus Directive”) and for the purpose of giving information with regard to the Bank and the Bank and its subsidiary and associated undertakings (the “Lloyds TSB Bank Group”) 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 (the “Responsible Person”) 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.

Neither this Prospectus nor any other disclosure document in relation to the Notes or the Programme has been, or will be, lodged with the Australian Securities and Investment Commission (“ASIC”) or any other Australian government agency. The Prospectus is not a prospectus or other disclosure document for the purposes of the Corporations Act 2001 of Australia (the “Australian Corporations Act”).

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.

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 Bank 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.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the relevant Dealer or the Arranger as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Bank in connection with the Programme. Neither the relevant Dealer nor the Arranger accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Bank in connection with the Programme.

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 or referred to 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”.

The Bank has been granted an authority to carry on banking business in Australia under the Banking Act 1959 of Australia (“Australian Banking Act”) by the Australian Prudential Regulation Authority (“APRA”). The depositor protection provisions of Division 2 of Part II of the Australian Banking Act do not apply to the Bank (including the Bank acting through its Australia branch). However, under section 11F of the Australian Banking Act, if the Bank (whether in or outside Australia) suspends payment or becomes unable to meet its obligations, the assets of the Bank in Australia are to be available to meet its liabilities in Australia (including where those liabilities are in respect of the Notes issued by the Bank acting through its Australia branch) in priority to all other liabilities of the Bank. Further, under section 86 of the Reserve Bank Act 1959 of Australia, debts due by the Bank to the Reserve Bank of Australia shall in any winding-up of the Bank have priority over all other debts of the Bank.

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, references to “Renminbi”, “RMB” and “CNY” are to the lawful currency of the PRC, references to “Australian dollars”, “A\$” and “AUD” are to the lawful currency of Australia 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 on the Functioning of the European Union, as amended.

In this Prospectus, references to “PRC” are to the People’s Republic of China which, for the purpose of this Prospectus, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan.

In this Prospectus, references to “CNH Notes” are to Notes denominated in CNY or Renminbi deliverable in Hong Kong.

In this Prospectus, references to “CMU Notes” are to Notes denominated in any lawful currency which the Central Moneymarkets Unit Service (the “CMU Service”) accepts for settlement from time to time that are, or are intended to be, cleared through the CMU Service.

If the Global Notes are stated in the applicable Final Terms to be issued in new global note (“NGN”) form, 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. If a Global Certificate is held under the new safekeeping structure (the “NSS”), the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. Global Notes which are not issued in NGN form (“Classic Global Notes” or “CGNs”) and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depositary 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, unless held under the NSS, 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) 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, unless held under the NSS, 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) a Custodian for, and registered in the name of Cede & Co. as nominee for, DTC. Investors may also hold interests in the Notes through Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) (“CREST”) through the issuance of dematerialised depository interests (“CREST Depository Interests” or “CDIs”) issued, held, settled and transferred through CREST, representing interests in the relevant Notes underlying the CDIs (the “Underlying Notes”). CREST Depository Interests are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited (the “CREST Depository”) pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) (the “CREST Deed Poll”). 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”.

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.

Certain Definitions

In this Prospectus, reference to:

- (i) **“Acquisition”** is to the acquisition by Lloyds TSB Group plc of 100 per cent. of the ordinary share capital of HBOS plc on 16 January 2009. Upon completion of the Acquisition, Lloyds TSB Group plc changed its name to Lloyds Banking Group plc. Accordingly, where in this Prospectus information is presented for dates prior to 16 January 2009, unless otherwise indicated, such information relates to Lloyds Banking Group prior to the Acquisition;
- (ii) **“BOS”** is to Bank of Scotland plc;
- (iii) **“Company”** is to Lloyds Banking Group plc;
- (iv) **“Group Reorganisation”** is to the transfer by Lloyds Banking Group plc of its holding in HBOS plc to Lloyds TSB Bank plc on 1 January 2010;
- (v) **“HBOS”** or **“HBOS Group”** is to HBOS plc and its subsidiary and associated undertakings;
- (vi) **“Issuer”** is to the Bank;
- (vii) **“Lloyds Banking Group”**, **“Lloyds”** or the **“Group”** is to the Company and its subsidiary and associated undertakings;
- (viii) **“Lloyds TSB Bank”** or **“Bank”** is to Lloyds TSB Bank plc;
- (ix) **“Lloyds TSB Bank Group”** is to the Bank and its subsidiary and associated undertakings; and
- (x) **“Lloyds TSB Group”** is to the Company and its subsidiary and associated undertakings but excluding the HBOS Group.

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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 the Bank, Lloyds TSB Bank Group or Lloyds Banking Group and their current goals and expectations relating to their future financial condition and performance. Statements that are not historical facts, including statements about the Bank's, Lloyds TSB Bank Group's or Lloyds Banking Group's or their respective directors' and/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 the Bank's or Lloyds Banking Group's future financial position including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, expenditures or any other financial items or ratios; statements of plans, objectives or goals of the Bank or Lloyds Banking Group or their respective management including in respect of the integration of HBOS and the achievement of certain synergy targets; statements about the future business and economic environments in the United Kingdom ("UK") and elsewhere including future trends in interest rates, foreign exchange rates, credit and equity market levels and demographic developments and any impact on the Bank, Lloyds TSB Bank Group or Lloyds Banking Group; 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 the Bank or Lloyds Banking Group or on the Bank's or Lloyds Banking Group's behalf include, but are not limited to, the risks identified herein under "Risk Factors", as well as general economic conditions in the UK and internationally; inflation, deflation, interest rates, policies of the Bank of England and other G-8 central banks and interest rate, 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 the Bank's and Lloyds Banking Group's control; the ability to access sufficient funding to meet the Bank's and Lloyds Banking Group's liquidity needs; inadequate or failed internal or external processes, people and systems; terrorist acts and other acts of war or hostility and responses to those acts, geopolitical, pandemic or other such events; changes in laws, regulations, taxation, government policies, including those relating to share ownership, or accounting standards or practices, and similar contingencies outside the Bank's and Lloyds Banking Group's control; the ability to derive cost savings and other benefits as well as the ability to integrate successfully the Acquisition; requirements or limitations imposed on the Group as a result of HM Treasury's investment in the Group; the ability to complete satisfactorily the disposal of certain assets as part of the Group's EU State Aid Obligations; 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 and the extent of any future impairment charges or write-downs caused by depressed asset valuations; the actions of competitors; the ability to secure new customers and develop more business from existing customers; the degree of borrower credit quality; the ability to achieve value-creating mergers and/or acquisitions at the appropriate time and prices and the success of the Bank or Lloyds Banking Group in managing the risks of the foregoing.

The Bank or Lloyds Banking Group may also make or disclose written and/or oral forward-looking statements in reports filed with or furnished to the U.S. Securities and Exchange Commission, the Bank's and Lloyds Banking Group's annual reviews, half year announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of the Bank or Lloyds Banking Group to third parties, including financial analysts. Except as required by law, the forward-looking statements contained in this Prospectus are made as of the date hereof, and the Bank expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in the Bank or Lloyds Banking Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents:

Lloyds Banking Group plc financial statements:

- (i) The audited consolidated financial statements of the Company for the financial year ended 31 December 2010, together with the audit report thereon, as set out on pages 146 to 270 and 144 to 145, respectively, of the Company's Annual Report and Accounts 2010 (the "**Company's 2010 Annual Report**"); and
- (ii) The audited consolidated annual financial statements of the Company for the financial year ended 31 December 2009, together with the audit report thereon, as set out on pages 127 to 248 and 126, respectively, of the Company's Annual Report and Accounts 2009.

Lloyds TSB Bank plc financial statements:

- (i) The Bank's Annual Report and Accounts 2010 including the audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2010, together with the audit report thereon, as set out on pages 12 to 129 and 10 to 11, respectively (the "**Bank's 2010 Annual Report**"); and
- (ii) The Bank's Annual Report and Accounts 2009, including the audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2009, together with the audit report thereon, as set out on pages 10 to 106 and 9, respectively.

HBOS plc financial statements:

HBOS plc's Annual Report and Accounts 2009, including the audited consolidated annual financial statements of HBOS plc for the financial year ended 31 December 2009, together with the audit report thereon, as set out on pages 12 to 116 and 10 to 11, respectively.

Other documents incorporated by reference:

- (i) The section entitled "Terms and Conditions" on pages 19 to 40 of the Base Prospectus dated 13 June 2006 relating to the Lloyds TSB Bank plc £25,000,000,000 EMTN Programme;
- (ii) The section entitled "Terms and Conditions" on pages 24 to 61 of the Base Prospectus dated 12 June 2007 relating to the Lloyds TSB Bank plc £25,000,000,000 EMTN Programme;
- (iii) The section entitled "Terms and Conditions" on pages 25 to 66 of the Base Prospectus dated 10 June 2008 relating to the Lloyds TSB Bank plc £30,000,000,000 EMTN Programme;
- (iv) The section entitled "Terms and Conditions" on pages 43 to 84 of the Base Prospectus dated 4 June 2009 relating to the Lloyds TSB Bank plc £50,000,000,000 EMTN Programme;
- (v) The section entitled "Terms and Conditions" on pages 52 to 104 of the Base Prospectus dated 14 May 2010 relating to the Lloyds TSB Bank plc £50,000,000,000 EMTN Programme.
- (vi) The following sections of the Company's 2010 Annual Report:
 - (a) the section entitled "*State funding and state aid*" as set out on pages 66 and 67 thereof;
 - (b) the portion of the risk governance section as set out on pages 67 to 73 under the headings "*Risk Governance (audited)*" and "*Principal Risks and Uncertainties*" together with Table 1.3 as set out on page 74 thereof;

- (c) the section entitled “*Financial soundness*” as set out on pages 93 to 102 thereof; and
- (d) the section entitled “*Corporate Governance*” as set out on pages 114 to 123 thereof.
- (vii) The announcement made by the Company via the RNS on 9 March 2011 entitled “*Lloyds Banking Group Announces Board and Management Team Changes*”;
- (viii) The announcement made by the Company via the RNS on 1 March 2011 entitled “*Lloyds Banking Group moves ahead with Project Verde*”, save for the last eight words of the first paragraph thereof; and
- (ix) The following sections of the Q1 2011 interim management statement of the Company (the “**Q1 2011 Interim Management Statement**”) for the three months ended 31 March 2011 published on 5 May 2011:
 - (a) the sections entitled “*Significant further progress in reducing the Group’s risk profile*” and “*Provision for Payment Protection Insurance contact and redress*” as set out on page 1 thereof;
 - (b) the sections entitled “*Q1 2011 performance – summary*” as set out on page 4 thereof, save for the final paragraph thereof;
 - (c) the section entitled “*Significant further progress in reducing the Group’s risk profile*” as set out on page 4 thereof;
 - (d) the section entitled “*Statutory results*” as set out on page 5 thereof;
 - (e) the sections entitled “*Capital resources*” and “*Strong capital ratios*” as set out on page 13 thereof;
 - (f) the section entitled “*Liquidity and funding*” on page 14 thereof, save for the fourth line of the table set out therein;
 - (g) the section entitled “*A strengthened liquidity and funding position*” on page 14 thereof;
 - (h) the sections entitled “*Integration costs*”, “*Volatility arising in insurance businesses*” and “*Taxation*” on page 15 thereof; and
 - (i) the unaudited statutory consolidated income statement and the unaudited summary consolidated balance sheet of the Company as set out on pages 16 and 17 thereof,

all of which have been previously published and filed with the FSA 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. Any documents or information themselves incorporated by reference in, or cross-referred to in, the documents incorporated by reference in this Prospectus shall not form part of this Prospectus unless also separately incorporated by reference above.

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 or incorporated by reference 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 FSMA.

PRESENTATION OF FINANCIAL INFORMATION

In this Prospectus, references to the “**consolidated financial statements**” or “**financial statements**” are to Lloyds Banking Group’s consolidated financial statements included in the Company’s 2010 Annual Report unless indicated otherwise. References to the “**Financial Services Authority**” or “**FSA**” are to the United Kingdom (the “**UK**”) Financial Services Authority.

The consolidated financial statements of the Company, the Bank and HBOS incorporated by reference within the Prospectus have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the European Union (the “**EU**”).

SUMMARY OF THE PROGRAMME

*This summary must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area (an “**EEA State**”), no civil liability will attach to the Responsible Person in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the 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 this Prospectus before the legal proceedings are initiated.*

Issuer

Lloyds TSB Bank plc (acting through its London office and Australia branch)

Lloyds TSB Bank plc (the “**Bank**” or “**Lloyds TSB Bank**”) was incorporated in England and Wales on 20 April 1865 (Registration number 2065). The Bank’s registered office is at 25 Gresham Street, London EC2V 7HN, telephone number 020 7626 1500. The Bank is a wholly owned subsidiary of Lloyds Banking Group plc (the “**Company**”). The Company and its subsidiary and associated undertakings are referred to as the “**Lloyds Banking Group**” or “**Lloyds**” or the “**Group**”.

The businesses of the Lloyds Banking Group are in or owned by the Bank. Lloyds Banking Group is a leading UK-based financial services group, providing a wide range of banking and financial services in the UK and a limited number of locations overseas to personal and corporate customers. Its main business activities are retail, commercial and corporate banking, general insurance, and life, pensions and investment provision.

Issuance of Senior Notes under the Programme may be undertaken by the Bank through its London office or its Australia branch.

Issuance of Subordinated Notes under the Programme may be undertaken by the Bank through its London office only.

Risk Factors Relating to the Group

Risks:

- Relating to the shareholding of The Commissioners of Her Majesty's Treasury.
- Arising from certain undertakings provided to Her Majesty's Treasury in relation to the operation of the Group's business.
- Associated with state aid obligations.
- Arising from general and sector specific economic conditions in the UK and other markets and further adverse economic developments, including credit rating downgrades of sovereigns.
- Of material negative changes to the estimated fair values of financial assets of the Group.
- Of failing to realise benefits from, and incurring unanticipated costs associated with, the Acquisition.
- Relating to borrower and counterparty credit quality.
- Relating to concentrations of credit and market risk.
- Concerning the Group's access to liquidity and sources of funding.
- Relating to the Group's insurance businesses and employee pension schemes.
- Associated with reform of the structure and regulation of the UK banking system.
- Relating to adverse regulatory developments or changes in UK Government or EU policy.
- Associated with the Banking Act 2009.
- Relating to competition and related issues, including the Independent Commission on Banking.
- Associated with changes in taxation rates, accounting policy, law or interpretation of the law.
- That the Group could fail to attract or retain senior management or other key employees.
- Of assumptions and estimates on which the Group's financial statements are based being wrong.
- There is no assurance that a liquid secondary market for certain Notes will develop or continue.

Risk Factors relating to the Notes and the CREST Depositary Interests

(“CDIs”)

- 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.
- Investors who hold through CREST through the issuance of CDIs (“**CDI Holders**”) hold or have an interest in a separate legal instrument, will have only indirect interests in the Underlying Notes and will be subject to external provisions.
- Renminbi is not freely convertible and it has limited availability outside of the People’s Republic of China, which may affect the liquidity of any CNH Notes.

Description

Euro Medium Term Note Programme.

Size

Up to £50,000,000,000 (or the equivalent in other currencies at the date of issue).

Arranger

Merrill Lynch International

Dealers

Barclays Bank PLC
 BNP PARIBAS
 Citigroup Global Markets Limited
 Commerzbank Aktiengesellschaft
 Crédit Agricole Corporate and Investment Bank
 Credit Suisse Securities (Europe) Limited
 Daiwa Capital Markets Europe Limited
 Deutsche Bank AG, London Branch
 DZ BANK AG Deutsche Zentral-Genossenschaftsbank
 Frankfurt am Main
 Goldman Sachs International
 HSBC Bank plc
 J.P. Morgan Securities Ltd.
 Lloyds TSB Bank plc
 Merrill Lynch International
 Mizuho International plc
 Morgan Stanley & Co. International plc
 Nomura International plc

	<p>Royal Bank of Canada Europe Limited SMBC Nikko Capital Markets Limited Standard Chartered Bank The Royal Bank of Scotland plc UBS Limited UniCredit Bank AG Wells Fargo Securities International Limited</p> <p>(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.</p>
Trustee	<p>The Law Debenture Trust Corporation p.l.c.</p>
Issuing and Paying Agent	<p>Citibank, N.A., London Branch and, in respect of CMU Notes only, Citicorp International Limited</p>
CMU Lodging Agent	<p>Citicorp International Limited</p>
Method of Issue	<p>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”).</p>
Issue Price	<p>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.</p>
Form	<p>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.</p> <p>In respect of CDIs, to the extent applicable, CDI Holders will hold CDIs constituted and issued by the CREST Depository and representing indirect interests in the Notes. The CDIs will be issued and settled through CREST.</p> <p>Neither the Notes nor any rights thereto will be issued, held, transferred or settled within the CREST system otherwise than</p>

through the issue, holding, transfer and settlement of CDIs.

CDIs Holders will not be entitled to deal directly in the Notes and accordingly all dealings in the Notes will be effected through CREST in relation to the holding of CDIs.

Clearing Systems

With respect to Notes (other than CMU Notes), 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). With respect to CMU Notes, the CMU Service operated by the Hong Kong Monetary Authority (the “**HKMA**”). With respect to CDIs, to the extent applicable, CREST.

Initial Delivery of Notes

On or before the issue date for each Tranche, if the relevant Global Note is a NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Global Certificate representing Registered Notes may be (a) deposited with a common depositary for Euroclear and Clearstream, Luxembourg or (b) in respect of CMU Notes, a sub-custodian for the CMU Service operated by the HKMA. Global Notes or Global Certificates 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).

Unrestricted Notes will initially be represented by an Unrestricted Global Certificate, which, if not held under the NSS, 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 or (c) in respect of CMU Notes, a sub-custodian for the CMU Service operated by the HKMA, and/or any other agreed clearing system. Restricted Notes will initially be represented by a Restricted Global Certificate, which, if not held under the NSS, 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.

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 constituting Lower Tier 2 Capital 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 shall be at least the minimum amount 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, 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

Floating Rate Notes will bear interest as follows (and/or as specified in the relevant Final Terms):

- (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 2006 ISDA Definitions (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.

Inflation Linked Interest Notes

Payments of interest in respect of Inflation Linked Interest Notes will be calculated by reference to a single index and/or such formula as specified in the relevant Final Terms.

Inflation Linked Redemption Notes	<p>Payments of principal in respect of Inflation Linked Redemption Notes will be calculated by reference to a single index. 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.</p> <p>If the relevant index ceases to be published, the Notes may be subject to adjustment or the Bank may redeem the Notes.</p>
Equity Linked Interest Notes	<p>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.</p>
Equity Linked Redemption Notes	<p>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).</p> <p>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.</p>
Other provisions relating to Floating Rate Notes, Equity Linked Interest Notes, Index Linked Interest Notes and Inflation Linked Interest Notes	<p>Floating Rate Notes, Equity Linked Interest Notes, Index Linked Interest Notes and Inflation Linked Interest Notes may also have a maximum interest rate and/or a minimum interest rate.</p> <p>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.</p>
Additional Disruption Event	<p>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.</p>
Currency Linked Notes	<p>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.</p>
Credit Linked Notes	<p>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.</p>
Zero Coupon Notes	<p>Zero Coupon Notes may be issued at their nominal amount or at</p>

Dual Currency Notes

a discount to it and will not bear interest other than after the Maturity Date.

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 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, subordinated obligations of the Bank. Where the Bank acts through its Australia branch, it may only issue Senior Notes.

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 and, when the Issuer is acting through its Australia branch, the Commonwealth of Australia, in all cases subject to Condition 13.

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

Tranches of Notes (as defined in “Summary of the Programme – Method of Issue”) to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Selling Restrictions

United States, the Public Offer Selling Restriction under the Prospectus Directive, UK, Australia, Japan, Singapore, Hong Kong, Republic of Korea, Belgium, People’s Republic of China, Sweden, France, United Arab Emirates, Spain, Malta, Switzerland, Ireland 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.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or, after 18 March 2012, any successor rules in substantially the same form as such rules for purposes of section 4701 of the U.S. Internal Revenue Code of 1986, as amended) (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) (or, after 18 March 2012, any successor rules in substantially the same form as such rules for purposes of section 4701 of the U.S. Internal Revenue Code of 1986, as amended) (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.

There are restrictions on the transfer of Registered Notes offered and sold pursuant to Rule 144A under the Securities Act.

RISK FACTORS

The Bank believes that the following factors may affect its ability to fulfil its obligations under the 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 in relation to the Group 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 inability of the Bank to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Bank does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective purchasers should consider carefully the risks and uncertainties described below, together with all other information contained in this Prospectus and the information incorporated by reference herein before making any investment decision.

1 Government related risks

1.1 *The Commissioners of Her Majesty's Treasury ("HM Treasury") is the largest shareholder of the Company. Through its shareholding in, and other relationships with, the Company, HM Treasury is in a position to exert significant influence over the Group and its business.*

HM Treasury holds approximately 40.6 per cent. of the ordinary share capital of the Company. In the longer term, it is possible that the shareholding of HM Treasury may be diluted upon any further equity capital raising or potential conversion of the Company's enhanced capital notes (the "**Enhanced Capital Notes**" or "**ECNs**") into ordinary shares pursuant to their terms, although, in such case, it is expected that HM Treasury would remain a significant shareholder in the Company. In the longer term, it is also possible that the Group may seek to raise further capital or to obtain other support from the UK Government, which could result in an increase in HM Treasury's shareholding in the Company.

No formal relationship agreement has been concluded between the Group and the UK Government in respect of its shareholding in the Company and no express measures are in place to limit the level of influence which may be exercised by HM Treasury. However, the relationship falls within the scope of the revised framework document between HM Treasury and UK Financial Investments Limited ("**UKFI**") published on 1 October 2010, which states that UKFI will manage the UK financial institutions in which HM Treasury holds an interest 'on a commercial basis and will not intervene in day-to-day management decisions of the Investee Companies (as defined herein) (including with respect to individual lending or remuneration decisions)'. The framework document also makes it clear that such UK financial institutions will continue to be separate economic units with independent powers of decision. Nevertheless, there is a risk that HM Treasury might seek to exert influence over the Group in relation to matters including, for example, commercial and consumer lending policies and management of the Group's assets and/or business. There is also a risk of the existing framework document between HM Treasury and UKFI being replaced or amended, leading to interference in the operations of the Group, although there has been no indication that the UK Government intends to change the existing operating arrangements.

There is also a risk that, through the interest of HM Treasury in the Company, the UK Government and HM Treasury may attempt to influence the Group in other ways that would have a material adverse effect on the Group's business, including, for example, through the election of directors, the appointment of senior management at the Company, staff remuneration policies, lending policies and commitments and management of the Group's business (in particular, the management of the Group's assets such as its existing retail and

corporate loan portfolios, significant corporate transactions and the issue of new ordinary shares). Moreover, HM Treasury also has interests in other UK financial institutions, as well as an interest in the general health of the UK banking industry and the wider UK economy. The pursuit of those interests may not always be aligned with the commercial interests of the Group.

1.2 *The Group is subject to European state aid obligations following the approval of its restructuring plan. The implementation of this restructuring plan may have consequences that are materially adverse to the interests of the Group. Moreover, should the Group require additional state aid in the future, further restructuring measures could be required and these may be materially adverse to the interests of the Group.*

On 18 November 2009 the European Commission approved a restructuring plan (the “**Restructuring Plan**”) that the Group was required to submit as a result of HM Treasury’s investment in the Company in the context of the placing and open offer in November 2008. The principal elements of the plan address competition distortions from the state aid that the Group has received, including HM Treasury’s subsequent participation in the Company’s placing and compensatory open offer in June 2009 and the rights issue in November 2009 (the “**Rights Issue**”), as well as measures to ensure the Group’s future as a stable bank and to address any commercial benefit received by the Group following its announcement in March 2009 of its then intention to participate in the Government Asset Protection Scheme (“**GAPS**”). The approval also covered the Group’s participation in HM Treasury’s credit guarantee scheme (the “**Credit Guarantee Scheme**”) from October 2008 up to June 2010. In the deed of withdrawal from GAPS in November 2009 (the “**GAPS Withdrawal Deed**”) the Company agreed with HM Treasury to comply with the terms of the European Commission’s decision.

The Group is subject to a variety of risks as a result of implementing the Restructuring Plan. There can be no assurance that the price that the Group receives for any assets disposed of in accordance with the Restructuring Plan will be at a level which the Group considers adequate or which it could obtain if the Group was not disposing of such assets in accordance with the Restructuring Plan. In particular, should the Group fail to complete the disposal of the retail banking business that it is required to divest by the end of November 2013, a divestiture trustee will be appointed to conduct the sale, with a mandate to complete the disposal with no minimum price (including at a negative price). As a direct consequence of implementing the Restructuring Plan, the Group will lose existing customers, deposits and other assets (and may also lose additional customers, deposits and other assets indirectly through damage to the rest of the Group’s business as a result of implementing the Restructuring Plan). It may also lose the potential for realising additional associated revenues and margins that it otherwise might have achieved in the absence of such disposals. Moreover implementation may result in disruption to the retained businesses, impacting customers and necessitating potentially significant separation costs. Implementation may also have a negative impact on the Group’s competitive position, including through the emergence of new competitors.

Should the Group require further state aid that was not covered in the European Commission’s approval decision of 18 November 2009, the Group may have to commit to further restructuring measures, which could be materially adverse to the interests of the Group.

For more detail on the principal elements of the restructuring plan and associated timescales see “Business review – Risk management – State funding and state aid” in the Company’s 2010 Annual Report as set out on pages 66 to 67 therein which is incorporated by reference into this Prospectus.

1.3 *The Group has agreed to undertakings with HM Treasury in relation to the operation of its business. The Group has also agreed to certain other commitments in the GAPS Withdrawal Deed, and subsequently. These undertakings and commitments could have a material adverse effect on the Group’s results of operations, financial condition and prospects and limit operational flexibilities.*

In connection with HM Treasury's participation in the placing and open offers in November 2008 and June 2009, the Group's participation in the Credit Guarantee Scheme and its then proposed participation in GAPS, the Group provided undertakings aimed at ensuring that the acquisition by HM Treasury of the Group's shares and the participation of the Group in the UK Government funding scheme was consistent with the then current European state aid clearance. These undertakings included (i) supporting UK Government policy in relation to mortgage lending and lending to businesses through to the end of February 2011; (ii) regulating the remuneration of management and other employees; and (iii) regulating the rate of growth of the Group's balance sheet.

The formal lending commitments described above have now expired. In February 2011, the Group (together with Barclays, HSBC, RBS and Santander) announced, as a part of the 'Project Merlin' agreement with HM Treasury, its capacity and willingness to increase its gross business lending (including to small and medium-sized enterprises) during the 2011 calendar year. At the same time, the Group (together with Barclays, HSBC and RBS) announced its intentions in relation to a number of other areas, including its continuing support for the recommendations of the BBA Business Finance Taskforce, certain aspects of remuneration policy and its support for the proposed Business Growth Fund and Big Society Bank.

The 'Project Merlin' agreement is not a formal contract between the Group and HM Treasury. However, there is a risk that current or future requirements introduced by HM Treasury could have a materially adverse effect on the operations of the Group.

2 Business and economic risks

2.1 *The Group's businesses are subject to inherent risks arising from general and sector-specific economic conditions in the UK and other markets in which it operates. Adverse developments, particularly in the UK, could cause the Group's earnings and profitability to decline.*

The Group's businesses are subject to inherent risks arising from general and sector-specific economic conditions in the markets in which it operates, particularly the United Kingdom, in which the Group's earnings are predominantly generated. Any significant deterioration in the UK and/or other economies in which the Group operates could have a material adverse impact on the future results of operations of the Group. Additionally, the profitability of the Group's businesses could be affected by increased insurance and other claims arising from market factors such as increased unemployment, which may continue even following the return to economic growth in certain parts of the markets in which the Group operates. Significantly higher unemployment in the UK and elsewhere, reduced corporate profitability, reduced personal non-salary income levels, increased personal and corporate insolvency rates, increased tenant defaults and/or increased interest rates may reduce borrowers' ability to repay loans and may cause prices of residential or commercial real estate or other asset prices to fall further, thereby reducing the collateral value on many of the Group's loans. These, in turn, would cause increased impairments.

The Group has significant exposures, particularly by way of loans, in a number of overseas jurisdictions, notably the Republic of Ireland, Spain, Australia and the United States, and is therefore subject to a variety of risks relating to the performance of those economies as well.

Any downgrade of the UK sovereign credit rating or the credit rating of any other country in which the Group has significant exposures, or the perception that such a downgrade may occur, may severely destabilise the markets and the UK economy and have a material adverse effect on the Group's operating results, financial condition and prospects. This might also include impact on the Group's own credit ratings, borrowing costs and ability to fund itself. These risks are exacerbated by concerns over the levels of the public debt of, and the weakness of the economies in, Italy, the Republic of Ireland, Greece, Portugal, and

Spain in particular. Further instability in these countries or others might lead to contagion, which may have a material adverse effect on the Group's operating results, financial condition and prospects.

The exact nature and extent of these risks is difficult to predict and protect against in view of (i) the severity of the recent global financial crisis, (ii) difficulties in predicting whether any recovery will be sustained and at what rate, and (iii) the fact that many of the risks related to the business are totally, or in part, outside the control of the Group.

2.2 *The Group's businesses are inherently subject to the risk of market fluctuations, which could materially adversely affect its results of operations, financial condition and prospects.*

The Group's businesses are inherently subject to risks in financial markets and in the wider economy, including changes in, and increased volatility of, interest rates, inflation rates, credit spreads, foreign exchange rates, commodity, equity, bond and property prices and the risk that its customers act in a manner which is inconsistent with business, pricing and hedging assumptions.

Market movements will continue to have a significant impact on the Group in a number of key areas. For example, adverse market movements have had and would have an adverse effect, which could be material, upon the financial condition of the pension schemes of the Group. Banking and trading activities that are undertaken by the Group are subject to interest rate risk, foreign exchange risk, inflation risk and credit spread risk. For example, changes in interest rate levels, interbank margins over official rates, yield curves and spreads affect the interest rate margin realised between lending and borrowing costs. The potential for future volatility and margin changes remains. Competitive pressures on fixed rates or product terms in existing loans and deposits sometimes restrict the Group in its ability to change interest rates applying to customers in response to changes in official and wholesale market rates.

The insurance businesses of the Group face market risk arising, for example, from equity, bond and property markets in a number of ways depending upon the product and associated contract; for example, the annual management charges received in respect of investment and insurance contracts fluctuate, as do the values of the contracts, in line with the markets. Some of these risks are borne directly by the customer and some are borne by the insurance businesses. Some insurance contracts involve guarantees and options that increase in value in adverse investment markets. There is a risk that the insurance businesses will bear some of the cost of such guarantees and options. The insurance businesses also have capital directly invested in the markets that are exposed to market risk. The performance of the investment markets will thus have a direct impact upon the embedded value of insurance and investment contracts and the Group's operating results, financial condition and prospects. Adverse market conditions affect investor confidence, which in turn can result in lower sales and/or reduced persistency.

Changes in foreign exchange rates affect the value of assets and liabilities denominated in foreign currencies. Such changes and the degree of volatility with respect thereto may affect earnings reported by the Group. In the Group's international businesses, earnings and net assets are denominated in local currencies, which will fluctuate with exchange rates in pounds sterling terms. It is difficult to predict with any accuracy changes in market conditions, and such changes may have a material adverse effect on the Group's operating results, financial condition and prospects.

2.3 *The Group's businesses are conducted in highly competitive environments and the Group's financial performance depends upon management's ability to respond effectively to competitive pressures.*

The markets for UK financial services, and the other markets within which the Group operates, are highly competitive, and management expects such competition to intensify in response to competitor behaviour, consumer demand, technological changes, and the impact of consolidation, regulatory actions and other factors. The Group's financial performance and its ability to capture additional market share depends

significantly upon the competitive environment and management's response thereto. Intervention by the UK Government and/or European bodies and/or governments of other countries in which the Group operates may impact the competitive position of the Group relative to its international competitors, which may be subject to different forms of government intervention, thus potentially putting the Group at a competitive disadvantage. Additionally, one effect of implementing the Restructuring Plan may be the emergence of one or more new viable competitors in the UK banking market or a material strengthening of one or more of the Group's existing competitors in that market. Any of these factors or a combination thereof could result in a significant reduction in the profit of the Group.

2.4 *Market conditions have resulted, and are expected to result in the future, in material changes to the estimated fair values of financial assets of the Group. Negative fair value adjustments have had, and may continue to have in the future, a further material adverse effect on the Group's results of operations, financial condition and prospects.*

The Group has material exposures to securities and other investments, including asset-backed securities, structured investments and private equity investments that are recorded by the Group at fair value. These have been and may be subject to further negative fair value adjustments, particularly in view of unsettled market conditions and the fragility of the economic recovery. Although the Board of Directors of the Company (the "**Board**") believes that overall impairment charges for the Group have peaked, asset valuations in future periods, reflecting prevailing market conditions, may result in further negative changes in the fair values of the Group's financial assets and these may also translate into increased impairment charges. In addition, the value ultimately realised by the Group for its securities and other investments may be lower than their current fair value. Any of these factors could require the Group to record further negative fair value adjustments, which may have a material adverse effect on its operating results, financial condition or prospects.

The Group has made asset redesignations as permitted by amendments to IAS 39 ("Financial Instruments: Recognition and Measurement"). The effect of such redesignations has been, and would be, that any effect on the income statement of movements in the fair value of such redesignated assets that have occurred since 1 July 2008, in the case of assets redesignated prior to 1 November 2008, or may occur in the future, may not be recognised until such time as the assets become impaired or are disposed of.

In addition, in circumstances where fair values are determined using financial valuation models, the Group's valuation methodologies may require it to make assumptions, judgements and estimates in order to establish fair value. These valuation models are complex and the assumptions used are difficult to make and are inherently uncertain, particularly in light of the uncertainty as to the strength of any global recovery and continuing downside risks, and any consequential impairments or write-downs could have a material adverse effect on the Group's operating results, financial condition and prospects.

2.5 *The Group may fail to realise the benefits anticipated from, or may incur unanticipated costs or other risks associated with, the Acquisition. As a consequence, the Group's results of operations, financial condition and prospects may suffer.*

The continued integration of the HBOS Group into the Group is complex, expensive and presents a number of challenges for both the heritage Lloyds TSB Group and the HBOS Group. The Group believes that it will achieve its reported anticipated cost synergies as well as other operating efficiencies and business growth opportunities, revenue benefits and other benefits from the Acquisition. However, such benefits may not develop, may be delayed, or those which may be achieved may be materially different from those which have been estimated. To the extent that the Group incurs higher integration costs or achieves lower revenue benefits or fewer cost savings than expected, its operating results, financial condition and prospects may suffer.

The Group may also face a number of other risks with respect to the Acquisition including losing key employees, failure to unify financial reporting and internal control procedures, diversion of management attention from ongoing business concerns and risks relating to possible differences between the two heritages' business cultures, risk management, compliance systems and processes, controls, procedures, systems, accounting practices and implementation of accounting standards.

3 Credit related risks

3.1 *The Group's businesses are subject to inherent risks concerning borrower and counterparty credit quality which have affected and are expected to continue to affect the recoverability and value of assets on the Group's balance sheet.*

The Group has exposures to many different products and counterparties, and the credit quality of its exposures can have a significant impact on its earnings. Adverse changes in the credit quality of the Group's UK and/or international borrowers and counterparties, or in their behaviour or businesses, may reduce the value of the Group's assets, and materially increase the Group's write-downs and allowances for impairment losses. Credit risk can be affected by a range of factors, including increased unemployment, reduced asset values, increased personal or corporate insolvency levels, reduced corporate profits, increased interest rates or higher tenant defaults.

All lending is dependent on the Group's assessment of the customers' ability to repay and there is an inherent risk that the Group has incorrectly assessed the credit quality or willingness to pay of borrowers, possibly as a result of incomplete or inaccurate disclosure by those borrowers.

The Group estimates and establishes reserves for credit risks and potential credit losses inherent in its credit exposure. This process, which is critical to its results and financial condition, requires difficult, subjective and complex judgements, including forecasts of how these economic conditions might impair the ability of its borrowers to repay their loans. As is the case with any such assessments, there is always a risk that the Group will fail to identify the proper factors or that it will fail to estimate accurately the impact of factors that it identifies.

If contagion from the Irish government 2010 bail-out spreads to other Eurozone economies, or the UK government austerity measures and public spending cuts result in the UK economic recovery slowing or faltering, the Group's lending portfolios could generate substantial impairment losses which could materially affect its operations, financial condition and prospects. At present, default rates are cushioned by low rates of interest which have improved customer affordability, but the risk remains of increased default rates as interest rates start to rise.

Although the Board believes that overall impairments for the Group have peaked, the risk remains that further material impairments in the Group's portfolios could emerge, particularly in the event of any further significant deterioration in the economic environment. The performance of some of the Group's exposures might deteriorate further even in the absence of further economic decline, particularly in the Republic of Ireland, where impairment charges recorded by the Group increased significantly in 2010. The Irish government's 2010 bail-out measures have added to political and economic instability in the Republic of Ireland. Any unforeseen material further impairments could have a significant adverse effect on the Group's operations, financial condition and prospects.

3.2 *Concentration of credit and market risk could increase the potential for significant losses.*

The Group has exposure to concentration risk where its business activities focus particularly on a similar type of customer, product, industrial sector or geographic location, including the UK market.

As a result of the Acquisition, the composition of the Group's wholesale portfolio materially changed, with much larger sectoral concentrations (for example in real estate, leveraged lending, asset-backed securities and floating rate notes issued by financial institutions) and substantially greater overseas exposures, particularly in the Republic of Ireland, Australia and the U.S.

The Acquisition has, in some cases, increased the Group's exposure to concentration risk, since the combination of the two portfolios inevitably gave rise to some greater concentrations than would otherwise have been permitted. Market conditions at present mean that it is difficult to achieve the required level of sales to ameliorate these concentrations.

The Group has significant property exposure, meaning that further decreases in residential or commercial property values and/or further tenant defaults are likely to lead to higher impairment charges, which could materially affect its operations, financial condition and prospects. HBOS had material exposure to the commercial real estate sector, including hotels and residential property developers, which has been particularly adversely affected by the recessionary environment. These concentrations in cyclically weak sectors, as well as exposure at various levels of the capital structure, mean that the heritage HBOS wholesale business is exposed to high and volatile levels of impairments.

The Group's corporate lending portfolio also contains substantial exposure to mid-sized and private companies, leveraged finance and subordinated loans. These concentrations in cyclically weak sectors, coupled with a heritage HBOS strategy of supporting UK entrepreneurs and taking exposure at various levels of the capital structure, continue to give rise to significant single name and risk capital exposure.

The heritage HBOS portfolio in the Republic of Ireland is heavily exposed to the commercial and residential real estate sectors, which have been negatively impacted by the economic recession, whilst the portfolio in Australia has material exposure to real estate and leveraged lending. In the United States there are notable exposures to sectors such as gaming and real estate, which are cyclically weak and have been negatively impacted by the economic recession. As in the UK, the heritage HBOS portfolio overseas is also particularly exposed to a small number of long-term customer relationships and these single name concentrations place the Group at risk of loss should default occur.

The Group's efforts to diversify or hedge its credit portfolio against concentration risks may not be successful and any concentration of credit risk could increase the potential for significant losses in its credit portfolio. In addition, any disruption in the liquidity or transparency of the financial markets may result in the Group's inability to sell or syndicate securities, loans or other instruments or positions held, thereby leading to increased concentrations of such positions. These concentrations could expose the Group to losses if the mark-to-market value of the securities, loans or other instruments or positions declines causing the Group to take write-downs. Moreover, the inability to reduce the Group's positions not only increases the market and credit risks associated with such positions, but also increases the level of risk-weighted assets on the Group's balance sheet, thereby increasing its capital requirements and funding costs, all of which could adversely affect the Group's operating results, financial condition and prospects.

3.3 The Group may be forced to record further credit valuation adjustments on securities insured or guaranteed by such parties, which could have a material adverse effect on the Group's results of operations, financial condition and prospects.

The Group has credit exposure to market counterparties through securities insured or guaranteed by such parties and credit protection bought from such parties with respect to certain over-the-counter derivative contracts, mainly credit default swaps ("CDSs") which are recorded at fair value. The fair value of these CDSs and other securities, and the Group's exposure to the risk of default by the underlying counterparties, depend on the valuation and the perceived credit risk of the instrument insured or guaranteed or against which protection has been bought. Market counterparties have been adversely affected by their exposure to

residential mortgage-linked products, and their perceived creditworthiness has deteriorated significantly since 2007. Although the Group seeks to limit and manage direct exposure to market counterparties, indirect exposure may exist through other financial arrangements and counterparties. If the financial condition of market counterparties or their perceived creditworthiness deteriorates further, the Group may record further credit valuation adjustments on the underlying instruments insured by such parties. Any primary or indirect exposure to the financial condition or creditworthiness of these counterparties could have a material adverse impact on the results of operations, financial condition and prospects of the Group.

4 Financial soundness related risks

4.1 *The Group's businesses are subject to inherent risks concerning liquidity and funding, particularly if the availability of traditional sources of funding such as retail deposits or the access to wholesale funding markets continues to be limited or becomes more limited. The Group continues to be reliant on various legacy government and central bank facilities and will face refinancing risk as transactions under these facilities mature.*

The Group's profitability or solvency could be adversely affected if access to liquidity and funding is constrained or made more expensive for a prolonged period of time. Whilst the Group expects to have sufficient access to liquidity to meet its funding requirements even in a stressed scenario, under extreme and unforeseen circumstances a prolonged and severe restriction on the Group's access to liquidity (including government and central bank facilities) could affect the Group's ability to meet its financial obligations as they fall due or to fulfil its commitments to lend, and in such extreme circumstances the Group may not be in a position to continue to operate without additional funding support, which it may be unable to access. This may have a material impact on the Group's solvency, including its ability to meet its regulatory minimum liquidity requirements. These risks can be exacerbated by many enterprise-specific factors, including an over-reliance on a particular source of funding, or changes in credit ratings as well as market-wide phenomena such as market dislocation, regulatory change and major disasters.

There is also a risk that corporate and institutional counterparties may look to reduce aggregate credit exposures to the Group (or to all banks) which could increase the Group's cost of funding and limit its access to liquidity. In addition, the funding structure employed by the Group may prove to be inefficient giving rise to a level of funding cost that is not sustainable longer term. The funding needs of the Group may increase and such increases may be material. The Group relies on customer savings and transmission balances, as well as ongoing access to the global wholesale funding markets, certain legacy central bank liquidity facilities and the legacy Credit Guarantee Scheme to meet its funding needs. The ability of the Group to gain access to wholesale and retail funding sources on satisfactory economic terms is subject to a number of factors outside its control, such as liquidity constraints, general market conditions, regulatory requirements, the encouraged or mandated repatriation of deposits by foreign wholesale or central bank depositors and loss of confidence in the UK banking system, any of which could affect the Group's profitability or, in the longer term under extreme circumstances, its ability to meet its financial obligations as they fall due.

Medium-term growth in the Group's lending activities will depend, in part, on the availability of retail deposit funding on appropriate terms, for which there is increasing competition. See "Risk Factors – Business and economic risks – The Group's businesses are conducted in highly competitive environments and the Group's financial performance depends upon management's ability to respond effectively to competitive pressures".

This reliance has increased in the recent past given the difficulties in accessing wholesale funding. The ongoing availability of retail deposit funding on appropriate terms is dependent on a variety of factors outside the Group's control, such as general economic conditions and market volatility, the confidence of retail depositors in the economy, the financial services industry and in the Group as well as the availability and

extent of deposit guarantees. Increases in the cost of retail deposit funding will impact on the Group's margins and affect profit, and a lack of availability of retail deposit funding could impact on the Group's future growth.

Any loss in consumer confidence in the Group could significantly increase the amount of retail deposit withdrawals in a short space of time. Should the Group experience an unusually high and unforeseen level of withdrawals, in such extreme circumstances the Group may not be in a position to continue to operate without additional funding support, which it may be unable to access, which could have a material impact on the Group's solvency.

The Group has relied substantially on the legacy Bank of England liquidity facilities as well as the legacy Credit Guarantee Scheme. The Group will face a refinancing concentration during 2011 and 2012 associated with the maturity of the Special Liquidity Scheme and Credit Guarantee Scheme issuance undertaken by the Group prior to the closure of those schemes. While the Group expects that the impact of this refinancing concentration can be mitigated by a combination of alternative funding and reductions in the Group's net wholesale funding requirement, there can be no assurance that these mitigation efforts will be successful, which could lead to serious liquidity constraints and adversely impact solvency.

If the continuing difficulties in the wholesale funding markets are not resolved or central bank provision of liquidity to the financial markets is abruptly curtailed, or the Group's credit ratings are downgraded, it is likely that wholesale funding will prove even more difficult to obtain. Such increased refinancing risk, in isolation or in concert with the related liquidity risks noted above, could have a material adverse effect on the Group's profitability and, in the longer term under extreme and unforeseen circumstances, its ability to meet its financial obligations as they fall due.

4.2 *The Group has been and could continue to be negatively affected by the soundness and/or the perceived soundness of other financial institutions, which could result in significant systemic liquidity problems, losses or defaults by other financial institutions and counterparties, and which could materially adversely affect the Group's results of operations, financial condition and prospects.*

The Group is subject to the risk of deterioration of the commercial soundness and/or perceived soundness of other financial services institutions within and outside the United Kingdom. Financial services institutions that deal with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This presents systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Group interacts on a daily basis, all of which could have an adverse effect on the Group's ability to raise new funding. One potential source of increased systemic risk is presented by the market's perception of Eurozone sovereign and bank borrowers in Italy, the Republic of Ireland, Greece, Portugal and Spain, as reflected in the quoted prices of bonds and credit default swaps for these borrowers.

The Group routinely executes a high volume of transactions with counterparties in the financial services industry, resulting in a significant credit concentration. A default by, or even concerns about the financial resilience of, one or more financial services institutions could lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions, which could have a material and adverse effect on the Group's results of operations, financial condition and prospects.

4.3 *The Group's borrowing costs and access to the capital markets is dependent on a number of factors, and increased costs or reduction in access could materially adversely affect the Group's results of operations, financial condition and prospects.*

Reduction in the credit ratings of the Group or deterioration in the capital markets' perception of the Group's financial resilience, could significantly increase its borrowing costs, limit its access to the capital

markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. Therefore, any further reduction in credit ratings or deterioration of market perception could materially adversely affect the Group's access to liquidity and competitive position, increase its funding costs and, hence, have a material adverse effect on the Group's business, financial position and results of operations. These material adverse effects could also follow from a reduction in the credit ratings of the Bank, HBOS or BOS.

The Group's borrowing costs and access to capital markets could also be affected by regulatory developments such as Basel III or the Capital Requirements Directive, for example restrictions on the treatment of Contingent Convertible Bonds or the imposition of Capital Surcharges. Unfavourable developments could materially adversely affect the Group's access to liquidity, increase its funding costs and, hence, have a material adverse effect on the Group's business, financial position and results of operations.

4.4 *The Group is subject to the risk of having insufficient capital resources to meet the minimum required by regulators.*

A perceived or actual shortage of capital could result in actions or sanctions, which may have a material adverse effect on the Group's business, including its operating results, financial condition and prospects. This, in turn, may affect the Group's capacity to continue its business operations, pay future dividends or pursue acquisitions or other strategic opportunities, impacting future growth potential. In response, if the Group raises additional capital through the issuance of share capital or capital instruments, existing shareholders or holders of debt of a capital nature may experience a dilution of their holdings.

The circumstances which could give rise to shortages of capital and force the Group to raise additional capital include the following:

The Group may experience a depletion of its capital resources through increased costs or liabilities incurred as a result of the crystallisation of any of the other risk factors described elsewhere in this section.

- The Group may experience an increased demand for capital. For example:
 - The Group is subject to extensive regulation and regulatory supervision in relation to the levels of capital in its business. The Group currently meets, and expects to continue to meet, all regulatory capital requirements. However, the FSA could, for example, impose new or revised minimum and buffer capital requirements, apply increasingly stringent stress case scenarios and/or change the manner in which it applies existing regulatory requirements to the Group.
 - The Group's reported regulatory capital requirements depend upon the level of risk weighted assets calculated from the Group's Basel II approved models. These are subject to regular review on a rolling basis to ensure that they remain appropriate in prevailing economic and business conditions. Additionally the Group is currently effecting a programme of new model roll-out and is in the process of some model replacement as a part of the integration of the HBOS and Lloyds TSB businesses. These reviews and new models may lead to increased levels of risk weighted assets, and so to lower reported capital ratios.
 - The proposals of the Basel Committee on Banking Supervision, known as 'Basel III', include increased minimum levels of, and quality standards for, capital, increased risk weighting of assets and the introduction of a minimum leverage ratio and additional capital buffers. The final details of these reforms and the impact on the cost of capital are still to be clarified, particularly as the reforms are to be implemented within the European Union and within the UK, and could impact the Group more severely than currently forecast.

- The Group’s life assurance and general insurance businesses in the UK are subject to capital requirements prescribed by the FSA, and the Group’s life and general insurance companies outside the UK are subject to local regulatory capital requirements. Solvency II, a fundamental review of the capital adequacy regime for the European insurance industry, aims to establish a revised set of EU-wide capital requirements where the required regulatory capital will be dependent upon the risk profile of the entities, together with risk management standards, that will replace the current Solvency I requirements. Solvency II is still in development, but there is a risk that the final regime could increase the planned amount of regulatory capital which the Group’s life assurance and general insurance businesses are required to hold, thus decreasing the amount of capital available for other uses.

The Group may also experience pressure to increase its capital ratios as a result of market expectations arising from increased capital levels or targets amongst its peer banks or through the views of rating agencies or investors.

For more detail on capital management see “Business review – Risk management – Financial soundness” in the Company’s 2010 Annual Report as set out on pages 93 to 102 therein.

5 Insurance and pension scheme related risks

The Group’s insurance businesses and employee pension schemes are subject to risks relating to insurance claim rates, pension scheme benefit payment levels and changes in insurance customer and employee pension scheme member behaviour.

The life and pensions insurance businesses of the Group and its employee pension schemes are exposed to short-term and longer-term variability arising from uncertain longevity and ill-health rates. Adverse developments in any of these factors will increase the size of the Group’s insurance and employee pension scheme liabilities and may adversely affect the Group’s financial condition and results of operations.

Customer behaviour in the life and pensions insurance business may result in increased propensity to cease contributing to or cancel insurance policies at a rate in excess of applicable business assumptions. Consequent reduction in policy persistency and fee income would have an adverse impact upon the profitability of the life and pensions business of the Group. The rate at which employee pension scheme members cease employment affects the aggregate amount of benefits payable by the schemes. This rate may differ from applicable business assumptions. Variances may increase the size of the Group’s aggregate pension liabilities and may adversely affect the Group’s financial condition and results of operations.

The general insurance businesses of the Group are exposed to the risk of uncertain insurance claim rates. For example, extreme weather conditions can result in high property damage claims, higher levels of theft can increase claims on home insurance and changes to unemployment levels can increase claims on loan protection insurance. These claims rates may differ from business assumptions and negative developments may adversely affect the Group’s financial condition and results of operations.

UK banks recognise an insurance asset in their balance sheets representing the value of in-force business (“VIF”) in respect of long-term life assurance contracts, being insurance contracts and investment contracts with discretionary participation features. This asset represents the present value of future profits expected to arise from the portfolio of in-force life assurance contracts. Adoption of this accounting treatment results in the earlier recognition of profit on new business, but subsequently a lower contribution from existing business, when compared to the recognition of profits on investment contracts under IAS 39 (Financial Instruments: “Recognition and Measurement”). Differences between actual and expected experience may have a significant impact on the value of the VIF asset, as changes in experience can result in

significant changes to modelled future cash flows. The VIF asset is calculated based on best-estimate assumptions made by management, including mortality experience and persistency. If these assumptions prove incorrect, the VIF asset could be materially reduced, which in turn could have a material adverse effect on the Group's financial condition and results of operations.

6 Legal and regulatory risks

6.1 *The Group's businesses are subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a significant material adverse effect on the Group's results of operations, financial condition and prospects.*

The Group's businesses are 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, the European Union and the other markets where it operates. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector, which the Group expects to continue for the foreseeable future. The UK Government, the FSA and other regulators in the UK, the European Union or overseas may intervene further in relation to areas of industry risk already identified, or in new areas, which could adversely affect the Group. Future changes are difficult to predict and could materially adversely affect the Group's business.

Areas where changes could have an adverse impact include, but are not limited to:

- (i) general changes in government, central bank or regulatory policy, or changes in regulatory regimes that may influence investor decisions in particular markets in which the Group operates, which may change the structure of those markets and the products offered or may increase the costs of doing business in those markets;
- (ii) external bodies applying or interpreting standards or laws differently to those applied by the Group;
- (iii) changes in competitive and pricing environments;
- (iv) further requirements relating to financial reporting, corporate governance, conduct of business and employee compensation; and
- (v) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership.

The Group continues to face political and regulatory scrutiny as a result of the Group's perceived systemic importance following the Acquisition. At the time of the Acquisition, the Office of Fair Trading (the "OFT") identified some competition concerns in the UK personal current accounts and mortgages markets and for SME banking in Scotland. The OFT reiterated that it would keep these under review and consider whether to refer any banking markets to the Competition Commission if it identifies any prevention, restriction or distortion of competition.

The UK Government appointed an Independent Commission on Banking to review possible structural measures to reform the banking system and promote stability and competition. For more information on competition see "Risk Factors – Competition related risks – The Independent Commission on Banking and the UK Treasury Select Committee are reviewing competition in the UK Retail banking industry. The outcomes of these reviews could have a material adverse effect on the interests of the Group."

From April 2011 the FSA is commencing an internal reorganisation as a first step in a process towards the formal transition of regulatory and supervisory powers from the FSA to the new Financial Conduct Authority (the "FCA") for conduct of business supervision and the Prudential Regulatory Authority (PRA)

for capital and liquidity supervision in 2012. Until this time the responsibility for regulating and supervising the activities of Lloyds Banking Group plc and its subsidiaries will remain with the FSA. In addition, from 2011, the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority as new EU Supervisory Authorities are likely to have greater influence on regulatory approaches across the EU. These could lead to changes in how the Group is regulated and supervised on a day-to-day basis.

Amendments to a number of EU directives are also being considered, including the Market Abuse Directive, Markets in Financial Instruments Directive, Capital Requirements Directive, E-Money Directive and the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive.

Other notable regulatory initiatives include the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) in the US, which affects the financial services industry by addressing, among other issues, systemic risk oversight, bank capital standards, the liquidation of failing systemically significant financial institutions, over-the-counter derivatives, the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity (these restrictions are known as the ‘Volcker Rule’), consumer and investor protection, hedge fund registration, securitisation, investment advisors, shareholder ‘say on pay’, the role of credit-rating agencies, and more.

Under the so-called swap ‘push-out’ provisions of the Dodd-Frank Act, the derivatives activities of US banks and US branch offices of foreign banks will be restricted, which may necessitate a restructuring of how we conduct our derivatives activities. Entities that are swap dealers, security-based swap dealers, major swap participants or major security-based swap participants will be required to register with the US Securities and Exchange Commission (the “**SEC**”) or the US Commodity Futures Trading Commission, or both, and will become subject to the requirements as to capital, margin, business conduct, recordkeeping and other requirements applicable to such entities.

The Dodd-Frank Act also grants the SEC discretionary rule-making authority to impose a new fiduciary standard on brokers, dealers and investment advisers, and expands the extraterritorial jurisdiction of US courts over actions brought by the SEC or the United States with respect to violations of the antifraud provisions in the Securities Act of 1933, the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940.

The details of these regulations will depend on the final regulations ultimately adopted by various US regulatory authorities in 2011.

The Group is currently assessing the impacts of these regulatory developments and will participate in the consultation and calibration processes to be undertaken by the various regulatory bodies during 2011. Implementation of the foregoing regulatory developments could result in additional costs or limit or restrict the way that the Group conducts business, although uncertainty remains about the details, impact and timing of these reforms. The Group continues to work closely with the regulatory authorities and industry associations to ensure that it is able to identify and respond to proposed regulatory changes and mitigate against risks to the Group and its stakeholders.

6.2 *The Group is exposed to various forms of legal and regulatory risk in its operations, 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 material adverse effect on its results or its relations with its customers.*

The Group is exposed to various forms of legal and regulatory risk in its operations including:

- (i) certain aspects of the Group’s business may be determined by the relevant authorities, the Financial Ombudsman Service (the “**FOS**”) or the courts not to have been conducted in

accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the Ombudsman's opinion;

- (ii) the possibility of alleged mis-selling of financial products or the mishandling of complaints related to the sale of such products by or attributed to a member of the Group, resulting in disciplinary action or requirements to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions;
- (iii) contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
- (iv) the Group holds accounts for a number of customers that might be or are subject to interest from various regulators and authorities including the Serious Fraud Office or similar regulators in the United States or other jurisdictions. The Group is not aware of any current investigation into the Group as a result of any such interest but cannot exclude the possibility of its conduct being reviewed as part of any such investigations;
- (v) the intellectual property of the Group (such as trade names) may not be adequately protected;
- (vi) the Group may be liable for damages to third parties harmed by the conduct of its business; and
- (vii) the risk of regulatory proceedings and private litigation, arising out of regulatory investigations or otherwise (brought by individuals or groups of plaintiffs) in the UK and other jurisdictions.

The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. The Group may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when the Group believes that it has no liability. The Group may also do so when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, the Group may, for similar reasons, reimburse counterparties for their losses even in situations where the Group does not believe that it is legally compelled to do so.

Such matters are subject to many uncertainties, and the outcome of individual matters is not predictable.

Failure to manage these risks adequately could impact the Group adversely and materially, both financially and reputationally.

The financial impact of legal and regulatory risks might be considerable but are difficult to quantify. Amounts eventually paid may exceed the amount of provisions set aside to cover such risks.

Companies within the Group are responsible for contributing to compensation schemes such as the UK Financial Services Compensation Scheme (the "FSCS") in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers. Going forward, further provisions in respect of these costs are likely to be necessary. The ultimate cost to the industry, which will also include the cost of any compensation payments made by the FSCS and, if necessary, the cost of meeting any shortfall after recoveries on the borrowings entered into by the FSCS, remains uncertain but may be significant and may have a material adverse effect on the results of operations and financial condition of the Group.

7 Banking Act 2009 related risks

The Group and its UK subsidiaries may be subject to the provisions of the Banking Act 2009 in the future. The potential impact on the Group is inherently uncertain.

Under the Banking Act 2009 (the “**Banking Act**”), substantial powers have been granted to HM Treasury, the Bank of England and the FSA (together the “**Authorities**”) as part of the special resolution regime (the “**SRR**”). These powers enable the Authorities to deal with and stabilise UK-incorporated institutions with permission to accept deposits pursuant to Part IV of the FSMA that are failing, or are likely to fail, to satisfy the threshold conditions (within the meaning of section 41 of the FSMA). The SRR consists of three stabilisation options: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a “bridge bank” wholly-owned by the Bank of England; and (iii) temporary public ownership of the relevant entity. HM Treasury may also take a parent company of a relevant entity into temporary public ownership where certain conditions are met. The Banking Act also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify certain contractual arrangements in certain circumstances.

In general, the Banking Act requires the Authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the United Kingdom. The Banking Act includes provisions related to compensation in respect of transfer instruments and orders made under it. The Authorities are also empowered by order to amend the law for the purpose of enabling the powers under the SRR to be used effectively. An order may make provision which has retrospective effect. In general, there is considerable uncertainty about the scope of the powers afforded to Authorities under the Banking Act and how the Authorities may choose to exercise them.

8 Competition related risks

The Independent Commission on Banking and the UK Treasury Select Committee are reviewing competition in the UK retail banking industry. The outcomes of these reviews could have a material adverse effect on the interests of the Group.

The UK Government has appointed an Independent Commission on Banking (the “**ICB**”) to review possible structural measures to reform the banking system in order to promote, amongst other things, competition. The ICB will publish its final report by the end of September 2011. The interim report published on 11 April 2011 (the “**Interim Report**”) sets out the ICB’s current and provisional views on possible reforms to improve stability and competition in UK banking and seeks responses to those views. Reform options for competition include structural measures to improve competition, including increasing the size of the Verde divestment to a level which is not specified, improved means of switching and transparency and a primary duty for the FCA to promote effective competition. The Group will continue to play a constructive role in the debate and to consult with the ICB during the coming months. However, there can be no assurance that the final report will not recommend that additional obligations be imposed upon the Group. The implementation of such recommendations could materially adversely affect the Group’s results of operations, financial condition and prospects.

The Treasury Select Committee has also recently conducted an examination of competition in retail banking.

It is too early to quantify the potential impact of this on the Group.

For more information on Competition related risks see “Risk Factors – Legal and regulatory risks – The Group’s businesses are subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a significant material adverse

effect on the Group's results of operations, financial condition and prospects" and "Lloyds Banking Group – Regulation – Other bodies impacting the regulatory regime".

9 Operational risks and related issues

9.1 *The Group could fail to attract or retain senior management or other key employees.*

The Group's success depends on its ability to attract, retain and develop high calibre talent. Achievement of this aim cannot be guaranteed, particularly in light of ongoing regulatory and public interest in remuneration practices (the Group is subject to the FSA's Remuneration Code). The Group has also made a number of other commitments regarding its pay policy, including those set out within the statement agreed with the Government as part of 'Project Merlin', encompassing 2010 bonus pools, pay governance, transparency and engagement with its shareholders on pay policy. Failure to attract and retain senior management and key employees could have a material adverse impact on the Group's financial results, operational effectiveness, and presents a significant risk to the delivery of the Group's overall strategy.

9.2 *Weaknesses or failures in the Group's internal processes and procedures and other operational risks could materially adversely affect the Group's results of operations, financial condition and prospects and could result in reputational damage.*

Operational risks, through inadequate or failed internal processes and/or systems (including financial reporting and risk monitoring processes) or from people-related or external events, including the risk of fraud and other criminal acts carried out against the Group, are present in the Group's businesses. The Group's businesses are dependent on processing and reporting 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. Any weakness in these internal controls and processes could have a negative impact on the Group's results, reporting such results, and on the ability to deliver appropriate customer outcomes, during the affected period. Furthermore, damage to the Group's reputation (including to customer confidence) arising from actual or perceived inadequacies, weaknesses or failures in Group systems or processes could have a significant adverse impact on the Group's businesses.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Company or any relevant company within the Group will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the FSA.

9.3 *Terrorist acts, other acts of war, geopolitical, pandemic or other such events could have a material adverse impact on the Group's results of operations, financial condition and prospects.*

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 material adverse impact on UK and international economic conditions generally, and more specifically on the business and results of the Group in ways that cannot necessarily be predicted.

10 Other risks

10.1 *The Group's financial statements are based in part on assumptions and estimates which, if wrong, could cause losses in the future.*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be

reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Group's results and financial position, based upon materiality and significant judgements and estimates, include impairment of financial assets; valuation of financial instruments; pensions; insurance and taxation; are discussed in detail in the Company's 2010 Annual Report under the section entitled "Critical Accounting Estimates and Judgements" as set out on pages 165 to 166 therein.

If the judgement, estimates and assumptions used by the Group in preparing its consolidated financial statements are subsequently found to be incorrect, there could be a material impact on the Group's results of operations and a corresponding impact on its funding requirements and capital ratios.

10.2 The Company is a holding company and as a result, is dependent on dividends from its subsidiaries to meet its obligations including its obligations with respect to its debt securities, and to provide profits for payment of future dividends to shareholders.

The Company is a non-operating holding company and as such the principal sources of its income are from operating subsidiaries which also hold the principal assets of the Group. As a separate legal entity, the Company relies on remittance of their profits and other funds in order to be able to pay obligations to shareholders and debt holders as they fall due.

10.3 The Bank is partly dependent on dividends from its subsidiaries to meet its obligations, including its obligations with respect to its debt securities.

The Bank is a holding company as well as a bank and as such one of its sources of income is dividends from its operating subsidiaries. Following the Group Reorganisation, a proportion of the Bank's income is derived from the businesses and assets of the HBOS Group. Therefore, in order to be able to pay the obligations to debt holders as they fall due, the Bank relies in part on the remittance of dividends and other funds from its operating subsidiaries including the HBOS Group.

10.4 Failure to manage the risks associated with changes in taxation rates or law, or misinterpretation of the law, could materially and adversely affect the Group's results of operations, financial condition and prospects.

Tax risk is the risk associated with changes in taxation rates or law, or misinterpretation of the law. This could result in increased charges, financial loss including penalties, and reputational damage. Failure to manage these risks adequately could impact the Group materially and adversely and could have a material negative impact on the Group's performance or reputation.

10.5 Following the Acquisition, any further increase in HM Treasury's shareholding percentage in the Company, or the aggregation of HM Treasury's interests with that of other shareholders holding 5 per cent. or more, could lead to the Group suffering adverse tax consequences.

Certain companies in the Group have material tax losses and reliefs which they anticipate carrying forward to reduce tax payable in the future and restrictions on the ability to utilise these losses and reliefs could affect the post-tax profitability and capital position of the Group.

Following the Acquisition, actions which could possibly cause the loss of these reliefs to occur would include any further increase in HM Treasury's shareholding in the Company, or the aggregation of HM Treasury's interests with that of other shareholders holding 5 per cent. or more. These actions, if coupled with the occurrence of certain specified events in relation to the Group companies (including a major change in the nature or conduct of a trade carried on by such a Group company or an increase in capital of such a Group company with an investment business) would, in the case of legacy HBOS Group companies, and could, in

the case of legacy Lloyds TSB Group companies, cause restrictions on the ability to utilise these losses and reliefs.

The Company considers that it will be able to conduct its business, and the business of the Group, in a manner which avoids the occurrence of these specified events. However, the ability to do so cannot be predicted with any certainty at the date of this document.

11 Risk Factors relating to the Notes and the CDIs

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

11.1 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;
- (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; and
- (vi) understand the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the relevant Notes.

In addition, an investment in Index Linked Interest Notes, Index Linked Redemption Notes, Inflation Linked Interest Notes, Inflation 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.

11.2 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 Items. 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.

Basel III and related reforms

The Basel Committee on Banking Supervision has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks which are designed to ensure that capital instruments issued by such banks fully absorb losses before tax payers are exposed to loss (the "**Basel III Reforms**"). The Basel III Reforms are expected to be implemented by relevant authorities by 1 January 2013. It is possible that relevant authorities may also apply requirements comparable to those in the Basel III Reforms to other banks which they regulate.

The Basel III Reforms provide that instruments, such as the Subordinated Notes, which do not contain any contractual terms providing for their writing off or conversion into ordinary shares upon the occurrence of a Non-Viability Event (as defined below), will cease to be eligible to count in full as Tier 2 Capital from 1

January 2013 unless, among other things, the jurisdiction of the relevant bank has in place laws that (i) require such instruments to be written off upon the occurrence of a Non-Viability Event, or (ii) otherwise require such instruments fully to absorb losses before tax payers are exposed to loss.

It is possible that the powers which either currently exist under the Banking Act or which may result from any future change in relevant law could be used in such a way as to result in the Subordinated Notes absorbing losses in the manner described in (i) or (ii) above. Accordingly, the operation of any such current or future legislation may have an adverse effect on the position of holders of the Subordinated Notes.

As used above, “**Non-Viability Event**” means the earlier of (a) a decision that a write-off, without which the relevant bank would become non-viable, is necessary; and (b) the decision to make a public sector injection of capital, without which the relevant bank would become non-viable, in each case as determined by the relevant authority.

Furthermore, there can be no assurance that, prior to their implementation in 2013, the Basel Committee on Banking Supervision will not amend the Basel III Reforms. Further, the European Union and/or relevant authorities in the United Kingdom may implement the Basel III Reforms, including the provisions relating to terms which capital instruments are required to have, in a manner that is different from that which is currently envisaged or may impose more onerous requirements on UK banks.

Notes are obligations of the Bank only

The Notes are obligations of the Bank only and are not guaranteed by the Company or by any other entity and accordingly the holders of Notes have recourse in respect thereof only to the Bank.

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, Inflation 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 the rate of inflation in a country or in the European Monetary Union, 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 affecting Index Linked Notes

Where the Notes are Index Linked 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 9(c)(ii), substitute the index with an alternative index or the Bank may elect to give notice to the Noteholders in accordance with Condition 20 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.

Inflation Linked Notes

Inflation 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 level of an inflation index. Interest payable on Inflation Linked Interest Notes may be calculated by reference to the level of an inflation index. Inflation Linked Interest Notes and Inflation Linked Redemption Notes are referred to herein as “**Inflation Linked Notes**”.

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

Index Delay and Disruption Events affecting Inflation Linked Notes

Where the Notes are Inflation Linked Notes and there is a delay in publication of the level of an inflation index, the level of such index ceases to be published, such index is rebased, there is a material change to such index or there has been a manifest error in the publication of the level of such index, the Bank may either require the Calculation Agent to determine if such event has a material effect on the Notes and if so, to adjust the level of such index for the affected Reference Month as further described in Condition 8, to substitute such index with an alternative index or the Bank may elect to give notice to the Noteholders in accordance with Condition 20 and redeem all, but not some only, of the Notes, each Calculation Amount being redeemed at the Early Redemption Amount determined in accordance with the relevant Final Terms less, if so specified in the relevant Final Terms, Unwind Costs.

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 Notes in respect of Underlying Equities

Where the Notes are Equity Linked 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 substitution of an underlying equity security with an alternative equity security 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 10(c).

In respect of Equity Linked 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 Notes or Equity Linked 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.

Additional Disruption Events

Where the Notes are Index Linked Notes or Equity Linked Notes, and the Additional Disruption Events set out in Condition 11 are stated in the relevant Final Terms to be applicable, the Notes may be subject to adjustment or substitution of an affected Reference Item with an alternative Reference Item, or may be redeemed in the event of certain Additional Reference Events occurring. 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 Items. 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.

11.3 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 17 of the Terms and Conditions of the Notes.

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 European Commission Council Directive 2003/48/EC (the “**EU Savings Directive**”) 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, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to 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).

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

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.

Holding CREST Depository Interests

CDI Holders will hold or have an interest in a separate legal instrument and not be the legal owners of the Underlying Notes. Such CDIs will be issued to CDI Holders pursuant to the CREST Deed Poll that will bind such CDI Holders. Fees, charges, costs and expenses may be incurred in connection with the use of the CREST International Settlement Links Service.

Potential investors should note that neither the Bank, the Trustee nor any Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

For further information on the issue and holding of CDIs see “Clearing and Settlement”.

11.4 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 or a common safekeeper, as the case may be, 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 or a common safekeeper, as the case may be, 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.

11.5 Legal 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.

11.6 Risks related to Notes denominated in Renminbi

The Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC

The Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between the Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover twenty provinces and cities in the PRC and to make RMB trade and other current account item settlement available in all countries worldwide. For further details in respect of remittance of Renminbi into and outside the PRC, see “Remittance of Renminbi into and outside the PRC” below.

There is no assurance that the PRC government will continue gradually to liberalise the control over cross-border RMB remittances in the future, that the pilot scheme introduced in July 2009 will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the CNH Notes and the Bank's ability to source Renminbi outside the PRC to service CNH Notes

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. The People's Bank of China (“PBOC”), the central bank of the PRC, has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the settlement agreement on the Clearing of RMB Business (the “**Settlement Agreement**”) between the PBOC and the Bank of China (Hong Kong) Limited (the “**RMB Clearing Bank**”) to expand further the scope of RMB business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open RMB accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert RMB; and there will no longer be any restriction on the transfer of RMB funds between different accounts in Hong Kong.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. As at 31 January 2011, the total amount of Renminbi deposit held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately RMB 370.6 billion. In addition, participating banks are also required by the HKMA to maintain a total amount of Renminbi (in the form of cash and its settlement account balance with the RMB Clearing Bank) of no less than 25 per cent. of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The RMB Clearing Bank only has access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions, including open

positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers of up to RMB20,000 per person per day. The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of the CNH Notes. To the extent the Bank is required to source Renminbi in the offshore market to service the CNH Notes, there is no assurance that the Bank will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the CNH Notes is subject to exchange rate risks and the Bank may make payments of interest and principal in U.S. dollars in certain circumstances

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. In addition, although the Bank's primary obligation is to make all payments of interest and principal with respect to the CNH Notes in Renminbi, in the event access to Renminbi deliverable in Hong Kong becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (each as defined in the Conditions), it would, (having been requested to make such a determination by the Bank) in the opinion of the nominated adjudication agent (which may be the Bank, if so specified), be commercially impracticable for the Bank to pay interest or principal in Renminbi in Hong Kong, if so specified, the terms of the Notes allow the Bank to make payment in U.S. dollars or another specified currency at the prevailing spot rate of exchange, all as provided for in more detail in the Notes (see Condition 6(i)). As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a CNH Noteholder's investment in U.S. dollar or other applicable foreign currency terms will decline.

Payments in respect of the CNH Notes will only be made to investors in the manner specified in the CNH Notes

All payments to investors in respect of the CNH Notes will be made solely by (i) when CNH Notes are represented by a Global Note or a Global Certificate, transfer to a Renminbi bank account maintained in Hong Kong, in accordance with prevailing CMU rules and procedures, or (ii) when CNH Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Bank cannot be required to make payment by any other means (including in bank notes, by cheque or draft, or by transfer to a bank account in the PRC).

11.7 Risk related to payment of Notes in an Alternative Currency

The Bank's primary obligation is to make all payments of interest and principal with respect to Notes in the relevant Specified Currency (or, in the case of Dual Currency Notes, the currency in which payment is otherwise to be made on such Notes). However, if so specified in the Notes, in the event access to the Specified Currency becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (each as defined in the Conditions), it would, (having been requested to make such a determination by the Bank) in the opinion of the nominated adjudication agent (which may be the Bank, if so specified), be commercially impracticable for the Bank to pay interest or principal in the Specified Currency, the Bank shall make any such payment in the relevant Alternative Currency at the rates, and in the manner, set out in Condition 6(i) and the relevant Final Terms.

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 15 below (which do not include, *inter alia*, a cross default provision).

The following is the text of the Terms and Conditions that, 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 issued by Lloyds TSB Bank plc (the “**Bank**”) acting through its London office or its Australia branch (as specified hereon), and are constituted by a Trust Deed originally dated 4 October 1996 and amended and restated on 20 May 2011 (as modified and/or supplemented and/or restated as at the date of issue of the Notes (the “**Issue Date**”), the “**Trust Deed**”) between 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 20 May 2011 (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 Branch, as issuing and paying agent and, in respect of CMU Notes (as defined below), Citicorp International Limited and the other agents named in it. The issuing and paying agent in respect of Notes other than CMU Notes, the issuing and paying agent in respect of CMU Notes, 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 “**CMU Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall, where the context so permits, include the Issuing and Paying Agent and the CMU 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)**” provided that references in these Conditions to the Issuing and Paying Agent shall, in respect of CMU Notes, be construed as references to the CMU Issuing and Paying Agent. 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 Inflation Linked Interest Note, an Inflation 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.

Dated Tier 2 Notes have no provisions for the deferral of payments.

(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 15.

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, subject as provided herein, 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 this Condition 4.

(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 20. 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 20, 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 20.

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, Inflation 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, Inflation 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, Inflation 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, Inflation 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 on the Interest Determination Date and interest will accrue by reference to an Index or Formula as specified hereon, provided, however, that interest on Undated Subordinated Notes will (subject to Condition 3(d)) be payable only at the option of the Bank.

(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 or 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 (if any) shall cease to accrue on each Note (or in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof unless (upon due presentation thereof where presentation is required), payment of principal is improperly withheld or refused or is not made by reason of Condition 3(d) or unless default is otherwise made in respect of payment, in which event, interest shall continue to accrue or, in the case of Zero Coupon Notes, shall accrue (in each case, both before and after judgment) at the Rate of Interest in the manner provided in this Condition 4 to (but excluding) the Relevant Date (as defined in Condition 13).

(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 15, 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 and Renminbi, 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 (which in the case of Australian dollars shall be Sydney); or
- (ii) in the case of euro, a day on which the TARGET System is operating (a **“TARGET Business Day”**); or
- (iii) in the case of Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in Hong Kong are open for business and settlement of Renminbi payments; and
- (iv) 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.

“CMU Notes” means Notes denominated in any lawful currency which the CMU Service accepts for settlement from time to time that are, or are intended to be, cleared through the CMU Service.

“CMU Service” or **“CMU”** means the Central Moneymarkets Unit Service operated by the HKMA;

“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/Actual”** 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, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₂ is greater than 29, in which case D₂ will be 30;

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30;

- (vi) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30; and

- (vii) 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.

“**Hong Kong**” means the Hong Kong Special Administrative Region of the Peoples’ Republic of China.

“**HKMA**” means the Hong Kong Monetary Authority appointed pursuant to Section 5A of the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong) or its successors.

“**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 not Sterling, euro or Renminbi 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 or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi.

“**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 2006 ISDA Definitions, as amended and supplemented and published by the International Swaps and Derivatives Association, Inc. (or as otherwise specified hereon).

“**PRC**” means the People’s Republic of China which, for the purpose of these Terms and Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**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 a.m. (London time) or if the Reference Rate is EURIBOR, 11.00 a.m. (Brussels time).

“**Renminbi**” means the lawful currency of the People’s Republic of China.

“**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 (known as TARGET2) 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 Credit Linked Note, a Currency Linked Redemption Note, an Inflation Linked Redemption

Note, an Index Linked Redemption Note or an Equity Linked Redemption Note , each of which will be finally redeemed in accordance with Conditions 5(a)(iv), 7(a), 8(a), 9(a) and 10(a), 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 15, 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 applied on a compounded or non-compounded basis as specified hereon (which, if none is shown hereon, shall be such rate (compounded annually) 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).

(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 15 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 15(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 (if applicable) or the Maturity 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 13 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 Corporation Tax Act 2010 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 20, redeem on such Interest Payment Date (if the Note is an interest bearing Note other than a Fixed Rate Note) or, at any time (if the Note is a Fixed Rate Note or a non-interest bearing 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, if applicable) and, in the case of Undated Subordinated Notes, shall also pay Arrears of Interest (if any). If Unwind Costs is specified hereon, the applicable Early Redemption Amount will be reduced by an amount equal to the cost to the Bank of unwinding any funding and/or hedging arrangements in relation to such Notes.
- (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 applicable Relevant Jurisdiction (as defined in Condition 13) 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 irrevocable notice to the Noteholders in accordance with the notice period 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 (including, in the case of Undated Subordinated Notes, Arrears of Interest (if any)).

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 it becomes committed to the proposed repayment providing details of its position after such payment in order to show how it will (a) meet its Capital Resources Requirement and (b) have sufficient financial resources to meet the Overall Financial Adequacy Rule 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 of the FSA then in effect;*

*"**Capital Resources**", "**Capital Resources Requirement**" and "**Overall Financial Adequacy Rule**" have the respective meanings given to such terms in the Capital Regulations and shall include any successor terms 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, or, if such currency is Renminbi, in Hong Kong.

(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 or 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.

- (iv) In respect of CMU Notes, payments of principal and interest in respect of such Notes shall be made by transfer to the registered account of the Noteholder(s). A Noteholder’s “registered account” means the account in the Specified Currency maintained by or on behalf of the Noteholder with a bank (whether or not the Specified Currency is Renminbi) in Hong Kong or in such other jurisdiction as may be specified by the Registrar from time to time, details of which appear on the Register at the close of business on the Record Date.

(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 13. 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 Regulated 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 European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

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 20.

(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, Inflation 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 14). 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, Inflation 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 14).

(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 and paragraph 6(i) (*Payment of Alternative Currency Equivalent*) below, “**business day**” means a day (other than a Saturday or a Sunday) on which commercial 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 or Renminbi) 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 Renminbi, on which commercial banks and foreign exchange markets in Hong Kong are open for business and settlement of Renminbi payments; or

(iii) (in the case of a payment in euro) which is a TARGET Business Day.

(i) *Payment of Alternative Currency Equivalent*

Notwithstanding the foregoing, where Alternative Currency Equivalent is specified hereon as being applicable to a Series of Notes, if (following a written request from the Bank that the Alternative Currency Adjudication Agent make a determination pursuant to this sub-Condition) by reason of Inconvertibility, Non-transferability or Illiquidity it would in the opinion of the Alternative Currency Adjudication Agent be commercially impracticable for the Bank to satisfy payments of principal or interest in respect of Notes when due in the Specified Currency (or, in the case of Dual Currency Notes, the currency in which payment is otherwise to be made on such Notes), the Bank shall, on giving to Noteholders, in accordance with Condition 20 and copied to the Trustee, not less than three nor more than 30 days' irrevocable notice prior to the due date for payment that it will make payment in the Alternative Currency, settle any such payment in the Alternative Currency on the due date at the Alternative Currency Equivalent of any such amount. Any payment made in the Alternative Currency under such circumstances will constitute valid payment, and will not constitute a default in respect of the Notes. Notwithstanding the foregoing, if the relevant Inconvertibility, Non-transferability or Illiquidity event occurs or the Alternative Currency Adjudication Agent's decision is taken within three days before the relevant due date for payment then such notice shall be given as soon as practicable and whether on or prior to the due date for payment.

N.B. Alternative Currency Equivalent is expected to apply to CMU Notes denominated in Renminbi, unless otherwise specified in the relevant Final Terms.

As used herein:

"Alternative Currency" means the currency specified as such hereon (or any lawful successor currency to that currency);

"Alternative Currency Adjudication Agent" means the Alternative Currency Adjudication Agent specified hereon (or any lawful successor to the Alternative Currency Adjudication Agent);

"Alternative Currency Calculation Agent" means (i) in the case of CMU Notes denominated in Renminbi, Citicorp International Limited (or any lawful successor thereto) unless otherwise specified hereon; and (ii) in the case of all other Notes, the Alternative Currency Calculation Agent specified hereon (or any lawful successor thereto);

"Alternative Currency Equivalent" means in respect of an amount denominated in the Specified Currency (or, in the case of Dual Currency Notes, the currency in which payment is otherwise to be made on such Notes) such amount converted into the Alternative Currency using the Spot Rate or, where the Specified Currency is Renminbi and the Alternative Currency is U.S. dollars, the RMB Spot Rate, in each case for the relevant Rate Calculation Date, all as determined by the Alternative Currency Calculation Agent;

"Governmental Authority" means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the Specified Currency Jurisdiction;

"Illiquidity" means, with respect to the payment of any sum, foreign exchange markets for the Specified Currency (or, in the case of Dual Currency Notes, the currency in which payment is otherwise to be made on such Notes) becoming illiquid as a result of which it is impossible or, in the opinion of the Alternative Currency Adjudication Agent, commercially impracticable for the Bank to obtain a sufficient amount of the Specified Currency (or, in the case of Dual Currency Notes, the

currency in which payment is otherwise to be made on such Notes) in order to satisfy its obligation to pay such sum;

“Inconvertibility” means, with respect to the payment of any sum, the occurrence of any event that makes it impossible or, in the opinion of the Alternative Currency Adjudication Agent, commercially impracticable for the Bank to convert any amount due in the foreign exchange markets for the Specified Currency (or, in the case of Dual Currency Notes, the currency in which payment is otherwise to be made on such Notes), other than where such impossibility or impracticability is due solely to the failure of the Bank to comply with any law, rule or regulation enacted by any relevant Governmental Authority (unless such law, rule or regulation becomes effective on or after the date on which agreement is reached to issue the first Tranche of a Series of Notes and it is impossible or, in the opinion of the Alternative Currency Adjudication Agent, commercially impracticable for the Bank, due to an event beyond its control, to comply with such law, rule or regulation);

“Non-transferability” means, with respect to the payment of any sum, the occurrence of any event that makes it impossible or, in the opinion of the Alternative Currency Adjudication Agent, commercially impracticable for the Bank to deliver the Specified Currency (or, in the case of Dual Currency Notes, the currency in which payment is otherwise to be made on such Notes) in respect of such sum between accounts inside the Specified Currency Jurisdiction or between an account inside the Specified Currency Jurisdiction and an account outside the Specified Currency Jurisdiction, other than where such impossibility or impracticability is due solely to the failure of the Bank to comply with any law, rule or regulation enacted by any relevant Governmental Authority (unless such law, rule or regulation becomes effective on or after the date on which agreement is reached to issue the first Tranche of a Series of Notes) and it is impossible or, in the opinion of the Alternative Currency Adjudication Agent, commercially impracticable for the Bank, due to an event beyond its control, to comply with such law, rule or regulation;

“Rate Calculation Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the Rate Calculation Jurisdiction;

“Rate Calculation Date” means (i) the day which is the number of Rate Calculation Business Days specified hereon (which shall be two Rate Calculation Business Days where the Specified Currency is Renminbi) before the due date of the relevant amount under these Conditions or (ii) unless specified otherwise hereon, if the relevant Spot Rate is not available on such day, the last preceding Rate Calculation Business Day on which the relevant Spot Rate was most recently available, as determined by the Alternative Currency Calculation Agent;

“Rate Calculation Jurisdiction” means the jurisdiction(s) specified hereon, which shall be the Euro-zone where the Specified Currency is euro or Hong Kong where the Specified Currency is Renminbi.

“RMB Spot Rate”, for a Rate Calculation Date, means unless otherwise specified hereon, the spot Renminbi/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement on the due date for payment, as determined by the Alternative Currency Calculation Agent at or around 11.00 a.m. (Hong Kong time) on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Alternative Currency Calculation Agent will determine the spot rate at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date as the most recently available Renminbi/U.S. dollar official fixing rate for settlement on the due date for payment reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page

on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate;

“Specified Currency Jurisdiction” means (i) other than in the case of euro or Renminbi, the primary jurisdiction for which the Specified Currency (or, in the case of Dual Currency Notes, the currency in which payment is otherwise to be made on such Notes) is the lawful currency, (ii) in the case of euro, the Euro-zone or (iii) in the case of Renminbi, Hong Kong; and

“Spot Rate”, for a Rate Calculation Date, means, unless otherwise specified hereon, the spot exchange rate for the purchase of the Alternative Currency with the Specified Currency (or, in the case of Dual Currency Notes, the currency in which payment is otherwise to be made on such Notes) in the over-the-counter foreign exchange market for the Specified Currency for settlement on the due date for payment (or, in the case of Dual Currency Notes, the currency in which payment is otherwise to be made on such Notes) in the Specified Currency Jurisdiction for settlement as a “spot” foreign exchange transaction in such market, as determined by the Alternative Currency Calculation Agent at or around the Spot Rate Calculation Time specified hereon (Specified Currency Jurisdiction time or, in the case of euro, Central European time) on a deliverable basis by reference to the Spot Rate Screen Page as specified hereon, or if no such rate is available, on a non-deliverable basis by reference to the Non-deliverable Spot Rate Screen Page as specified hereon. Unless specified otherwise hereon, if neither rate is available, the Alternative Currency Calculation Agent will determine the Spot Rate in its discretion on the Rate Calculation Date at or around the Spot Rate Calculation Time (Specified Currency Jurisdiction time or, in the case of euro, Central European time) taking into consideration all available information which the Alternative Currency Calculation Agent deems relevant, including, without limitation, pricing information obtained from any other deliverable or non-deliverable foreign exchange market for the purchase of the Alternative Currency with the Specified Currency (or, in the case of Dual Currency Notes, the currency in which payment is otherwise to be made on such Notes) for settlement on the due date for payment as a “spot” foreign exchange transaction in or in relation to the relevant market.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(i) by the Bank or the Alternative Currency Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Agents and all Noteholders.

7 Currency Linked Notes

(a) Redemption of Currency Linked Redemption Notes

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

(b) Currency Linked Interest Notes

Interest shall be payable on each Currency Linked Interest Note in accordance with the provisions of Condition 4.

8 Inflation Linked Notes

(a) Redemption of Inflation Linked Redemption Notes

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

(b) Inflation Linked Interest Notes

Interest shall be payable on each Inflation Linked Interest Note in accordance with the provisions of Condition 4.

(c) Index Delay and Disruption Event Provision

(i) Delay of Publication of an Index

- (a) If any level of an Index for a Reference Month which is relevant to the calculation of a payment under the Notes (a “**Relevant Level**”) has not been published or announced by the day that is five Business Days prior to an Interest Payment Date (in the case of Inflation Linked Interest Notes) or the Maturity Date (in the case of Inflation Linked Redemption Notes) (each such date, an “**Affected Payment Date**”), the Calculation Agent shall determine a “**Substitute Index Level**” by using the following methodology:

- (1) if applicable, the Calculation Agent will take the same action to determine the Substitute Index Level for the Affected Payment Date as that taken by the calculation agent pursuant to the terms and conditions of the Related Bond; or
- (2) if (1) does not result in a Substitute Index Level for the Affected Payment Date for any reason, then the Calculation Agent shall determine the Substitute Index Level as follows:

$$\text{Substitute Index Level} = \text{Base Level} \times (\text{Latest Level}/\text{Reference Level})$$

Where:

“**Base Level**” means the level of the Index (excluding “**flash estimates**”) published or announced by the Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

“**Latest Level**” means the latest level of the Index (excluding “**flash estimates**”) published or announced by the Index Sponsor prior to the month in respect of which the Substitute Index Level is being calculated.

“**Reference Level**” means the level of the Index (excluding “**flash estimates**”) published or announced by the Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in “**Latest Level**” above.

- (b) If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Interest Payment Date (in the case of Inflation Linked Interest Notes) or the Maturity Date (in the case of Inflation Linked Redemption Notes), such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this section (i) will be the definitive level for the relevant Reference Month.

(ii) Cessation of Publication

If a level for an Index has not been published or announced for two consecutive months or the Index Sponsor announces that it will no longer continue to publish or announce the Index then the Calculation Agent shall determine a “**Successor Index**” (in lieu of any previously applicable Index) for the purposes of the Notes by using the following methodology:

- (a) If at any time (other than after the designation by the Calculation Agent of a date for the early redemption of the Notes pursuant to sub-section (e) below) a successor index has been designated by the calculation agent pursuant to the terms and conditions of the Related Bond, such successor index shall be designated a “Successor Index” for the purposes of all subsequent Interest Payment Dates (in the case of Inflation Linked Interest Notes) or the Maturity Date (in the case of Inflation Linked Redemption Notes) in relation to the Notes notwithstanding that any other successor index may previously have been determined under the other sub-sections of this section (ii); or
- (b) If, (1) a Successor Index has not been determined under sub-section (a) above; (2) there has been no designation of a date for the early redemption of the Notes by the Calculation Agent pursuant to sub-section (e) below; (3) a notice has been given or an announcement has been made by the Index Sponsor, specifying that the Index will be superseded by a replacement Index specified by the Index Sponsor; and (4) the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, then such replacement index shall be deemed to be the “Successor Index” for purposes of the Notes from the date that such replacement Index comes into effect; or
- (c) If a Successor Index has not been designated by the Calculation Agent under sub-sections (a) or (b) above (and there has been no designation of a date for the early redemption of the Notes by the Calculation Agent pursuant to sub-section (e) below), the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Index should be. If at least four responses are received, and of those responses, three or more of such dealers state the same index, such index will be deemed the “Successor Index” for the purposes of the Notes. If three responses are received, and two or more leading independent dealers state the same index, such index will be deemed the “Successor Index” for the purposes of the Notes. If fewer than three responses are received, sub-section (d) below shall apply; or
- (d) If no Successor Index has been determined under sub-section (a), (b) or (c) above by the fifth Business Day prior to the Affected Payment Date, the Calculation Agent will determine an appropriate alternative index for the Interest Payment Date (in the case of Inflation Linked Interest Notes) or the Maturity Date (in the case of Inflation Linked Redemption Notes) related to such Affected Payment Date, and such index will be deemed a “Successor Index”; or
- (e) If the Calculation Agent determines that there is no appropriate alternative index, the Issuer may, by notice to the Noteholders (copied to the Trustee), in accordance with Condition 20, redeem all but not some only of the Notes at the Early Redemption Amount, which shall include a deduction for any Unwind Costs, if so specified in the relevant Final Terms.

(iii) Rebasing of Index

If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the “**Rebased Index**”) will be used for purposes of determining the level of an Index from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. If there is no Related Bond, the Calculation Agent shall make adjustments to the past levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Notes.

(iv) **Material Modification Prior to an Interest Payment Date or Maturity Date**

If, on or prior to the day that is five Business Days before the next Interest Payment Date (in the case of Inflation Linked Interest Notes) or the Maturity Date (in the case of Inflation Linked Redemption Notes), the Index Sponsor announces that it will make a material change to the Index then the Calculation Agent shall make any such adjustments to the Index consistent with adjustments made to the Related Bond, or, if there is no Related Bond, only those adjustments necessary for the modified Index to continue as the Index.

(v) **Manifest Error in Publication**

If, within thirty days of publication but no later than the day that is five Business Days prior to the next Interest Payment Date (in the case of Inflation Linked Interest Notes) or the Maturity Date (in the case of Inflation Linked Redemption Notes), the Calculation Agent determines that the Index Sponsor has corrected the level of the Index to remedy a material error in its original publication, the Calculation Agent will notify the Issuer and the Noteholders, in accordance with Condition 20, of (i) that correction, (ii) any amount that may be payable as a result of that correction and (iii) take such other action as it may deem necessary to give effect to such correction.

(d) *Definitions relevant to Inflation Linked Notes*

“**Fallback Bond**” means a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the Index relates and which pays a coupon or redemption amount which is calculated by reference to the Index, with a maturity date (i) which falls on the same day as the Maturity Date, (ii) which is after but falling closest to the Maturity Date if there is no such bond maturing on the Maturity Date, or (iii) which is before but falling closest to the Maturity Date if no bond defined in (i) or (ii) is selected by Calculation Agent. If the Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date of the Notes. If there is more than one bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

“**Index**” means, subject to adjustment in accordance with this Condition 8, the index specified hereon and related expressions shall be construed accordingly.

“**Index Sponsor**” means, the index sponsor specified for such Index hereon and any successor index sponsor of such Index.

“**Reference Month**” means each month specified hereon, or if none, the calendar month for which the level of the Index was reported, regardless of when this information is published or announced. If the period for which the Index level was reported is a period other than a month, the Reference Month is the period for which the Index level was reported.

“**Related Bond**” means a bond specified hereon or if no bond is specified as the Related Bond herein, the Related Bond shall be the Fallback Bond. If the bond specified to be the Related Bond redeems or matures during the term of the Notes, the Related Bond shall be the Fallback Bond.

9 Index Linked 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.

If Maturity Date Extension is specified hereon as being applicable, where the Final Redemption Amount(s) are determined in respect of a Valuation Date or Averaging Date(s), and where the Valuation Date or the Averaging Date, as the case may be, falling immediately prior to the Maturity Date is postponed as a result of the occurrence of a Disrupted Day, the Maturity Date shall be the later of (i) the date specified hereon as the Maturity Date (the “**Scheduled Maturity Date**”) and (ii) the day falling the number of Extension Business Days after the postponed Valuation Date or the postponed Averaging Date, as the case may be. If any amount is payable on the Maturity Date of an Index Linked Redemption Note to which Maturity Date Extension applies, and the Maturity Date is postponed pursuant to a Maturity Date Extension, such amount will be due on the Maturity Date as so postponed without any interest or other sum payable in respect of the postponement of the payment of such amount.

(b) *Index Linked Interest Notes*

Interest shall be payable on each Index Linked Interest Note in accordance with the provisions of Condition 4.

If Payment Date Extension is specified hereon as being applicable, where the Interest Amount(s) are determined in respect of a Valuation Date or Averaging Date, and such Valuation Date or Averaging Date, as the case may be, is postponed as a result of the occurrence of a Disrupted Day, the Interest Payment Date relating to such postponed Valuation Date or postponed Averaging Date shall be the later of (i) the Interest Payment Date specified hereon (the “**Scheduled Payment Date**”) and (ii) the day falling the number of Extension Business Days after such postponed Valuation Date or postponed Averaging Date, as the case may be. If any amount is payable on an Interest Payment Date in respect of an Index Linked Interest Note to which Payment Date Extension applies, and such Interest Payment Date is postponed pursuant to a Payment Date Extension, such amount will be due on the Interest Payment Date as so postponed without any interest or other sum payable in respect of the postponement of the payment of such amount.

(c) *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 (w), (x), (y) or (z) below:

- (w) 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;
- (x) substitute such Index with a different index and, following such substitution, the Calculation Agent shall make such adjustment (if any) as it considers appropriate to the Reference Price and/or any of the other terms hereof;
- (y) where the Notes are specified hereon as relating to a Basket of Indices, remove such Index from the basket of Indices and, following such removal, the Calculation Agent shall make such adjustment (if any) as it considers appropriate to the Reference Price; or
- (z) give notice to the Noteholders in accordance with Condition 20 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 20 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 relevant Correction Cut-Off Date specified hereon, then the Calculation Agent in its sole and absolute discretion shall determine what, if any, adjustment to make to 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 amended closing level for such Index to determine the relevant Interest Amount (in respect of Notes specified hereon as Interest Linked Interest Notes) and/or the Final Redemption Amount(s) (in respect of Notes specified hereon as Index Linked Redemption Notes).

For the avoidance of doubt, any Corrected Index Level published on or after the relevant Correction Cut-Off Date shall be disregarded.

(d) *Definitions relevant to Index Linked 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 relevant Interest Amount payable (in respect of Notes specified hereon as Index Linked Interest Notes) and/or the Final Redemption Amount(s) (in respect of Notes specified hereon as Index Linked Redemption Notes) 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.

“**Extension Business Days**” means, if Payment Date Extension and/or Maturity Date Extension are specified hereon as applicable, the number of Business Days specified hereon, or, if none, (i) in respect of a Maturity Date Extension, the number of Business Days that the Scheduled Maturity Date falls after the Scheduled Valuation Date or the original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Averaging Date (the “**Affected Averaging Date**”), as the case may be, falling immediately prior to the Scheduled Maturity Date and (ii) in respect of a Payment Date Extension, the

number of Business Days that the Scheduled Payment Date falls after the Scheduled Valuation Date or the Affected Averaging Date, as the case may be, falling immediately prior to such Scheduled Payment Date.

“**Indices**” and “**Index**” mean, subject to adjustment in accordance with Condition 8(c), 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 (1) 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 (2) 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 Threshold 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 Threshold 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 Threshold Percentage comprises 20 per cent. or more of the level of the Index;

OR

- (C) 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 20 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 the 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.

“Multi-Exchange Index” means an Index identified or specified as such hereon.

“Reference Price” means:

- (i) where the Notes are specified hereon as relating 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 any case, if specified hereon, without regard to any subsequently published correction; and
- (ii) where the Notes are specified hereon as relating 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 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 or (B) if Averaging Dates are specified hereon, an Averaging Date and, in any 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, any day on which (A) 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 Threshold Percentage applies in relation to such Index, the Threshold Percentage is equal to or less than 20 per cent.

“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.

“**Threshold Percentage**” means, in relation to an Index and on any day, the percentage of the Component Securities that comprise the level of such Index that 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.

For the purposes of determining the Threshold 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”.

“**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.

10 Equity Linked 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).

If Maturity Date Extension is specified hereon as being applicable, where the Final Redemption Amount(s) or the Asset Amount(s), as the case may be, are determined in respect of a Valuation Date or Averaging Date(s), and where the Valuation Date or the Averaging Date, as the case may be, falling immediately prior to the Maturity Date is postponed as a result of the occurrence of a Disrupted Day, the Maturity Date shall be the later of (i) the date specified hereon as the Maturity Date (the “**Scheduled Maturity Date**”) and (ii) the day falling the number of Extension Business Days after the postponed Valuation Date or the postponed Averaging Date, as the case may be. If any amount is payable on the Maturity Date of an Equity Linked Redemption Note to which Maturity Date Extension applies, and the Maturity Date is postponed pursuant to a Maturity Date Extension, such amount will be due on the Maturity Date as so postponed without any interest or other sum payable in respect of the postponement of the payment of such amount.

(b) *Equity Linked Interest Notes*

Interest shall be payable on each Equity Linked Interest Note in accordance with the provisions of Condition 4.

If Payment Date Extension is specified hereon as being applicable, where the Interest Amount(s) are determined in respect of a Valuation Date or Averaging Date, and such Valuation Date or Averaging Date, as the case may be, is postponed as a result of the occurrence of a Disrupted Day, the Interest Payment Date relating to such postponed Valuation Date or postponed Averaging Date shall be the later of (i) the Interest Payment Date specified hereon (the “**Scheduled Payment Date**”) and (ii) the day falling the number of Extension Business Days after such postponed Valuation Date or postponed Averaging Date, as the case may be. If any amount is payable on an Interest Payment Date in respect of an Equity Linked Interest Note to which Payment Date Extension applies, and such Interest Payment Date is postponed pursuant to a Payment Date Extension, such amount will be due on the Interest Payment Date as so postponed without any interest or other sum payable in respect of the postponement of the payment of such amount.

(c) *Potential Adjustment Events, De-listing, Merger Event, Tender Offer, Nationalisation and Insolvency, Adjustments for Equity Linked Notes in respect of Underlying Equities 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) either (i) make the corresponding adjustment, if any, to any one or more of the Interest Amount(s) (in respect of Notes specified hereon as Equity Linked Interest Notes), the Final Redemption Amount(s) (in respect of Notes specified hereon as Equity Linked Redemption Notes) 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 or (ii) substitute such Underlying Equity with a different underlying equity and, following such substitution, the Calculation Agent shall make such adjustment (if any) as it considers appropriate to the Reference Price and/or any of the other terms hereof (provided that no such adjustment or substitution 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 or substitution. 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 or substitution, 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 subdivision 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 the occurrence (if relevant) of the Potential Adjustment Event, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 stating the occurrence of the Potential Adjustment Event, giving details thereof and the action proposed to be taken in relation thereto.

- (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 Interest Amount(s) (in respect of Notes specified hereon as Equity Linked Interest Notes), the Final Redemption Amount(s) (in respect of Notes specified hereon as Equity Linked Redemption Notes) 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) where the Notes are specified hereon as relating to a Basket of Underlying Equities, remove such Underlying Equity from the basket of Underlying Equities and, following such removal, the Calculation Agent shall determine the appropriate adjustment, if any, to be made to any one or more of the Interest Amount(s) (in respect of Notes specified hereon as Equity Linked Interest Notes), the Final Redemption Amount(s) (in respect of Notes specified hereon as Equity Linked Redemption Notes) 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
 - (C) substitute such Underlying Equity with a different underlying equity and, following such substitution, the Calculation Agent shall make such adjustment (if any) as it considers appropriate to the Reference Price and/or any of the other terms hereof; or
 - (D) give notice to the Noteholders in accordance with Condition 20 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 10(c)(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 20 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 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 Interest Amount(s) (in respect of Notes specified hereon as Equity Linked Interest Notes), the Final Redemption Amount(s) (in respect of Notes specified hereon as Equity Linked Redemption Notes) 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 10(c)(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 20, 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 or an Averaging Date is subsequently corrected and the correction (the “**Corrected Underlying Equity Price**”) is published on the relevant Exchange prior to the relevant Correction Cut-Off Date specified hereon, then the Calculation Agent in its sole and absolute discretion shall determine what, if any, adjustments to make to the closing price for such Underlying Equity for the Valuation Date or such Averaging Date, as the case may be, and the Calculation Agent shall use such amended price of such Underlying Equity to determine the relevant Interest Amount (in respect of Notes specified hereon as Equity Linked Interest Notes) and/or Final Redemption Amount(s) (in respect of Notes specified hereon as Equity Linked Redemption Notes).

For the avoidance of doubt, any Corrected Underlying Equity Price published on or after the relevant Correction Cut-Off Date shall be disregarded.

(d) *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 10(d)(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 10(d)(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 10(d)(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 specified hereon, 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 10(d) 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 20. 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 20. Payment of the Disruption Cash Settlement Price will be made in such manner as shall be notified to the Noteholders in accordance with Condition 20.

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 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 20.

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.

(e) *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 10(d); 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 20. 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 20. 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 20 that the provisions of this Condition 10(e) apply.

(f) *Definitions relevant to Equity Linked 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.

“**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 relevant Interest Amount payable (in respect of Notes specified hereon as Equity Linked Interest Notes) and/or the Final Redemption Amount(s) (in respect of Notes specified hereon as Equity Linked Notes) 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 Reference Price 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 Reference Price 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 Underlying Equity, 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 Reference Price 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 Underlying Equities, the Averaging Date for each Underlying Equity 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 Underlying Equity affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Underlying Equity. If the first succeeding Valid Date in relation to such Underlying Equity 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 Underlying Equity, and (y) the Calculation Agent shall determine the Reference Price for such Averaging Date in accordance with sub-paragraph (ii)(B) of the definition of “Valuation Date”) below;

“**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.

“Extension Business Days” means, if Payment Date Extension and/or Maturity Date Extension are specified hereon as applicable, the number of Business Days specified hereon, or, if none, (i) in respect of a Maturity Date Extension, the number of Business Days that the Scheduled Maturity Date falls after the Scheduled Valuation Date or the original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Averaging Date (the **“Affected Averaging Date”**), as the case may be, falling immediately prior to the Scheduled Maturity Date and (ii) in respect of a Payment Date Extension, the number of Business Days that the Scheduled Payment Date falls after the Scheduled Valuation Date or the Affected Averaging Date, as the case may be, falling immediately prior to such Scheduled Payment Date.

“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 20 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 the 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 an Averaging Date or 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 (A) if a Valuation Date is specified hereon, the Valuation Date or (B) if Averaging Dates are specified hereon, an Averaging Date) 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 or such Averaging Date, as the case may be, if so specified hereon) can be determined at such time and, if the Valuation Date or such Averaging Date, as the case may be, 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 or such Averaging Date, as the case may be, 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 or such Averaging Date, as the case may be, 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 (A) if a Valuation Date is specified hereon, the Valuation Date or (B) if Averaging Dates are specified hereon, an Averaging Date) 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 or such Averaging Date, as the case may be, if so specified hereon) can be determined at such time and, if the Valuation Date or such Averaging Date, as the case may be, 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 or such Averaging Date, as the case may be, 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 or such Averaging Date, as the case may be, 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.

“**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 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 or Averaging Date, as the case may be, 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.

11 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 Hedge Positions 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).

“Hedge Positions” means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, commodities, options, futures, derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by a party in order to hedge, individually or on a portfolio basis, the Notes.

“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 Notes) or securities/commodities comprised in an Index (in the case of Index Linked 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 Notes) or any security/commodity comprised in an Index (in the case of Index Linked 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 Notes) or a security/commodity comprised in an Index (in the case of Index Linked 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 Notes) or any securities/commodities comprised in an Index (in the case of Index Linked 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 Notes) or a security/commodity comprised in an Index (in the case of Index Linked 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.

“Reference Item” means the underlying equity security, index, debt security or other items) to which the Notes relate.

(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), (ii) or (iii) below:

- (i) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of the Interest Amount(s) (in respect of Notes specified hereon as Equity Linked Interest Notes or Index Linked Interest Notes), the Final Redemption Amount(s) (in respect of Notes specified hereon as Equity Linked Redemption Notes or Index Linked Redemption Notes) 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) substitute the relevant Reference Item with a different reference item and, following such substitution, the Calculation Agent shall make such adjustment (if any) as it considers appropriate to the Reference Price and/or any of the other terms hereof; or
- (iii) give notice to the Noteholders in accordance with Condition 20 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 11(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 20 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.

12 Credit Linked Notes

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

13 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, assessment or governmental charge of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of a Relevant Jurisdiction 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, assessment or governmental charge in respect of such Note, Receipt or Coupon by reason of such holder having some connection with the applicable Relevant Jurisdiction 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 applicable Relevant Jurisdiction, 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 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) 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; or
- (g) in the case of any Note, Receipt or Coupon issued by the Bank acting through its Australia branch only:
 - (i) to, or to a third party on behalf of, a holder if such withholding or deduction arises by reason of that person not supplying an appropriate tax file number or Australian Business Number (or details of an applicable exemption from these requirements); or
 - (ii) to, or to a third party on behalf of, a holder if such withholding or deduction arises by reason of such holder being an Offshore Associate of the Bank.

As used herein:

“**Offshore Associate**” means an associate (as defined in section 128F(9) of the Income Tax Assessment Act 1936 of Australia) that is either:

- (a) a non-resident of Australia which does not acquire the relevant Note, Receipt or Coupon in the course of carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires the relevant Note, Receipt or Coupon in the course of carrying on a business at or through a permanent establishment outside Australia,

which is not acquiring the relevant Note, Receipt or Coupon or receiving payment under the relevant Note, Receipt or Coupon in the capacity of a dealer, manager or underwriter in relation to the placement of the Notes or in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme.

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.

“**Relevant Jurisdiction**” means each of (i) the United Kingdom and (ii) in respect of Notes issued by the Bank acting through its Australia branch only, the Commonwealth of Australia.

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 them and (iii) “**principal**” and/or “**interest**” (other than such interest as is referred to in Condition 15(g)) shall be deemed to include any additional amounts that may be payable under this Condition 13 or under any obligations undertaken in addition thereto or in substitution therefor under the Trust Deed.

14 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 13) 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 15(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 20 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 14 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.
- (c) 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.

15 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 and/or pre-funded 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, Luxembourg, (in the case of CMU Notes only) Hong Kong and (in the case of Notes issued by the Bank acting through its Australia branch only) Australian 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 and (in the case of Notes issued by the Bank acting through its Australia branch only) Australia (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 20 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 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 an 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 20, 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 13 shall not apply in respect of the payment of any such interest.

16 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.

17 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 20.

(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 17(c) or Condition 17(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 13.

18 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 20 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 14.
- (b) Where:
 - (i) a Talon (the “**relevant Talon**”) has become prescribed in accordance with Condition 14; 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 20) 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 14 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 14 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 18(b) shall not give, or revive, any rights in respect of any Talon that has become prescribed in accordance with Condition 14.

19 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.

20 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) and, in respect of Notes issued by the Bank acting through its Australia branch only, in a daily newspaper of general circulation in the Commonwealth of Australia (which is expected to be The Australian Financial Review). 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 and (as appropriate) the Commonwealth of Australia, 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.

21 Governing Law

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

22 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

1 Initial Issue of Notes

If the Global Notes or the Global Certificates are stated in the relevant Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), they are intended to be eligible collateral for Eurosystem monetary policy and the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates 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 Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depositary (as defined below) or, in respect of a Global Note or a Global Certificate representing CMU Notes, to a sub-custodian nominated by the HKMA as operator of the CMU Service (the “**CMU Operator**”).

Upon the initial deposit of a Global Note in CGN form with a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”) 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 Depositary, 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 Depositary 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.

A Global Note or Global Certificate representing CMU Notes will be held for the account of any members of the CMU Service (each, a “**CMU Member**”) who have accounts with the CMU Operator, or the CMU participants. Persons holding a beneficial interest in the CMU Notes through Euroclear or Clearstream, Luxembourg will hold their interests through an account opened and held by Euroclear or Clearstream, Luxembourg with the CMU Operator. Interests in a Global Note or Global Certificate representing CMU Notes will only be shown on, and transfers of interests will be effected through, records maintained by the CMU Operator.

2 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 or to the order of 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.

While a Global Note or a Global Certificate representing CMU Notes is held by or on behalf of the CMU Operator, payments of interest or principal will be made to the persons for whose account a relevant interest in such Global Note or Global Certificate is credited as being held by the CMU Operator at the relevant time, as notified to the CMU Issuing and Paying Agent by the CMU Operator in a relevant CMU Instrument Position Report (as defined in the rules of the CMU Service) or in any other relevant notification by the CMU Operator. Such payment will discharge the Bank’s obligations in respect of that payment. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.

Payments, transfers, exchanges and other matters relating to interests in a Global Note or a Global Certificate representing a CMU Note may be subject to various policies and procedures adopted by the CMU Operator from time to time. None of the Bank, the Dealers, the Trustee, the CMU Issuing and Paying Agent, the Registrar, the CMU Lodging Agent, nor any of their respective agents will have any responsibility or liability for any aspect of the CMU Operator’s records relating to, or for payments made on account of, interests in a Global Note or Global Certificate representing a CMU Note, or for maintaining, supervising or reviewing any records relating to such interests.

3 Exchange

3.1 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):

- (i) 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
- (ii) 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.

The CMU Service may require that any such exchange for a permanent Global Note is made in whole and not in part, and in such event no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU Service) or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) have so certified.

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.

3.2 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:

- (i) 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
- (ii) 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
- (iii) 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
- (iv) 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 the CMU Service 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.

3.3 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:

- (i) upon the happening of any of the events defined in the Trust Deed as “Events of Default”; or
- (ii) if such Notes are held on behalf of Euroclear or Clearstream, Luxembourg or the CMU Service 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

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

- (iii) 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
- (iv) 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”.

3.4 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.

3.5 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 relevant 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.

3.6 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.

3.7 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”.

4 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:

4.1 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 (provided that, in respect of CMU Notes, the crediting of interests in the relevant Global Note in the CMU Service shall be deemed to be presentation of such Global Note) 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 13(f) will apply to Definitive Notes only. If the Global Note is a NGN, or if the Global Certificate is held under the NSS, 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 or the Global Certificate will be reduced accordingly. Payments under a 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. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “**business day**” set out in Condition 6(h) (Non-Business Days).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

While a Global Note or a Global Certificate representing the CMU Notes is held by or on behalf of the CMU Operator, payments of interest or principal will be made to the persons for whose account a

relevant interest in the Global Certificate is credited as being held by the CMU Operator at the relevant time, as notified to the relevant Paying Agent by the CMU Operator in a relevant CMU Instrument Position Report or in any other relevant notification by the CMU Operator. Such payment will discharge the Bank's obligations in respect of that payment. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants. Unless otherwise specified in the relevant Final Terms, while a CMU Note is lodged with the CMU Service, "**business day**" and "**Business Day**" shall mean a business day or Business Day (as each term is defined in the Conditions) on which, in addition to the requirements set out in the Conditions or in the relevant Final Terms, the CMU Service is also operating.

Payments, transfers, exchanges and other matters relating to interests in a Global Note or a Global Certificate representing CMU Notes may be subject to various policies and procedures adopted by the CMU Operator from time to time. None of the Bank, the Dealers, the Trustee, the CMU Issuing and Paying Agent, the Registrar or the CMU Lodging Agent, or any of their respective agents, will have any responsibility or liability for any aspect of the CMU Operator's records relating to, or for payments made on account of, interests in such a Global Note or Global Certificate, or for maintaining, supervising or reviewing any records relating to such interests.

4.2 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 13).

4.3 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.

4.4 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.

4.5 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).

4.6 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, or where the Global Certificate is held under the NSS, 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.

4.7 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.

4.8 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.

4.9 Notices

Subject to the immediately following paragraph, so long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate 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 or Global Certificate. Any such notice shall be deemed to have been given to the holders of the Notes on the second business day after such notice is delivered to that clearing system for communication by it to the holders.

For so long as all CMU Notes are represented by a Global Note or a Global Certificate and the Global Note or Global Certificate is held on behalf of the CMU Operator, notices to holders of the CMU Notes may, in substitution for publication as required by the Conditions, be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report (as defined in the rules of the CMU Service) issued by the CMU Operator on the business day preceding the date of despatch of such notice as holding interests in such Global Note or Global Certificate for communication to the CMU participants. Any such notice shall be deemed to have been given to the holders of CMU Notes on the second business day after such notice is delivered to the persons shown in the relevant CMU Instrument Position Report as aforesaid. Indirect participants will have to rely on the CMU participants

(through whom they hold the CMU Notes, in the form of interests in a Global Note or a Global Certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants.

4.10 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 10(d)(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.

4.11 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.

5 CMU

The CMU Operator is under no obligation to maintain or continue to operate the CMU Service nor to perform or continue to perform the procedures described above. Accordingly, the CMU Service and such procedures may be discontinued or modified at any time. None of the Bank, the Dealers, the Trustee, the CMU Issuing and Paying Agent, the Registrar, the CMU Lodging Agent, nor any of their respective agents will have any responsibility for the performance by the CMU Operator or the CMU participants of their respective obligations under the rules and procedures governing their operations.

A Global Note or Global Certificate representing CMU Notes will be held for the account of CMU Members who have accounts with the CMU Operator, or the CMU participants. Interests in such Global Note or Global

Certificate will only be shown on, and transfers of interests will be effected through, records maintained by the CMU Operator.

USE OF PROCEEDS

The net proceeds of each issue of Notes will be used for the general business purposes of Lloyds Banking 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.

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186) (the “**Circular**”), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts was expanded to cover 20 provinces and cities including Beijing, and (iii) the restriction on designated offshore districts was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only been effected by approved pilot enterprises in designated pilot districts in the PRC). In particular, any foreign invested enterprises located in the designated pilot districts may remit all lawful dividends and distribution payments in Renminbi to its foreign investors outside the PRC. Certain foreign invested enterprises in Guangdong were able to remit dividend payments to their foreign investors in Renminbi before the formal publication of the Circular.

As a new regulation, the Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circular and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

On 25 February 2011, the Ministry of Commerce issued the Notice on Relevant Issues regarding the Administration of Foreign Investment, under which, if a foreign investor intends to make investment in the PRC, including establishing new foreign invested enterprises, increasing capital to or acquiring existing PRC enterprises, and providing loans, with its RMB proceeds through settlement of cross-border trades or obtained lawfully through other means outside the PRC, it shall apply to the relevant provincial commerce authority for approval. Upon receiving such application, the relevant provincial commerce authority shall report to the Ministry of Commerce for its consent. Only with the consent of the Ministry of Commerce, may the provincial commerce authority proceed with the relevant approval procedures. As a new regulation, such notice will be subject to interpretation and application by the relevant PRC authorities.

There is no assurance that approval of such remittances will continue to be granted or will not be revoked in the future. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

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 or common safekeeper, as the case may be, for Clearstream, Luxembourg and/or Euroclear or an Alternative Clearing System (including, in the case of CMU Notes, the CMU Service) 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 or common safekeeper, as the case may be, on behalf of Euroclear and Clearstream, Luxembourg will have an ISIN and a Common Code. Global Notes deposited with a common depository or nominee or custodian of an Alternative Clearing System may have additional or alternative identifiers, as set out in the relevant Final Terms.

Registered Notes

The Bank may make applications to Clearstream, Luxembourg and/or Euroclear and/or an Alternative Clearing System (including, in the case of CMU Notes, the CMU Service) 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. Global Certificates registered in the name of a nominee for an Alternative Clearing System may have additional or alternative identifiers, as set out in the relevant Final Terms.

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, Euroclear and the CMU Service 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 and/or the CMU Service, 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, DTC or the CMU Service 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, Clearstream, Luxembourg, DTC or the CMU Service, as the case may be, 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, Euroclear or the CMU Service, 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/or the CMU Service 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, Euroclear, the CMU Service 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, Euroclear and the CMU Service, 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, Clearstream, Luxembourg or the CMU Service 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, Euroclear and the CMU Service 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, Euroclear and the CMU Service, 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, Euroclear or the CMU Service 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 depositary or its nominee for Clearstream, Luxembourg, Euroclear and the CMU Service or for DTC or for an Alternative Clearing System 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.

CREST Depository Interests

Following their delivery into a clearing system, interests in Notes may be delivered, held and settled in CREST by means of the creation of CDIs representing the interests in the relevant Underlying Notes. The CDIs will be issued by the CREST Depository to CDI Holders and will be governed by English law.

The CDIs will represent indirect interests in the interest of CREST International Nominees Limited (the “**CREST Nominee**”) in the Underlying Notes. Pursuant to the CREST Manual (as defined below), Notes held in global form by the Common Depositary may be settled through CREST, and the CREST Depository will issue CDIs. The CDIs will be independent securities, constituted under English law which may be held and transferred through CREST.

Interests in the Underlying Notes will be credited to the CREST Nominee's account with Euroclear and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST participants.

Each CDI will be treated by the CREST Depository as if it were one Underlying Note, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to CDI Holders any interest or other amounts received by it as holder of the Underlying Notes on trust for such CDI Holder. CDI Holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Notes and other relevant notices issued by the Bank.

Transfers of interests in Underlying Notes by a CREST participant to a participant of Euroclear or Clearstream, Luxembourg will be effected by cancellation of the CDIs and transfer of an interest in such Notes underlying the CDIs to the account of the relevant participant with Euroclear or Clearstream, Luxembourg.

The CDIs will have the same ISIN as the ISIN of the Underlying Notes and will not require a separate listing on the Official List.

Prospective subscribers for Notes represented by CDIs are referred to Chapter 3 of the CREST Manual which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Bank including the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual)) executed by the CREST Depository. These rights may be different from those of holders of Notes which are not represented by CDIs.

If issued, CDIs will be delivered, held and settled in CREST, by means of the CREST International Settlement Links Service (the “**CREST International Settlement Links Service**”). The settlement of the CDIs by means of the CREST International Settlement Links Service has the following consequences for CDI Holders:

- (i) CDI Holders will not be the legal owners of the Underlying Notes. The CDIs are separate legal instruments from the Underlying Notes to which they relate and represent an indirect interest in such Underlying Notes.
- (ii) The Underlying Notes themselves (as distinct from the CDIs representing indirect interests in such Underlying Notes) will be held in an account with a custodian. The custodian will hold the Underlying Notes through a clearing system. Rights in the Underlying Notes will be held through custodial and depository links through the appropriate clearing systems. The legal title to the Underlying Notes or to interests in the Underlying Notes will depend on the rules of the clearing system in or through which the Underlying Notes are held.
- (iii) Rights under the Underlying Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositories and custodians described above. The enforcement of rights under the Underlying Notes will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Notes are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Notes. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Notes held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.
- (iv) The CDIs issued to CDI Holders will be constituted and issued pursuant to the CREST Deed Poll. CDI Holders will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to, the CREST International Manual dated 14 April 2008 as amended, modified, varied or supplemented from time to time (the “CREST Manual”) and the CREST Rules (the “CREST Rules”) (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and CDI Holders must comply in full with all obligations imposed on them by such provisions.
- (v) Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the issuer of the CDIs, the CREST Depository.

- (vi) CDI Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. The attention of potential investors is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from CREST at 33 Cannon Street, London EC4M 5SB or by calling +44 (0) 207 849 0000 or from the CREST website at www.euroclear.com/site/public/EUI
- (vii) Potential investors should note CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Notes through the CREST International Settlement Links Service.
- (viii) Potential investors should note that neither the Bank, the Trustee nor any Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.
- (ix) Potential investors should note that Notes issued in temporary global form exchangeable for a Permanent Global Security will not be eligible for CREST settlement as CDIs. As such, investors investing in the Underlying Notes through CDIs will only receive the CDIs after such Temporary Global Security is exchanged for a Permanent Global Security, which could take up to 40 days after the issue of the Notes.

CMU

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the CMU Members of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Manual (as defined in the Trust Deed) as capable of being held within the CMU Service.

The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the services is open to all members of the Hong Kong Capital Markets Association, "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong and other domestic and overseas financial institutions at the discretion of the HKMA.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members.

Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging Agent will collect such certificates from the relevant CMU Members identified from a CMU Instrument Position Report obtained by request from the HKMA for this purpose.

LLOYDS BANKING GROUP

Overview

The businesses of the Lloyds Banking Group are in or owned by the Bank. Lloyds Banking Group is a leading UK based financial services group providing a wide range of banking and financial services, primarily in the UK, to personal and corporate customers.

History and development of Lloyds Banking Group

The history of the Group can be traced back to the 18th century when the banking partnership of Taylors and Lloyds was established in Birmingham, England. Lloyds Bank Plc was incorporated in 1865 and during the late 19th and early 20th centuries entered into a number of acquisitions and mergers, significantly increasing the number of banking offices in the UK. In 1995, it continued to expand with the acquisition of the Cheltenham and Gloucester Building Society (C&G).

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, the TSB Group had, either through organic growth or acquisition, developed life and general insurance operations, investment management activities, and a motor vehicle hire purchase and leasing operation 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 re-named Lloyds TSB Bank plc, the principal subsidiary. In 1999, the businesses, assets and liabilities of TSB Bank plc, the principal banking subsidiary of the TSB Group prior to the merger, and its subsidiary Hill Samuel Bank Limited were vested in Lloyds TSB Bank plc, and in 2000, Lloyds TSB Group acquired Scottish Widows. In addition to already 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.

On 18 September 2008, with the support of the UK Government, the boards of Lloyds TSB Group plc and HBOS plc announced that they had reached agreement on the terms of a recommended acquisition by Lloyds TSB Group plc of HBOS plc. The shareholders of Lloyds TSB Group plc approved the acquisition at the Company's general meeting on 19 November 2008. On 16 January 2009, the acquisition was completed and Lloyds TSB Group plc changed its name to Lloyds Banking Group plc.

Pursuant to two placing and open offers which were completed by the Company in January and June 2009 and the Rights Issue completed in December 2009, the UK Government acquired 43.4 per cent. of the Company's issued ordinary share capital. Following further issues of ordinary shares, the UK Government's holding has been reduced to approximately 40.6 per cent.

Strategy of Lloyds Banking Group

The Group's corporate strategy supports its vision of being recognised as the best financial services company in the UK by customers, colleagues and shareholders. The strategy is focused on being a conservative, "through the cycle" relationship-based business.

The main focus for the Group remains the financial services markets in the UK and the Group's strategic position was strengthened through the Acquisition. The Group is a well diversified UK financial services group and the largest retail financial services provider in the UK. The Group has leading positions in

many of the markets in which it participates, a comprehensive distribution capability, well recognised brands and a large customer base. The Group continues to invest in products and services, systems and training that combined will offer improved choice and service to the Group's customers. The Group's corporate strategy is focused on:

Developing strong customer franchises that are based on deep customer relationships

The Group's core businesses are focused on extending customer relationships, whilst enhancing product capabilities to build competitive advantage. Striving to understand and effectively meet the needs of the Group's customers from basic banking products to the more specialist services such as insurance, wealth management or corporate banking is at the heart of the Group's business and is fundamental to ensuring that the Group is developing long-lasting customer relationships.

Building a high performance organisation

In building a high performance organisation the Group is focused on improving its cost efficiency and utilising its capital more effectively whilst maintaining a prudent approach to risk.

- The Group aspires to have one of the lowest cost:income ratios amongst UK financial institutions and further improving the Group's processing efficiency and effectiveness will remain a priority. The effective integration of the HBOS business and the anticipated synergies arising from the Acquisition will be key to further improving the Group's efficiency.
- Utilising capital more effectively is increasingly important in the current environment and capital will continue to be rigorously allocated across the Group's portfolio of businesses to support core business growth.
- The prudent Lloyds TSB "through the cycle" approach to risk has been applied to the enlarged Group. The Group's conservative and prudent approach to risk is core to the business model and the "through the cycle" approach means that the Group will continue to support its customers throughout the economic cycle. The risk structures and frameworks that have been implemented are the foundation for good business management.

Managing the Group's most valuable resource, people

Central to executing the Group's strategy effectively will be building strong and long lasting customer relationships; this will only be possible through the efforts of its people. Therefore the Group's employees are its most valuable resource and it must ensure that their objectives and deliverables are aligned to the Group's corporate strategy. In driving a high performance culture it is important to encourage, manage and develop staff whilst creating a great place to work. By creating a great place to work the Group believes it will be able to retain and attract the highest performers.

Summary

The Group believes that the successful execution of its strategy to focus on core markets, customer and cost leadership, balance sheet efficiency, a prudent risk appetite and the effective management of its most valuable resource, its people, will bring the Group closer to achieving its vision of being recognised as the best financial services company in the UK.

Following the appointment of António Horta-Osório as Group Chief Executive of Lloyds Banking Group on 1 March 2011, the Group has also announced the launch of a Strategic Review of its Medium Term Plan. The conclusions of the Strategic Review will be announced around the end of the first half of 2011. The Strategic Review will cover all aspects of the business and will focus on ensuring that customers will be at the heart of the Group's future strategy by supporting UK households and businesses.

Businesses and Activities

The Group is organised into four segments: Retail; Wholesale; Wealth and International; and Insurance.

Retail

Retail operates the largest retail bank in the UK and is the leading provider of current accounts, savings, personal loans, credit cards and mortgages. With its strong stable of brands including Lloyds TSB, Halifax, Bank of Scotland and Cheltenham & Gloucester, it serves over 30 million customers through one of the largest branch and fee free ATM networks in the UK.

Retail is focused on effectively meeting the needs of its customers. The division has over 22 million current account customers and provides social banking to over four million people through basic banking or social banking accounts. It is also the largest provider of personal loans in the UK, as well as being the UK's leading credit card issuer. Retail provides over one in five new residential mortgages making it one of the leading UK mortgage lenders and provided over 50,000 mortgages to help first time buyers in 2010. Retail is the largest private sector savings provider in the UK. It is also a major general insurance and bancassurance distributor, offering a wide range of long-term savings, investment and general insurance products.

Wholesale

The Wholesale division serves in excess of a million businesses, ranging from start-ups and small enterprises to global corporations, with a range of propositions fully segmented according to customer need. The division comprises Corporate Markets, Treasury and Trading and Asset Finance.

Corporate Markets comprises Commercial, Corporate, Wholesale Markets, Wholesale Equity and Corporate Real Estate Business Support Unit. Commercial and Corporate provide relationship-based banking, risk management and advisory services to business customers, principally in the UK. Wholesale Markets provides risk management solutions, specialised lending, access to capital markets and multi-product financing solutions to its customers, whilst managing the Group's own portfolio of structured credit investments and treasury assets. Wholesale Equity manages the division's equity investment holdings (including Lloyds Development Capital). Corporate Real Estate Business Support Unit manages relationships with commercial real estate customers facing financial difficulties.

Treasury and Trading's role is to provide access to financial markets in order to meet the Group's balance sheet management requirements, and it provides trading infrastructure to support execution of customer-driven risk management transactions, whilst operating within a well controlled and conservative risk appetite.

Asset Finance consists of a number of leasing and speciality lending businesses including Contract Hire (Lex Autolease and Hill Hire) and Consumer Finance (Black Horse Motor and Personal Finance).

Wealth and International

Wealth and International was formed in 2009 to give increased focus and momentum to the private banking and asset management businesses and to manage the Group's international businesses.

The Wealth business comprises private banking, wealth management and asset management. Wealth's global private banking and wealth management operations cater to the full range of wealth clients from affluent to Ultra High Net Worth within the UK, Channel Islands and Isle of Man, and internationally. The private banking and wealth management business operates under the Lloyds TSB and Bank of Scotland brands. The asset management business, Scottish Widows Investment Partnership, has a broad client base, managing assets for Lloyds Banking Group customers as well as a wide range of clients including pension funds, charities, local authorities, Discretionary Managers and Financial Advisers. In addition, the Group

holds a 60 per cent. stake in St James's Place, the UK's largest independent listed wealth manager and a 55 per cent. stake in Invista Real Estate.

The International business comprises the Group's other international banking businesses outside the UK, with the exception of corporate business in North America which is managed through the Group's Wholesale division. These largely comprise corporate, commercial and asset finance business in Australia, Ireland and Continental Europe and retail businesses in Germany and the Netherlands.

Insurance

The Insurance division provides long-term savings, protection and investment products and general insurance products to customers in the UK and Europe and consists of three business units:

Life, Pensions and Investments UK

The UK Life, Pensions and Investments business is the leading bancassurance provider in the UK and has one of the largest intermediary channels in the industry. The business provides long-term savings, protection and investment products distributed through the bancassurance, intermediary and direct channels using the Lloyds TSB, Halifax, Bank of Scotland and Scottish Widows brands.

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

With-profits life and pensions products are written from the respective With Profit sub-funds in the Group. 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 Profit sub-fund.

Other life and pensions products are generally written from Non-Profit sub-funds.

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.

Life, Pensions And Investments Europe

The European Life, Pensions and Investments business distributes products primarily in the German market under the Heidelberger Leben and Clerical Medical brands.

General Insurance

The General Insurance business is a leading distributor of home insurance in the UK, with products sold through the branch network, direct channels and strategic corporate partners. The business also has significant brokerage operations for personal and commercial insurances. It operates primarily under the Lloyds TSB, Halifax and Bank of Scotland brands.

Competitive Environment

The Group provides financial services to personal and corporate customers, predominantly in the UK but also overseas. The main business activities of the Group are retail, commercial and corporate banking, general insurance, and life, pensions and investment provision.

In the retail banking market, the 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 specialist mortgage providers. The Group competes with both UK and foreign financial institutions in the wholesale banking markets and with bancassurance, life assurance and general insurance companies in the UK insurance market.

Regulation

Overview of UK Regulation

The FSA has responsibility under the FSMA for the regulation and oversight of a wide range of financial services activities in the UK and is responsible for the authorisation and supervision of institutions that perform regulated activities as defined in the FSMA. As at 31 December 2010, there were 40 UK authorised institutions across the Group which are regulated by the FSA on both an individual and a consolidated basis.

Regulatory Approach of the FSA

The FSA's regulatory approach requires senior management of a financial institution to ensure that it takes reasonable care to organise and control its affairs responsibly and effectively and that it develops and maintains adequate risk management systems.

The FSA Handbook sets out rules and guidance across a range of issues with which financial institutions are required to comply including prudential rules relating to capital adequacy and liquidity, high level principles of business and detailed conduct of business standards and reporting standards.

The UK Government has announced plans to give the Bank of England macro- and micro-prudential supervisory powers over UK regulated banks and to create a new Customer Protection and Markets Authority (to be renamed the Financial Conduct Authority (FCA)) to take over the FSA's conduct of business supervisory role, together with certain other duties from the FSA and other bodies.

Other Bodies Impacting the Regulatory Regime

The Bank of England and HM Treasury

The agreed framework for co-operation in the field of financial stability in the financial markets is detailed in the Memorandum of Understanding published jointly by the HM Treasury, the FSA and the Bank of England (the "**Tripartite Authorities**"). The Bank of England has specific responsibilities in relation to financial stability, including: (i) ensuring the stability of the monetary system; (ii) oversight of the financial system infrastructure, in particular payments systems in the UK and abroad; and (iii) maintaining a broad overview of the financial system through its monetary stability role and the deputy governor's membership of the FSA's Board. The Tripartite Authorities work together to achieve stability in the financial markets.

The Banking Act provides the Tripartite Authorities with the tools for dealing with failing institutions as part of the SRR. These powers are designed to enable the Tripartite Authorities to deal with and stabilise UK-incorporated institutions with permission to accept deposits pursuant to Part IV of the FSMA (each, a "**relevant entity**") that are failing or are likely to fail to satisfy certain threshold conditions (within the meaning of section 41 of the FSMA, being the conditions that a relevant entity must satisfy in order to retain its authorisation to perform regulated activities).

The SRR consists of three stabilisation options: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a 'bridge bank' wholly-owned by the Bank of England; and (iii) temporary public ownership of the relevant entity. HM Treasury may also take a parent company of a relevant entity into temporary public ownership where certain conditions are met.

UK Financial Ombudsman Service (FOS)

The FOS provides 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 for eligible persons that cover most financial products and services provided in (or from) the UK. The jurisdiction of the FOS extends to include firms conducting activities under the Consumer Credit Act. Although the FOS takes account of relevant regulation and legislation, its 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 regulated firms.

The Financial Services Compensation Scheme (FSCS)

The FSCS was established under the FSMA and is the UK's statutory fund of last resort for customers of authorised financial services firms. Companies within the Group are responsible for contributing to compensation schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers. The FSCS can pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it. The FSCS is funded by levies on firms authorised by the FSA, including companies within the Group.

Lending Standards Board

The Lending Standards Board (formerly the Banking Code Standards Board) is responsible for monitoring and enforcing compliance with the Lending Code introduced on 1 November 2009, which relates to lending to private customers and small businesses.

UK Office of Fair Trading (OFT)

The OFT is the UK's consumer and competition authority. Its regulatory and enforcement powers impact the banking sector in a number of ways.

UK Information Commissioner's Office

The UK Information Commissioner's 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. The Freedom of Information Act 2000 (the "FOIA") sets out a scheme under which any person can obtain information held by, or on behalf of, a 'public authority' without needing to justify the request. A public authority will not be required to disclose information if certain exemptions set out in the FOIA apply.

Independent Commission on Banking

The ICB was established by the UK Government in June 2010 to examine the banking sector and to make recommendations on structural and related non-structural measures to promote stability and competition in the banking sector.

The ICB will make recommendations covering both:

- Structural measures to reform the banking system and promote stability and competition, including the complex issue of separating retail and investment banking functions; and
- Related non-structural measures to promote stability and competition in banking for the benefit of consumers and businesses.

In considering these measures the ICB will have regard to the legal and operational requirements of implementing the options under consideration, and the importance of generating practical recommendations. It will also take into account the findings of ongoing EU and international work, and inform the UK Government's approach to international discussions on the financial system.

The ICB will also have regard to the Government's wider goals of financial stability and creating an efficient, open, robust and diverse banking sector, with specific attention paid to the potential impact of its recommendations on:

- Financial stability;
- Lending to UK consumers and businesses and the pace of economic recovery;
- Consumer choice;
- The competitiveness of the UK financial and professional services sectors and the wider UK economy; and
- Risks to the fiscal position of the Government.

The ICB published its interim report on 11 April 2011. The Group believes that its 'through the cycle' relationship based strategy is consistent with the aims of the ICB but at this time it is not possible to gauge the final impact of the review on the Group. The Group has cooperated fully with the ICB to date.

The final report for the Cabinet Committee on Banking is expected to be published by the end of September 2011 prior to which there will be a further period of consultation and the Group expects to continue to be at the forefront of the debate with the ICB.

For more information on the ICB and the recommendations in its interim report see "Risk Factors – Competition related risks – The Independent Commission on Banking and the UK Treasury Select Committee are reviewing competition in the UK Retail banking industry. The outcomes of these reviews could have a material adverse effect on the interests of the Group".

EU Regulation

The UK has implemented all of the directives introduced under the Financial Services Action Plan. However, these directives are regularly reviewed at EU level and could be subject to change. The Group will continue to monitor the progress of these initiatives, provide specialist input on their drafting and assess the likely impact on its business.

The proposals of the Basel Committee on Banking Supervision, known as 'Basel III', include increased minimum levels of, and quality standards for, capital, increased risk weighting of assets and the introduction of a minimum leverage ratio and additional capital buffers. The final details of these reforms and the impact on the cost of capital are still to be clarified, particularly as the reforms are to be implemented with the European Union and within the UK.

U.S. Operations and Regulation

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. Lloyds Banking Group maintains representative offices in several U.S. cities. The existence of branch and agency offices in the U.S. subjects Lloyds Banking Group plc and its subsidiaries doing business or conducting activities in the U.S. to oversight by the Federal Reserve Board and limits the nature of the activities in which Lloyds Banking Group plc and its subsidiaries can engage in the U.S. Lloyds TSB Bank's branch and agency offices are subject to extensive federal and state supervision and regulation relating to their operations.

The Group's US broker dealer, Lloyds Securities Inc., is subject to regulation and supervision by the SEC and the Financial Industry Regulatory Authority with respect to its securities activities, including sales methods, trade practices, use and safekeeping of customers' funds and securities, capital structure, recordkeeping, the financing of customers' purchases and the conduct of directors, officers and employees.

On 21 July 2010, the United States enacted the Dodd-Frank Act, which provides a broad framework for significant regulatory changes that will extend to almost every area of US financial regulation. Many of the provisions of the Dodd-Frank Act and regulations which the Financial Stability Oversight Council or the Consumer Financial Protection Bureau established under the Dodd-Frank Act may adopt will affect the operations of the Group's non-banking subsidiaries in the US, as well as Lloyds TSB Bank plc's US banking operations. The impact of the Dodd-Frank Act and its implementing regulations on the Group's US operations will depend on the final regulations ultimately adopted by various US regulatory authorities in 2011. See also "Risk Factors – Legal and regulatory risks – The Group's businesses are subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a significant material adverse effect on the Group's results of operations, financial condition and prospects" for further details on the Dodd-Frank Act.

A major focus of U.S. governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with U.S. economic sanctions, with serious legal and reputational consequences for any failures arising in these areas. The Group engages, or has engaged, in a limited amount of business with counterparties in certain countries which the U.S. State Department currently designates as state sponsors of terrorism, including Iran, Syria, Cuba, and Sudan. In January 2008, the Group introduced an enhanced financial sanctions policy which applies to all of the Group's operations and severely restricts activity with certain high risk jurisdictions including the countries designated by the U.S. State Department. From their acquisition in January 2009, HBOS plc and its subsidiaries became subject to the same policy and the Group has undertaken the activities necessary to implement policy requirements across the heritage-HBOS businesses. The Group continues to reduce its outstanding exposures to such states which have arisen through historical business activity. In accordance with this policy, the Group intends to engage only in new business in such jurisdictions in very limited circumstances where the Group is satisfied concerning legal, compliance and reputational issues.

Since its implementation the policy has resulted in a significant reduction in the contacts that the Group had (in terms of value and volume) and the Group expects a further reduction in its contacts in the coming years. The Group does not have, and does not anticipate having, a physical presence in any of the countries designated as state sponsors of terrorism.

At 31 December 2010, the Group does not believe the Group's business activities relating to countries designated as state sponsors of terrorism were material to its overall business.

The Group estimates that the value of the Group's business in respect of such states represented less than 0.015 per cent. of the Group's total assets and, for the year ended 31 December 2010, the Group believes that the Group's revenues from all activities relating to such states were less than 0.005 per cent. of its total income net of insurance claims. This information has been compiled from various sources within the Group, including information manually collected from relevant business units, and this has necessarily involved some degree of estimate and judgement.

Regulatory Actions

FSA Supervisory Review Into Historical HBOS Disclosures

The FSA is conducting a supervisory review into the accuracy and completeness of financial disclosures, made by HBOS in connection with its capital raisings in 2008, including information as to corporate impairments disclosed in the circulars and/or prospectuses issued by HBOS in connection with such capital raisings. The Group is cooperating fully with this review.

Legal Actions and Regulatory Matters

During the ordinary course of business the Group is subject to threatened or actual legal proceedings and regulatory challenge both in the UK and overseas.

Unarranged Overdraft Charges

In April 2007, the OFT commenced an investigation into the fairness of personal current accounts and unarranged overdraft charges. At the same time, it commenced a market study into wider questions about competition and price transparency in the provision of personal current accounts.

The Supreme Court of the United Kingdom published its judgment in respect of the fairness of unarranged overdraft charges on personal current accounts on 25 November 2009, finding in favour of the litigant banks. On 22 December 2009, the OFT announced that it will not continue its investigation into the fairness of these charges. The Group is working with the regulators to ensure that outstanding customer complaints are concluded as quickly as possible and anticipates that most cases in the county courts will be discontinued. The Group expects that some customers will argue that despite the test case ruling they are entitled to a refund of unarranged overdraft charges on the basis of other legal arguments or challenges. It is not practicable to quantify the claims at this time. The Group is robustly defending any such complaints or claims and does not expect any such complaints or claims to have a material effect on the Group.

The OFT however continued to discuss its concerns in relation to the personal current account market with the banks, consumer groups and other organisations under the auspices of its Market Study into personal current accounts. In October 2009, the OFT published voluntary initiatives agreed with the industry and consumer groups to improve transparency of the costs and benefits of personal current accounts and improvements to the switching process. On 16 March 2010 the OFT published a further update announcing several further voluntary industry wide initiatives to improve a customer's ability to control whether they used an unarranged overdraft and to assist those in financial difficulty. However, in light of the progress it noted in the unarranged overdraft market since July 2007 and the progress it expects to see over the next two years, it has decided to take no further action at this time and will review the unarranged overdraft market again in 2012.

Interchange Fees

The European Commission has adopted a formal decision finding that an infringement of European Commission competition laws has arisen from arrangements whereby MasterCard issuers charged a uniform fallback interchange fee in respect of cross border transactions in relation to the use of a MasterCard or Maestro branded payment card. The European Commission has required that the fee be reduced to zero for relevant cross-border transactions within the European Economic Area. This decision has been appealed to the General Court of the European Union (the General Court). Lloyds TSB Bank plc and Bank of Scotland plc (along with certain other MasterCard issuers) have successfully applied to intervene in the appeal in support of MasterCard's position that the arrangements for the charging of a uniform fallback interchange fee are compatible with European Union competition laws. MasterCard has announced that it has reached an understanding with the European Commission on a new methodology for calculating intra European Economic Area multi-lateral interchange fees on an interim basis pending the outcome of the appeal. Meanwhile, the European Commission and the UK's OFT are pursuing investigations with a view to deciding whether arrangements adopted by other payment card schemes for the levying of uniform fallback interchange fees in respect of domestic and/or crossborder payment transactions also infringe European Union and/or UK competition laws. As part of this initiative, the OFT will also intervene in the General Court appeal supporting the European Commission position and Visa reached an agreement with the European Commission to reduce the level of interchange for crossborder debit card transactions to the interim levels agreed by

MasterCard. The ultimate impact of the investigations on the Group can only be known at the conclusion of these investigations and any relevant appeal proceedings.

Payment Protection Insurance

There has been extensive scrutiny of the Payment Protection Insurance (“PPI”) market in recent years.

In October 2010, the UK Competition Commission (the “**Competition Commission**”) confirmed its decision to prohibit the active sale of PPI by a distributor to a customer within seven days of a sale of credit. This followed the completion of its formal investigation into the supply of PPI services (other than store card PPI) to non-business customers in the UK in January 2009 and a referral of the proposed prohibition to the Competition Appeal Tribunal. The Competition Commission consulted on the wording of a draft order to implement its findings from October 2010, and published the final Order on 24 March 2011, which became effective on 6 April 2011. Following an earlier decision to stop selling single premium PPI products, the Group ceased to offer PPI products to its customers in July 2010.

On 29 September 2009 the FSA announced that several firms had agreed to carry out reviews of past sales of single premium loan protection insurance. Lloyds Banking Group agreed in principle that it would undertake a review in relation to sales of single premium loan protection insurance made through its branch network since 1 July 2007. That review will now form part of the ongoing PPI work referred to below. On 1 July 2008, the FOS referred concerns regarding the handling of PPI complaints to the FSA as an issue of wider implication. On 29 September 2009 and 9 March 2010, the FSA issued consultation papers on PPI complaints handling. The FSA published its Policy Statement on 10 August 2010, setting out evidential provisions and guidance on the fair assessment of a complaint and the calculation of redress, as well as a requirement for firms to reassess historically rejected complaints which had to be implemented by 1 December 2010.

On 8 October 2010, the British Bankers’ Association (the “BBA”), the principal trade association for the UK banking and financial services sector, filed an application for permission to seek judicial review against the FSA and the FOS. The BBA sought an order quashing the FSA Policy Statement and an order quashing the decision of the FOS to determine PPI sales in accordance with the guidance published on its website in November 2008.

Subsequent to the year end, the Judicial Review hearing was held in late January 2011 and, on 20 April 2011 judgment was handed down by the High Court dismissing the BBA’s application. On 9 May 2011, the BBA confirmed that the banks and the BBA did not intend to appeal the judgment.

Since publication of the judgment, the Group has been in discussions with the FSA with a view to seeking clarity around the detailed implementation of the Policy Statement. As a result, and given the initial analysis that the Group has conducted of compliance with applicable sales standards which is continuing, the Group has concluded that there are certain circumstances where customer contact and/or redress will be appropriate. Accordingly the Group has made a provision in its Q1 2011 Interim Management Statement of £3,200 million in respect of the anticipated costs of such contact and/or redress, including administration expenses. There are still a number of uncertainties as to the eventual costs from any such contact and/or redress given the inherent difficulties of assessing the impact of detailed implementation of the Policy Statement for all PPI complaints, uncertainties around the ultimate emergence period for complaints, the availability of supporting evidence and the activities of claims management companies, all of which will significantly affect complaints volumes, uphold rates and redress costs.

U.S. Economic Sanctions

In January 2009 Lloyds TSB Bank plc announced the settlement it had reached with the U.S. Department of Justice and the New York County District Attorney’s Office in relation to their investigations

into historic U.S. dollar payment practices involving countries, persons or entities subject to the economic sanctions administered by the U.S. Office of Foreign Assets Control (“OFAC”). On 22 December 2009 OFAC announced the settlement it had reached with Lloyds TSB Bank plc in relation to its investigation and confirmed that the settlement sum due to OFAC had been fully satisfied by Lloyds TSB Bank plc’s payment to the Department of Justice and the New York County District Attorney’s Office. No further enforcement actions are expected in relation to the matters set out in the settlement agreements.

On 26 February 2009, a purported shareholder filed a derivative civil action in the Supreme Court of New York, Nassau County against certain current and former directors, and nominally against Lloyds TSB Bank plc and Lloyds Banking Group plc, seeking various forms of relief. The derivative action is at an early stage and settlement is being discussed and the ultimate outcome is not expected to have a material impact on the Group.

Customer Goodwill Payments

The Group has been in discussions with the FSA regarding the application of an interest variation clause in certain Bank of Scotland plc variable rate mortgage contracts where the wording in the offer documents received by certain customers had the potential to cause confusion. The relevant mortgages were written between 2004 and 2007 by Bank of Scotland plc under the ‘Halifax’ brand. In February 2011, the Group reached agreement with the FSA in relation to initiating a customer review and contact programme and making goodwill payments to affected customers. In order to make these goodwill payments, Bank of Scotland plc applied for a Voluntary Variation of Permission to carry out the customer review and contact programme to bring it within section 404F (7) of FSMA 2000. The Group has made a provision of £500 million within its 2010 accounts which is expected to fully cover the payments under this contact programme.

Interbank Offered Rate Setting Investigations

Various regulators in the UK, US and overseas, including the US Commodity Futures Trading Commission, the SEC and the European Commission, are conducting investigations into submissions made by panel members to the bodies that set various interbank offered rates. The Group, and/or its subsidiaries, were (at the relevant time) and remain members of various panels that submit data to these bodies in a number of jurisdictions. The Group has received requests from some regulators for information and is co-operating with their investigations. In addition, recently the Group has been named in purported private class action suits in the US with regard to the setting of London interbank offered rates (“LIBOR”) by members of the LIBOR setting panel. It is currently not possible to predict the scope and ultimate outcome of the various regulatory investigations or purported private class action suits, including the timing and scale of the potential impact of any investigations and class action suits on the Group.

Other Legal Actions and Regulatory Matters

In the course of its business, the Group is engaged in discussions with the FSA in relation to a range of conduct of business matters including complaints handling, packaged bank accounts, product terms and sales processes. The Group is keen to ensure that any regulatory concerns regarding the Group’s processes, product governance, sales processes or contract terms are understood and addressed. The ultimate impact on the Group of these discussions can only be known at the conclusion of such discussions.

In addition, during the ordinary course of business the Group is subject to other threatened and actual legal proceedings (which may include class action lawsuits brought on behalf of customers, shareholders or other third parties, arising out of regulatory investigations or otherwise), regulatory investigations, regulatory challenges and enforcement actions, both in the UK and overseas. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management’s best estimate of the amount

required to settle the obligation at the relevant balance sheet date. In some cases it will not be possible to form a view, either because the facts are unclear or because further time is needed properly to assess the merits of the case and no provisions are held against such matters. However the Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position.

Major Shareholders and Related Party Transactions

Major Shareholders

At 6 May 2011, notification had been received that The Solicitor for the Affairs of Her Majesty's Treasury had a direct interest of 40.6 per cent. (27,608,563,642 ordinary shares) in the Company's issued share capital with rights to vote in all circumstances at general meetings. No other notification has been received that anyone has an interest of 3 per cent. or more in the Company's issued ordinary share capital. Further information on The Solicitor for the Affairs of Her Majesty's Treasury's shareholding in the Company is provided above under "– History and development of Lloyds Banking Group" and below under "– Information about Lloyds Banking Group's relationship with the UK Government".

All shareholders within a class of the Company's shares have the same voting rights.

Related Party Transactions

The Group, as at 31 December 2010, had related party transactions with 15 key management personnel and certain of its pension funds, OEICs and joint ventures and associates. See note 53 to the consolidated financial statements of the Company for the financial year ended 31 December 2010. In addition, material contracts with HM Treasury are described below under "– Information about Lloyds Banking Group's relationship with the UK Government".

Except as described below under "– Information about Lloyds Banking Group's relationship with the UK Government", there are no transactions to which the Group is a party involving the UK Government or any body controlled by the UK Government which are material to the Group or, to the Group's knowledge, to the UK Government or any UK Government controlled body, that were not made in the ordinary course of business, or that are unusual in their nature or conditions. However, considering the nature and scope of the bodies controlled by the UK Government, it may be difficult for the Group to know whether a transaction is material for such a body.

To the best of the Group's knowledge, any outstanding loans made by the Group to or for the benefit of the UK Government, any body controlled by the UK Government or other related parties, were made (1) in the ordinary course of business, (2) on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons, (3) did not involve more than the normal risk of collectability or present other unfavourable features, and (4) were made on arm's length basis.

The Group also engages in numerous transactions on arm's length commercial terms in the ordinary course of its business with the Government and its various departments and agencies, as well as with other companies in which the Government has invested. This includes financings, lending, banking, asset management and other transactions with UK financial institutions in which the Government has invested. During 2009 and 2010 the Group made use of these measures in order to maintain and improve a stable funding position.

Information about Lloyds Banking Group's Relationship with the UK Government

HM Treasury Shareholding

As at 6 May 2011, the Solicitor for the Affairs of Her Majesty's Treasury (as nominee for HM Treasury) notified the Company that it has a direct interest of 40.6 per cent. in the Company's issued share capital with rights to vote in all circumstances at general meetings.

HM Treasury's shareholding in the Company is currently managed by UKFI on behalf of HM Treasury. This relationship falls within the scope of the revised framework document between HM Treasury and UKFI published on 1 October 2010 – for more information see “Risk Factors – Government related risks – The Commissioners of Her Majesty's Treasury (“**HM Treasury**”) is the largest shareholder of the Company. Through its shareholding in, and other relationships with, the Company, HM Treasury is in a position to exert significant influence over the Group and its business”.

The goals of the framework document are consistent with the stated public policy aims of HM Treasury, as articulated in a variety of public announcements (as at 6 May 2011). In the publication “An Introduction: Who We Are, What We Do and the Framework Document Which Governs the Relationship Between UKFI and HM Treasury”, it is stated that UKFI is to “develop and execute an investment strategy for disposing of the investments in the banks in an orderly and active way through sale, redemption, buy-back or other means within the context of an overarching objective of protecting and creating value for the taxpayer as shareholder, paying due regard to the maintenance of financial stability and to acting in a way that promotes competition”. UKFI has also stated that it intends to “engage robustly with banks' boards and management, holding both strategy and financial performance to account, and taking a strong interest in getting the incentives structures right on the board and beyond – accounting properly for risk and avoiding inefficient rewards for failure”.

HM Treasury's shareholding in the Company is a consequence of its subscription for equity securities of the Company and of HBOS prior to the Acquisition in the 2008 placing and open offer and preference share subscription, the concomitant placing and open offer by HBOS, the 2009 placing and open offer and the Company's 2009 Rights Issue, each of which is briefly described below.

The 2008 Placing and Open Offer

In September 2008, with the support of the UK Government, the boards of the Company and HBOS announced their agreement on the terms of a recommended acquisition by the Company of HBOS. In October 2008, in the context of further turbulence in global financial markets and as part of a co-ordinated package of capital and funding measures for the UK banking sector implemented by HM Treasury, the boards of both the Company and HBOS announced that they intended to participate in the proposed UK Government funding package and that they had agreed to proceed with the acquisition on revised terms. In this context, a combined total of £17,000 million of new capital was raised, consisting of £4,500 million in ordinary shares and £1,000 million in preference shares (before costs and expenses) by the Company and £8,500 million in ordinary shares and £3,000 million in preference shares (before costs and expenses) by HBOS.

In the 2008 placing and open offer, the Company in October 2008 invited qualifying shareholders to acquire open offer shares at an issue price of 173.3 pence per ordinary share. HM Treasury agreed that to the extent not placed by the joint sponsors and joint bookrunners or taken up in the open offer, HM Treasury would acquire the open offer shares at the issue price. The 2008 placing and open offer was completed with the placement of 2,596,653,203 shares at the issue price. The Company gave certain customary representations and warranties and indemnities to each of HM Treasury, the joint sponsors and joint bookrunners under the 2008 placing and open offer agreement that are unlimited as to time and amount. The Company and HM Treasury also entered into a preference share subscription agreement in October 2008 whereby HM Treasury acquired 1,000,000 new preference shares of the Company for a total consideration of £1,000 million (before costs and expenses).

HBOS also entered into a placing and open offer agreement in October 2008 with HM Treasury and the HBOS joint sponsors and joint bookrunners on similar terms and for similar purposes as the Company. A total of 7,482,394,366 HBOS open offer shares were offered at the issue price of 113.6 pence per share. HBOS also entered into a preference share subscription agreement with HM Treasury pursuant to which HM

Treasury acquired new HBOS preference shares for a total consideration of £3,000 million (before costs and expenses).

Pursuant to these placings and open offers by the Company and HBOS and the Acquisition, HM Treasury acquired in January 2009 43.4 per cent. of the Company's issued ordinary share capital. In addition, £3,000 million non-cumulative 12 per cent. fixed to floating rate preference shares were issued by the Company to HM Treasury on 16 January 2009 in exchange for the £3,000 million preference shares which had been issued by HBOS to HM Treasury on 15 January 2009 (as referred to above).

The Company and HM Treasury in January 2009 entered into a registration rights agreement with HM Treasury granting customary demand and 'piggyback' registration rights in the United States under the United States Securities Act of 1933, as amended to HM Treasury with respect to any ordinary shares of the Group held by HM Treasury. HM Treasury may transfer its registration rights to any third party to whom it transfers not less than U.S.\$500 million in registrable securities. The customary 'piggyback' registration rights provide that holders of registrable securities may participate in an offering of ordinary shares by the Group registered under the Securities Act to the extent that such participation would not prevent successful completion of the offering. All holders of registrable securities have 'piggyback' registration rights, on a pro rata basis, in any demand registration made by another holder pursuant to the registration rights agreement. The registration rights agreement was amended in June 2009 to include as registrable securities the new shares subscribed for by HM Treasury in the 2009 placing and compensatory open offer described below, any other securities in the Company called by HM Treasury to be issued by any person and any securities issued by HM Treasury which are exchangeable for, convertible into, give rights over or are referable to any such securities.

The 2009 Compensatory Placing and Open Offer

Pursuant to a placing and open offer agreement among the Company, HM Treasury and the joint sponsors and joint bookrunners dated March 2009, the Company in June 2009 issued approximately 10,408 million new ordinary shares as part of a placing and compensatory open offer. HM Treasury subscribed for its pro rata share, being approximately 4,521 million new ordinary shares at a price of 38.43 pence per share. As placees were procured for all the new ordinary shares for which valid acceptances were not received under the placing and compensatory open offer, HM Treasury's shareholding remained at 43.4 per cent. The Company used the proceeds from this placing and compensatory open offer to redeem the £4,000 million preference shares issued by the Company to HM Treasury, described above, at 101 per cent. of their issue price together with accrued dividends thereon.

In consideration for the provision of its services under the 2009 placing and open offer agreement, the Company paid to HM Treasury (i) a commission of 0.5 per cent. of the aggregate value of the open offer shares at the issue and (ii) a further commission of 1 per cent. of the aggregate value of the open offer shares subscribed for by HM Treasury (or its nominee) or by placees (including, for the avoidance of doubt, HM Treasury) at the issue price per open offer share. The Company also bore all costs and expenses relating to the placing and compensatory open offer, including those of HM Treasury, the joint sponsors and joint bookrunners and those of HM Treasury's financial advisers. The Company gave certain customary representations and warranties and indemnities to each of HM Treasury and the joint sponsors and joint bookrunners. The Company's liabilities thereunder are unlimited as to time and amount.

The Company also in June 2009 entered into a resale rights agreement with HM Treasury in which it agreed to provide its assistance to HM Treasury in connection with any proposed sale by HM Treasury of ordinary shares, other securities held by HM Treasury in the Company or any securities of any description caused by HM Treasury to be issued by any person which are exchangeable for, convertible into, give rights over or are referable to such ordinary shares or other securities issued by the Group, to be sold in such jurisdictions (other than the United States) and in such manner as HM Treasury may determine. Such assistance may include the provision by the Company of assistance with due diligence and the preparation of

marketing and such other documentation (including any offering memorandum, whether or not a prospectus) as HM Treasury may reasonably request.

2009 Rights Issue

In December 2009 the Company also issued approximately 36,505 million new ordinary shares in a Rights Issue (together with a liability management exercise) as part of an alternative to the Group's proposed participation in GAPS. The Company entered into an Undertaking to Subscribe agreement with HM Treasury whereby HM Treasury took up its rights to subscribe for all of the new shares to which it was entitled under the Rights Issue. HM Treasury subscribed for its pro rata share, being approximately 15,854 million new shares at a price of 37 pence per share. As subscribers were procured for all the new ordinary shares for which valid acceptances were not received under the Rights Issue, HM Treasury's shareholding again remained at 43.4 per cent. Its current, lower shareholding results from further share issuance in the context of previously announced liability management exercises and employee remuneration during the course of 2010 and 2011.

The Company also agreed to pay to HM Treasury the HMT Commitment Commission, being a commission of up to £143.7 million, in consideration, amongst other things, for the undertakings given by HM Treasury in the HMT undertaking to subscribe.

Other Related Party Transactions with the UK Government

Credit Guarantee Scheme

HM Treasury launched the Credit Guarantee Scheme in October 2008 as part of a range of measures announced by the UK Government intended to ease the turbulence in the UK banking system. It charged a commercial fee for the guarantee of new short and medium term debt issuance. The fee payable to HM Treasury on guaranteed issues was based on a per annum rate of 50 basis points plus the median five-year credit default swap spread. The drawdown window for the Credit Guarantee Scheme closed for new issuance at the end of February 2010. At 31 December 2010, the Group had £45,308 million of debt in issue under the Credit Guarantee Scheme. During the year, fees of £454 million paid to HM Treasury in respect of guaranteed funding were included in the Group's income statement.

As at 31 December 2010, the Group's overall liquidity support from public and central bank sources had reduced to £96.6 billion, compared to £157 billion at 31 December 2009. All of the remaining balance, including all the Special Liquidity Scheme and Credit Guarantee Scheme facilities, matures over the course of the next two years although the Directors believe that the Group's balance sheet reduction plans and deposit strategy will avoid the necessity to refinance much of this.

Lending Commitments

The formal lending commitments entered into in connection with the Group's proposed participation in GAPS, have now expired and in February 2011, the Company (together with Barclays, RBS, HSBC and Santander) announced, as a part of the 'Project Merlin' agreement with HM Treasury, its capacity and willingness to increase gross business lending (including to small and medium-sized enterprises) during 2011. For more information on 'Project Merlin' see "Risk Factors – Government related risks".

GAPS Withdrawal Deed

Pursuant to the successful Rights Issue, the Company withdrew from its proposed participation in GAPS. In November 2009, the Company entered into the GAPS Withdrawal Deed with HM Treasury pursuant to which, among other matters, the Company paid HM Treasury £2,500 million in recognition of the benefits to the Group's trading operations arising as a result of HM Treasury proposing to make GAPS available to the Group. Under a cost reimbursement deed, the Group agreed in November 2009 to pay for the UK Government's set-up costs relating to the proposed participation of the Group in GAPS (including all costs of the UK Government relating to the proposed participation of the Group in, and its withdrawal from

its proposed participation in GAPS) and the UK Government's costs associated with the European Commission's approval of state aid to the Group.

The GAPS Withdrawal Deed contained certain undertakings given by the Group to HM Treasury in connection with the state aid approval obtained from the European Commission (on which see the sub-section entitled "State Aid" below) and its withdrawal from its proposed participation in GAPS. In particular, the Group is required to do all acts and things necessary to ensure the UK Government's compliance with its obligations under the European Commission decision approving state aid to the Group. This undertaking includes an obligation to: (i) comply with the restructuring measures that the Group agreed to undertake; (ii) comply with the terms of the Restructuring Plan; and (iii) provide certain information to HM Treasury and do such acts as are necessary to enable compliance with the state aid approval to be monitored. The GAPS Withdrawal Deed also provides for the Group's restructuring obligations to be modified in certain limited circumstances (without prejudice to any challenge to such state modifications). However, HM Treasury has undertaken that it will not, without the consent of the Company, agree modifications to the Group's undertakings with respect to state aid which are significantly more onerous to the Company than those granted in order to obtain the state aid approval.

It was also agreed that if the European Commission adopted a decision that the United Kingdom must recover any state aid, the Group would repay all such state aid (subject to the Group's right to challenge any such decision in the European courts).

The GAPS Withdrawal Deed included a number of other commitments given by the Company to HM Treasury. The Company, among other things:

- (i) acknowledged its commitment to the principle that it should be at the leading edge of implementing the G20 principles, the FSA Code on remuneration and any remuneration provisions accepted by the Government from the Walker Review, provided that this principle shall always be applied in such a way as to allow the Company to operate on a level playing field with its competitors. In addition, the Group agreed with HM Treasury the specific deferral and clawback terms which applied to bonuses in respect of the 2009 performance year;
- (ii) reaffirmed its lending commitments;
- (iii) agreed to implement a (now published) customer charter for lending to businesses;
- (iv) committed:
 - a. to ensure that its public financial statements comply with best industry practice; and
 - b. to enter into discussions with HM Treasury with a view to ensuring that such public financial statements: (A) enable investors to assess the quality of the assets and liabilities of banking institutions, the financial position and performance of banking institutions and the nature and extent of risks arising from financial instruments to which banking institutions are exposed; and (B) are comparable as between similar banking institutions;
- (v) agreed to develop with the FSA, and implement, a medium term funding plan aimed at reducing dependence on short term funding to be regularly reviewed by the FSA and other members of the Tripartite Authorities; and
- (vi) agreed to implement any measures relating to personal current accounts agreed between the OFT and the UK banking industry: (i) as detailed in the OFT's report "Personal current accounts in the UK – a follow up report, October 2009" and (ii) relating to fees and charges, and the terms and conditions of personal current accounts where any such measures are within the scope of current negotiations with respect thereto.

State Aid

As part of the European Commission's decision approving state aid to the Group, the Group was required to submit the Restructuring Plan to the European Commission in the context of a state aid review. The plan was required to contain measures to limit any competition distortions resulting from the state aid received by the Group and to restore the Group's viability. The College of Commissioners announced its formal approval of the state aid on 18 November 2009 and concluded that the Restructuring Plan was appropriate to restore the Group's viability, to achieve sufficient burden sharing and to off-set the distortions of competition created by the state aid.

The Restructuring Plan consists of the following principal elements: (i) the disposal of a retail banking business with at least 600 branches, a 4.6 per cent. share of the personal current accounts market in the UK and up to 19.2 per cent. of Lloyds Banking Group's mortgage assets; (ii) an asset reduction programme to achieve £181 billion reduction in a specified pool of assets by 31 December 2014; and (iii) behavioural commitments, including commitments which restrict the Group's ability to make certain acquisitions for approximately three to four years and not to make discretionary payments of coupons or to exercise voluntary call options on hybrid securities from 31 January 2010 until 31 January 2012, which prevents Lloyds Banking Group from paying dividends on its ordinary shares for the same duration.

The retail banking business referred to in (i) above is to be disposed of before the end of November 2013 and consists of the TSB brand, the branches, savings accounts and branch-based mortgages of Cheltenham & Gloucester, the branches and branch-based customers of Lloyds TSB Scotland and a related banking licence, additional Lloyds TSB branches in England and Wales, with branch-based customers and Intelligent Finance.

The Group is working closely with the European Commission, HM Treasury and the Monitoring Trustee appointed by the European Commission to ensure the implementation of the Restructuring Plan. On 1 March 2011, the Group announced that in order to meet its obligations under the State Aid Commitments and to ensure that the Group maintains the maximum flexibility in its options, the Group is accelerating the start of the disposal of the retail banking business referred to in (i) above.

Other Relationships with the UK Government

The Group, in common with other financial institutions, is also working closely with a number of Government departments and agencies on various industry-wide initiatives that are intended to support the Government's objective of greater stability in the wider financial system. These initiatives currently include the potential extension of the Bank of England's discount window facility whereby banks and building societies can exchange eligible securities and, potentially, other asset classes for HM Treasury gilts.

Directors

The directors of the Bank, 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:

Name	Principal outside activities
Sir Winfried Bischoff Chairman	A non-executive director of Eli Lilly and Company and The McGraw-Hill Companies Inc. in the United States. A member of the Akbank International Advisory Board, Chairman of the Advisory Council of TheCityUK and a member of the National Advisory Board of the UK Career Academy Foundation.
Lord Leitch Deputy Chairman	Chairman of Scottish Widows. Chairman of the Government's Review of Skills and deputy chairman of the Commonwealth Education Fund. Chairman of BUPA, Intrinsic Financial Services, and Chairman of Medical Aid Films. Chancellor of Carnegie

Executive directors

António Horta-Osório

Group Chief Executive

G. Truett Tate

Group Executive Director, Wholesale

Tim J.W. Tookey

Group Finance Director

Non-executive directors

Anita Frew

College and a non-executive director of Paternoster.

A member of the Board and Council of the British Bankers' Association, the Advisory Council of TheCityUK and the Chartered Banker Professional Standards Board.

A non-executive director of British American Business Inc. and AFME. Chairman of Arora Holdings and a director of Business in the Community and a director and trustee of In Kind Direct.

A non-executive director of British Bankers' Association and chairman of its audit committee and remuneration committee.

Chairman of Victrex Plc. Senior non-executive director of Aberdeen Asset Management Plc and Non-Executive director of IMI Plc.

Sir Julian Horn-Smith

A non-executive director of De La Rue, Digicel Group and Emobile (Japan), a director of Sky Malta, a member of the Altimo International advisory board and a senior adviser to UBS and CVC Capital Partners in relation to the global telecommunications sector. Deputy chairman of Vallar plc. Pro vice chancellor of the University of Bath.

Glen R. Moreno

Chairman of Pearson and a non-executive director of Fidelity International. Deputy chairman of the Financial Reporting Council.

David Roberts

Non-executive chairman of The Mind Gym and a non-executive director of Campion Willcocks.

T. Timothy Ryan Jr

President and chief executive of the Securities Industry and Financial Markets Association. A director of the U.S.-Japan Foundation, Great-West Life Annuity Insurance Co., Power Corporation of Canada, Power Financial Corporation and Putnam Investments and a member of the Global Markets Advisory Committee for the National Intelligence Council.

Martin A. Scicluna

Chairman of Great Portland Estates. A member of the council of Leeds University and a governor of Berkhamsted School.

Anthony Watson CBE

A non-executive director of Hammerson, Vodafone and Witan Investment Trust. A member of the Norges Bank Investment Advisory Board. Chairman of Marks and Spencer Pension Trust and Lincoln's Inn investment committee.

None of the directors of the Bank have any actual or potential conflict between their duties to the Bank 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 are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007 (the “Act”), payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax. The London Stock Exchange is a recognised stock exchange for the purposes of section 1005 of the Act. Securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List (within the meaning of and in accordance with the provisions of Part VI of the Financial Services and Markets Act 2000) by the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange.

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 FSA, 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 at the time interest on the Notes is paid, 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.

Interest on Notes issued by the Bank acting through its Australia branch may be paid without withholding or deduction for or on account of United Kingdom income tax where such interest is regarded as

not having a United Kingdom source for United Kingdom tax purposes, which will depend on the circumstances relevant to the particular issue of Notes.

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 basic rate (currently 20 per cent.), subject to any direction to the contrary by 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, in certain circumstances, 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 Chapter 8 Part 4 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 payee or beneficial owner of the interest or amount payable on redemption is resident for tax purposes. However, in relation to amounts payable on the redemption of such Notes H.M. Revenue & Customs published practice indicates that H.M. Revenue & Customs will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2012.

Interest with a United Kingdom source may be chargeable to United Kingdom tax by direct assessment. Where the interest is paid without withholding or deduction for or on account of United Kingdom tax, 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 (in the case of individuals) 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 (or (in the case of companies) such persons carry 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, in which case United Kingdom tax may be levied on the United Kingdom branch, agency or permanent establishment. There are exemptions for interest received by certain categories of agent.

Where interest has been paid under deduction of United Kingdom income tax (for example, if the Notes ceased to be listed and the interest is not paid in the ordinary course of the Bank's business), Noteholders who are not resident in the United Kingdom for tax purposes may be able to recover all or part of the tax deducted under 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 the EU Savings Directive, 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, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to 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).

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Australian Taxation

The following is a general summary of certain Australian tax consequences under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, the “**Australian Tax Act**”) and any relevant regulations, rulings or judicial or administrative pronouncements, at the date of this Prospectus, of payments of interest and certain other amounts on the Notes to be issued by the Bank acting through its Australian branch under the Programme and certain other matters.

This summary is not exhaustive and should be treated with appropriate caution. In particular, the summary does not deal with the position of certain classes of Noteholders (including, without limitation, dealers in securities, custodians or other third parties who hold Notes on behalf of other persons). Prospective holders of Notes should also be aware that particular terms of issue of any Series of Notes may affect the tax treatment of that and other Series of Notes.

This summary is not intended to be, nor should it be construed as legal or tax advice to any particular investor. Prospective holders of Notes should consult their professional advisers on the tax implications of an investment in the Notes for their particular circumstances.

In this “Australian Taxation” section, a reference to the Bank is a reference to the Bank acting through its Australian branch.

1 Introduction

The Australian Tax Act characterises securities as either “debt interests” (for all entities) or “equity interests” (for companies) including for the purposes of interest withholding tax (“**IWT**”) and dividend withholding tax. IWT is payable at a rate of 10 per cent of the gross amount of interest paid by the Bank to a non-resident of Australia (other than a non-resident acting at or through a permanent establishment in Australia) or a resident acting at or through a permanent establishment outside Australia unless an exemption is available. For these purposes, interest is defined in section 128A(1AB) of the Australian Tax Act to include amounts in the nature of, or in substitution for, interest and certain other amounts.

The Bank intends to issue Notes which will be characterised as both “debt interests” and “debentures” for these purposes. If Notes are issued which are not so characterised, further information on the material Australian tax consequences of payments of interest and certain other amounts on those Notes will be specified in the relevant Final Terms (or another relevant supplement to this Prospectus).

2 Interest Withholding Tax

The requirements for an exemption from Australian IWT under section 128F of the Australian Tax Act in respect of the Notes issued by the Bank are as follows:

- (a) the Bank is a company as defined in section 128F(9) of the Australian Tax Act and is a non-resident of Australia carrying on business at or through a permanent establishment in Australia when it issues those Notes and when interest is paid; and
- (b) those Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in capital markets are aware that the Bank is offering those Notes for issue. In summary, the five methods are:

- (i) offers to 10 or more unrelated financiers or securities dealers;
- (ii) offers to 100 or more investors;
- (iii) offers of listed Notes;
- (iv) offers via publicly available information sources; and
- (v) offers to a dealer, manager or underwriter who offers to sell those Notes within 30 days by one of the preceding methods.

In addition, the issue of any of those Notes (whether in global form or otherwise) and the offering of interests in any of those Notes by one of these methods should satisfy the public offer test, provided that:

- (c) the Bank does not know, or have reasonable grounds to suspect, at the time of issue, that those Notes or interests in those Notes were being, or would later be, acquired, directly or indirectly, by an “associate” of the Bank, except as permitted by section 128F(5) of the Australian Tax Act; and
- (d) at the time of the payment of interest, the Bank does not know, or have reasonable grounds to suspect, that the payee is an “associate” of the Bank, except as permitted by section 128F(6) of the Australian Tax Act.

The fundamental difference in consequence between paragraphs (c) and (d) above is the time at which the Bank has the knowledge or suspicion that a Note may be acquired (or held) by an “associate” of the Bank. In very broad terms, if the Bank has the requisite knowledge or suspicion at the time at which the Bank issues the relevant Notes, then the “public offer” test will not be satisfied in respect of *any* Note issued by the Bank in respect of that particular issuance (paragraph (c)). If, however, the Bank did not have the requisite knowledge or suspicion at the time in which it issued the relevant Notes, but such knowledge or suspicion exists at the time it pays interest in respect of those Notes, then the “public offer” test should only be failed in respect of those particular Notes held by “associates” of the Bank at that time (paragraph (d)).

Associates

An “associate” of the Bank for the purposes of section 128F of the Australian Tax Act includes (i) a person or entity which holds a majority of the voting shares in, or otherwise controls, the Bank (ii) an entity in which a majority of the voting shares are held by, or which is otherwise controlled by, the Bank (iii) a trustee of a trust where the Bank is capable of benefiting (whether directly or indirectly) under that trust and (iv) a person or entity who is an “associate” of another person or entity which is an “associate” of the Bank under any of the foregoing.

However, for the purposes of sections 128F(5) and (6) of the Australian Tax Act (see paragraphs (c) and (d) above), “associate” does not include:

- (i) onshore associates (i.e. Australian resident associates who do not hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia); or
- (ii) offshore associates (i.e. Australian resident associates who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who do not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia) who are acting in the capacity of:

- (a) in the case of section 128F(5) of the Australian Tax Act, a dealer, manager or underwriter in relation to the placement of the relevant Notes, a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme; or
- (b) in the case of section 128F(6) of the Australian Tax Act, a clearing house, paying agent, custodian, funds manager or responsible entity of a registered managed investment scheme.

Compliance with section 128F of the Australian Tax Act

Unless otherwise specified in any relevant Final Terms (or another supplement to this Prospectus), the Bank intends to issue the Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

Exemptions under recent tax treaties

The Australian government has signed or announced new or amended double tax conventions (“**New Treaties**”) with a number of countries (each a “**Specified Country**”). In broad terms, once implemented, the New Treaties effectively prevent IWT applying (by reducing IWT to zero) to interest derived by:

- (i) the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; and
- (ii) a “financial institution” which is a resident of a Specified Country and which is unrelated to and dealing wholly independently with the Bank. The term “financial institution” refers to either a bank or any other form of enterprise which substantially derives its profits by carrying on a business of raising and providing finance. However, interest under a back-to-back loan or an economically equivalent arrangement will not qualify for this exemption.

The Australian Federal Treasury maintains a listing of Australia’s double tax conventions which provides details of country, status, withholding tax rate limits and Australian domestic implementation which is available to the public at the Federal Treasury’s Department’s website.

Bearer Notes - section 126 of the Australian Tax Act

Section 126 of the Australian Tax Act imposes a type of withholding tax at the rate of 45 per cent. on the payment of interest on Bearer Notes if the Bank fails to disclose the names and addresses of the holders of Bearer Notes to the Australian Taxation Office. However, section 126 of the Australian Tax Act is limited in its application to persons in possession of Bearer Notes who are residents of Australia or non-residents who are engaged in carrying on business in Australia at or through a permanent establishment in Australia. Where interests in the relevant Bearer Notes are held through Euroclear or Clearstream, Luxembourg, the Bank intends to treat the operators of those clearing systems as the holder for the purposes of section 126 of the Australian Tax Act.

Payment of additional amounts

As set out in more detail in the Terms and Conditions of the Notes and unless expressly provided to the contrary in the relevant Final Terms (or a relevant supplement to this Prospectus), if the Bank is at any time compelled or authorised by law to deduct or withhold an amount in respect of any Australian withholding taxes imposed or levied by Australia or any political subdivision or taxing authority in Australia in respect of the Notes, the Bank must, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the holders of the Notes after such deduction or withholding are equal to the respective amounts which would have been received had no such deduction or withholding been required. If the Bank is compelled by law in relation to any Note to deduct or withhold an amount in

respect of any withholding taxes, the Bank will have the option to redeem those Notes in accordance with the Terms and Conditions of the Notes.

3 Other Australian tax matters

Under Australian laws as presently in effect:

- (a) *death duties* - no Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having the power to tax if held at the time of death;
- (b) *stamp duty and other taxes* - no *ad valorem* stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Notes;
- (c) *other withholding taxes on payments in respect of Notes* - section 12-140 of Schedule 1 to the Taxation Administration Act 1953 of Australia ("**Taxation Administration Act**") imposes a type of withholding tax at the rate of (currently) 46.5 per cent. on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian tax file number ("**TFN**"), (in certain circumstances) an Australian Business Number ("**ABN**") or proof of some other exception (as appropriate).

Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, then the requirements of section 12-140 of Schedule 1 to the Taxation Administration Act do not apply to payments to a holder of Notes in registered form who is not a resident of Australia and not holding those Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of holders of Notes in registered form may be subject to a withholding where the holder of those Notes does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate);

- (d) *goods and services tax ("**GST**")* - neither the issue or receipt of the Notes, the payment of principal or interest by the Bank, nor the disposal or redemption of the Notes, would give rise to any GST liability in Australia;
- (e) *supply withholding tax* - payments in respect of the Notes can be made free and clear of the "supply withholding tax" imposed under section 12-190 of Schedule 1 to the Taxation Administration Act; and
- (f) *taxation of financial arrangements* - The *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 (Cth)* of Australia (the "**TOFA Act**") introduced new tax-timing rules for certain taxpayers to bring to account gains and losses from "financial arrangements".

The new rules apply from the commencement of the first tax year beginning on or after 1 July 2010 (although taxpayers may have been able to make an election to apply the rules for a tax year commencing on or after 1 July 2009 if they wished to do so).

However, the new rules do not apply to certain taxpayers or in respect of certain short term "financial arrangements". They should not, for example, generally apply to Noteholders which are individuals and certain other entities (e.g. certain superannuation entities and managed investment schemes) which do not meet various turnover or asset thresholds, unless they make an election that the new rules apply to their "financial arrangements". Potential holders of Notes should seek their own tax advice regarding their own personal circumstances as to whether such an election should be made.

The TOFA Act does not affect the provisions relating to the imposition of IWT. In particular, the new rules do not apply in a manner which overrides the exemption available under section 128F of the Australian Tax Act.

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 20 May 2011 (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 under the Securities Act.

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 represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Programme Agreement, it has not offered sold or delivered and 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 Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. 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 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, Inflation 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.

Public Offer Selling Restriction Under the Prospectus Directive

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 which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto 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:

- (i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a

“**Non-exempt Offer**”), following 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, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Bank has consented in writing to its use for the purpose of a Non-exempt Offer;

- (ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Bank for any such offer; or

at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression 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 the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State, and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

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 any 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.

Australia

No prospectus or other disclosure document (as defined in the Australian Corporations Act) in relation to the Programme or any Notes has been, or will be, lodged with ASIC. Each Dealer has represented and

agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that unless the relevant Final Terms (or a relevant supplement to this Prospectus) otherwise provides, it:

- (a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, the Prospectus or any other offering material or advertisement relating to the Notes in Australia,

unless:

- (i) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternative currency, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Australian Corporations Act;
- (ii) the offer or invitation does not constitute an offer to a “retail client” for the purposes of section 761G of the Australian Corporations Act;
- (iii) such action complies with any other applicable laws, regulations and directives in Australia; and
- (iv) such action does not require any document to be lodged with ASIC.

In addition and unless the relevant Final Terms otherwise provides, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, in connection with any issue of Notes issued by the Bank acting through its Australia branch, it will not offer or sell any Notes (or any interest in any Notes) to any person who is known or suspected, by the relevant officer(s) or employee(s) of the Dealer involved in the offer, invitation or sale to be an Offshore Associate of the Bank or to any person who is notified in writing by the Bank to it as being an Offshore Associate of the Bank.

“**Offshore Associate**” means an associate (as defined in section 128F(9) of the Australian Tax Act) that is either:

- (a) a non-resident of Australia which does not acquire the Note in the course of carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires the Note in the course of carrying on a business at or through a permanent establishment outside Australia,

which is not acquiring the Note, or receiving payment under the Note, in the capacity of a dealer, manager or underwriter in relation to the placement of the Notes or in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the “**Financial Instruments and Exchange Act**”). 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 (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws 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 Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

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,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 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 or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

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 (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (a) to “professional investors” as defined in the Securities and Futures Ordinance 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 with the Financial Services Commission of Korea for public offering in Korea under the Financial Investment Services and Capital Markets Act and its subordinate decrees and regulations (collectively the “**FSCMA**”). The Notes may not be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except as otherwise permitted under the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law and its subordinate decrees and regulations (collectively, the “**FETL**”). Without prejudice to the foregoing, the number of the Notes offered in Korea or to a resident in Korea shall be less than fifty and for a period of one year from the issue date of the Notes, none of the Notes may be divided resulting in an increased number of the Notes. Furthermore, the Notes may not be resold to Korean residents unless the purchaser of the Notes complies with all applicable regulatory requirements (including but not limited to government reporting requirements under the FETL) in connection with the purchase of the Notes.

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, as amended from time to time, (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-, Financie- 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) (or, once Belgium has implemented the 2010 PD Amending Directive, €100,000);

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, the 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 such 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, this 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.”)

By receiving this Prospectus, the person or entity to whom it has been issued has understood, acknowledged and agreed that none of the Notes or the Prospectus have been approved by the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning, the Securities and Commodities Authority (“SCA”) 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, the SCA or any other authorities in the U.A.E. to market or sell the Notes within the U.A.E. No marketing of the Notes has been or will be made from within the U.A.E. and no subscription to the Notes 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 licensed broker, dealer or

investment adviser 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 has understood, acknowledged and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised, directly or indirectly, to, or for the account or benefit of, any person in the Dubai International Financial Centre (“**DIFC**”). This Prospectus is not intended for distribution to any person in the DIFC and any such person that receives a copy of this Prospectus should not act or rely on this Prospectus and should ignore the same. The Dubai Financial Services Authority has not approved the Notes or 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

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes may not be placed in Spain in the primary market. This Prospectus has not been registered with the Spanish Securities Market Regulator (“*Comisión Nacional del Mercado de Valores*”) and, therefore, it is not intended for any public offer of Notes in Spain.

Malta

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 issued or caused to be issued and will not issue or cause to be issued any investment advertisement, as defined in the Investment Services Act (Chapter 370 of the Laws of Malta) (the “**ISA**”), in relation to the Notes or the offer of Notes, in or from within Malta, except that it may issue or cause to be issued such investment advertisement in or from within Malta if it is issued or its contents have been approved by a licence holder in terms of the ISA or if and to the extent that an exemption from the requirements set out in article 11(1)(b) of the ISA applies under Maltese law; and (ii) if any offer of Notes is made to the public in Malta and/or any advertisement or any other document or information in relation to the offer or the Notes is issued or caused to be issued in or from Malta, such offer will be made and/or such advertisement, document or information will be so issued or caused to be issued in accordance with Maltese law.

Switzerland

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

- (a) it will not publicly offer, sell or advertise the Notes in or from Switzerland, as such term is defined or interpreted under the Swiss Code of Obligations (“**CO**”); and

- (b) to the extent the Notes qualify as structured products within the meaning of the Swiss Collective Investment Schemes Act (“CISA”), it will not publicly offer, sell or advertise the Notes in or from Switzerland, as such term is defined or interpreted under the CISA.

Neither this Prospectus nor any other documents related to the Notes constitute a prospectus in the sense of article 652a or 1156 CO or a simplified prospectus in the sense of article 5 CISA, and neither this Prospectus nor any other documents related to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Bank has not applied for a listing of the Notes on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this Prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange. The Notes do not constitute participations in a collective investment scheme within the meaning of the CISA. Therefore the Notes are not subject to the approval of, or supervision by, the Swiss Financial Market Supervisory Authority FINMA (“FINMA”), and investors in the Notes will not benefit from protection under the CISA or supervision by FINMA.

Ireland

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

- (i) it will not offer, underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) including, without limitation, Regulations 7 and 152 thereof or any codes of conduct issued in connection therewith, and the provisions of the Investor Compensation Act 1998;
- (ii) it will not offer, underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Central Banks Acts 1942 to 2010 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1998;
- (iii) it will not offer, underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland;
- (iv) it will not offer, underwrite the issue of, place, or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland; and
- (v) no Notes will be offered or sold with a maturity of less than 12 months except in full compliance with Notice BSD C 01/02 issued by the Central Bank of Ireland.

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 this 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 shall, 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 this Prospectus, any other offering material or any Final Terms and, that it will, obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws, regulations and directives in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sale or deliveries, 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 RESALES 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 €100,000 (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 [acting through its Australia branch (ABN 77 142 617 605)]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the £50,000,000,000
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. [NON-LONDON LISTED]

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 the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date. [LONDON LISTED]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. 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. The Prospectuses [and the supplemental Prospectus] are available for viewing [**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 [acting through its Australia branch] <i>[Include only where issuance is through the Bank’s Australia branch]</i> |
| 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:] | [●] |
| | (ii) [Tranche:] | [●] |
| 5 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [<i>insert date</i>] (<i>if applicable</i>)]
<i>(In the case of fungible issue only, if applicable)</i> |
| 6 | (i) Specified Denominations: | [●] |
| | (ii) Calculation Amount: | [●] |
| | [(iii) Minimum Consideration Payable] | [The Notes will not be issued to a subscriber of the Notes unless the aggregate consideration payable by the subscriber is at least A\$500,000 (or its equivalent in an alternative currency, in either case, disregarding moneys lent by the offeror or its associates)]
<i>[Include only where issuance is through the Bank’s Australia branch]</i> |
| 7 | (i) [Issue Date:] | [●] |
| | (ii) [Interest Commencement Date:] | [●] |
| 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</i> |

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: [● per cent. Fixed Rate]
 [specify reference rate] +/- ● per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Inflation 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]
 [Inflation 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** Alternative Currency Equivalent: [Not Applicable/Applicable]
 (If not applicable, delete the remaining sub-paragraphs of this paragraph. Where Notes are denominated in Renminbi, it is expected that this paragraph will be marked "Applicable". If so, the sub-paragraphs below should be completed.)
- (i) Alternative Currency: [●]
- (ii) Alternative Currency Adjudication Agent: [●]
- (iii) Alternative Currency Calculation Agent: [●]
- (iv) Rate Calculation Jurisdiction: [●]

(v) Rate Calculation Business Days:	[●]
[(vi) RMB Spot Rate:	[[●]/Not Applicable] <i>[Include an RMB Spot Rate only where the Notes are denominated in Renminbi and the default RMB Spot Rate is not applicable.]</i>
[(vii)Spot Rate Screen Page:	[●] <i>[Delete where the Notes are denominated in Renminbi and sub-paragraph (vi) is marked “Not Applicable”]</i>
[(viii)Non-deliverable Spot Rate Screen Page:	[●][Delete where the Notes are denominated in Renminbi and sub-paragraph (vi) is marked “Not Applicable”]
[(ix)Spot Rate Calculation Time:	[●][Delete where the Notes are denominated in Renminbi and sub-paragraph (vi) is marked “Not Applicable”]
13 Put/Call Options:	[Put Option] [Call Option] [(further particulars specified below)]
14 Status of the Notes:	[Senior/[Dated [(Upper/Lower Tier 2)]]/Undated]/Subordinated]
15 Method of distribution:	[Syndicated/Non-syndicated]
PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE	
16 Fixed Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(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 <i>[N.B. Condition 6(h) will apply if an Interest Payment Date falls on a non-business day]</i>
(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:	[●] <i>(Day Count Fraction should be Actual/Actual ICMA for all fixed rate issues other than those denominated in U.S. dollars or Renminbi, unless otherwise agreed)</i>
(vi) Determination Dates:	[●] <i>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)</i>
(vii) [Business Day Convention:	[Applicable - Modified Following Business Day Convention/other (give details)/Not Applicable] <i>[Only applicable where Notes are denominated in</i>

	<i>Renminbi]</i>
(viii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/ <i>give details</i>]
17 Floating Rate Note Provisions	[Applicable/Not Applicable]
	<i>(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>
(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 (<i>give details</i>)]
(iv) Business Centre(s):	[●]
(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (<i>give details</i>)]
(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):	[●] [<i>TARGET/City</i>] Business Days in [<i>specify City</i>] prior to [<i>the first day</i>] in each Interest Accrual Period/each Interest Payment Date]
– Relevant Screen Page:	[●]
– Relevant Time:	[●]
(viii) ISDA Determination:	
– Floating Rate Option:	[●]
– Designated Maturity:	[●]
– Reset Date:	[●]
(ix) Margin(s):	[+/-][●] per cent. per annum
(x) Minimum Rate of Interest:	[●] per cent. per annum
(xi) Maximum Rate of Interest:	[●] per cent. per annum
(xii) Day Count Fraction:	[●]
(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

18	Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Amortisation Yield:	[●] per cent. per annum
(ii)	Amortisation Yield compounding basis	[Compounded/Non-compounded] [annually/semi-annually/other]
(iii)	Reference Price:	[●]
(iv)	Any other formula/basis of determining amount payable:	[●]
19	Index Linked Interest Note, Inflation 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)	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] [(Give or annex details)] [Details of each Index Sponsor] Multi-Exchange Index [Yes/No] [The Threshold Percentage [applies/does not apply] in relation to such Index] <i>(NB: Multi-Exchange Index should apply to any Index in respect of which there is more than one Exchange, e.g. a Euro Stoxx index)</i>
(ii)	Party responsible for calculating the interest due (if not the Issuing and Paying Agent):	[●]
(iii)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[●]
(iv)	Exchange(s):	[●]
(v)	Related Exchange(s):	[[●]/All Exchanges]
(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 9(d) applies/other] <i>(NB: if fallback set out in the definition of “Valuation Date” in Condition 9(d) 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 9 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 Interest Payment 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 Interest Payment Date]].
(xii) Interest Period(s):	[●]
(xiii) Specified Interest Payment Dates:	[●][<i>N.B. Care must be taken to ensure that if the Notes 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 Interest Payment 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>]
(xiv) Interest Determination Dates:	[[●] Business Days prior to each Specified Interest Payment Date / [The/Each] Valuation Date/Averaging Date / The Valuation Date/Averaging Date immediately preceding each Specified Interest Payment Date].
(xv) [Reference months:]	[●]
(xvi) [Related Bond:]	[●]
(xvii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
(xviii) Business Centre(s):	[●]
(xix) Minimum Rate of Interest:	[●] per cent. per annum
(xx) Maximum Rate of Interest:	[●] per cent. per annum
(xxi) Day Count Fraction:	[●]
(xxii) Payment Date Extension	[Applicable/Not Applicable]
[Extension Business Days:	[●]

	(NB: only applicable where Payment Date Extension is specified)]
(xxiii) Other terms or special conditions:	[●]
20 Equity Linked Interest Note Provisions	[Applicable/Not Applicable]
	<i>(If not applicable, delete 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) Party responsible for calculating the interest due (if not the Issuing and Paying Agent):	[●]
(iii) Provisions for determining Coupon where calculated by reference to Formula and/or other variable:	[●]
(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 Interest Payment 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 Interest Payment Date]].
(x) Valuation Time:	[Condition 10(f) applies/other]
(xi) Strike Price:	[●]
(xii) Exchange Rate:	[Applicable/Not Applicable] [Insert details]
(xiii) Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in	[Insert details/Not Applicable]

Condition 10(c):	
(xiv) Trade Date:	[●]
(xv) Interest Period(s):	[●]
(xvi) Specified Interest Payment Dates:	[●][<i>N.B. Care must be taken to ensure that if the Notes 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 Interest Payment 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>]
(xvii) Interest Determination Dates:	[[●] Business Days prior to each Specified Interest Payment Date / [The/Each] Valuation Date/Averaging Date / The Valuation Date/Averaging Date immediately preceding each Specified Interest Payment Date].
(xviii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (<i>give details</i>)]
(xix) Business Centre(s):	[●]
(xx) Minimum Rate of Interest:	[●] per cent. per annum
(xxi) Maximum Rate of Interest:	[●] per cent. per annum
(xxii) Day Count Fraction:	[●]
(xxiii) Payment Date Extension	[Applicable/Not Applicable]
[Extension Business Days:	[●] (<i>NB: only applicable where Payment Date Extension is specified</i>)]
(xxiv) Other terms or special conditions:	[●]
21 Currency Linked Note Provisions	[Applicable/Not Applicable] (<i>If not applicable, delete the remaining sub paragraphs of this paragraph</i>)
(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:	[●]
22 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, 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

23 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 [●]/[Not less than five nor more than [●] days]

24 Put 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) Notice period: [●]

25 Final Redemption Amount

[[●] per Calculation Amount/other/see Appendix]

(Where Notes are Currency Linked Redemption Notes, Index Linked Redemption Notes, Inflation Linked Redemption Notes, Equity Linked Redemption Notes or Credit Linked Notes specify "Not Applicable" and complete item 26, 27, 30 or 31 below as applicable)

26 Index Linked, Inflation Linked and other variable-linked Redemption Note Provisions

[Applicable/Not Applicable]

- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (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]
 - [(Give or annex details)]
 - [Details of each Index Sponsor]
 - Multi-Exchange Index [Yes/No]
 - [The Threshold Percentage [applies/does not apply] in relation to such Index]
 - (NB: Multi-Exchange Index should apply to any Index in respect of which there is more than one Exchange, e.g. a Euro Stoxx index)*
 - (ii) Party responsible for making calculations pursuant to Condition 9 (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) [Reference Month:]
 - [•]
 - (vii) [Related Bond:]
 - [•]
 - (viii) [Valuation Date/Averaging Dates/Interest Determination Date]:
 - [•]
 - [Adjustment provisions in the event of a Disrupted Day:
 - [Omission/Postponement/Modified Postponement]
 - (NB: only applicable where Averaging Dates are specified)]*
 - [Reference Price:
 - [Condition 9(d) applies/other]
 - (NB: if fallback set out in the definition of “Valuation Date” in Condition 9(d) 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)*
 - (ix) [Relevant Time/Valuation Time]:
 - [Condition 9 applies/other]
 - (x) Strike Price:
 - [•]
 - (xi) Multiplier for each Index comprising the basket:
 - [Insert details/Not Applicable]
 - (xii) Trade Date:
 - [•]
 - (xiii) 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].
 - (If Correction of Index Levels does not apply, delete the following sub-paragraph)*

	<p>[Correction Cut-Off Date: <input type="checkbox"/> Business Days prior to the Maturity Date/In relation to Averaging Dates other than the final Averaging Dates, <input type="checkbox"/> days after the relevant Averaging Date and in relation to the final Averaging Date, <input type="checkbox"/> Business Days prior to the Maturity Date]].</p>
(xiv) Maturity Date Extension:	<p>[Applicable/Not Applicable]</p>
[Extension Business Days:	<p><input type="checkbox"/> (NB: only applicable where Maturity Date Extension is specified)]</p>
(xv) Other terms or special conditions:	<p><input type="checkbox"/></p>
27 Equity Linked Redemption Notes Provisions:	<p>[Applicable/Not Applicable]</p> <p><i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i></p>
(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:	<p>[Basket of Underlying Equities/Single Underlying Equity] [Give or annex details of each Underlying Equity and each Equity Issuer]</p>
(ii) Whether redemption of the Notes will be by (a) Cash Settlement or (b) Physical Delivery or (c) Cash Settlement and/or Physical Delivery:	<p>[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></p>
(iii) Party responsible for making calculations pursuant to Condition 10 (if not the Issuing and Paying Agent):	<p><input type="checkbox"/></p>
(iv) Exchange:	<p><input type="checkbox"/></p>
(v) Related Exchange(s):	<p><input type="checkbox"/>/All Exchanges]</p>
(vi) Potential Adjustment Events:	<p>[Applicable/Not Applicable]</p>
(vii) De-listing, Merger Event, Nationalisation and Insolvency:	<p>[Applicable/Not Applicable]</p>
(viii) Tender Offer:	<p>[Applicable/Not Applicable]</p>
(ix) Correction of Underlying Equity Prices:	<p>Correction of Underlying Equity Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].</p> <p><i>(If Correction of Underlying Equity Prices does not apply, delete the following sub-paragraph)</i></p>
[Correction Cut-Off Date:	<p><input type="checkbox"/> Business Days prior to the Maturity Date/In relation to Averaging Dates other than the final Averaging Dates, <input type="checkbox"/> days after the relevant</p>

	Averaging Date and in relation to the final Averaging Date, [●] Business Days prior to the Maturity Date]].
(x) Final Redemption Amount:	[Express per Calculation Amount]
[Valuation Date/Averaging Dates]:	[●]
[Adjustment provisions in the event of a Disrupted Day:	[Omission/Postponement/Modified Postponement] (NB: only applicable where Averaging Dates are specified)]
Reference Price:	[●][Condition 10(f) 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] (NB: if fallback set out in the definition of “Valuation Date” in Condition 10(f) 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)
(xi) Valuation Time:	[Condition 10(f) applies/other]
(xii) Strike Price:	[●]
(xiii) Exchange Rate:	[Applicable/Not Applicable] [Insert details]
(xiv) Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in Condition 10(c)):	[Insert details/Not Applicable]
(xv) Trade Date:	[●]
(xvi) Relevant Assets:	[●] (further particulars specified below) [Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery]
(xvii) Asset Amount(s):	[●] [Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery]
(xviii) Cut-Off Date:	[●] [Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery]
(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:	[●] [Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery]
(xxi) Maturity Date Extension	[Applicable/Not Applicable]
[Extension Business Days:	[●] (NB: only applicable where Maturity Date Extension is specified)]
(xxii) Other terms or special conditions:	[●]

(xxiii) Failure to Deliver due to Illiquidity:	[Applicable/Not Applicable]
	<i>(NB: Only applicable to certain types of Equity Linked Redemption Notes)</i>
28 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 (as per paragraph 1.5 of Annex 14 of Commission Regulation (EC) 809/2004), 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):	[●]
(viii) Details of the existence of any mandatory takeover bids/or squeeze-out and sell-out rules in relation to the Relevant Asset(s):	[●]
(ix) Details of any public takeover bids made by third parties in respect of the Relevant Asset(s), which have occurred during the last financial year and the current financial year, including the price or exchange terms attaching to such offers and the outcome thereof:	[●]
(x) Impact on the issuer of the Relevant Asset(s) of the exercise of the right and any potential dilution effect for the Relevant Asset holders:	[●]
29 Additional Disruption Events:	[Applicable/Not Applicable]
	<i>[Additional Disruption Events are only applicable to certain types of Index Linked Notes or Equity Linked</i>

		Notes]
		(If not applicable, delete the remaining subparagraphs 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 Notes)
		[Loss of Stock Borrow]
30	Credit Linked Notes Provisions:	[Applicable/Not Applicable]
31	Currency Linked Redemption Notes Provisions:	[Applicable/Not Applicable]
32	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 Notes, following an Index Adjustment Event in accordance with Condition 9(c)(ii)(z) or (c) in the case of Equity Linked Notes, following certain corporate events in accordance with Condition 10(c)(ii)(D) or (d) in the case of Index Linked Notes or Equity Linked Notes, following an Additional Disruption Event (if applicable) in accordance with Condition 11(b)(iii), and/or the method of calculating the same (if required or if different from that set out in the Conditions) or (e) in the case of Inflation Linked Notes, in connection with the cessation of publication of the Index as described in Condition 8(c)(ii):	[The fair market value of the Notes, which shall amount to] [●] per Calculation Amount
	Unwind Costs:	[Applicable (please specify)/Not Applicable]
GENERAL PROVISIONS APPLICABLE TO THE NOTES		
33	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 Luxembourg]/[CMU Service]
		[CREST Depositary Interests (“CDIs”) representing the Notes may also be issued in accordance with the usual procedures of Euroclear UK & Ireland Limited (“CREST”).]
34	New Global Note:	[Yes] [No]
35	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 17(iv), 19(xviii) and 20(xix) relate]
36	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]
37	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]
38	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/give details]
39	Redenomination, renominatisation and reconventioning provisions:	[Not Applicable/The provisions annexed to these Final Terms apply]
40	Consolidation provisions:	[Not Applicable/The provisions in [Condition 19] [annexed to these Final Terms] apply]
41	Additional U.S. Federal Tax Considerations:	[Not Applicable/give details]
42	Other final terms:	[Not Applicable/give details] (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.)

DISTRIBUTION

43	(i) If syndicated, names and addresses of Managers and underwriting commitments:	[Not Applicable/give names, addresses and underwriting commitments] (Include names and addresses of entities agreeing to
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	<i>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]
44 If non-syndicated, name and address of Dealer:	[Not Applicable/give name and address]
45 Total commission and concession:	[●] per cent. of the Aggregate Nominal Amount
46 U.S. Selling Restrictions:	[Reg S Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
47 Non-exempt Offer:	[An offer of the Notes may be made by the Managers [and <i>[specify, if applicable]</i>] other than pursuant to Article 3(2) of the Prospectus Directive in <i>[specify relevant Member States(s) – which must be jurisdictions where the Prospectus and any supplements have been passported]</i> during the period from <i>[specify date]</i> until <i>[specify date]</i> . [Not Applicable]
48 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 46] [and] admission to trading of the Notes described herein pursuant to the £50,000,000,000 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 [acting through its Australia branch] *[Include only where issuance is through Lloyds Australia branch]:*

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.)*
- (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]: [●]]
- [and endorsed by [●]] (*Insert this wording where one or more ratings included in the Final Terms has been endorsed by an EU registered credit rating agency for the purposes of Article 4(3) of the CRA Regulation*)
- [Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]
- (The above disclosure should only normally be included where the issue has been specifically rated.)*
- Insert one (or more) of the following options, as applicable:*
- [[Insert credit rating agency/ies] [is]/[are] established in the European Union and [has]/[have each] applied for registration under Regulation (EC) No 1060/2009, although the result of such application has not yet been determined.]
- [[Insert credit rating agency/ies] [is]/[are] established in the European Union and registered under Regulation (EC) No 1060/2009.]
- [[Insert credit rating agency/ies] [is]/[are] not established in the European Union and [has]/[have] not applied for registration under Regulation (EC) No 1060/2009.]
- [Include the following only where issuance is through*

the Bank's Australia branch:]

[Credit ratings are for distribution only to a person (a) who is not a “retail client” within the meaning of section 761G of the Corporations Act 2001 of Australia (“**Australian Corporations Act**”) and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Australian Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive these Final Terms and anyone who receives these Final Terms must not distribute it to any person who is not entitled to receive them.]

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, Inflation 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:

[●]/[Not Applicable]

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]]

[The Notes will also be made eligible for CREST via the issue of CDIs representing the Notes.]

[The Notes will be cleared through the CMU Service. CMU Instrument Number: [●].

Persons holding a beneficial interest in the Notes through Euroclear or Clearstream, Luxembourg will hold their interests through an account opened and held by Euroclear or Clearstream, Luxembourg (as applicable) with the CMU Operator.][include this text for CMU Notes only]

Delivery:

Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any):

[●]

Intended to be held in a manner which

[Yes] [No].

would allow Eurosystem eligibility: [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 registered in the name of a nominee for the common safekeeper,][*include this text for Registered Notes*]] 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 bearer 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/ <i>give details</i>]
Description of the application process:	[Not Applicable/ <i>give details</i>]
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>]
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**APPLICABLE FINAL TERMS FOR ISSUES BY THE BANK
WITH A DENOMINATION OF AT LEAST €100,000 (OR EQUIVALENT)
TO BE ADMITTED TO TRADING ON AN EEA REGULATED MARKET (CGN & NGN)**

Final Terms dated [●]

Lloyds TSB Bank plc [acting through its Australia branch (ABN 77 142 617 605)]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the £50,000,000,000

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. [NON-LONDON LISTED]

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 the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date. [LONDON LISTED]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. 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. The Prospectuses [and the supplemental Prospectus] are available for viewing [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, 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 OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (WITHIN THE MEANING OF REGULATION S 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 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 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 [acting through its Australia branch] <i>[Include only where issuance is through the Bank’s Australia branch]</i> |
| 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:] | [●] |
| | (ii) [Tranche:] | [●] |

5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (if applicable)] (In the case of the fungible issue only, if applicable)
6	(i) Specified Denominations:	[●]
	(ii) Calculation Amount:	[●]
	[(iii) Minimum Consideration Payable]	[The Notes will not be issued to a subscriber of the Notes unless the aggregate consideration payable by the subscriber is at least A\$500,000 (or its equivalent in an alternative currency, in either case, disregarding moneys lent by the offeror or its associates)] <i>[Include only where issuance is through the Bank's Australia branch]</i>
7	(i) [Issue Date:]	[●]
	(ii) [Interest Commencement Date:]	[●]
8	Maturity Date:	<i>[specify date or (for Floating Rate Notes)</i> <i>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:	[● per cent. Fixed Rate] [[<i>specify reference rate</i>] +/- ● per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Inflation 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] [Inflation Linked Redemption] [Credit Linked] [Currency Linked Redemption] [Dual Currency] [Instalment] [Partly Paid]

		[Other (specify)]
11	Change of Interest or Redemption/Payment Basis:	<i>[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]</i>
12	Alternative Currency Equivalent:	[Not Applicable/Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph. Where Notes are denominated in Renminbi, it is expected that this paragraph will be marked “Applicable”. If so, the sub-paragraphs below should be completed.)</i>
	(i) Alternative Currency:	[●]
	(ii) Alternative Currency Adjudication Agent:	[●]
	(iii) Alternative Currency Calculation Agent:	[●]
	(iv) Rate Calculation Jurisdiction:	[●]
	(v) Rate Calculation Business Days:	[●]
	[(vi)RMB Spot Rate:	[[●]/Not Applicable] <i>[Include an RMB Spot Rate only where the Notes are denominated in Renminbi and the default RMB Spot Rate is not applicable.]</i>
	[(vii)Spot Rate Screen Page:	[●] <i>[Delete where the Notes are denominated in Renminbi and sub-paragraph (vi) is marked “Not Applicable”]</i>
	[(viii)Non-deliverable Spot Rate Screen Page:	[●] <i>[Delete where the Notes are denominated in Renminbi and sub-paragraph (vi) is marked “Not Applicable”]</i>
	[(ix)Spot Rate Calculation Time:	[●] <i>[Delete where the Notes are denominated in Renminbi and sub-paragraph (vi) is marked “Not Applicable”]</i>
13	Put/Call Options:	[Put Option] [Call Option] [(further particulars specified below)]
14	Status of the Notes:	[Senior/[Dated [(Upper/Lower Tier 2)]/Undated]/Subordinated]
15	Method of distribution:	[Syndicated/Non-syndicated]
PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE		
16	Fixed Rate Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub paragraphs of this paragraph)</i>
	(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

		<i>[N.B. Condition 6(h) will apply if an Interest Payment Date falls on a non-business day]</i>
(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:	[●] (<i>Day Count Fraction should be Actual/Actual ICMA for all fixed rate issues other than those denominated in U.S. dollars or Renminbi, unless otherwise agreed</i>)
(vi)	Determination Dates:	[●] in each year (<i>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</i>)
(vii)	[Business Day Convention:	[Applicable - Modified Following Business Day Convention/other (<i>give details</i>)/Not Applicable] <i>[Only applicable where Notes are denominated in Renminbi]</i>
(viii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/ <i>give details</i>]
17	Floating Rate Note Provisions	[Applicable/Not Applicable] <i>(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>
(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 (<i>give details</i>)]
(iv)	Business Centre(s):	[●]
(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (<i>give details</i>)]
(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):	[●] <i>[TARGET/City] Business Days in [specify City] prior to [the first day] in each Interest Accrual Period/each Interest Payment Date</i>

	– Relevant Screen Page:	[●]
	– Relevant Time:	[●]
	(viii) ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	(ix) Margin(s):	[+/-] [●] per cent. per annum
	(x) Minimum Rate of Interest:	[●] per cent. per annum
	(xi) Maximum Rate of Interest:	[●] per cent. per annum
	(xii) Day Count Fraction:	[●]
	(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:	[●]
18	Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub paragraphs of this paragraph)</i>
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) Amortisation Yield compounding basis:	[Compounded/Non-compounded] [annually/semi-annually/other]
	(iii) Reference Price:	[●]
	(iv) Any other formula/basis of determining amount payable:	[●]
19	Index Linked Interest Note, Inflation 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) 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>] [<i>Details of each Index Sponsor</i>] Multi-Exchange Index [Yes/No] [The Threshold Percentage [applies/does not apply] in relation to such Index]
		<i>(NB: Multi-Exchange Index should apply to any Index in respect of which there is more than one Exchange, e.g. a Euro Stoxx index)</i>
	(ii) Party responsible for calculating the interest due (if not the Issuing and Paying Agent):	[●]

(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[●]
(iv) Exchange(s):	[●]
(v) Related Exchange(s):	[[●]/All Exchanges]
(vi) [Valuation Date/Averaging Dates]:	[●]
[Adjustment provisions in the event of a Disrupted Day:	[Omission/Postponement/Modified Postponement] (NB: only applicable where Averaging Dates are specified)]
[Reference Price:	[Condition 9(d) applies/other] (NB: if fallback set out in the definition of “Valuation Date” in Condition 9(d) 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)
(vii) [Relevant Time/Valuation Time]:	[Condition 9 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]. (If Correction of Index Levels does not apply, delete the following sub-paragraph)
[Correction Cut-Off Date:	[[●] Business Days prior to the Interest Payment 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 Interest Payment Date]].
(xii) Interest Period(s):	[●]
(xiii) Specified Interest Payment Dates:	[●][N.B. Care must be taken to ensure that if the Notes 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 Interest Payment 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]
(xiv) Interest Determination Dates:	[[●] Business Days prior to each Specified Interest

		Payment Date / [The/Each] Valuation Date/Averaging Date / The Valuation Date/Averaging Date immediately preceding each Specified Interest Payment Date].
(xv)	[Reference Months:]	[●]
(xvi)	[Related Bond:]	[●]
(xvii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>]
(xviii)	Business Centre(s):	[●]
(xix)	Minimum Rate of Interest:	[●] per cent. per annum
(xx)	Maximum Rate of Interest:	[●] per cent. per annum
(xxi)	Day Count Fraction:	[●]
(xxii)	Payment Date Extension	[Applicable/Not Applicable]
	[Extension Business Days:	[●] <i>(NB: only applicable where Payment Date Extension is specified)</i>
(xxiii)	Other terms or special conditions:	[●]
20	Equity Linked Interest Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete 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)	Party responsible for calculating the interest due (if not the Issuing and Paying Agent):	[●]
(iii)	Provisions for determining Coupon where calculated by reference to Formula and/or other variable:	[●]
(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 Interest Payment 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 Interest Payment Date]].
(x) Valuation Time:	[Condition 10(f) applies/other]
(xi) Strike Price:	[●]
(xii) Exchange Rate:	[Applicable/Not Applicable] <i>[Insert details]</i>
(xiii) Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in Condition 10(c)):	<i>[Insert details/Not Applicable]</i>
(xiv) Trade Date:	[●]
(xv) Interest Period(s):	[●]
(xvi) Specified Interest Payment Dates:	[●]/ <i>N.B. Care must be taken to ensure that if the Notes 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 Interest Payment 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>
(xvii) Interest Determination Dates:	[[●] Business Days prior to each Specified Interest Payment Date / [The/Each] Valuation Date/Averaging Date / The Valuation Date/Averaging Date immediately preceding each Specified Interest Payment Date].
(xviii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>]
(xix) Business Centre(s):	[●]
(xx) Minimum Rate of Interest:	[●] per cent. per annum
(xxi) Maximum Rate of Interest:	[●] per cent. per annum
(xxii) Day Count Fraction:	[●]
(xxiii) Payment Date Extension	[Applicable/Not Applicable]

	[Extension Business Days:	[●] (NB: only applicable where Payment Date Extension is specified)]
	(xxiv) Other terms or special conditions:	[●]
21	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:	[●]
22	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		
23	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:	[●]/[Not less than five nor more than [●] days]
24	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:	[●]
25	Final Redemption Amount	[[●] per Calculation Amount/other/see Appendix] <i>(Where Notes are Currency Linked Redemption Notes, Index Linked Redemption Notes, Inflation Linked Redemption Notes, Equity Linked Redemption Notes or Credit Linked Notes specify “Not Applicable” and complete item 26, 27, 30 or 31 below as applicable)</i>
26	Index Linked, Inflation Linked and other variable-linked Redemption Note Provisions	[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] [[Give or annex details]] [Details of each Index Sponsor] Multi-Exchange Index [Yes/No] [The Threshold Percentage [applies/does not apply] in relation to such Index]
		<i>(NB: Multi-Exchange Index should apply to any Index in respect of which there is more than one Exchange, e.g. a Euro Stoxx index)</i>
	(ii) Party responsible for making calculations pursuant to Condition 9 (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) [Reference Month:]	[●]
	(vii) [Related Bond:]	[●]

	(viii) [Valuation Date/Averaging Dates/Interest Determination Date]:	[●]
	[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 9(d) applies/other] <i>(NB: if fallback set out in the definition of “Valuation Date” in Condition 9(d) 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>
	(ix) [Relevant Time/Valuation Time]:	[Condition 9 applies/other]
	(x) Strike Price:	[●]
	(xi) Multiplier for each Index comprising the basket:	[Insert details/Not Applicable]
	(xii) Trade Date:	[●]
	(xiii) 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]].
	Maturity Date Extension:	[Applicable/Not Applicable]
	[Extension Business Days:	[●] <i>(NB: only applicable where Maturity Date Extension is specified)</i>
	(xiv) Other terms or special conditions:	[●]
27	Equity Linked Redemption Notes Provisions:	[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	[Cash Settlement/Physical Delivery/Cash Settlement and/or Physical Delivery] <i>(If Cash Settlement and/or</i>

(b) Physical Delivery or (c) Cash Settlement and/or Physical Delivery:	<i>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 10 (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/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]].
(x) Final Redemption Amount:	[Express per Calculation Amount]
[Valuation Date/Averaging Dates]:	[●]
[Adjustment provisions in the event of a Disrupted Day:	[Omission/Postponement/Modified Postponement] (NB: only applicable where Averaging Dates are specified)]
Reference Price:	[●][Condition 10(f) 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] (NB: if fallback set out in the definition of "Valuation Date" in Condition 10(f) 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)
(xi) Valuation Time:	[Condition 10(f) applies/other]
(xii) Strike Price:	[●]
(xiii) Exchange Rate:	[Applicable/Not Applicable] [Insert details]

(xiv) Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in Condition 10(c)):	[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) Maturity Date Extension	[Applicable/Not Applicable]
[Extension Business Days:	[•] (NB: only applicable where Maturity Date Extension is specified)]
(xxii) Other terms or special conditions:	[•]
(xxiii) Failure to Deliver due to Illiquidity:	[Applicable/Not Applicable] (NB: Only applicable to certain types of Equity Linked Redemption Notes)
28 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 (as per paragraph 1.5 of Annex 14 of Commission Regulation (EC) 809/2004), 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</i>

		<i>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):	[●]
	(viii) Details of the existence of any mandatory takeover bids/or squeeze-out and sell-out rules in relation to the Relevant Asset(s):	[●]
	(ix) Details of any public takeover bids made by third parties in respect of the Relevant Asset(s), which have occurred during the last financial year and the current financial year, including the price or exchange terms attaching to such offers and the outcome thereof:	[●]
	(x) Impact on the issuer of the Relevant Asset(s) of the exercise of the right and any potential dilution effect for the Relevant Asset holders:	[●]
29	Additional Disruption Events:	<p>[Applicable/Not Applicable]</p> <p><i>[Additional Disruption Events are only applicable to certain types of Index Linked Notes or Equity Linked Notes]</i></p> <p><i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i></p> <p>[Change in Law]</p> <p>[Hedging Disruption]</p> <p>[Increased Cost of Hedging]</p> <p>[Increased Cost of Stock Borrow]</p> <p>[Insolvency Filing]</p> <p><i>(N.B. Only applicable in the case of Equity Linked Notes)</i></p> <p>[Loss of Stock Borrow]</p>
30	Credit Linked Notes Provisions:	[Applicable/Not Applicable]
31	Currency Linked Redemption Notes Provisions:	[Applicable/Not Applicable]
32	Early Redemption Amount:	
	Early Redemption Amount(s) payable on redemption for (a) taxation reasons or on event of default or other early	[The fair market value of the Notes, which shall amount to] [●] per Calculation Amount

redemption (b) in the case of Index Linked Notes, following an Index Adjustment Event in accordance with Condition 9(c)(ii)(z) or (c) in the case of Equity Linked Notes, following certain corporate events in accordance with Condition 10(c)(ii)(D) or (d) in the case of Index Linked Notes or Equity Linked Notes, following an Additional Disruption Event (if applicable) in accordance with Condition 11(b)(iii), and/or the method of calculating the same (if required or if different from that set out in the Conditions) or (e) in the case of Inflation Linked Notes, in connection with the cessation of publication of the Index as described in Condition 8(c)(ii):

Unwind Costs:

[Applicable (*please specify*)/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

33 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]

(In relation to any issue of Notes which are expressed to be Temporary Global Notes exchangeable for Definitive Notes in accordance with this option, such notes may only be issued in denominations equal to, or greater than EUR 100,000 (or equivalent) and integral multiples thereof.)

[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 — [Restricted/Unrestricted] Global Certificate[s]] —

[DTC]/[Euroclear/Clearstream Luxembourg]/[CMU Service]

[CREST Depositary Interests (“CDIs”) representing the Notes may also be issued in accordance with the usual procedures of Euroclear UK & Ireland Limited]

		(“CREST”).]
34	New Global Note:	[Yes] [No]
35	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 17(iv), 19(xviii) and 20(xix) relate]
36	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]
37	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]
38	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/give details]
39	Redenomination, renominatisation and reconventioning provisions:	[Not Applicable/The provisions annexed to these Final Terms apply]
40	Consolidation provisions:	[Not Applicable/The provisions in [Condition 19] annexed to these Final Terms] apply]
41	Additional U.S. Federal Tax Considerations:	[Not Applicable/give details]
42	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

43	If syndicated, names of Managers:	[Not Applicable/give names]
	Stabilising Manager(s) (if any):	[Not Applicable/give names]
44	If non-syndicated, name of Dealer:	[Not Applicable/give names]
45	U.S. Selling Restrictions:	[Reg S Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
46	Additional selling restrictions:	[Not Applicable/give names]

[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 £50,000,000,000 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 [acting through its Australia branch] *[Include only where issuance is through Lloyds Australia branch]:*

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]: [●]]

[and endorsed by [●]] (*Insert this wording where one or more ratings included in the Final Terms has been endorsed by an EU registered credit rating agency for the purposes of Article 4(3) of the CRA Regulation*)

(The above disclosure should only normally be included where the issue has been specifically rated.)

Insert one (or more) of the following options, as applicable:

[[*Insert credit rating agency/ies*] [is]/[are] established in the European Union and [has]/[have each] applied for registration under Regulation (EC) No 1060/2009, although the result of such application has not yet been determined.]

[[*Insert credit rating agency/ies*] [is]/[are] established in the European Union and registered under Regulation (EC) No 1060/2009.]

[[*Insert credit rating agency/ies*] [is]/[are] not established in the European Union and [has]/[have] not applied for registration under Regulation (EC) No 1060/2009.]

[Include the following only where issuance is through the Bank's Australia branch:]

[Credit ratings are for distribution only to a person (a) who is not a “retail client” within the meaning of section 761G of the Corporations Act 2001 of Australia (“**Australian Corporations Act**”) and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not

required under Parts 6D.2 or 7.9 of the Australian Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive these Final Terms and anyone who receives these Final Terms must not distribute it to any person who is not entitled to receive them.]

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, Inflation 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:	[●]/[Not Applicable]
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):	<p>[Not Applicable/give name(s) and number(s) [and address(es)]]].</p> <p>[The Notes will also be made eligible for CREST via the issue of CDIs representing the Notes.]</p> <p>[The Notes will be cleared through the CMU Service. CMU Instrument Number: [●].</p> <p>Persons holding a beneficial interest in the Notes through Euroclear or Clearstream, Luxembourg will hold their interests through an account opened and held by Euroclear or Clearstream, Luxembourg (as applicable) with the CMU Operator.][include this text for CMU Notes only]</p>
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:	<p>[Yes] [No].</p> <p>[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 registered in the name of a nominee for the common safekeeper,][include this text for Registered Notes]] 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 bearer Notes must be issued in NGN form]</p>

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 26 May 2011. 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 of the Programme was authorised by resolutions of the Chairman's Committee of the Board of Directors of the Bank passed on 26 September 1996 and the update of the Programme and the issue of Notes under it was authorised by resolutions of the Board of Directors of the Bank passed on 24 February 2011.

3 Save as disclosed in the section entitled "Lloyds Banking Group – Legal Actions and Regulatory Matters – Payment Protection Insurance" on page 140 of this Prospectus there has been: (i) no significant change in the financial or trading position of Lloyds TSB Bank Group since 31 December 2010, the date to which Lloyds TSB Bank Group's last published audited financial information (as set out in the Bank's 2010 Annual Report) was prepared and (ii) no material adverse change in the prospects of the Bank since 31 December 2010.

4 Save as disclosed in the section entitled "Lloyds Banking Group - Legal Actions and Regulatory Matters" on pages 139 – 142 of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings 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, significant effects on the financial position or profitability of the Bank or the Lloyds TSB Bank Group.

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). Interests in the Notes may also be held through CREST through the issuance of CDIs representing Underlying Notes. 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, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L- 1855 Luxembourg and the address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London, EC4M 5SB. The address of DTC is 55 Water Street, New York, New York 10041, United States. The address

of any alternative clearing system will be specified in the applicable Final Terms. The address of CMU Service is 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

CMU Notes have been accepted for clearance through the CMU Service. For persons seeking to hold a beneficial interest in CMU Notes through Euroclear or Clearstream, Luxembourg, such person will hold their interests in an account opened and held by Euroclear or Clearstream, Luxembourg with the CMU Operator.

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 Annual Report and Accounts of the Bank for the two financial years ended 31 December 2009 and 31 December 2010;
- 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.

This 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.

9 PricewaterhouseCoopers LLP, Chartered Accountants and Statutory 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 for the two financial years ended 31 December 2009 and 31 December 2010.

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 FSA 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 public limited company incorporated under the laws of England and Wales. Most of the Bank's directors and executive officers reside outside the United States. All or a substantial portion of the assets of the Bank and/or those non-resident 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 those persons or to enforce against them in U.S. courts judgements obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States.

13 The Bank is registered as a foreign company in Australia and carries on banking business in Australia as a foreign authorised deposit-taking institution pursuant to an authority issued by APRA. As a consequence, the Australia branch of the Bank is also subject to prudential oversight and regulation by APRA in accordance with APRA's published prudential standards and guidelines.

In addition, the Australian branch of the Bank also holds an Australian financial services licence issued by the Australian Securities and Investment Commission, which enables the branch to conduct its treasury activities within the Australian jurisdiction.

The registered office of the Australian branch of the Bank is located at Level 25, 45 Clarence Street, Sydney NSW 2000, Australia.

The Australian branch of the Bank provides wholesale funding, management of liquidity and arranges debt capital issuance and asset securitisation programmes for Lloyds International Pty Limited and its subsidiaries in Australia. It also provides a range of treasury products and risk management solutions to Lloyds International Pty Limited and its subsidiaries in Australia and their clients.

REGISTERED OFFICE OF THE BANK

25 Gresham Street
London EC2V 7HN
Tel: +44 20 7626 1500

PRINCIPAL OFFICE OF THE BANK'S AUSTRALIA BRANCH

Level 25
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Sydney NSW 2000
Australia
Tel: +61 2 8235 0500

TRUSTEE

The Law Debenture Trust Corporation p.l.c.

Fifth Floor
100 Wood Street
London EC2V 7EX

ISSUING AND PAYING AGENT, CALCULATION AGENT, REGISTRAR AND TRANSFER AGENT

Citibank, N.A., London Branch

21st Floor
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

CMU LODGING AGENT AND CMU ISSUING AND PAYING AGENT

Citicorp International Limited

9th Floor, Two Harbourfront
22 Tak Fung Street
Hung Hom
Kowloon
Hong Kong

PAYING AGENT AND TRANSFER AGENT

Citigroup Global Markets Deutschland AG

Reuterweg 16 60323
Frankfurt AM Main
Germany

DEALERS

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5 The North Colonnade
Canary Wharf
London E14 4BB

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Crédit Agricole Corporate and Investment Bank
9 Quai du Président Paul Doumer
92920 Paris La Défense Cedex
France

Daiwa Capital Markets Europe Limited
5 King William Street
London EC4N 7AX

**DZ BANK AG Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main**
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Federal Republic of Germany

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10 Gresham Street
London EC2V 7AE

Mizuho International plc
Bracken House
One Friday Street
London EC4M 9JA

Nomura International plc
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1 St Martin's-le-Grand
London EC1A 4NP

SMBC Nikko Capital Markets Limited
99 Queen Victoria Street
London EC4V 4EH

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

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81925 Munich
Federal Republic of Germany

BNP PARIBAS
10 Harewood Avenue
London NW1 6AA

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA

Royal Bank of Canada Europe Limited
71 Queen Victoria Street
London EC4V 4DE

Standard Chartered Bank
One Basinghall Avenue
London EC2V 5DD

UBS Limited
1 Finsbury Avenue
London EC2M 2PP

Wells Fargo Securities International Limited
One Plantation Place
30 Fenchurch Street
London EC3M 3BD

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PricewaterhouseCoopers LLP

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Edinburgh EH2 4NH

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as to English law*

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London EC2Y 8HQ

*To the Dealers and the Trustee
as to English law*

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*To the Bank
as to the laws of Australia*

Mallesons Stephen Jaques
Level 61, Governor Phillip Tower
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Sydney NSW 2000
Australia