PROSPECTUS **Dated 4 June 2009**

LLOYDS TSB BANK plc

(incorporated in England with limited liability under the Companies Act 1862 and the Companies Act 1985 with registered number 2065)

£50,000,000,000
Euro Medium Term Note Programme

This Prospectus (the "**Prospectus**") supersedes the prospectus dated 10 June 2008 in connection with the Programme (as defined below). Any Notes (as defined below) issued under the Programme on or after the date of this Prospectus are issued subject to the provisions described herein. This does not affect any Notes already in issue. Under the Euro Medium Term Note Programme described in this Prospectus (the "**Programme**"), Lloyds TSB Bank plc (the "**Bank**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed £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 ("**Ordinary 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 Tier 2 Notes**") or Upper Tier 3 Capital (as defined below) (the "**Tier 3 Notes**" and, together with the Dated Tier 2 Notes, 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", "Lower Tier 2 Capital" and "Upper Tier 3 Capital" have the respective meanings given to them from time to time by the Financial Services Authority.

Application has been made to the Financial Services Authority (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**"). 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. Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") will be deposited on the issue date of the relevant Tranche with a common 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 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 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. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Bearer Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

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

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

Arranger

Merrill Lynch International

Dealers

Citi	**Deutsche Bank**
Goldman Sachs International	**JPMorgan Cazenove**
Lloyds TSB Corporate Markets	**Merrill Lynch International**
Morgan Stanley	**Nomura International**

UBS Investment Bank

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 subsidiaries from time to time (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.

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

Each Tranche of Notes may be rated or unrated. Where a Tranche of Notes is rated by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. ("Standard & Poor's"), it is expected that it will be rated "A+" for Ordinary Notes with a maturity of one year or more, "A-1" for Ordinary Notes with a maturity of less than one year, "A" for Dated Subordinated Notes (other than Tier 3 Notes) and "B" for Undated Subordinated Notes. Where a Tranche of Notes is rated by Moody's Investors Service Limited, it is expected that it will be rated "Aa3" for Ordinary Notes with a maturity of one year or more, "P-1" for Ordinary Notes with a maturity of less than one year and "A3" for Dated Subordinated Notes (other than Tier 3 Notes) and "A3" for Undated Subordinated Notes. Tier 3 Notes will be rated on a case-by-case- basis.

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

As defined by Moody's Investors Service Limited, an "Aa" rating means that the capacity of the Bank to meet its obligations on the Notes is of high quality and subject to very low credit risk and an "A" rating means that the capacity of the Bank to meet its obligations on the Notes is of upper–medium grade and subject to low credit risk. The addition of a "1" indicates that the obligation ranks in the higher end of its rating category, a "2" indicates a mid-range ranking and a "3" indicates a ranking in the lower end of that rating category. A "P-1" rating means that the Bank has a superior ability to repay its short term debt obligations on the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by the assigning rating agency.

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

No person is or has been authorised to give any information or to make any representation other than as contained in this Prospectus in its entirety in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank or any of the Dealers or the Arranger or the Trustee (each as defined in "Summary of the Programme"). Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank or Lloyds TSB 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 in the section "Non-exempt offer" of the Final Terms (if any), as the case may be.

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

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

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

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

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

Certain Definitions

On 16 January 2009, Lloyds TSB Group plc (the parent company of Lloyds TSB Bank plc) acquired 100 per cent. of the ordinary share capital of HBOS plc (the "**Acquisition**"). Upon completion of the Acquisition, Lloyds TSB Group plc changed its name to Lloyds Banking Group plc. Accordingly in this Prospectus, references to:

(i) "**Bank**" are to Lloyds TSB Bank plc;

(ii) "**Lloyds TSB Bank Group**" are to the Bank and its subsidiary undertakings from time to time;

(iii) "**Lloyds TSB Group**" are to the Company together with Lloyds TSB Bank Group;

(iv) "**Company**" are to Lloyds Banking Group plc;

(v) "**Lloyds Banking Group**" are to the Company and its subsidiary undertakings from time to time;

(vi) "**HBOS**" are to HBOS plc;

(vii) "**HBOS Group**" are to HBOS and its subsidiary undertakings from time to time; and

(viii) "**BOS**" are to Bank of Scotland plc.

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

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

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

The Bank or the Company may also make or disclose written and/or oral forward-looking statements in reports filed with or furnished to the US Securities and Exchange Commission, the Bank's and the Company's annual reviews, half yearly 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 the Company to third parties, including financial analysts. The forward-looking statements in this Prospectus are made as of the date hereof, and the Bank undertakes no obligation to update any of the forward-looking statements.

DOCUMENTS INCORPORATED BY REFERENCE

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

(i) the audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2007, together with the audit report thereon, as set out on pages 8 to 100 of the Bank's Annual Report and Accounts 2007;

(ii) the audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2008, together with the audit report thereon, as set out on pages 9 to 107 of the Bank's Annual Report and Accounts 2008;

(iii) the audited consolidated annual financial statements of the Company for the financial year ended 31 December 2008, together with the audit report thereon, as set out on pages 96 to 181 of the Company's Annual Report and Accounts 2008 (the "**Company 2008 Annual Report**"), and the paragraph entitled "Acquisition of HBOS" on page 15 of the Company 2008 Annual Report, each incorporated by reference herein solely for the purposes of Annex II of the Prospectus Directive;

(iv) the section entitled "Risk Management" set out on pages 42 to 64 of the Company's 2008 Annual Report, which is audited, except for certain information set out on page 58, which is unaudited;

(v) (a) the audited consolidated annual financial statements of HBOS for the financial year ended 31 December 2008, together with the audit report thereon, as set out on pages 40 to 140 of HBOS' Annual Report and Accounts 2008 (the "**HBOS 2008 Annual Report**") and (b) the table entitled "Capital Structure Basel II" on page 5 of the HBOS 2008 Annual Report, each incorporated by reference herein solely for the purposes of Annex II of the Prospectus Directive;

(vi) the last sentence of the first paragraph under the section entitled "Overview of Results" on page 3 of the HBOS 2008 Annual Report;

(vii) page 71 of the Company's preliminary consolidated financial results for the year ended 31 December 2008 (the "**2008 Preliminary Results**"), incorporated by reference herein solely for the purposes of Annex II of the Prospectus Directive;

(viii) the announcement (the "**GAPS Announcement**") published by the Company on 7 March 2009 relating, *inter alia*, to the UK Government's Asset Protection Scheme (the "**GAPS**"), save for:

the fourth paragraph on page 4 starting with the words "A short presentation…";

(ix) 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;

(x) 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; and

(xi) 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,

all of which have been previously published and filed with the Financial Services Authority and which shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

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

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

PRESENTATION OF FINANCIAL INFORMATION

The financial information relating to the Bank, as incorporated by reference into this Prospectus, in respect of the financial years ended 31 December 2007 and 31 December 2008, has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union ("**EU**").

LLOYDS BANKING GROUP PRO FORMA CAPITAL RATIOS

The Lloyds Banking Group's pro forma capital ratios as at 31 December 2008, as set out on page 71 of the 2008 Preliminary Results and in the GAPS Announcement, are incorporated by reference herein.

The pro forma capital ratios are being provided to give a better understanding of what the capital ratios of the Lloyds Banking Group might have been had the Acquisition, the capital raisings (as described on page 15 of the Company 2008 Annual Report) (the "**Capital Raisings**") and the Company's participation in the GAPS been completed on 31 December 2008.

The pro forma condensed capital ratios have been prepared solely for illustrative purposes and are not necessarily indicative of the capital ratios of the Lloyds Banking Group that might have been achieved had the Acquisition, the Capital Raisings and the Company's participation in the GAPS occurred on the dates indicated, nor is it necessarily indicative of the capital ratios which may, or may be expected to, be achieved in the future. Due to their nature, the pro forma capital ratios address a hypothetical situation and, therefore, do not represent the Lloyds Banking Group's actual capital ratios.

The pro forma adjustments with respect to the capital ratios are set out below:

	Actual		**Proforma**								
		Acquisition of HBOS Group					GAPS Announcement - associated impacts				
	Lloyds TSB Group as at 31 December 2008	HBOS Group as at 31 December 2008	HBOS Group January capital raisings	Fair value adjustments to HBOS	LTSB Group January capital raisings	**Proforma capital per 2008 Preliminary Results**	Impact of RWA reduction	Impact of issuing B shares	Impact of replacing HMT preference shares with ordinary shares	Impact of Capital deductions	**Proforma capital per GAPS Announcement**
Risk Weighted Assets (RWA)	**£171 bn**	£328 bn				**£499 bn**	£(194) bn				**£304 bn**
Core tier 1 capital	**£10 bn**	£14 bn	£8 bn	£(4) bn	£4 bn	**£32 bn**		£16 bn	£4 bn	£(8) bn	**£44 bn**
Core tier 1 ratio	**5.6%**					**6.4%**					**14.5%**
Tier 1 capital	**£14 bn**	£20 bn	£13 bn	£(6) bn	£8 bn	**£49 bn**		£16 bn		£(8) bn	**£57 bn**
Tier 1 ratio	**8.0%**					**9.8%**					**18.7%**
Total capital	**£19 bn**	£34 bn	£13 bn	£(9) bn	£5 bn	**£62 bn**		£16 bn		£(15) bn	**£62 bn**
Total capital ratio	**11.2%**					**12.5%**					**20.5%**

Note: • References in the table above to an "impact" in respect of a specified event, relate to the effect of that event upon the Company's capital and risk weighted assets, as appropriate.

• All figures in the above table have been rounded to the nearest £billion, and so may appear not to cast.

The pro forma capital ratios have been completed on a basis fully consistent with the Company's accounting policies and practices. In particular:

1. The capital figures relating to Lloyds TSB Group as at 31 December 2008 are extracted from page 58 of the Company 2008 Annual Report. The pro forma capital ratios reflecting the Acquisition and the Capital Raisings have been extracted without modification from page 71 of the 2008 Preliminary Results.

2. The capital figures relating to the HBOS Group as at 31 December 2008 are extracted from page 5 of the HBOS 2008 Annual Report. Core tier 1 capital is calculated by taking total tier 1 capital (£20 billion) less preference share capital (£3 billion) and preferred securities (£3 billion).

3. The capital figures relating to the HBOS Group Capital Raisings are extracted from page 5 of the HBOS 2008 Annual Report. The HBOS Group Capital Raisings comprise: (i) a net ordinary share capital placing of £8 billion; and (ii) a preference share issuance of £3 billion completed in January 2009. The resulting £8 billion increase in core tier 1 capital reduces the exclusion of certain other capital securities from tier 1 capital and total capital under the regulatory capital gearing rules. Hence the increase in tier 1 capital and total capital is £13 billion comprising ordinary share capital (£8 billion), preference share capital (£3 billion) and other capital securities readmitted under the capital gearing rules (£2 billion).

4. Accounting rules require the Company to consolidate HBOS at fair value at the date of the Acquisition. The exercise to fair value the assets and liabilities of the HBOS Group is still in progress. The fair values incorporated within the Lloyds Banking Group's capital calculations represent initial estimates based upon work performed since the completion of the Acquisition, up to the publication of the Company 2008 Annual Report.

The estimated accounting fair value adjustments affecting core tier 1 capital is £1 billion, being the net of £12 billion after tax on debt security liabilities, and negative £11 billion after tax on loans, deposits and other items. In addition, negative adjustments of £5 billion relating to regulatory capital treatment, principally in respect of available-for-sale financial assets, result in the net negative fair value adjustment to core tier 1 capital of £4 billion.

£2 billion of the £12 billion fair value adjustment on debt security liabilities (noted in the paragraph above) is on tier 1 capital securities. The value of tier 1 capital securities that can be included in capital is thus reduced by £2 billion as a result of the fair value adjustments. The overall fair value adjustment to tier 1 capital (negative £6 billion) is calculated by taking the fair value adjustment to core tier 1 capital (negative £4 billion) together with the fair value adjustment relating to tier 1 capital securities (negative £2 billion).

£3 billion of the £12 billion fair value adjustment on debt security liabilities is on tier 2 capital securities. The value of tier 2 capital securities that can be included in capital is thus reduced by £3 billion as a result of the fair value adjustments. The overall fair value adjustment to total capital (negative £9 billion) is calculated by taking the fair value adjustment to tier 1 capital (negative £6 billion) together with the fair value adjustment relating to tier 2 capital securities (negative £3 billion).

5. The LTSB Group Capital Raisings comprise (i) a net equity capital placing (£4 billion); (ii) a preference share issuance (£1 billion); (iii) a conversion of innovative tier 1 securities into preference shares; and (iv) an exchange of upper tier 2 securities into innovative tier 1 securities, all completed in January 2009.

   The resulting increase in core tier 1 capital of £4 billion reduces the exclusion of certain other capital securities from tier 1 capital and total capital under the regulatory capital gearing rules. Hence the increase in tier 1 capital is £8 billion, comprising ordinary share capital (£4 billion), new preference share capital (£1 billion), capital transferred from tier 2 capital to tier 1 capital due to the exchange of upper tier 2 securities into innovative tier 1 securities (£2 billion) and securities readmitted under the capital gearing rules (£1 billion).

   The increase in total capital is £5 billion, comprising ordinary share capital (£4 billion) and new preference share capital (£1 billion). The exchange and capital gearing rule increases to tier 1 capital (noted in the paragraph above) are movements between different tiers of capital, and so do not impact total capital.

6. Information relating to the pro forma capital ratios regarding the Company's participation in the GAPS has been extracted without modification or derived from the GAPS Announcement. The adjustments from the pro forma capital ratios for the Acquisition and the Capital Raisings to the pro forma capital ratios for the Company's participation in the GAPS are shown in the table above and consist of:

   - estimated risk weighted assets reduction of £194 billion resulting from risk transfer to HM Treasury, as described in the GAPS Announcement;
   - capital raisings in the form of £16 billion B shares proposed to be issued to HM Treasury, as described in the GAPS Announcement. This increases all tiers of capital by £16 billion;
   - capital restructuring – replacement of £4 billion existing preference shares held by HM Treasury with new ordinary shares, as described in the GAPS Announcement. This increases core tier 1 capital, but has no impact on total tier 1 capital or total capital; and
   - estimated capital deductions of £15 billion relating to first loss, as described in the GAPS Announcement, which are deducted 50 per cent. from core tier 1 (£8 billion), with the remainder from tier 2 capital.

7. All of the above pro forma capital ratios have been prepared on a basis consistent with FSA definitions.

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.

Lloyds TSB Bank plc (the "**Bank**") was incorporated 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 subsidiaries from time to time are referred to as the "**Lloyds Banking Group**".

The Bank and its subsidiaries (the "**Lloyds TSB Bank Group**") is a leading UK-based financial services group, whose businesses provide a wide range of banking and financial services in the UK and a limited number of locations overseas. Its main business activities are retail, commercial and corporate banking, general insurance, and life, pensions and investment provision.

Risk Factors

Risk Factors relating to the Bank and Lloyds TSB Bank Group

The Bank and Lloyds TSB Bank Group may be subject to risks set out below in "Risk Factors", which include:

Risk Factors relating to the Bank

- Risks arising from general and sector specific economic conditions in the markets in which the Bank operates and market fluctuations.
- Risks concerning material changes to the estimated fair values of financial assets of the Bank.
- Risks concerning borrower and counterparty credit quality.
- Risks concerning liquidity and the availability of funding.
- Risk of having insufficient capital resources to meet the minimum required by regulators.
- The Bank's borrowing costs and access to the capital markets depend significantly on its credit ratings and those of the Company.
- The Bank's businesses are subject to substantial regulation, and regulatory and governmental oversight and to various forms of legal and regulatory risk.
- The Bank could fail to attract or retain key employees.
- Risks associated with the Banking Act 2009.

Risk Factors relating to the Bank as part of Lloyds Banking Group

- The acquisition of HBOS plc by the Company has exacerbated some risks faced by Lloyds Banking Group.
- HM Treasury is in a position to exert significant influence over Lloyds Banking Group.

- Various risks associated with Lloyds Banking Group's proposed participation in the Government's Asset Protection Scheme and certain undertakings associated therewith.
- Risks associated with the European state aid clearance process.

Risk Factors relating to the Notes

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

Description	Euro Medium Term Note Programme.
Size	Up to £50,000,000,000 (or the equivalent in other currencies at the date of issue).
Arranger	Merrill Lynch International
Dealers	Citigroup Global Markets Limited Deutsche Bank AG, London Branch Goldman Sachs International J.P. Morgan Securities Ltd. Lloyds TSB Bank plc Merrill Lynch International Morgan Stanley & Co. International plc Nomura International plc UBS Limited (together, the "**Dealers**"). The Bank may terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or the Programme.
Trustee	The Law Debenture Trust Corporation p.l.c.
Issuing and Paying Agent	Citibank, N.A., London Branch
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis and will be issued in series (each, a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each, a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant final terms (each, the "**Final Terms**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium thereto. Notes may be issued on a partly paid basis ("**Partly Paid Notes**"), the issue price of which will be payable in two or more instalments.

Form of Notes	The Notes may be issued in bearer form only ("**Bearer Notes**"), in bearer form exchangeable for Registered Notes ("**Exchangeable Bearer Notes**") or in registered form only ("**Registered Notes**"). Unrestricted Notes will initially be represented by an Unrestricted Global Certificate and Restricted Notes will initially be represented by a Restricted Global Certificate.
Clearing Systems	Clearstream, Luxembourg, Euroclear and/or DTC and such other clearing system as agreed between the Bank, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).
Initial Delivery of Notes	On or before the issue date for each Tranche, if the relevant Global Note is intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, it will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. If the relevant Global Note is not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, it may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes may also be deposited with any other clearing system or delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Bank, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s). Unrestricted Notes will initially be represented by an Unrestricted Global Certificate, which will be deposited on the issue date of the relevant Tranche either with (a) a common depositary on behalf of Euroclear and Clearstream, Luxembourg, or (b) the Custodian for, and registered in the name of Cede & Co. as nominee for, DTC and/or any other agreed clearing system. Restricted Notes will initially be represented by a Restricted Global Certificate, which will be deposited on the issue date of the relevant Tranche either with (a) a common depositary on behalf of Euroclear and Clearstream, Luxembourg, or (b) the Custodian for, and registered in the name of Cede & Co. as nominee for, DTC.
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, (ii) Dated Subordinated Notes constituting Lower Tier 2 Capital will have a minimum maturity of five years and (iii) Tier 3 Notes will have a minimum maturity of two 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.
Other provisions relating to Floating Rate Notes and Index Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate and/or a minimum interest rate. Interest on any such Notes will be payable on such Interest Payment Dates, and calculated on the basis of such Day Count Fraction, as specified in the relevant Final Terms.
Equity Linked Interest Notes	Payments of interest in respect of Equity Linked Interest Notes will be calculated by reference to a single equity security or basket of equity securities on such terms as specified in the relevant Final Terms.
Equity Linked Redemption Notes	Payments of principal in respect of Equity Linked Redemption Notes will be calculated by reference to a single equity security or basket of equity securities. Each nominal amount of Notes equal to the Calculation Amount will be redeemed by payment of the Final Redemption Amount(s), in each case, specified in the relevant Final Terms. Equity Linked Redemption Notes may also provide for redemption by physical delivery of the Asset Amount(s). If any of Potential Adjustment Events, De-listing, Merger Event, Nationalisation, Insolvency and/or Tender Offer are specified as applying in the relevant Final Terms, the Notes will be subject to adjustment or may be redeemed in the event of certain corporate events occurring in respect of the Equity Issuer(s) specified in the relevant Final Terms.
Additional Disruption Event	Upon the occurrence of an Additional Disruption Event, if so specified in the relevant Final Terms, the Notes will be subject to adjustment or may be redeemed.
Currency Linked Notes	Payments (of principal or interest and/or at maturity or otherwise) in respect of Currency Linked Notes will be made in such currencies, and by reference to such rates of exchange and/or such formulae, as specified in the relevant Final Terms.
Credit Linked Notes	Notes with respect to which payment of principal and/or interest is linked to the credit of a specified entity or entities will be issued on such terms as specified in the relevant Final Terms.
Zero Coupon Notes	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest other than after the Maturity Date.
Dual Currency Notes	Payments (of principal or interest and/or at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as specified in the relevant Final Terms.
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes, Notes in respect of which payments of principal and/or interest will be made by reference to a formula or the performance of a fund and any other type of Note that the

	Bank 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.
Early Redemption	Except as provided in "Redemption" above, Notes will be redeemable at the option of the Bank prior to maturity only for tax reasons.
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the United Kingdom subject to Condition 12.
Governing Law	English.
Listing and Admission to Trading	Application has been made to list Notes issued under the Programme on the Official List and to admit them to trading on the Market or as otherwise specified in the relevant Final Terms, and references to listing shall be construed accordingly. A Series of Notes may be unlisted.
Ratings	Each Tranche of Notes may be rated, as specified in the relevant Final Terms, or unrated.
Selling Restrictions	United States, the Public Offer Selling Restriction under the Prospective Directive (in respect of Notes having a specified denomination of less than €50,000 or its equivalent in any other currency as at the date of issue of the Notes), UK, Japan, The Netherlands, Singapore, Hong Kong, Republic of Korea, Belgium, People's Republic of China, Sweden, France, United Arab Emirates, Spain, Malta, Switzerland 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. §l. 163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §l.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable. 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 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 investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Factors that may affect the Bank's ability to fulfil its obligations under the Notes issued under the Programme

Set out below are certain risk factors which could affect the Bank or Lloyds TSB Bank Group's future results and cause them to be materially different from expected results. The Bank's and Lloyds TSB Bank Group's results could also be affected by competition and other factors. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties Lloyds TSB Bank Group's businesses face. For information on the Bank's risk management policies and procedures, see the section entitled "Risk Management" set out on pages 42 to 64 of the Company 2008 Annual Report as incorporated by reference herein.

Risk Factors relating to Lloyds TSB Bank plc

1. Risks relating to Lloyds TSB Bank plc's businesses

1.1 The Bank'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, such as the current and ongoing crisis in the global financial markets, recession, and further deterioration of general economic conditions, particularly in the UK, have already adversely affected the Bank's earnings and profits and could continue to cause its earnings and profitability to decline.

The Bank'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 Bank's earnings are predominantly generated. Over approximately the past 18 months, the global economy and the global financial system have been experiencing a period of significant turbulence and uncertainty. The very severe dislocation of the financial markets around the world, that began in August 2007 and has substantially worsened since September 2008, triggered widespread problems at many large global and UK commercial banks, investment banks, insurance companies and other financial and related institutions. This dislocation has severely impacted general levels of liquidity, the availability of credit and the terms on which credit is available. This crisis in the financial markets led the UK Government and other governments to inject liquidity into the financial system and require (and participate in) recapitalisation of the banking sector to reduce the risk of failure of certain large institutions and provide confidence to the market.

Despite this intervention, the volatility and market disruption in the banking sector have continued to a degree unprecedented in recent history. This market dislocation has also been accompanied by recessionary conditions and trends in many economies throughout the world, including the United Kingdom. The global economy has entered a severe recession, possibly the worst since World War II. The recession is expected to be prolonged and could be exacerbated even further by deflationary forces or failure of untested monetary measures to combat deflation. Unemployment is rising rapidly, reducing consumer demand and confidence and causing a vicious circle of further deterioration in the labour market. These conditions have already adversely affected the Bank's earnings and profits and such conditions are expected to continue or worsen over the near to medium term. Moreover, the rate at which such deterioration has occurred has proven very difficult to predict and this will continue to be the case. In the recent past an accelerating global downturn has had an adverse effect on the Bank's operations (as well as those of Lloyds Banking Group, (including the HBOS Group). The widespread and severe deterioration in the UK and virtually all other economies throughout the world, including, but not limited to, business and consumer confidence, unemployment trends, the state of the housing market, the commercial real estate sector, equity markets, bond markets, foreign exchange markets, commodity markets, counterparty risk, inflation, the availability and cost of credit, lower transaction volumes in key markets, the liquidity of the global financial markets and market interest rates, has already and is expected to continue to reduce the level of demand for, and supply of, the Bank's products and services, lead to lower asset and other realisations and increased negative fair value adjustments and impairments of investments and other assets and materially and adversely impact its operating results, financial condition and prospects.

Additionally, the profitability of the Bank's businesses could be affected by increased insurance and other claims arising from market factors such as increased unemployment. Significantly higher unemployment in the UK and elsewhere, reduced corporate profitability, reduced personal non-salary income levels, increased corporate insolvency rates, increased personal 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 Bank's loans. This in turn would cause increased impairments in the event of default. Poor general economic conditions, lack of market liquidity and lack of transparencies of asset structures have depressed asset valuations for the Bank and are expected to continue to do so given the likely further deterioration in general economic conditions.

The exact nature of the risks faced by the Bank is difficult to predict and guard against in view of the severity of the global financial crisis, difficulties in predicting the rate at which further economic deterioration may occur and the fact that many of the related risks to the business are totally or in part outside the control of the Bank.

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

The Bank'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 have had and will have an impact on the Bank 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 Bank. In addition, banking and trading activities that are undertaken by the Bank are subject to interest rate risk, foreign exchange risk, inflation risk and credit spread risk. For example, changes in interest rate levels, yield curves and spreads affect the interest rate margin realised between lending and borrowing costs. Since August 2007, there has been a period of unprecedented high and volatile interbank lending margins over official rates (to the extent banks have been willing to lend at all), which has exacerbated these risks. Competitive pressures on fixed rates or product terms in existing loans and deposits sometimes restrict the Bank 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 Bank 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 have increased in value in the current adverse investment markets and may continue to do so. 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 Bank'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 and such changes and the degree of volatility with respect thereto, may affect earnings reported by the Bank. In the Bank's international businesses, earnings and net assets are denominated in local currency, which will fluctuate with exchange rates in pounds sterling terms. It is difficult to predict with any accuracy changes in economic or market conditions, and such changes could have a material adverse effect on the Bank's operating results, financial condition and prospects.

1.3 *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 Bank. Negative fair value adjustments have had, and may continue to have in the future, a further material adverse effect on the Bank's operating results, financial condition and prospects.*

Financial markets have been and are currently subject to significant stress conditions resulting in steep falls in perceived or actual financial asset values, particularly due to the current and ongoing crisis in the global financial markets.

The Bank has material exposures to securities and other investments, including, but not limited to, asset-backed securities, structured investments and private equity investments, that are recorded at fair value and are therefore exposed to further negative fair value adjustments, particularly in view of current market dislocation and the recessionary environment. Asset valuations in future periods, reflecting then prevailing market conditions, may result in further negative changes in the fair values of the Bank's financial assets and these may also translate into increased impairments. In addition, the value ultimately realised by the Bank may be lower than the current fair value. Any of these factors could require the Bank to record further negative fair value adjustments, which may have a material adverse effect on its operating results, financial condition or prospects.

The Bank has made asset redesignations as permitted by recent amendments to IAS 39. 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, to the extent that fair values are determined using financial valuation models, the data used by such models may not be available or may become unavailable due to changes in market conditions, particularly for illiquid assets, and particularly in times of substantial instability such as the current economic crisis. In such circumstances, the Bank's valuation methodologies 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 resulting from the current and ongoing crisis in the global financial markets, and any consequential impairments or write-downs could have a material adverse effect on Lloyds Banking Group's operating results, financial condition and prospects.

1.4 *The Bank'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 Bank's balance sheet.*

As one of the UK's largest lenders, the Bank has exposures to many different products and counterparties, and the credit quality of its exposures can have a significant impact on its earnings. The Bank makes both secured and unsecured loans to retail and corporate customers and the Bank's businesses are subject to inherent risks regarding the credit quality of, and the recovery on loans to and amounts due from, customers and market counterparties. Adverse changes in the credit quality of the Bank's UK and/or international borrowers and counterparties, or in their behaviour, would be expected to reduce the value of the Bank's assets, and materially increase the Bank's write-downs and allowances for impairment losses. Factors including higher unemployment in the UK and elsewhere, reduced corporate profitability, increased corporate and personal insolvencies and/or increased interest rates may reduce borrowers' ability to repay loans. The outlook for the UK (and the global) economy has deteriorated significantly in recent months and the pace of this deterioration has accelerated; this deterioration is expected to continue for the foreseeable future and the pace of such deterioration is very difficult to predict. In addition, changes in economic conditions may result in further deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default.

Lloyds Banking Group estimates and establishes reserves for credit risks and potential credit losses inherent in its credit exposure, including exposure at the Bank. 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 chance that Lloyds Banking Group will fail to identify the proper factors or that it will fail to estimate accurately the impact of factors that it identifies.

UK house prices have declined significantly in recent months, reflecting a correction of severely inflated asset values, triggered by the economic downturn and lower availability of credit. Economic or other factors are likely to lead to further contraction in the mortgage market and further decreases in housing prices. Many borrowers in the UK borrow on short-term fixed or discounted floating rates and when such rates expire the continued reduced supply and stricter terms of mortgages together with the potential for higher mortgage rates have led and will continue to lead to higher delinquency rates. The Bank provides mortgages to buy-to-let investors where an excess supply of rental property or falls in rental demand could also impact the borrowers' income and ability to service the loans. If the current economic downturn continues, as it is expected to do, with further decreases in house prices and/or increases in unemployment, the Bank's mortgage portfolios are likely to generate substantial increases in impairment losses which could materially affect its operations, financial condition and prospects.

1.5 *The Bank's businesses are subject to inherent risks concerning liquidity, particularly if the availability of traditional sources of funding such as retail deposits or the access to wholesale money markets continue to be limited or becomes more limited, which could materially adversely affect the Bank's ability to meet its financial obligations as they fall due.*

The Bank's businesses are subject to risks concerning liquidity, which are inherent in banking operations, and could affect the Bank's ability to meet financial obligations as they fall due or to fulfil commitments to lend. These risks can be exacerbated by many enterprise-specific factors, including an over-reliance on a particular source of funding (including, for example, securitisations, covered bonds and short-term and overnight money markets), and changes in credit ratings, or market-wide phenomena such as market dislocation and major disasters. There is also a risk that corporate and institutional counterparties may look to reduce aggregate credit exposures to the Bank, Lloyds Banking Group or to all banks which could increase the Bank's cost of funding and limit its access to liquidity. In addition, the funding structure employed by the Bank may prove to be inefficient giving rise to a level of funding cost that is not sustainable in the long run. The funding needs of the Bank will increase to the extent that customers, including conduit vehicles of the Bank, draw down under existing credit arrangements with the Bank and such increases in funding needs may be material. In order to continue to meet its funding obligations and to maintain or grow its businesses generally, the Bank relies on customer savings and transmission balances, as well as ongoing access to the wholesale funding markets, central bank liquidity facilities (for example, Bank of England, European Central Bank and Federal Reserve Bank of New York) and the UK Government funding scheme. The ability of the Bank to access wholesale and retail funding sources on satisfactory economic terms is subject to a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions, the encouraged or mandated repatriation of deposits by foreign wholesale or central bank depositors and loss of confidence in the UK banking system.

Medium-term growth in the Bank's lending activities will depend, in part, on the availability of retail funding on appropriate terms, for which there is increasing competition. This reliance has increased in the recent past given the difficulties in accessing wholesale funding. Increases in the cost of such funding will impact on the Bank's margins and affect profit, and a lack of availability of such retail deposit funding could impact on the Bank's future growth.

The ongoing availability of retail deposit funding is dependent on a variety of factors outside the Bank's control, such as general economic conditions, the confidence of retail depositors in the economy in general and in the Bank in particular, the financial services industry specifically and the availability and extent of deposit guarantees. These or other factors could lead to a reduction in the Bank's ability to access retail deposit funding on appropriate terms in the future. If the current difficulties in the wholesale funding markets are not resolved or central bank lending to financial institutions is withdrawn, it is likely that wholesale funding will prove even more difficult to obtain.

Any loss in consumer confidence in the banking businesses of the Bank could significantly increase the amount of retail deposit withdrawals in a short space of time. Should the Bank experience an unusually high level of withdrawals, this may have an adverse effect on the Bank's business, financial position and results of operations and could, in extreme circumstances, prevent the Bank from meeting its regulatory minimum liquidity requirements. In such extreme circumstances the Bank may not be in a position to continue to operate without additional funding support, which it may be unable to access.

See Risk Factor 1.18 for a discussion of the competitive nature of the banking industry and competitive pressures that could have a negative impact on the availability of customer deposits and retail funding. In the current environment of unprecedented market volatility, banks' access to traditional sources of liquidity has been and is likely to continue to be significantly restricted which may affect the Bank's access to such sources of liquidity.

While various governments, including the UK Government, have taken substantial measures to ease the crisis in liquidity, for example, the UK Government funding scheme, there can be no assurance that these measures will succeed in materially improving the liquidity position of major UK banks, including the Bank and Lloyds Banking Group. In addition, the availability and the terms on which any such measures have been, or will continue to be, made available to the Bank and Lloyds Banking Group are uncertain. Neither the Bank nor the Company has influence over the policy making behind such measures. Further, there can be no assurance that these conditions will not lead to an increase in the overall concentration risk and cost of funding of the Bank and Lloyds Banking Group. The Bank expects that it and Lloyds Banking Group will substantially rely for the foreseeable future on the continued availability of Bank of England liquidity facilities as well as the UK Government's funding scheme. If the Bank of England liquidity facility, the UK Government funding scheme or other sources of short-term funding are not available after that period, the Bank could face serious liquidity constraints, which would have a material adverse impact on its solvency.

The Bank will also continue to be dependent on its credit ratings in order to be able to attract wholesale investors into its debt issuance programmes; should the ratings fall, the cost of refinance will increase and it may not be possible to refinance borrowings as they mature.

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

The Bank has exposure to concentration risk where its business activities focus particularly on a similar type of customer or product or geographic location including the UK market, which could be adversely affected by changes in economic conditions. For example, where the Bank has a high concentration of property exposure further decreases in residential or commercial property values and/or further tenant defaults are likely to lead to higher impairment losses, which could materially affect its operations, financial condition and prospects.

The Bank'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, the disruption in the liquidity or transparency of the financial markets may result in the Bank'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 Bank to losses if the mark-to-market value of the securities, loans or other instruments or positions decline causing the Bank to take write-downs. Moreover, the inability to reduce the Bank'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 Bank's balance sheet, thereby increasing its capital requirements and funding costs, all of which could adversely affect the Bank's operating results, financial condition and prospects.

1.7 *The Bank is subject to the risk of the Bank and Lloyds Banking Group having insufficient capital resources to meet the minimum required by regulators.*

The Bank is subject to the risk of the Bank and Lloyds Banking Group having insufficient capital resources to meet the minimum regulatory capital requirements. In addition, those minimum regulatory requirements may increase in the future and/or the FSA may change the manner in which it applies existing regulatory requirements to recapitalised banks including those within Lloyds Banking Group.

As at 31 December 2008, Lloyds Banking Group's pro forma core tier 1 ratio (assuming that the Acquisition (taking into account adjustments for estimated Acquisition-related costs and elimination of the HBOS available-for-sale reserve and cash flow hedge reserve and without taking account of any fair value adjustments recognised as part of the Acquisition), the Government's recapitalisation of the Company and HBOS, and the Company's placing and compensatory open offer in May 2009 were completed on 31 December 2008) was 6.7 per cent. Subsequently, the Company issued the GAPS Announcement on 7 March 2009 which stated that its participation in the GAPS and the related capital restructuring would increase Lloyds Banking Group's proforma core tier 1 capital ratio.

The Bank's and Lloyds Banking Group's ability to maintain their targeted and regulatory capital ratios will depend on a number of factors, including its participation in the GAPS, net synergies and implementation costs following the Acquisition, the level of risk-weighted assets, post-tax profit and the level of net negative capital adjustments following the Acquisition. Lloyds Banking Group's ability to maintain its targeted and regulatory capital ratios will be significantly impacted by net negative capital adjustments following the Acquisition. In addition to the impact of net negative capital adjustments, Lloyds Banking Group's core tier 1 ratio will be directly impacted by any shortfall in forecasted after-tax profit (which could result, most notably, from greater than anticipated asset impairments and/or adverse volatility relating to the insurance business). Furthermore, under Basel II, capital requirements are inherently more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen, as they are expected to do. Any failure of the Bank and Lloyds Banking Group to maintain their minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse impact on the Bank's and Lloyds Banking Group's operating results, financial condition and prospects. A shortage of available capital would also affect the ability to continue organic growth or to pursue acquisition or other strategic opportunities.

The Bank's life assurance and general insurance businesses in the UK are subject to capital requirements prescribed by the FSA, and the Bank's life and general insurance companies outside the UK are subject to local regulatory capital requirements. In July 2007, the European Commission published a draft proposal for primary legislation to define broad "framework" principles for Solvency II, a fundamental review of the capital adequacy regime for the European insurance industry. Solvency II 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. At this early stage of development, it is not possible to predict the ultimate impact of this proposed regime on the Bank's capital. However, the final regime could significantly impact the regulatory capital the Bank's life assurance and general insurance businesses are required to hold.

1.8 *The Bank 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 Lloyds Banking Group's results of operations, financial condition and prospects.*

Against the backdrop of the lack of liquidity and high cost of funds relative to official rates in the interbank lending market, which is unprecedented in recent history, the Bank 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 risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Bank interacts on a daily basis, all of which could have an adverse effect on the Bank's ability to raise new funding.

The Bank routinely executes a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients, resulting in a significant credit concentration. The Bank is exposed to counterparty risk as a result of recent financial institution failures and nationalisations and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the ability 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 Bank's results of operation, financial condition and prospects.

1.9 *If the perceived creditworthiness of monoline insurers and other market counterparties does not improve or continues to deteriorate, the Bank 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 Bank's results of operations, financial condition and prospects.*

The Bank has credit exposure to monoline insurers and other 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 carried at fair value. The fair value of these underlying CDSs and other securities, and the Bank'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 as well as on the creditworthiness of the relevant monoline or other insurer. Since 2007, monoline and other insurers and other market counterparties have been adversely affected by their exposure to residential mortgage-linked products, and their perceived creditworthiness deteriorated significantly in 2008. They may continue to be substantially adversely impacted by such or other events in 2009 and beyond. Their creditworthiness may further deteriorate as a consequence of the deterioration of the value of underlying assets. Although the Bank seeks to limit and manage direct exposure to monoline or other insurers and other market counterparties, indirect exposure may exist through other financial arrangements and counterparties. If the financial condition of monoline or other insurers or market counterparties or their perceived creditworthiness deteriorates further, the Bank may record further credit valuation adjustments on the underlying instruments insured by such parties in addition to those already recorded. In addition, to the extent that asset devaluations lower the creditworthiness of monoline insurers, the Bank would be further exposed to diminished creditworthiness of such insurers themselves. 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 Bank.

1.10 *The Bank's insurance businesses and employee pension schemes are subject to risks relating to insurance claims 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 Bank and its employee pension schemes are exposed to short-term and longer-term impacts arising from uncertain longevity and ill-health rates. Adverse developments in any of these factors will increase the size of the Bank's insurance liabilities and may adversely affect the Bank'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 business assumptions. The consequent reduction in policy persistency and fee income has an adverse impact upon the profitability of the life and pensions business of the Bank. The behaviour of employee pension scheme members affects the levels of benefits payable from the schemes. For example, the rate at which members cease employment affects the aggregate amount of benefits payable by the schemes. This rate may differ from applicable business assumptions. Adverse variances may increase the size of the Bank's aggregate pension liabilities and may adversely affect the Bank's financial condition and results of operations.

The general insurance businesses of the Bank 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 property, contents and motor vehicle 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 Bank's financial condition and results of operations.

UK banks recognise an 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 Bank's financial condition and results of operations.

Also, as further described in Risk Factor 1.2, the Bank's insurance assets are subject to the risk of market fluctuations.

1.11 *The Bank's borrowing costs and access to the capital markets depend significantly on its credit ratings and those of the Company and any reduction in rating could materially adversely affect the Bank's results of operations, financial condition and prospects.*

As at 4 June 2009, the long-term credit ratings for the Bank were Aa3 from Moody's Investors Service Limited, A+ (A plus) from Standard & Poor's Ratings Services, AA- (AA minus) from Fitch Ratings Ltd and AA (low) from DBRS. As at 4 June 2009, the long-term credit ratings for the Company were A1 from Moody's Investors Service Limited, A from Standard & Poor's Ratings Services, AA- (AA minus) from Fitch Ratings Ltd and A (high) from DBRS.

As at 4 June 2009, the Bank also had short-term ratings of P-1 from Moody's Investors Service Limited, A-1 from Standard & Poor's Ratings Services, F1+ from Fitch Ratings Ltd and R-1 (middle) from DBRS. As at 4 June 2009, the Company also had short-term ratings of A-1 from Standard & Poor's Ratings Services and F1+ from Fitch Ratings Ltd.

Reduction in the credit ratings of the Bank 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 could materially adversely affect access to liquidity and competitive position, increase its funding costs and, hence, have a material adverse effect on the Bank's business, financial position and results of operations. These material adverse effects could also follow from a reduction in the credit ratings of the Company.

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

Operational risks, through inadequate or failed internal processes (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 Bank, are present in the Bank's businesses. The Bank's businesses are dependent on their ability to process and report 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. Following the Acquisition, the existing internal controls and procedures of the HBOS Group are in the process of being integrated with those of the Bank and the Lloyds Banking Group. This is a complex and time-consuming process and there can be no assurance that delays will not occur or that systems weaknesses or inadequacies will be uncovered or that the identified potential material weaknesses in the HBOS Group internal controls will be adequately addressed. Any weakness in such internal controls and processes could have a negative impact on the Bank's or the Lloyds Banking Group's results or their ability to report adequately such results during the affected period. Furthermore, damage to the Bank's or Lloyds Banking Group's reputation (including to customer confidence) arising from actual or perceived inadequacies, weaknesses or failures in such systems or processes could have a significant adverse impact on the Bank's businesses. Notwithstanding anything in this Risk Factor, this Risk Factor should not be taken as implying that either the Bank or any relevant company within Lloyds Banking 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 (as the case may be).

1.13 *The Bank'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 Bank's operating results, financial condition and prospects.*

The Bank conducts its businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK and the other markets where it operates. This is particularly the case in the current market environment, which is witnessing increased levels of government intervention in the banking sector, which the Bank expects to continue. Future changes in regulation, fiscal or other policies are unpredictable and beyond the control of the Bank and the Company and could materially adversely affect the Bank's business.

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

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy, or changes in regulatory regimes that may significantly influence investor decisions in particular markets in which the Bank operates, may change the structure of those markets and the products offered or may increase the costs of doing business in those markets;
- other general changes in regulatory requirements, such as prudential rules relating to the capital adequacy or liquidity frameworks;
- external bodies applying or interpreting standards or laws differently to those applied by the Bank historically;
- changes in competition and pricing environments;

- further developments in the financial reporting, corporate governance, conduct of business, employee compensation, environment;

- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and

- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for the Bank's products and services.

In the United Kingdom and elsewhere, there is also continuing political and regulatory scrutiny of the banking industry and, in particular, retail banking. In the United Kingdom, the Competition Commission, the Financial Services Authority ("**FSA**") and the Office of Fair Trading have recently carried out, or are currently conducting, several inquiries. In recent years there have been several issues in the UK financial services industry in which the FSA has intervened directly, including the sale of personal pensions and the sale of mortgage-related endowments.

In light of the ongoing market uncertainty, the Bank expects to face increased regulation and political and regulatory scrutiny of the financial services industry. The UK Government, the FSA or other regulators in the United Kingdom or overseas, may intervene further in relation to the areas of industry risk already identified, or in new areas, which could adversely affect the Bank.

In addition, Lloyds Banking Group (including the Bank) faces increased political and regulatory scrutiny as a result of the Acquisition. Such scrutiny may focus on the historical operations of the HBOS Group as well as the characteristics of the enlarged Lloyds Banking Group.

For example, in clearing the Acquisition without a reference to the UK Competition Commission the Secretary of State noted that there were some competition concerns identified by the OFT in the markets for personal current accounts and mortgages in Great Britain and the market for SME banking in Scotland. He said that he is asking the OFT to keep relevant markets under review in order to protect the interests of UK consumers and the British economy. Partly in response to this request, in April 2009 the OFT launched a consultation on its plans for keeping UK financial markets under review. It has indicated its intention to focus its efforts in the financial services markets on the banking sector, including credit, leasing and debt recovery activities. Amongst other plans, it has announced its intention to launch a review of the unsecured consumer credit sector in 2009 which will address the offerings of suppliers, the role of intermediaries and the behaviour of and decisions made by consumers. The OFT has also reiterated that it will consider whether to refer any banking markets to the Competition Commission if it identifies any prevention, restriction or distortion of competition. The OFT envisages that following consultation on its proposed plans, it will publish a final plan for its activities in the financial services markets for 2009 in July. The outcome of any reviews by the OFT or referrals to the Competition Commission could adversely affect the Bank.

Compliance with any changes in regulation or with any regulatory intervention resulting from political or regulatory scrutiny may significantly increase the Bank's costs, impede the efficiency of its internal business processes, limit its ability to pursue business opportunities, or diminish its reputation. Any of these consequences could have a material adverse effect on the Bank's operating results, financial condition and prospects.

1.14 In the United Kingdom, the Bank is 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.

In the United Kingdom, the FSCS was established under the FSMA and is the UK's statutory fund of last resort for customers of authorised financial services firms. 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 the Bank. The recent arrangements put in place to protect the depositors of Bradford & Bingley and other failed deposit-taking institutions involving the FSCS are expected to result in a significant increase in the levies made by the FSCS on the industry. Lloyds Banking Group has made a provision of £122 million in its 2008 accounts in respect of its current obligation for the estimated interest cost on the FSCS borrowings. Going forward, further provisions in respect of these costs are likely to be necessary until the borrowings are repaid. 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 although it may be significant and the associated costs to the Bank may have a material adverse effect on its results of operations and financial condition.

1.15 *The Bank is exposed to various forms of legal and regulatory risk, including the risk of misselling 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 Bank is exposed to many forms of legal and regulatory risk, which may arise in a number of ways. Primarily:

- certain aspects of the Bank's business may be determined by the authorities, the Financial Ombudsman Service ("**FOS**") or the courts as not being conducted in accordance with applicable laws or regulations, or, in the case of FOS, with what is fair and reasonable in the Ombudsman's opinion. For more information on additional constraints that may be imposed as a result of the European state aid clearance process, see Risk Factor 2.6;
- the possibility of alleged misselling of financial products, 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;
- contractual obligations may either not be enforceable as intended or may be enforced against the Bank in an adverse way;
- the intellectual property of the Bank (such as trade names) may not be adequately protected;
- the Bank holds accounts for a number of companies that might be or are subject to interest from various regulators including the FOS, those in the US and others. The Bank is not aware of any current investigation into Lloyds Banking Group as a result of any such enquiries but cannot exclude the possibility of Lloyds Banking Group's conduct being reviewed as part of any such investigations; and
- the Bank may be liable for damages to third parties harmed by the conduct of its business.

In addition, the Bank faces risk where legal or regulatory proceedings or FOS or other complaints are brought against it in the UK High Court or elsewhere, or in jurisdictions outside the UK, including other European countries and the United States. See "Lloyds TSB Bank Group - Legal Actions". For example, a major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with US economic sanctions. The outcome of any proceeding or complaint is inherently uncertain and could have a material adverse effect on the Bank's operations and/or financial condition, especially to the extent the scope of any such proceedings expands beyond its original focus.

Failure to manage these risks adequately could impact the Bank adversely, both financially and reputationally through an adverse impact on the Bank's brands.

1.16 *Failure to manage the risks associated with changes in taxation rates or law, or misinterpretation of the law, could materially and adversely affect the Bank'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 Bank materially and adversely and could have a material negative impact on the Bank's performance.

1.17 *The Bank's businesses are conducted in highly competitive environments and the Bank'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 Bank operates, are highly competitive, and management expects such competition to intensify in response to competitor behaviour, consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. If financial markets remain unstable, financial institution consolidation may accelerate. Moreover, government intervention in the banking sector may impact the competitive position of banks within a country and among international competitors which may be subject to different forms of government intervention, thus potentially putting the Bank at a competitive disadvantage to local banks in such jurisdictions. Any combination of these factors could result in a reduction in profit. The Bank's financial performance and its ability to capture additional market share depends significantly upon the competitive environment and management's response to it.

The Bank's financial performance may be materially and adversely impacted by competition, including declining lending margins or competition for savings driving up funding costs which cannot be recovered from borrowers. Adverse persistency in the Bank's insurance business is a risk to current and future earnings.

A key part of Lloyds Banking Group's strategy involves building strong customer relationships in order to win a bigger share of its customers' financial services spend. If the Bank is not successful in retaining and strengthening customer relationships it will not be able to deliver on this strategy, and may lose market share, incur losses on some or all of its activities or fail to attract new and retain existing deposits, which could have a material adverse effect on its business, financial position and results of operations.

1.18 *The Bank could fail to attract or retain senior management or other key employees.*

The Bank's success depends on the ability and experience of its senior management and the senior management of the Company. The loss of the services of certain key employees, particularly to competitors, could have a material adverse effect on the Bank's results of operations, financial condition and prospects. In addition, as the Bank's and Lloyds Banking Group's businesses develop, both in the UK and in other jurisdictions, future success will depend on the ability to attract and retain highly skilled and qualified personnel, which cannot be guaranteed, particularly in light of the increased regulatory intervention in financial institutions and management compensation arrangements coming under government prescription. For example, in connection with the Lloyds Banking Group's proposed participation in the GAPS, the Company has provided certain Undertakings to HM Treasury including in relation to remuneration policies for its employees. See Risk Factor 2.5. Depending on the nature of the remuneration policies agreed, staff retention and recruitment may become more difficult. In addition, failure to manage trade union relationships effectively may result in disruption to the business and its operations causing potential financial loss. The failure to attract or retain a sufficient number of appropriate personnel could significantly impede the Bank's financial plans, growth and other objectives and have a material adverse effect on their business, financial position and results of operations.

1.19 *Terrorist acts, other acts of war, geopolitical, pandemic or other such events could have a material adverse impact on the Bank'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 Bank in ways that cannot necessarily be predicted.

1.20 *Risks relating to the Banking Act 2009.*

Under the Banking Act 2009 (the "**Banking Act**"), substantial powers have been granted to HM Treasury, the Bank of England and the UK Financial Services Authority (the "**FSA**" and, together with HM Treasury and the Bank of England, 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 Financial Services and Markets Act 2000 ("**FSMA**") (each a "**relevant entity**") 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.

The Authorities have been granted wide powers under the Banking Act and the following paragraphs set out some of the possible consequences of the exercise of those powers under the SRR.

The SRR may be triggered prior to insolvency of the Bank

The stabilisation powers may only be exercised if the FSA is satisfied that a relevant entity (such as the Bank) (a) is failing, or is likely to fail, to satisfy the threshold conditions set out in Schedule 6 to the FSMA required to retain its FSA authorisation to accept deposits; and (b) having regard to timing and other relevant circumstances, it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those threshold conditions. It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any application for an insolvency or administration order with respect to the relevant entity could be made.

Various actions may be taken in relation to any securities issued by the Bank (including the Notes) without the consent of the holders thereof

If the Bank were made subject to the SRR, HM Treasury or the Bank of England may take various actions in relation to any securities issued by the Bank (including the Notes) without the consent of the holders thereof, including (among other things):

(i) transferring the Notes free from any restrictions on transfer and free from any trust, liability or encumbrance;

(ii) delisting the Notes;

(iii) converting the Notes into another form or class (for example, into equity securities);

(iv) modifying or disapplying certain terms of the Notes, including disregarding any termination or acceleration rights or events of default under the terms of the Notes which would be triggered by the transfer; or

(v) where property is held on trust, removing or altering the terms of such trust.

Accordingly, there can be no assurance that the taking of any such actions would not adversely affect:

- the rights of Noteholders;
- the price or value of their investment, including but not limited to the fiscal implications of holding the Notes; and
- the ability of the Bank to satisfy its obligations under the Contracts (as defined in the Programme Agreement) and/or the Notes.

Where the stabilisation powers are exercised, HM Treasury must make statutory provision for a scheme or other arrangements for determining the compensation, if any, due to those affected by an exercise of the powers. However, there can be no assurance that Noteholders would thereby recover compensation promptly and equal to any loss actually incurred.

Contractual arrangements between the Bank, its group companies and/or the bridge bank or private sector purchaser may be created, modified or cancelled

If the Bank were made subject to the SRR and a partial transfer of the Bank's business to another entity were effected, the transfer order or instrument may directly affect the Bank and/or its group companies and commercial counterparties by creating, modifying or cancelling their contractual arrangements with a view to ensuring the provision of such services and facilities as are required to enable the bridge bank or private sector purchaser to operate the transferred business (or any part of it) effectively. For example, the transfer order or instrument may (among other things) (i) require group companies to support and co-operate with the bridge bank or private sector purchaser, for example by providing services and facilities; (ii) cancel or modify contracts or arrangements between the Bank or the transferred business and a group company; or (iii) impose additional obligations on the Bank under new or existing contracts. There can be no assurance that the taking of any such actions would not adversely affect the ability of the Bank to satisfy its obligations under the Contracts and/or the Notes.

A partial transfer of the Bank's business may result in a concentration of risk

If the Bank were made subject to the SRR and a partial transfer of the Bank's business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with the Bank (which may include the Notes) may result in a deterioration in the creditworthiness of the Bank and increase the risk that the Bank may eventually become subject to administration or insolvency proceedings pursuant to the Banking Act.

Where the stabilisation powers are exercised, HM Treasury must make statutory provision (for example in accordance with the Banking Act 2009 (Third Party Compensation Arrangements for Partial Property Transfers) Regulations 2009) for a scheme or other arrangements for determining the compensation, if any, due to those affected by an exercise of the powers. However, there can be no assurance that Noteholders would thereby recover compensation promptly and equal to any loss actually incurred.

2. Risks relating to Lloyds TSB Bank plc as part of Lloyds Banking Group

2.1 Lloyds Banking Group is subject to all of the risks set out in section 1 and on a greater scale as a consequence of the Acquisition.

The Bank is part of Lloyds Banking Group. Lloyds Banking Group is subject to all of the same risks as the Bank, as described in section 1 above and on a greater scale as a result of the Acquisition, particularly due to the weaker credit profile of the HBOS Group. To the extent resources which would otherwise be available to the Bank are, subject to legal and contractual limitations, used to ensure that Lloyds Banking Group and its other subsidiaries (including the HBOS Group) have adequate resources to conduct their businesses, the risks to the Bank outlined in section 1 may be exacerbated.

Substantial due diligence was performed on HBOS portfolios prior to the Acquisition and further work has been performed subsequently and is continuing. There is a risk that material further impairments could come to light as a result of this continuing work, particularly in this deteriorating economic environment.

Examples of risks to which the Bank is subject by virtue of its being a wholly-owned subsidiary of Lloyds Banking Group may include, but are not limited to, the following:

- **Increased exposure to economies outside the UK:** Lloyds Banking Group has significant exposures, particularly by way of loans, in a number of overseas jurisdictions, notably Ireland, Australia and the United States and is therefore subject to a variety of risks relating to the performance of these economies.

- **Financial Asset Writedowns:** Lloyds Banking Group has not yet fully assessed the level of fair value adjustments in connection with the assets of the HBOS Group that it acquired, or other aspects of the HBOS business, and possible translation into increased impairments. The Lloyds Banking Group is required to complete the evaluation within one year of the Acquisition date of 16 January 2009. HBOS announced as part of its results for 2008 a statutory loss before tax of £10.825 billion. This included the impact of market dislocation, which was significantly larger than the corresponding adjustments announced for the Bank. As these trends are expected to continue and the assessment of the HBOS business continues, further significant fair value adjustment of the HBOS treasury portfolio and other assets are likely to be required.

- **Impairment Charges:** At the time of the Acquisition, the average rating of the HBOS Group's corporate lending portfolio was significantly weaker than that of the Bank, and this continues to be the case. HBOS had substantial lending to mid-sized and private companies, a greater exposure than the Bank to leveraged finance and subordinated loans, as well as significant exposure to the commercial real estate sector, including hotels and residential property developers. These concentrations in cyclically weak sectors, as well as exposure at various levels of the capital structure, mean that the HBOS wholesale business is potentially exposed to high and volatile levels of impairments. In this regard, the Company announced on 7 May 2009 that corporate impairments in 2009 are expected to be more than 50 per cent. higher than in 2008. It is expected that approximately 83 per cent. of the Lloyds Banking Group's assets to be covered in the GAPS would come from HBOS legacy lending books. Due diligence was performed on HBOS portfolios prior to the Acquisition and further work has been performed subsequently and is continuing, which could result in material further impairments coming to light, particularly in the deteriorating economic environment.

- **Concentration of credit and market risk:** The Acquisition has in some cases increased Lloyds Banking Group's exposure to concentration risk, since the combination of two portfolios inevitably gives rise to some greater concentrations than would otherwise have been permitted. Market conditions at present mean that it is difficult to achieve sales to ameliorate these concentrations.

- **Refinancing:** At the time of the Acquisition, the HBOS Group had a funding profile that involved the need to refinance a higher volume of maturing wholesale funding than that of the Bank. As this continues to be the case, the funding profile of Lloyds Banking Group involves substantially higher refinancing risk than for the Bank on a stand-alone basis.

Any use of resources (including by way of dividends to the Company) from the Bank to fund Lloyds Banking Group purposes (including intra-group lending) might have a material adverse effect on the Bank's financial condition and results of operations. In addition, the Bank may incur liabilities, the proceeds of which are used for Lloyds Banking Group purposes.

2.2 *Lloyds Banking Group may fail to realise the business growth opportunities, revenue benefits, cost synergies, operational efficiencies and other benefits anticipated from, or may incur unanticipated costs associated with, the Acquisition. As a consequence, the Lloyds Banking Group's and the Bank's results of operations, financial condition and prospects may suffer.*

The continued integration of the HBOS Group into Lloyds Banking Group is complex, expensive and presents a number of challenges for the management of each of the Company, the Bank and the HBOS Group and their respective staff and potentially their respective customers. Lloyds Banking Group believes that it will achieve anticipated cost synergies as well as other operating efficiencies and business growth opportunities, revenue benefits and other benefits from the Acquisition, which synergies will impact the Bank as a Lloyds Banking Group subsidiary. However, these expected business growth opportunities, revenue benefits, cost synergies and other operational efficiencies and other benefits may not develop, including because the assumptions upon which Lloyds Banking Group determined the acquisition consideration may prove to be incorrect. For example, the expected cost synergies were calculated by Lloyds Banking Group on the basis of the existing and projected cost and operating structures of Lloyds Banking Group and its estimate of the existing and projected cost and operating structures of the HBOS Group. Statements of estimated synergies and other effectiveness and calculations of the costs of achieving them relate to future actions and circumstances which, by their nature, involve risks, uncertainties, contingencies and other factors. As a result, the synergies and other efficiencies referred to may not be achieved, or those achieved may be materially different from those estimated.

Lloyds Banking Group may also face a number of other risks with respect to the Acquisition including retaining key employees; redeploying resources in different areas of operations to improve efficiency; unifying financial reporting and internal control procedures; minimising the diversion of management attention from ongoing business concerns; overcoming integration challenges, particularly as the Company's management may be unfamiliar with some aspects of the HBOS Group's business and operations; and addressing possible differences between the Bank's business culture, risk management, compliance systems and processes, controls, procedures, systems, accounting practices and implementation of accounting standards and those of the HBOS Group.

Under any of these circumstances, the business growth opportunities, revenue benefits, cost synergies and other benefits anticipated by Lloyds Banking Group and the Bank to result from the Acquisition may not be achieved as expected, or at all, or may be delayed. To the extent that Lloyds Banking Group incurs higher integration costs or achieves lower revenue benefits or fewer cost savings than expected, the Bank and its operating results, financial condition and prospects may suffer.

2.3 *HM Treasury is the largest shareholder of the Company and its shareholding could increase. Through its shareholding in, and other relationships with, the Company, HM Treasury is in a position to exert significant influence over Lloyds Banking Group (including the Bank) and its business.*

Following the placing and open offer by the Company and the HBOS placing and open offer, both in November 2008, HM Treasury owns 43.4 per cent. of the ordinary share capital of the Company. If all qualifying shareholders take up their entitlements to shares in the open offer in full and/or all non-accepted shares are placed with placees pursuant to the rump placing, then HM Treasury will continue to own 43.4 per cent. of the Company. This ownership will increase to 65.1 per cent. if existing shareholders do not take up their entitlement to ordinary shares to be issued pursuant to a placing and compensatory open offer by the Company in May 2009 and no non-accepted shares are placed pursuant to the rump placing. The placing and compensatory open offer, which was announced on 20 May 2009 and the results of which are expected to be announced on or around 9 June 2009, is being effected in order to redeem the existing preference shares of the Company issued to HM Treasury in January 2009 through the issue of new ordinary shares by way of an open offer to current shareholders including HM Treasury. This ownership would further increase to 77 per cent. if existing shareholders do not take up their entitlement to ordinary shares to be issued pursuant to the second placing and compensatory open offer by the Company and no non-accepted shares are placed pursuant to the rump placing and the B shares expected to be issued to HM Treasury in connection with the GAPS were to be converted to ordinary shares (although under no circumstances will HM Treasury be able to exercise more than 75 per cent. of the voting rights in the Company). In this event, the Company would be in breach of the Listing Rules requirement that 25 per cent. of its issued share capital be in public hands. Although the Company may apply to the UKLA for a waiver in such circumstances, there is no guarantee that such a waiver would be granted and, in that event, the Company could be delisted from the Official List and potentially other exchanges where its securities are currently listed and traded. Furthermore, if the placing and compensatory open offer is not completed and/or Lloyds Banking Group does not participate in the GAPS, it may become necessary for Lloyds Banking Group to raise further capital. Any such capital raising could result in an increase in HM Treasury's shareholding in the Company.

HM Treasury announced on 7 March 2009 in connection with the GAPS that its potential increase in shareholding is to strengthen the Lloyds Banking Group's capital resources and it informed Lloyds Banking Group that it did not envisage a change in the constructive relationship between HM Treasury and the Company's Board. However, no formal relationship agreement has been concluded between Lloyds Banking Group and the UK Government in respect of its shareholding in the Company and no specific measures are in place to ensure control is not abused by HM Treasury.

Accordingly, there is a risk that HM Treasury might seek to exert influence over Lloyds Banking Group and may disagree with the commercial decisions of Lloyds Banking Group, including over such matters as the implementation of synergies, commercial and consumer lending policies and management of Lloyds Banking Group's assets and/or business. Moreover, the terms which may be agreed in relation to Lloyds Banking Group's accession to the GAPS as well as the arrangements with HM Treasury, which are described in Risk Factor 2.5, may limit the operational flexibility of Lloyds Banking Group with regard to its business and assets and may have a material adverse effect on Lloyds Banking Group's results of operations, financial condition and prospects.

There is also a risk that, through its shareholding in the Company and/or through arrangements to be put in place in relation to Lloyds Banking Group's proposed participation in the GAPS, the UK Government and HM Treasury may be able to influence Lloyds Banking Group in other ways that would have a materially adverse effect on Lloyds Banking Group's business including, among other things, the election of directors, the appointment of senior management at the Company, staff remuneration policies, lending policies and commitments, management of Lloyds Banking Group's business, including in particular management of Lloyds Banking Group's assets, including its existing retail and corporate loan portfolios (whether or not such assets are to be covered by the GAPS), significant corporate transactions and the issue of new ordinary shares. Shareholders may disagree as to whether an action opposed or supported by HM Treasury is in the best interests of Lloyds Banking Group generally. Furthermore, HM Treasury also has interests in other UK financial institutions and an interest in the health of the UK banking industry and other industries generally and those interests may not always be aligned with the commercial interests of Lloyds Banking Group or its shareholders.

In addition, under the Banking Act, substantial powers over Lloyds Banking Group's business, including the ability to take control of Lloyds Banking Group's business, have been granted to HM Treasury, the Bank of England and the FSA. There can be no assurance that, if economic conditions continue to deteriorate and/or if the financial position of Lloyds Banking Group deteriorates, further government intervention will not take place, including pursuant to the Banking Act. For a discussion of risks relating to the Banking Act see Risk Factor 1.20.

Depending on the level of the shareholdings acquired by HM Treasury in the Company and other financial institutions, further filings may have to be made to UK and non-UK competition and regulatory authorities. The nature and extent of those filings and the risks of conditions being sought by or imposed upon the UK Government in relation to its shareholdings cannot be reasonably estimated at this point.

2.4 *If Lloyds Banking Group is unable to participate in the GAPS, or the operation of the GAPS fails to have the desired effect on Lloyds Banking Group's financial and capital position, or the costs of participation outweigh the benefits, this could have a material adverse effect on Lloyds Banking Group's (including the Bank's) results of operations, financial condition and prospects.*

On 7 March 2009, Lloyds Banking Group announced its intention to participate in the GAPS. Based on the announced terms, the Company is expected to pay a fee of £15.6 billion in order to participate in the GAPS which HM Treasury intends to use to subscribe for non-voting, convertible B shares in the Company. Participation in the GAPS will depend on the satisfaction of a number of conditions which may not be satisfied, including, among others, the completion of due diligence by (and to the satisfaction of) HM Treasury, the receipt of certain regulatory approvals (including European state aid clearance, see Risk Factor 2.6), the approval of the Company's board and a majority of the Company's independent shareholders (that is, shareholders excluding HM Treasury), finalisation of the terms of the GAPS and Lloyds Banking Group's participation therein and the satisfaction by Lloyds Banking Group of application criteria and asset eligibility criteria. If these conditions are not satisfied, then Lloyds Banking Group may be unable to participate in the GAPS and therefore not be able to avail itself of the protections contemplated by the GAPS and Lloyds Banking Group would be at risk of having insufficient capital to meet its targeted and minimum regulatory capital requirements.

Even if the Lloyds Banking Group is able to participate in the GAPS, there can be no assurance that such participation will enable it to achieve the stated goals of the GAPS. While the GAPS is expected to improve Lloyds Banking Group's capital ratios and limit losses to Lloyds Banking Group in respect of the assets to be covered by the GAPS, Lloyds Banking Group would remain fully exposed in respect of an expected 'first loss' amount of up to £25 billion (after taking into account historic impairments and write-downs), although this amount has not yet been finalised and could increase as the terms of the GAPS are negotiated and finalised, and would also be exposed to 10 per cent. of losses exceeding that 'first loss' amount. There is also a risk that Lloyds Banking Group may not include sufficient, or the most appropriate, assets within the GAPS. It is possible, in particular if economic conditions deteriorate further, that the first loss amount may be incurred more quickly than in the absence of such further deterioration and that it would have been more beneficial for Lloyds Banking Group to include additional or different assets within the GAPS. Accordingly, Lloyds Banking Group may suffer losses, write-downs or impairments which could have been avoided by the inclusion of additional or different assets within the GAPS and such events might occur more rapidly than if additional or different assets had been included. In addition, Lloyds Banking Group would continue to be exposed to the risk of losses, impairments and write-downs with respect to assets not covered by the GAPS.

There can be no assurance that the increased core tier 1 capital Lloyds Banking Group would receive in connection with the conversion of the preference shares in the Company currently held by HM Treasury and HM Treasury's proposed subscription of B shares in connection with Lloyds Banking Group's proposed participation in the GAPS, as outlined above, will be sufficient to maintain Lloyds Banking Group's capital ratios in the event of further losses, write-downs or impairments which could necessitate further capital raising, which may not be available from HM Treasury or at all on terms favourable to Lloyds Banking Group, and/or could cause Lloyds Banking Group's solvency to deteriorate, the business, results of operations and/or financial condition of Lloyds Banking Group (including the Bank) to suffer, its credit ratings to drop substantially, its ability to access funding to be seriously limited and its cost of funding to increase.

Additionally, Lloyds Banking Group will be subject to certain operational restrictions and obligations as a result of its proposed participation in the GAPS. These additional restrictions and obligations may include, without limitation, requirements to transfer the assets to be covered by the GAPS to another Lloyds Banking Group entity, requirements relating to monitoring, reporting, data provision and designated personnel for the assets to be covered by the GAPS, and restrictions on the disposal of, or the creation of encumbrances on, such assets. The operation of the GAPS may also limit the flexibility of Lloyds Banking Group to manage such assets. Such limited flexibility could have an effect on Lloyds Banking Group's asset management, such as decisions relating to restructuring loans or making further advances. Further, the assets to be covered by the GAPS may become subject to the supervision, oversight or direct management of HM Treasury in certain circumstances. The documentation in relation to Lloyds Banking Group's participation in the GAPS is not finalised as at the date of this document and Lloyds Banking Group may, as a result, become subject to more serious restrictions and obligations, conditions, increased fees and/or thresholds in relation thereto. The nature and extent of restrictions and obligations which would be imposed by the GAPS could have a material adverse effect on Lloyds Banking Group's (including the Bank's) results of operations, financial condition and prospects.

Lloyds Banking Group is expected to incur costs in relation to its proposed participation in the GAPS including the payment of the £15.6 billion fee and the costs of compliance with the aforementioned operational restrictions and obligations and there can be no assurance that, depending on future economic conditions, these costs will not outweigh any benefits received.

2.5 *The Company has agreed to certain undertakings with HM Treasury in relation to the operation of its business, including compensation arrangements for employees and the business of the Bank, in connection with the placing and open offer by the Company in November 2008 and as part of its proposed participation in the GAPS. The implications of some of these undertakings remain unclear and they could have a material adverse effect on the Bank's results of operations, financial condition and prospects.*

In connection with HM Treasury's participation in the placing and open offer in November 2008 and as part of its proposed participation in the GAPS, the Company provided certain undertakings aimed at ensuring that the acquisition by HM Treasury of the Company's shares and the participation of Lloyds Banking Group in the UK Government funding scheme as part of its support for the banking industry is consistent with the European state aid clearance. The state aid rules aim to prevent companies from being given an artificial or unfair competitive advantage as a result of governmental assistance. It is Lloyds Banking Group's understanding that the undertakings are also aimed at supporting certain objectives of HM Treasury in providing assistance to the UK banking industry. These undertakings include (i) supporting UK Government policy in relation to mortgage lending and lending to businesses through March 2011; (ii) regulating the remuneration of management and other employees; and (iii) regulating the rate of growth of Lloyds Banking Group's balance sheet. There is a risk that these undertakings or any further requirements introduced by HM Treasury could have a materially adverse effect on the operations of Lloyds Banking Group or the Bank.

In addition, a condition to participation in the GAPS is the commitment already undertaken by the Company to increase lending by approximately £14 billion in the twelve months commencing 1 March 2009 to support UK businesses (approximately £11 billion) and homeowners (approximately £3 billion), and to maintain in the twelve months commencing 1 March 2010 similar levels of lending as in the twelve months commending 1 March 2009, subject to adjustment of the lending commitments by agreement with HM Treasury and the Department for Business, Enterprise and Regulatory Reform to reflect circumstances at the start of the twelve month period commencing 1 March 2010. This additional lending in 2009 and 2010 will be subject to Lloyds Banking Group's prevailing commercial terms and conditions (including pricing and risk assessment) and, in relation to mortgage lending, Lloyds Banking Group's standard credit and other acceptance criteria. This commitment could, however, limit the operational flexibility of Lloyds Banking Group (including the Bank).

Finally, in connection with Lloyds Banking Group's participation in the GAPS, the Company expects to issue B shares to HM Treasury which will carry a dividend of the greater of 7 per cent. of the issue price per annum and 125 per cent. of the dividend on Ordinary Shares. These noncumulative dividends will be paid semi-annually at the discretion of the Board or a committee thereof. These dividends shall be paid in priority to the payment of any dividends on any other class of ordinary share capital of the Company.

2.6 *The aid given and proposed to be given by HM Treasury to Lloyds Banking Group is subject to European state aid review. The outcome of this review is uncertain at this stage and may involve the prohibition of some elements of the aid, the requirement for Lloyds Banking Group to repay the aid or the imposition of conditions on Lloyds Banking Group that may be materially adverse to its interests.*

As a result of Lloyds Banking Group's participation in the placing and open offer in November 2008 and HM Treasury's credit guarantee scheme, which was announced on 8 October 2008, Lloyds Banking Group is required to cooperate with HM Treasury to submit a forward plan to the European Commission setting out Lloyds Banking Group's plans to restructure and return to a position of viability in which it no longer relies on state aid. As part of its review of this plan, the European Commission is expected to impose conditions beyond those required to establish long-term viability. These conditions may be materially adverse to Lloyds Banking Group's interests. While Lloyds Banking Group is uncertain as to which conditions might be imposed, they might include: (i) significant reductions in the size of Lloyds Banking Group's balance sheet through divestments (including potentially of core businesses) and the exit from certain businesses beyond those that Lloyds Banking Group would have otherwise planned to effect, and/or (ii) behavioural restrictions. Lloyds Banking Group has no information on what such behavioural restrictions will be, but they may include a prohibition on doing business on more favourable terms than other market participants, including not being among the most competitive product providers in the markets, or segments of markets, in which Lloyds Banking Group operates. They might also include restrictions on making acquisitions in, or expanding into, other EU markets, and on increasing the overall number of branches in the UK. However, this list is not exhaustive.

Lloyds Banking Group's participation in the GAPS will also require European state aid clearance. This review will take place in two stages. First, clearance must be obtained for the scheme as a whole, including the terms on which Lloyds Banking Group participates in it. Second, clearance must be obtained for Lloyds Banking Group's ongoing participation in the GAPS based on its ongoing viability and forward plan. Lloyds Banking Group is expected to accede to the GAPS following clearance for the scheme as a whole and therefore prior to receiving clearance for Lloyds Banking Group's ongoing participation. Accordingly, at such time there is likely to be significant uncertainty as to whether clearance for Lloyds Banking Group's ongoing participation will be obtained and, if so, what conditions will be attached to such clearance.

It is possible that the GAPS as a whole or the terms of Lloyds Banking Group's proposed participation in it in particular will not receive European state aid clearance, or that such terms may need to be changed (including, without limitation, the fee payable by Lloyds Banking Group, the 'first loss' amount and Lloyds Banking Group's exposure to losses exceeding the 'first loss' amount, or the terms of the B shares to be issued by the Company to HM Treasury) in order to obtain clearance. Any such changes may be materially adverse to the interests of Lloyds Banking Group.

In order to secure approval for Lloyds Banking Group's ongoing participation in the GAPS, Lloyds Banking Group will be required to submit a forward plan to the European Commission. It is anticipated that this will be a single plan that addresses Lloyds Banking Group's participation in the GAPS and the other state aid that Lloyds Banking Group has already received, including the placing and open offer in November 2008 and the credit guarantee scheme. The European Commission's review of this plan may result in additional requirements being imposed on Lloyds Banking Group as conditions of its continued participation in the GAPS, beyond those that it would have imposed on Lloyds Banking Group as a result of its participation in the placing and open offer in November 2008 and the credit guarantee scheme. Any such conditions may therefore result in substantially larger divestments (including potentially of core businesses) and business exits than would have been required had Lloyds Banking Group not participated in the GAPS.

In the event that Lloyds Banking Group's participation in the GAPS is approved in the first stage by the European Commission and Lloyds Banking Group accedes to the GAPS but the European Commission decides not to approve its ongoing participation in the second stage, Lloyds Banking Group's participation in the GAPS may need to be terminated and Lloyds Banking Group may be required to repay to HM Treasury any amounts already received pursuant to the GAPS. It is not clear how such termination would be effected, nor whether Lloyds Banking Group would receive all or part of the fee expected to be paid to HM Treasury for participation in the GAPS back in such circumstances. Further, it is not clear whether such termination might also require the unwinding of the issue of the B shares or, if not, whether such termination might result in HM Treasury deciding to convert the B shares into ordinary shares of the Company earlier than it might otherwise have done. This could have significant adverse effects on the capital and funding position of Lloyds Banking Group and could therefore lead to the need for Lloyds Banking Group to raise additional capital, which may not be available from HM Treasury or at all on terms favourable to Lloyds Banking Group, to continue to satisfy regulatory requirements.

2.7 HM Treasury's acquisition of its shareholding in the Company or the Acquisition could lead to Lloyds Banking Group suffering adverse tax consequences.

Certain Lloyds Banking Group companies (including the Bank) have material tax losses and reliefs which they anticipate carrying forward to reduce tax payable in the future. If HM Treasury's acquisition of its shareholding in the Company, or the Acquisition, is coupled with the occurrence of certain specified events, there would, in the case of legacy HBOS Group companies, and could, in the case of legacy Lloyds TSB Group companies, be restrictions on the ability to utilise these losses and reliefs. Such restrictions could affect the post-tax profitability and capital position of Lloyds Banking Group. The Company considers that it will be able to conduct its business, and the business of Lloyds Banking 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.

Risk Factors relating to the Notes

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

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

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

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

Notes may not be a suitable investment for all investors

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

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

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets;

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

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

Risks related to the structure of a particular issue of Notes

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

Notes linked to one or more underlying assets

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

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

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

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

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

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

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

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

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

The Bank may issue several issues of Reference Notes relating to particular Reference 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.

Notes subject to optional redemption by the Bank

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

The Bank may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

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

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

(i) the market price of any such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected or may be subject to withholding or deduction for or on account of any taxes or other charges imposed by relevant governmental authorities or agencies;

(iv) the amount of principal payable at redemption may be less than the nominal amount of any such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

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

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

Index Adjustment Events

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

Equity Linked Notes

Equity Linked Redemption Notes may be redeemable by the Bank by payment of the par value amount and/or by the physical delivery of a given number of the Reference Item(s) and/or by payment of an amount determined by reference to the value of the Reference Item(s). Accordingly, an investment in Equity Linked Redemption Notes may bear similar market risks to a direct equity investment and prospective investors should take advice accordingly. Interest payable on Equity Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Equity Linked Interest Notes and Equity Linked Redemption Notes are referred to herein as "**Equity Linked Notes**".

Potential Adjustment Events, De-listing, Merger Event, Nationalisation and Insolvency, Tender Offer and Adjustments for Equity Linked 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 9(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 10 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.

Risks related to Notes generally

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

Modification, waivers and substitution

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

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

European Monetary Union

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

EU Savings Directive

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

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may 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.

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.

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.

TERMS AND CONDITIONS OF THE NOTES

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

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

The Notes are constituted by a Trust Deed originally dated 4 October 1996 and amended and restated on 4 June 2009 (as modified and/or supplemented and/or restated as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") between Lloyds TSB Bank plc (the "**Bank**") and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Agency Agreement dated 4 October 1996 and amended and restated on 4 June 2009 (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 the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the exchange agents, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall, where the context so permits, include the Issuing and Paying Agent), the "**Registrar**", the "**Exchange Agents**", the "**Transfer Agents**" (which expression shall, where the context so permits, include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection free of charge during usual business hours at the registered office of the Trustee (being, for the time being, Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the Paying Agents and the Transfer Agents.

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

1. Form, Denomination and Title

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

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

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

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

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

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

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

2. Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes

(a) Exchange of Exchangeable Bearer Notes

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

(b) Transfer of Registered Notes

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

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

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

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2*(a)*, *(b)* or *(c)* shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 5*(e)*) or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2*(d)*, "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) Exchange Free of Charge

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

(f) Closed Periods

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

3. Status

(a) No Set-off

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

(b) Status of Senior Notes

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

(c) Status of Dated Subordinated Notes

(i) 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.

(ii) Deferral of Payments on Tier 3 Notes

In the case of Dated Subordinated Notes which are also specified hereon as being Tier 3 Notes, the Bank shall be entitled, by giving not less than 14 days' notice in writing to the Trustee and the holders of the Tier 3 Notes in accordance with Condition 19 (a "**Deferral Notice**"), to defer the due date for payment of any principal or interest in respect of such Dated Subordinated Notes in the circumstances described below, and, accordingly, on the giving of such Deferral Notice the due date for payment of any such principal or interest (the "**Deferral Payment**") shall be so deferred and the Bank shall not be obliged to make payment thereof on the date the same would otherwise have become due and payable, and such deferral of payment shall not constitute a default by the Bank for any purpose. Accordingly, the applicable provisions of these Conditions in relation to such Dated Subordinated Notes shall in all respects have effect subject to this Condition 3*(c)*(ii). The Bank (A) shall give a Deferral Notice in circumstances where its Capital Resources (as defined in Condition 5*(e)* below) would be less than its Capital Resources Requirement (as defined in Condition 5*(e)* below) after payment of any such principal or interest in whole or in part and (B) may give a Deferral Notice where the FSA has required or requested the Bank to defer payment of the relevant Deferral Payment. Interest will accrue on principal deferred as aforesaid in accordance with the provisions of these Conditions and the Trust Deed, save that such interest shall only become due and payable under the following sentence. Promptly upon being satisfied that (x) (in the case of (A) above) its Capital Resources would not be less than its Capital Resources Requirement after payment of the whole or any part of any Deferral Payment or (y) (in the case of (B) above) the FSA will not object to the payment of the whole or any part of any Deferral Payment, the Bank shall give to the Trustee and the holders of the Tier 3 Notes written notice thereof (the "**Payment Notice**") and the relevant Deferral Payment (or the appropriate part of it) and any accrued interest as aforesaid shall become due and payable on the seventh day after the date of such Payment Notice. In addition, all Deferral Payments (or remaining part of any Deferral Payment part only of which has been made as aforesaid) which remain unpaid shall become due and payable in full on the earlier to occur of the commencement (as defined in the Trust Deed) of a winding up or administration of the Bank or the date set for redemption of the Tier 3 Notes under Conditions 5*(c)*, 5*(d)* or 5*(e)*. Where more than one Deferral Payment (or remaining part thereof) remains unpaid, payment of part thereof shall be made pro rata according to the amounts of such Deferral Payments remaining unpaid and of any accrued interest as aforesaid remaining unpaid.

In the case of Dated Subordinated Notes which constitute Upper Tier 3 Capital, the FSA only permits payments of principal and interest to be made in respect of such Dated Subordinated Notes in circumstances where, after such payment is made, the Bank's Capital Resources would not be less than its Capital Resources Requirement.

(d) Status of Undated Subordinated Notes

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

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

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

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

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

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

4. Interest and other Calculations

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable, 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 19. Any interest not paid on an Interest Payment Date together with any other interest not paid on any other Interest Payment Date shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest may, at the option of the Bank but subject to Condition 3*(d)*, be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the holders of the Undated Subordinated Notes in accordance with Condition 19, but all Arrears of Interest on all Undated Subordinated Notes outstanding shall (subject to Condition 3*(d)*) become due in full on whichever is the earlier of (i) the date set for any redemption pursuant to Condition 5*(c)* or 5*(d)* or (ii) the commencement of a winding-up of the Bank. Notwithstanding the foregoing, if notice is given by the Bank of its intention to pay the whole or any part of Arrears of Interest in respect of the Undated Subordinated Notes, the Bank shall be obliged (subject to Condition 3*(d)*) to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be in respect of the Arrears of Interest accrued to the relevant Interest Payment Date or consecutive Interest Payment Dates furthest from the date of payment. Arrears of Interest shall not themselves bear interest.

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

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

(i) the Bank may not declare, pay or distribute a dividend or make a payment on: (A) any class of its share capital or its securities (excluding any Non Deferrable Capital other than the Preference Shares) or (B) guarantees given by the Bank, in each case ranking *pari passu* with or below the Cumulative Preference Share;

(ii) the Bank may not redeem, purchase or otherwise acquire any class of its share capital or its securities ranking *pari passu* with or below the Cumulative Preference Share (save where those shares or securities being redeemed, purchased or acquired are (A) the Preference Shares or (B) replaced contemporaneously by an issue of shares or securities of the same aggregate principal amount and the same ranking on a return of assets on a winding-up or in respect of a distribution or payment of dividends and/or any other amounts thereunder to those shares or securities being redeemed, purchased or acquired); and

(iii) the Bank will procure that no payment is made, or any redemption, purchase or acquisition is effected, by any subsidiary undertaking (other than payments made in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment, any such subsidiary or the Bank) on any security (howsoever named or designated) benefiting from a guarantee given by the Bank ranking *pari passu* with or below the Cumulative Preference Share,

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

For the purposes of these Conditions:

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

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

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

(i) Interest Payment Dates

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

(ii) Business Day Convention

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

(iii) Rate of Interest for Floating Rate Notes

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

(A) ISDA Determination for Floating Rate Notes

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

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

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

(B) Screen Rate Determination for Floating Rate Notes

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

(i) the offered quotation; or

(ii) the arithmetic mean of the offered quotations,

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

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

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

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

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

The Rate of Interest in respect of Index Linked Interest Notes, Equity Linked Interest Notes and Notes with other variable-linked interest provisions for each Interest Accrual Period shall be determined in the manner specified hereon 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, 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 12).

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

(i) If any Margin is specified hereon (either (A) generally, or (B) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (A), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (B), calculated in accordance with Condition 4*(c)* above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin subject always to the next paragraph.

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (B) all figures shall be rounded to seven significant figures (with halves being rounded up) and (C) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Yen, which shall be rounded down to the nearest Yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(k) Calculations

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

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

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

(m) Determination or Calculation by Trustee

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

(n) Definitions

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

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and

(iii) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in any Business Centre(s) specified hereon.

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

(i) if "**Actual/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:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D^1 will be 30; and

"**D_2**" 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 D^1 is greater than 29, in which case D^2 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:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M^2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D^1 will be 30; and

"**D_2**" 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 D^2 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:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" 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 D^1 will be 30; and

"D_2" 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 D^2 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.

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

"**Interest Amount**" means:

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

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period. "**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

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

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

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

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

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

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

"**Reference Rate**" means the rate specified as such hereon.

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

"**Relevant Time**" means, if the Reference Rate is LIBOR, approximately 11.00 a.m. (London time) or if the Reference Rate is EURIBOR, 11.00 a.m. (Brussels time).

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

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (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 Currency Linked Redemption Note, an Index Linked Redemption Note, an Equity Linked Redemption Note or a Credit Linked Note, each of which will be finally redeemed in accordance with Conditions 7, 8*(a)*, 9*(a)* and 5*(a)*(iv), respectively) shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount(s) (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(iii) Undated Subordinated Notes have no final maturity date and are only redeemable in accordance with the following provisions of this Condition 5.

(iv) Provisions relating to the redemption of Credit Linked Notes will be set out hereon.

(b) *Early Redemption*

(i) Zero Coupon Notes

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 5*(c)* or upon it becoming due and repayable as provided in Condition 14, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount(s) of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

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

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

(ii) Other Notes

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

(c) *Redemption for Taxation Reasons*

(i) If at any time the Bank satisfies the Trustee immediately prior to the giving of the notice referred to below that (A) if a payment of principal or interest in respect of the Notes were to be due (whether or not the same is in fact then due) on or before the next Interest Payment Date (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 12 or (B) in the case of Undated Subordinated Notes only, on the next Interest Payment Date the payment of interest in respect of such Notes would be treated, for reasons outside the control of the Bank, as a "distribution" within the meaning of the Income and Corporation Taxes Act 1988 for the time being of the United Kingdom, the Bank may at its option (subject, in the case of Undated Subordinated Notes, to Condition 3*(d)*), having given not less than 30 nor more than 60 days' notice in accordance with Condition 19, redeem on such Interest Payment Date (if the Note is 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) or in the case of Tier 3 Notes, shall also pay Deferral Payments (if any) and any accrued interest (other than Arrears of Interest and Deferral Payments) up to, but excluding, the date of redemption. 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 United Kingdom or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations, which at the date of such certificate is proposed and which in the opinion of such lawyer or accountant can reasonably be expected to become effective on or prior to such Interest Payment Date or time as is referred to in (i) above, becoming so effective, such circumstances would exist.

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

(d) Redemption at the Option of the Bank

If Call Option is specified hereon, the Bank may, on giving 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)* or, in the case of Tier 3 Notes, together with all Deferral Payments (if any) as provided in Condition 3*(c)*(ii). 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) or, in the case of Tier 3 Notes, Deferral Payments (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.

(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.

(c) Payments in the United States

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Bank shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Bank, any adverse tax consequence to the Bank.

(d) Payments subject to Fiscal Laws

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

(e) Appointment of Agents

The Issuing and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Exchange Agent initially appointed by the Bank and their respective specified offices are listed below. Subject as provided in the Trust Deed and the Agency Agreement, the Issuing and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents, the Exchange Agent and the Calculation Agent act solely as agents of the Bank and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Bank reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent, the Exchange Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Bank shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes which may be the Registrar, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in Europe, which, so long as the Notes are listed on the official list (the "**Official List**") of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") and are admitted to trading on the London Stock Exchange plc's 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 19.

(f) Unmatured Coupons and Receipts and unexchanged Talons

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than (i) any Fixed Rate Notes where the total value of the unmatured coupons appertaining thereto exceeds the nominal amount of such Note or (ii) Dual Currency Notes, Index Linked Notes, Equity Linked Notes, Currency Linked Notes and Credit Linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 13). In relation to any Undated Subordinated Note, if any payment is to be made in respect of interest the Interest Payment Date for which falls on or after the date on which the winding-up of the Bank is deemed to have commenced, such payment shall be made only against presentation of the relevant Note and the Coupon for any such Interest Payment Date shall be void. In addition, any Undated Subordinated Note or Tier 3 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 or Deferral Payments (whichever is applicable) 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 or Tier 3 Note such proportion thereof as the Arrears of Interest or Deferral Payments (whichever is applicable) due in respect of any such missing Coupon bears to the total of the principal amount of the relevant Undated Subordinated Note or Tier 3 Note, all Arrears of Interest or Deferral Payments (whichever is applicable) in respect thereof and interest (other than Arrears of Interest or Deferral Payments) accrued on such Undated Subordinated Note or Tier 3 Note in respect of the Interest Period current at the date of the commencement of the winding-up.

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Interest Note, Index Linked Note, Equity Linked Notes, Currency Linked Notes or Credit Linked Note or, a Fixed Rate Note where the total value of the unmatured coupons exceeds the minimal amount of such Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Bank may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or

Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

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

(h) Non-Business Days

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

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

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

7. Currency Linked 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. 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.

(b) Index Linked Interest Notes

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

(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 19 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined as set out hereon together with, if so specified hereon, accrued interest.

(iii) Notice

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

(iv) Correction of an Index

If Correction of an Index is specified as applying hereon and the official closing level of an Index published on the Valuation Date or an Averaging Date is subsequently corrected and the correction (the "**Corrected Index Level**") is published by the Index Sponsor or (if relevant) the Successor Index Sponsor prior to the 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.

"**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

(B) the occurrence or existence, in respect of futures or options contracts relating to the Index, of:

(x) a Trading Disruption at any time during the one hour period that ends at the Valuation Time in respect of any Related Exchange;

(y) an Exchange Disruption at any time during the one hour period that ends at the Valuation Time in respect of any Related Exchange; or

(z) an Early Closure,

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

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

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 19 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Averaging Date or 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 in the relevant Final Terms.

"**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.

9. 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).

(b) Equity Linked Interest Notes

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

(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 sub-division thereof and no Noteholder, Receiptholder or Couponholder shall be entitled to claim, from the Bank, the Calculation Agent, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such determination upon individual Noteholders, Receiptholders or Couponholders.

Upon 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 19 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 19 and redeem all, but not some only, of the Notes, with each Specified Amount being redeemed at the Early Redemption Amount (determined as specified hereon) together with, if so specified hereon, accrued interest.

If the provisions of Condition 9*(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 19 stating the occurrence of the De-listing, Merger Event, Nationalisation or Insolvency or Tender Offer, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

(iii) In respect of Equity Linked 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 9*(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 19, stating the adjustment to the Final Redemption Amount(s) and/or the Asset Amount(s) and/or the Strike Price and/or the Multiplier and/or any of the other terms hereof.

(iv) If Correction of Underlying Equity Prices is specified hereon as applying and the price of an Underlying Equity published on the Valuation Date 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 9*(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 9*(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 9*(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 9*(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 19. Such Noteholder shall not be entitled to any payment, whether of interest or otherwise, on such Note as a result of any delay in the delivery of the Asset Amount(s) pursuant to this paragraph. Where delivery of the Asset Amount(s) has been postponed as provided in this paragraph the Bank shall not be in breach of these Terms and Conditions and no liability in respect thereof shall attach to the Bank.

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

Where the Asset Amount(s) is, in the determination of the Bank, an amount other than an amount of Relevant Assets capable of being delivered, the Noteholders will receive an Asset Amount(s) comprising the nearest number (rounded down) of Relevant Assets capable of being delivered by the Bank (taking into account that a Noteholder's entire holding may be aggregated at the Bank's discretion for the purpose of delivering the Asset Amounts), and an amount in the Specified Currency which shall be the value of the amount of the Relevant Assets which have not been delivered, as calculated by the Calculation Agent from such source(s) as it may select (converted if necessary into the Specified Currency by reference to such exchange rate as the Calculation Agent deems appropriate). Payment will be made in such manner as shall be notified to the Noteholders in accordance with Condition 19.

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

(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 9*(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 19. Payment of the Failure to Deliver Settlement Price will be made in such manner as shall be notified to the Noteholders in accordance with Condition 19. The Calculation Agent shall give notice (such notice a "*Failure to Deliver Notice*") as soon as reasonably practicable to the Noteholders in accordance with Condition 19 that the provisions of this Condition 9*(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.

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

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

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

(i) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:

(A) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:

(x) relating to the Underlying Equity on the relevant Exchange; or

(y) in futures or options contracts relating to the Underlying Equity on any relevant Related Exchange; or

(B) any event (other than an event described in (ii) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (x) to effect transactions in, or obtain market values for, the Underlying Equities on the Exchange, or (y) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Underlying Equity on any relevant Related Exchange,

(ii) the closure on any Exchange Business Day of any relevant Exchange(s) or Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or if earlier (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day,

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

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 19 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been 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.

10. Additional Disruption Events

(a) Definitions

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

"**Change in Law**" means that, on or after the Trade Date (as specified hereon) (i) due to the adoption of or any change in any relevant law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any relevant law or regulation (including any action taken by a taxing authority), the Bank determines in its sole and absolute discretion that (A) it has become illegal to hold, acquire or dispose of 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 19 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount (determined in accordance herewith) together with, if so specified hereon, accrued interest.

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

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

11. Credit Linked Notes

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

12. Taxation

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

(a) presented for payment by or on behalf of any holder who is liable to such tax, duty, assessment or governmental charge in respect of such Note, Receipt or Coupon by reason of such holder having some connection with the United Kingdom other than the mere holding of such Note, Receipt or Coupon; or

(b) to, or to a third party on behalf of, a holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom, unless such holder proves that he is not entitled so to comply or to make such declaration or claim; or

(c) to, or to a third party on behalf of, a holder that is a partnership, or a holder that is not the sole beneficial owner of the Note, Receipt or Coupon, or which holds the Note, Receipt or Coupon in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly his beneficial or distributive share of the payment; or

(d) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days; or

(e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(f) in respect of any Note, Receipt or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

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

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts, the Failure to Deliver Settlement Price, the Disruption Cash Settlement Price and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 3*(c)*(ii), 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 14*(g)*) shall be deemed to include any additional amounts that may be payable under this Condition 12 or under any obligations undertaken in addition thereto or in substitution therefor under the Trust Deed.

13. Prescription

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

The prescription period in respect of Talons shall be:

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

(b) as to any other Talon, 12 years from the Relevant Date for payment of the last Coupon of the Coupon sheet of which it formed part.

(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.

14. Events of Default and Enforcement

(a) If the Bank shall not make payment (1) other than in the case of Undated Subordinated Notes, of any principal or any interest in respect of the Notes for a period of 14 days or more after the due date for the same, or (2) in the case of Undated Subordinated Notes only, in respect of such Notes (in the case of any payment of principal) for a period of 14 days or more after the due date for the same or (in the case of any payment of interest) for a period of 14 days or more after the date on which any payment of interest is due unless the Bank has opted not to pay interest on such date, the Trustee may:

(i) in respect of Senior Notes, at any time at its discretion and without notice institute such proceedings and/or take such other action as it may think fit against or in relation to the Bank to enforce its obligations under the Senior Notes; or

(ii) in respect of Dated Subordinated Notes and Undated Subordinated Notes, institute proceedings in England (but not elsewhere) for the winding-up of the Bank, but may take no other action in respect of such default,

provided that it shall not have the right to institute such proceedings and/or, as the case may be, to take such other action if the Bank withholds or refuses any such payment (A) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment, the Bank, the relevant Paying Agent, Transfer Agent or Registrar or the holder of the Note, Receipt or Coupon or (B) (subject as provided in the Trust Deed) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or applicability given at any time during the said period of 14 days by independent legal advisers acceptable to the Trustee.

(b) If, other than in the case of Undated Subordinated Notes, otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for winding-up the Bank, the Trustee may at its discretion give notice to the Bank that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount, together with accrued interest (calculated as provided in the Trust Deed).

(c) The Trustee shall not be bound to institute proceedings and/or take the action referred to in paragraph *(a)* or *(b)* above or *(d)* below to enforce the obligations of the Bank in respect of the Notes, Receipts and Coupons or to take any other actions under the Trust Deed unless (i) it shall have been so requested by Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding (as defined in the Trust Deed) and (ii) it shall have been indemnified and/or secured 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 and Luxembourg stamp and other duties or taxes (if any) on the constitution and issue of the Notes in temporary global, permanent global or definitive form (provided such stamp and other duties or taxes result from laws applicable on or prior to the date 40 days after the Issue Date specified hereon of such Notes and, in the case of exchange of a global Note for Notes in definitive form, such tax results from laws applicable on or prior to the date of such exchange) and stamp and other duties or taxes (if any) payable in England (but not elsewhere) solely by virtue of and in connection with any permissible proceedings under the Trust Deed or the Notes, save that the Bank shall not be liable to pay any such stamp or other duties or taxes to the extent that the obligation arises or the amount payable is increased by reason of the holder at the relevant time unreasonably delaying in producing any relevant document for stamping or similar process. Subject as aforesaid, the Bank will not be otherwise responsible for stamp or other duties or taxes otherwise imposed and in particular (but without prejudice to the generality of the foregoing) for any penalties arising on account of late payment where due by the holder at the relevant time. Any such stamp or other duties or taxes that might be imposed upon or in respect of Notes in temporary global, permanent global or definitive form or the Receipts, Coupons or Talons (in each case other than as aforesaid) are the liability of the holders thereof.

(e) If payment to any Noteholder of any amount due in respect of the Notes (other than interest) is improperly withheld or refused (any withholding or refusal effected in reliance upon the proviso to paragraph *(a)* of this Condition where the relevant law, regulation or order proves subsequently not to be valid or applicable shall be treated, for the purpose of ascertaining entitlement to accrued interest but not for any other purpose, as if it had been at all times an improper withholding or refusal), interest shall accrue until, but excluding, the date on which notice is given in accordance with Condition 19 that the full amount in the Specified Currency payable in respect of such Notes is available for payment or the date of payment, whichever first occurs and shall be calculated by applying the Rate of Interest determined in accordance with these Conditions on the first day of the then current Interest Period (and each relevant Interest Period (if any) thereafter) to such amount withheld or refused, multiplying the sum by the relevant Day Count

Fraction for such Interest Period and rounding the resultant figure to the nearest unit (as such term is defined in Condition 4*(j)*(iii)).

(f) If, in reliance upon the proviso to paragraph (a) above, payment of any amount (each a "**withheld amount**") in respect of the whole or any part of the principal and/or any interest due in respect of the Notes, or any of them, is not paid or provided by the Bank to the Trustee or to 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 19, specifying the date (which shall be no later than seven days after the earliest date thereafter upon which such interest bearing deposit falls or may (without penalty) be called due for repayment) on and after which payment in full of such withheld amount (or that part thereof which it is lawful to pay) will be made. In such event (but subject in all cases to any applicable fiscal or other law or regulation or the order of any court of competent jurisdiction), the withheld amount or the relevant part thereof, together with interest accrued thereon from, and including, the date the same was placed on deposit to, but excluding, the date upon which such interest bearing deposit was repaid, shall be paid to (or released by) the Issuing and Paying Agent for payment to the relevant holders of Notes and/or Receipts and/or Coupons, as the case may be (or, if the Issuing and Paying Agent advises the Bank of its inability to effect such payment, shall be paid to (or released by) such other Paying Agent, Registrar or Transfer Agent (as the case may be) as there then may be or, if none, to the Trustee, in any such case for payment as aforesaid). For the purposes of paragraph (a) above, the date specified in the said notice shall become the due date for payment in respect of such withheld amount or the relevant part thereof. The obligations under this paragraph (f) shall be in lieu of any other remedy otherwise available under these Conditions, the Trust Deed or otherwise in respect of such withheld amount or the relevant part thereof.

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

15. Indemnification of the Trustee

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

16. Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

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

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

(b) Modification of the Trust Deed

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

(c) Substitution – Senior Notes

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

(d) Substitution – Subordinated Notes

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

(e) Change of Governing Law

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

(f) Entitlement of the Trustee

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

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

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

(b) Where:

(i) a Talon (the "**relevant Talon**") has become prescribed in accordance with Condition 13; and

(ii) the Note to which the relevant Talon pertains has not become void through prescription; and

(iii) no Coupon sheet (or part thereof, being (a) Coupon(s) and/or a Talon, hereinafter called a "*part Coupon sheet*"), which Coupon sheet would have been exchangeable for the relevant Talon or for any subsequent Talon bearing the same serial number pertaining to such Note, has been issued; and

(iv) either no replacement Coupon sheet or part Coupon sheet has been issued in respect of any Coupon sheet or part Coupon sheet referred to in (iii) above or, in the reasonable opinion of the Bank, there is no reasonable likelihood that any such replacement has been issued,

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

(A) in the case of a Note that has become due for redemption (x) without any Coupon itself prescribed in accordance with Condition 13 or the Relevant Date for payment of which would fall after the Relevant Date for the redemption of the relevant Note, and (y) without any Talon or Talons, as the case may be; or

(B) in any other case, without any Coupon or Talon itself prescribed in accordance with Condition 13 and without any Talon pertaining to a Coupon sheet the Relevant Date of the final Coupon of which falls on or prior to the date when the Coupon sheet(s) or part Coupon sheet(s) is (are) delivered to or to the order of the claimant, but in no event shall any Coupon sheet be issued the original due date for exchange of which falls after the date of delivery of such Coupon sheet(s) as aforesaid.

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

18. Further Issues

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

19. Notices

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

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

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

20. Governing Law

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons 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.

21. Third Party Rights

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

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

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

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.

Relationship of Accountholders with Clearing Systems

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

Exchange

1. Temporary Global Notes

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

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

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

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

2. Permanent Global Notes

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

2.1 by the Bank giving notice to the Noteholders, the Trustee and the Issuing and Paying Agent of its intention to effect such exchange (unless principal in respect of any Notes has not been paid when due);[1]

2.2 if the relevant Final Terms provides that the permanent Global Note is exchangeable at the request of the holder, by the holder (acting on the instructions of the person(s) with beneficial interest(s) in such permanent Global Note) giving notice to the Issuing and Paying Agent of its election for such exchange;[1]

2.3 if the permanent Global Note is an Exchangeable Bearer Note, by the holder (acting on the instructions of the person(s) with beneficial interest(s) in such permanent Global Note) giving notice to the Issuing and Paying Agent of its election to exchange the whole or a part of such permanent Global Note for Registered Notes; and

2.4 otherwise, (i) upon the happening of any of the events defined in the Trust Deed as "Events of Default"; or (ii) if Euroclear or Clearstream, Luxembourg or an Alternative Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearance system satisfactory to the Trustee is available.

3. Global Certificates

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

3.1 upon the happening of any of the events defined in the Trust Deed as "Events of Default"; or

3.2 if such Notes are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System (except for DTC) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearance system satisfactory to the Trustee is available; or

3.3 if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Bank that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Unrestricted Global Certificate or Restricted Global Certificate, as applicable, or DTC ceases to be a "clearing agency" registered under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or is at any time no longer eligible to act as such, and the Bank is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

3.4 with the consent of the Bank,

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

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

4. Partial Exchange of Permanent Global Notes

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

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

5. Delivery of Notes

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

6. Exchange Date

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

7. Legend

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

Amendment to Conditions

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

1. Payments

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

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

2. Prescription

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

3. Cancellation

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

4. Purchase

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

5. Bank's Option

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

6. Noteholders' Options

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

7. NGN Nominal Amount

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

8. Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its Accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such Accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

9. Notices

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

10. Physical Delivery

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

Partly Paid Notes

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

USE OF PROCEEDS

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

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 depositary or common safekeeper, as the case may be, for Clearstream, Luxembourg and/or Euroclear or an Alternative Clearing System as agreed between the Bank and Dealer. Transfers of interests in such temporary Global Notes or permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear or, if appropriate, the Alternative Clearing System. Each Global Note deposited with a common depositary or common safekeeper, as the case may be, on behalf of Euroclear and Clearstream, Luxembourg will have an ISIN and a Common Code.

Registered Notes

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

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

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

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

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

Transfers of Registered Notes

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

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

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

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

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

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

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

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

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

Individual Certificates

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

(i) a written order containing instructions and such other information as the Bank and the Registrar may require to complete, execute and deliver such individual Certificates; and

(ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

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

LLOYDS TSB BANK GROUP

The Bank was incorporated 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, together with HBOS and BOS, are wholly owned subsidiaries of the Company.

Overview

Lloyds TSB Bank 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. Its main business activities are retail, commercial and corporate banking, general insurance, and life, pensions and investment provision.

History and development of Lloyds TSB Bank Group

The history of Lloyds TSB Bank 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, Lloyds TSB Bank Group 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 the Bank, and in 2000, the Bank 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 Bank 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 the Company and HBOS announced that they had reached agreement on the terms of a recommended acquisition by the Company of HBOS. The shareholders of the Company approved the acquisition at the Company's general meeting on 19 November 2008 and the acquisition was completed on 16 January 2009. Following the acquisition, the Company changed its name to Lloyds Banking Group plc and operates its business through two significant subsidiaries, the Bank and HBOS.

Lloyds TSB Bank Group now comprises the Lloyds TSB Bank brand, along with C&G, one of the largest mortgage providers in the UK, and Scottish Widows, one of the UK's largest providers of life, pensions and investment products.

Strategy

The Lloyds TSB Bank Group vision is aligned to that of Lloyds Banking Group and is to be recognised as the best financial services organisation in the UK.

The strategy for Lloyds TSB Bank Group remains to grow the business through developing long-term relationships and building its customer franchise, and its focus remains within the UK. All Lloyds TSB Bank Group's businesses are focused on extending the reach and depth of their customer relationships, whilst enhancing product capabilities to build competitive advantage. A prudent 'through the cycle' approach to risk continues to be applied within Lloyds TSB Bank Group and will remain important as Lloyds TSB Bank Group strives to improve its processing efficiency and use of capital.

Lloyds TSB Bank Group continues to focus on building competitive advantage in its core markets by seeking opportunities to consolidate its position in businesses where it is already strong, and by divesting businesses in markets where it is not a leader and cannot aspire reasonably to leadership. The board believes that the UK remains an attractive market and that Lloyds TSB Bank Group has good potential within its existing franchises to grow by meeting more of

Lloyds TSB Bank Group's customers' needs as well as through adding new customers to the franchise, notwithstanding near term economic conditions (see Risk Factor 1.1 for a discussion of such economic conditions).

Lloyds TSB Bank Group is a business based on building strong and long-lasting relationships through the efforts of its people. Colleagues are Lloyds TSB Bank Group's most valuable resource. It is Lloyds TSB Bank Group's colleagues who build long-lasting relationships with its customers and, therefore, managing Lloyds TSB Bank Group's colleagues effectively is fundamental to the success of the business and achieving its vision of being the best financial services organisation in the UK.

During 2008, Lloyds TSB Bank Group had three primary operating divisions: UK Retail Banking; Insurance and Investments; and Wholesale and International Banking. Following the Acquisition, these divisions were restructured with elements from some existing businesses coming together to form another division. The new Wealth and International division has been created to focus on Wealth Management, Asset Management and International Banking. The key product markets in which these divisions participate is presented in "Businesses and Activities.

Since August 2007, global financial markets have experienced a period of significant turmoil resulting in a negative impact on capital ratios and liquidity in the banking sector. Throughout this period, Lloyds TSB Bank Group has maintained a robust liquidity position based on its significant retail and corporate deposit base and funding from the wholesale markets. Since the completion of the Acquisition, Lloyds TSB Bank Group has continued to fund itself in the wholesale markets at rates comparable to the period prior to completion. In addition, Lloyds TSB Bank Group has continued to reinforce its funding position by actively participating in the liquidity initiatives introduced by the Bank of England and HM Treasury.

Lloyds TSB Bank Group believes that the successful execution of this strategy focusing on core markets, customer and cost leadership, capital efficiency and a prudent risk appetite should enable Lloyds TSB Bank Group to achieve its vision to be recognised as the best financial services organisation in the UK.

Business and Activities

Lloyds TSB Bank Group's activities are organised into four divisions: Retail, Insurance, Wholesale and Wealth and International. The main activities of these divisions and key statistics as at 31 December 2008 are described below.

Retail

Retail provides banking, financial services and mortgages to personal customers through Lloyds TSB Bank Group's multi-channel distribution capabilities.

Branches

Lloyds TSB Bank Group provides wide-reaching geographic branch coverage in England, Scotland and Wales, through over 1,950 branches of the Bank, Lloyds TSB Scotland plc ("**Lloyds TSB Scotland**") and C&G.

Internet banking

Internet banking provides online banking facilities for personal customers. Some 5.2 million customers have registered to use Lloyds TSB Bank Group's internet banking services, and conduct more than 79 million actions per month online, an 11 per cent. increase on the same period in 2007.

Telephone banking

Telephone banking continues to grow. At the end of 2008, some 5.7 million customers had registered to use the services of PhoneBank and the automated voice response service, PhoneBank Express. the Bank's telephone banking centres handled some 71 million calls during 2008.

Cash machines

Lloyds TSB Bank Group has one of the largest cash machine networks of any leading banking group in the UK and, personal customers of the Bank and Lloyds TSB Scotland are able to withdraw cash and check balances through over 4,200 ATMs at branches and external locations around the UK. In addition, Retail's personal customers have access to over 63,000 cash machines via LINK in the UK and to cash machines worldwide through the VISA and MasterCard networks.

Current accounts

The Lloyds TSB Bank Group offers a wide range of current accounts, including interest-bearing current accounts and a range of added-value accounts.

Savings accounts

The Lloyds TSB Bank Group offers a wide range of savings accounts and retail investments.

Personal loans

The Lloyds TSB Bank Group offers a range of personal loans.

Cards

Lloyds TSB Bank Group provides a range of card-based products and services, including credit and debit cards and card transaction processing services for retailers. Lloyds TSB Bank Group is a member of both the VISA and MasterCard payment systems and has access to the American Express payment system.

Mortgages

C&G is Lloyds TSB Bank Group's specialist residential mortgage arranger, offering a range of mortgage products to personal customers through its own branches and those of the Bank in England and Wales, as well as through the telephone, internet and postal service, Mortgage Direct. Lloyds TSB Bank Group also provides mortgages through Lloyds TSB Scotland and Scottish Widows Bank. Lloyds TSB Bank Group is one of the largest residential mortgage lenders in the UK on the basis of outstanding balances, with mortgage balances outstanding at 31 December 2008 of £112,894 million.

Insurance

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

Life assurance, pensions and investments

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

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

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

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

During 2007, Lloyds TSB Bank Group sold Abbey Life, the UK life operation which was closed to new business in 2000.

General insurance

Lloyds TSB General Insurance provides general insurance through retail branches of the Bank and C&G, a direct telephone operation, the internet and through third party panel or other distribution channels. Lloyds TSB General Insurance is one of the leading distributors of home insurance in the UK.

The UK Competition Commission's investigation of payment protection (also known as repayment) insurance could affect the distribution and pricing of this product across the industry. Further details as to the investigations are set out under the heading "Regulation – UK Competition Commission" below.

Wholesale

Wholesale provides banking and related services to major UK and multinational corporates and financial institutions, and small and medium-sized UK businesses. In addition, Wholesale provides asset finance to personal and corporate customers and manages the Bank's Balance sheet liquidity and financial markets activity through its Treasury function.

Corporate Banking

Corporate Banking manages the Bank's core corporate customer franchise, providing a relationship based financial and advisory service. This service is delivered through dedicated regional teams throughout the UK and North America. Customers have access to expert advice and a broad range of financial solutions. Relationship managers act as a conduit to product and service partners in the rest of the Wholesale Bank and across the wider Group.

Corporate Banking offers customers a comprehensive range of banking, capital and risk management solutions. These services range from cash management, trade and payments to tailored foreign exchange, interest rate, credit, inflation and commodities risk management and both debt and equity capital.

Commercial Banking

Commercial Banking serves customers across the UK from one-person start-ups to large, established enterprises. In addition to providing banking facilities and solutions, Commercial provides specialised working capital finance for its customers through its Commercial Finance subsidiary, and long-term finance to the agricultural sector through the Agricultural Mortgage Corporation.

Asset Finance

Asset Finance provides individuals and companies with specialist personal lending, store credit and finance through leasing, hire purchase and contract hire packages.

Wealth and International

Wealth and International provides private banking services, fund management services and International Banking services.

UK Wealth Management

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

Scottish Widows Investment Partnership

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

International Banking

Lloyds TSB Bank Group has continued to shape its international network to support its UK operations. Its overseas banking operations include offices in the UK, the Channel Islands, the Isle of Man, Dubai, Hong Kong, Spain, France, Switzerland, Luxembourg, Belgium, Netherlands, Monaco, Gibraltar, Cyprus, South Africa, Japan, Singapore, Malaysia, China and the US. The business provides a wide range of private and retail banking, wealth management and expatriate services to local residents, UK expatriates, foreign nationals and to other customers and also serves the corporate and institutional markets in a number of these locations.

Competitive Environment

Lloyds TSB Bank Group is a diversified UK based financial services group providing a wide range of banking and financial services, predominately in the UK, to personal and corporate customers. Its main business activities are retail, commercial and corporate banking, general insurance, and life, pensions and investment provision.

In the retail banking market, the Bank 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 Bank 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.

The Bank'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 Bank's earnings are predominantly generated. Following the Acquisition, the Company now operates in an increased number of other jurisdictions; these include Ireland, Australia and the United States, and hence the Company is exposed to general and sector-specific economic conditions in these markets as well. Over approximately the past 18 months, the global economy and the global financial system have been experiencing a period of significant turbulence and uncertainty, particularly the very severe dislocation of the financial markets around the world that began in August 2007. This has substantially worsened since September 2008 and has contributed to related problems at many large global and UK commercial banks, investment banks, insurance companies and other financial and related institutions.

Government intervention in the banking sector may impact the competitive position of banks within a country and among international competitors which may be subject to different forms of government intervention, thus potentially putting the Company at a competitive disadvantage to other banks.

Regulation

Overview of UK Regulation

The cornerstone of the regulatory regime in the UK is the Financial Services and Markets Act 2000 (the "**FSMA**") which came into force on 1 December 2001 and replaced much of the previous legislation under which banks, insurance companies and investment businesses had been authorised and supervised. In accordance with the provisions of the FSMA on 30 November 2001, the FSA completed the process of assuming responsibility for the regulation and oversight of a wide range of financial services activities in the UK. More recently these responsibilities have been extended to include the regulation of mortgage lending, sales and administration (October 2004) and general insurance sales and administration (January 2005).

The FSA is responsible for the authorisation and supervision of institutions that provide regulated financial products and services as defined in the FSMA. As part of the authorisation process, the FSA reviews applicants to ensure that they satisfy the necessary criteria, including honesty, competence and financial soundness, to engage in regulated activity. The majority of Lloyds TSB Bank Group's regulated financial institutions became authorised by the FSA by virtue of having been authorised under previous legislation to carry on financial services business ('grandfathering').

Following the new regulations that were introduced for mortgage and general insurance business, additional entities were authorised by the FSA.

Regulatory Approach of the FSA

The FSA's regulatory approach aims to focus and reinforce the responsibility of 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 of Rules and Guidance (the "**Handbook**") sets out eleven Principles for Businesses and the rules to which financial institutions are required to adhere.

A risk-based approach for the supervision of all financial institutions is adopted by the FSA and the starting point for the FSA's supervision is based on a systematic analysis of an institution's risk profile. Having determined the level of inherent risk, a minimum capital adequacy requirement is established, which the institution is required to meet at all times.

The FSA carries out its supervision of UK financial institutions through the collection of information from a series of prudential returns covering sterling and non-sterling operations, on-site reviews (through its ARROW reviews and through industry-wide Thematic Reviews), desk-based reviews, meetings with senior management and reports obtained from skilled persons. For major retail groups such as Lloyds Banking Group, a dedicated relationship team coordinates much of this activity via its 'Close and Continuous' supervision regime.

Regular prudential reports required by the FSA include operating statements and returns covering (amongst other things) capital adequacy, liquidity, large single exposures and large exposures to related borrowers. Capital adequacy returns are submitted on a periodic basis for all the authorised institutions within Lloyds TSB Bank Group. Regular non-prudential reports required by the FSA include complaints data, daily transaction reporting returns and product sales data. Some returns are submitted on a consolidated basis for Lloyds Banking Group, whilst others are provided on a legal entity basis, depending on the requirements set out within the relevant FSA rules. The FSA reporting rules were recently revised through the introduction of the Integrated Regulatory Reporting Programme, which came into effect in 2008. Lloyds TSB Bank Group was fully involved in the consultative process with the regulatory authorities and has implemented the required changes.

The Handbook sets out rules and guidance across a range of issues with which financial institutions are required to comply. These include, *inter alia*:

- Authorisation requirements – these are standards that need to be met in order to be authorised and continue to be met on an ongoing basis.
- Prudential rules – these relate to capital adequacy.
- Systems and Controls requirements that are appropriate to the volume and complexity of activity undertaken.
- Conduct of Business rules that set out the requirements for aspects such as advising and selling, product disclosure, financial promotions (including compliance with the clear, fair and not misleading requirements), responsible lending and default.
- Reporting Requirements – these set out periodic reporting requirements and event driven notifications that must be submitted to the FSA.
- Training and Competence ('T&C') rules – these are standards that apply to firms providing advice to retail customers.
- The Code of Market Conduct rules – this provides further rules and guidance on the market abuse offences set out in the FSMA.

A key theme running through most of the FSA's rules and regulations is the concept of Treating Customers Fairly ('TCF'), contained in Principle 6 of the FSA's Principles for Businesses. From 31 December 2008, the FSA now expects all firms to be able to demonstrate that full TCF compliance has been embedded within their business activity, operations and culture.

Although the FSA Conduct of Business standards apply to banks, the FSA has historically allowed the Banking Code Standards Board (which is described further below) to prescribe conduct rules governing the deposit-taking and account operating activities of banks and building societies.

The FSA published the Turner Review ('A Regulatory Response to the Global Banking Crisis') on 18 March 2009. The Turner Review assesses the various factors which contributed to the severe financial problems suffered by banks at the end of 2008, and then considers a wide range of proposals to counter these factors and reform global financial regulation. These proposals include significantly increasing banks' minimum regulatory capital requirements, regulating banks' liquidity requirements, requiring banks to establish capital buffers, a maximum growth leverage ratio to prevent banks' excessive expansion, authorities' power to obtain information on significant unregulated financial institutions, central counterparty clearing of credit derivatives, and a major shift in the supervisory approach of the FSA, with an increased focus on high impact, complex and systemically important firms, business models and approved persons' technical skills. New arrangements for co-ordinated cross-border supervision of international and EU banking groups are also proposed. The FSA has also published a discussion paper intended to elicit market participants' comments on many of the proposals contained in the Turner Review. The impact of the proposals on banks and their business models is likely to be very significant. The fundamental changes to capital and liquidity requirements could have a substantial impact on the shape of banks' business models. Banks can also expect a shift from the previous 'light touch' principles-based regime to an intensive, and interventionist, rules-based regime. The cost of compliance with these proposals may well lead to reduced profitability, as well as a lower return on equity.

Financial Services Guarantee Schemes in the UK

Under the FSMA a compulsory single, industry-wide, investor's compensation scheme, the Financial Services Compensation Scheme (the "**FSCS**") has been set up. All authorised institutions are required to be members of the FSCS and are subject to a levy in proportion to their deposit base or volume of business undertaken. The FSCS applies to business undertaken by an FSA authorised institution or by the UK branch of a European Economic Area firm carrying on 'home state regulated activity'.

The FSMA allows for the establishment of different funds for different kinds of business and for different maximum amounts of claim. From 7 October 2008 (subject to the rules of the FSCS):

- eligible deposit claimants have been entitled to receive 100 per cent. compensation for financial loss up to £50,000;
- eligible investment business and mortgage advice and arranging claimants are entitled to receive £48,000 (100 per cent. of the first £30,000 and 90 per cent. of the next £20,000); and
- eligible insurance claimants are entitled to receive 100 per cent. of the first £2,000 and 90 per cent. of the remainder of the claim (except compulsory insurance for which it is 100 per cent. of the claim).

On 16 March 2009, the Directive on Deposit Guarantee Schemes (1994/19/EC) was amended by Directive 2009/14/EC (the "**Amended Directive**"). The Amended Directive requires EU Member States, by 30 June 2009, to increase the minimum level of coverage they provide for deposits from £20,000 to £50,000 and to reduce the payout period in the event of bank failure from three months to twenty days. Furthermore, by 31 December 2010, Member States must set coverage for the aggregate deposits of each depositor at £100,000, unless a European Commission impact assessment, submitted to the European Parliament and the Council by 31 December 2009, concludes that such an increase and such harmonisation are inappropriate and are not financially viable for all Member States.

Authorised Firms with the Lloyds TSB Bank Group

As at 31 December 2008, there were over 20 UK authorised institutions across Lloyds TSB Bank Group. These are regulated by the FSA on both an individual and a consolidated basis.

There were five UK authorised banks: Lloyds TSB Bank plc, Lloyds TSB Scotland plc, Lloyds TSB Private Banking Limited, Scottish Widows Bank plc, and AMC Bank Limited.

The UK investment firms authorised within the Lloyds TSB Bank Group were: Scottish Widows Investment Partnership Limited, Lloyds TSB Development Capital Limited, Lloyds TSB Venture Managers Limited, Lloyds TSB Financial Consultants Limited, Lloyds TSB Independent Financial Advisers Limited, SWIP Fund Management Limited, Scottish Widows Unit Trust Managers Limited, Scottish Widows Fund Management Limited, Lloyds TSB Investments Limited, and SWIP Multi-Manager Funds Limited.

The regulated entities conducting (i) insurance, (ii) life, or (iii) pensions business were: Black Horse Limited, Lloyds TSB Insurance Services Limited, Lloyds TSB General Insurance Limited, Scottish Widows Annuities Limited, Pensions Management (SWF) Limited, Scottish Widows Unit Funds Limited, Scottish Widows plc, and Scottish Widows Administration Services Limited.

The only regulated entity specifically providing mortgage business was Cheltenham & Gloucester plc.

Basel II

Basel II has been implemented throughout the EU through the Capital Requirements Directive (which is discussed below under "European Union Impact for UK Financial Services Regulation"). This came into force for all European banks on 1 January 2007, following a consultative process which continued throughout 2006. Transitional provisions meant, however, that Lloyds TSB Bank Group was not required to be in compliance with all of the rules until 1 January 2008.

With effect from 1 January 2008, for credit risk, the Lloyds TSB Bank Group adopted the Foundation Internal Ratings Based approach for its non-retail exposures and the Advanced (Retail) Internal Ratings Based approach for its retail exposures and the Advanced Measurement Approach for Operational Risk from 1 January 2008.

The adoption of these approaches benefits the Lloyds TSB Bank Group in terms of its internal capital allocation.

Other Relevant Legislation and Regulation

The Bank of England

The agreed framework for co-operation in the field of financial stability in the financial markets is set out in detail in the Memorandum of Understanding published jointly by HM Treasury, the FSA and the Bank of England at the end of October 1997 and updated in March 2006. 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 at home 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. HM Treasury, the FSA and the Bank of England work together to achieve stability in the financial markets.

UK Government

The UK Government is responsible for the overall structure of financial regulation and the legislation which governs it. It has no operational responsibility for the activities of the FSA or the Bank of England. However, there are a variety of circumstances where the FSA and the Bank of England will need to alert HM Treasury (the representative of the UK Government) about possible problems, for example where there may be a need for a support operation or a problem arises which could cause wider economic disruption.

In light of the current crisis in financial markets, the Banking Act 2009 secured Royal Assent in February 2009 and certain provisions, including those relating to bank insolvency and bank administration, came into force at that time. The Banking Act provides the FSA, Bank of England and HM Treasury with tools for dealing with failing institutions. These tools consist of three stabilisation options, which are designed to address a distressed bank which is failing or is likely to fail to meet the threshold conditions set out in the FSA Handbook and which cannot be assisted through normal regulatory action or market-based solutions. The Banking Act also makes provision for special insolvency processes which authorities can utilise to deal with failing banks. See "Risk Factors – Risks relating to the Banking Act 2009" for risks associated with the Banking Act.

*UK Financial Ombudsman Service ("**FOS**")*

The FOS was established on 1 December 2001 pursuant to the FSMA to provide customers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from the regulated firm. The FOS resolves disputes that cover most financial products and services provided in (or from) the UK, from insurance and pension plans to bank accounts and investments, for eligible complainants, private individuals and small businesses, charities or trusts. The jurisdiction of FOS was extended in 2007 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 firms.

UK Banking Code Standards Board

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

Self regulation under the Banking Code will change in 2009 for retail banking. In April 2009, the FSA published rules governing the conduct of retail deposit-taking business, which is to be brought under the FSA's remit in November 2009. The introduction of conduct of business rules will coincide with the introduction of new FSA requirements regarding payment services which will sit alongside the Payment Services Regulations 2009.

UK Office of Fair Trading

The UK Office of Fair Trading (the "**OFT**") is the UK's consumer and competition authority. Its regulatory and enforcement powers impact the banking sector in a number of ways. Set out below are some of its current activities that are significant for the Lloyds TSB Bank Group.

In April 2007, the OFT commenced an investigation into the fairness of personal current account 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.

Legal Proceedings

On 27 July 2007, following agreement between the OFT, the FSA and a number of UK financial institutions, the OFT issued High Court legal proceedings against those financial institutions, including the Bank and HBOS, to determine the legal status and enforceability of unarranged overdraft charges.

Current Terms and Conditions

The first step in those proceedings was a trial of certain 'preliminary' issues concerning the contractual terms relating to unarranged overdraft charges. On 24 April 2008, the High Court determined, in relation to the then current terms and conditions of the relevant financial institutions (including the Bank and HBOS), that the relevant unarranged overdraft charges are not capable of amounting to penalties but that they are assessable for fairness under the Unfair Terms in Consumer Contracts Regulations 1999. On 23 May 2008, the Bank and HBOS, along with the other relevant financial institutions, were given permission to appeal the finding that unarranged overdraft charges are assessable for fairness. The appeal hearing commenced on 28 October 2008 and concluded on 5 November 2008. On 26 February 2009, the Court of Appeal dismissed the relevant financial institutions' appeal and held that the unarranged overdraft charges are assessable for fairness. The House of Lords has given the relevant financial institutions permission to appeal this judgment. The hearing before the House of Lords is scheduled to commence on 23 June 2009.

Historic Terms and Conditions

A further High Court hearing was held on 7 to 9 July 2008 to consider whether the historical terms and conditions previously used by the relevant financial institutions are capable of being penalties, and to consider whether their historic terms are assessable for fairness. On 8 October 2008, the court confirmed that HBOS's historic terms and conditions are not capable of being penalties.

Following a further High Court hearing on 9 December 2008, the court confirmed on 21 January 2009 that the relevant unarranged overdraft charges under the Bank's historic terms and conditions are not capable of being penalties to the extent that the Bank's contracts with customers included the applicable charging terms.

Following the High Court decision of 24 April 2008 (referred to above) the parties agreed that the historic terms and conditions would be treated in the same way as the then current terms and conditions in relation to being assessable for fairness. On 28 October 2008, the court issued an order specifying which historic terms and conditions could be assessed for fairness. The relevant financial institutions have been granted permission to appeal the order that the historic terms are assessable for fairness, although that appeal is likely to be stayed pending the House of Lords' decision in relation to current terms and conditions.

The issue of whether unarranged overdraft charges are actually fair will be determined at subsequent hearings. The OFT is investigating the fairness of the charges, but has yet to determine whether the charges are fair. If court proceedings are required to determine this, the proceedings may take a number of years to conclude, if various appeals are pursued.

On 20 January 2009 the FSA notified the Bank and HBOS that it was granting an extension until 26 July 2009 of the waiver permitting the relevant entities to continue to suspend the handling of complaints relating to the level, fairness or lawfulness of unarranged bank charges.

Cases before the Financial Ombudsman Service and the County Courts are currently stayed pending the outcome of the legal proceedings initiated by the OFT.

On 31 March 2009 the OFT announced that it is to streamline its investigation into unarranged overdraft charges by focusing on the terms of three banks, including the Bank but not including HBOS. The OFT has stated that the aim of this is to progress the case in the shortest and most efficient way possible. The OFT has stated that it believes that the terms of the three selected banks provide the best representative selection of all the relevant financial institutions' unarranged overdraft charging terms, and therefore the outcome of this more focused investigation will be relevant to the assessment of other relevant financial institutions' terms. The OFT has stated that it should not be assumed that the OFT is more or less likely to find the three banks' terms unfair than those of the other relevant financial institutions. The investigation into the other relevant financial institutions' terms is merely on hold.

Lloyds Banking Group intends to continue to defend its position strongly. No provision in relation to the outcome of this litigation has been made. A range of outcomes is possible, some of which could have a significant financial impact on Lloyds TSB Bank Group. The ultimate impact of the litigation on Lloyds TSB Bank Group can only be known at its conclusion.

Market Study into Personal Current Accounts

In April 2007, the OFT launched a market study into personal current accounts which resulted in a report that was published on 16 July 2008. The OFT stated that it had found evidence of competition in the personal current account market. It also found that banks could demonstrate high consumer satisfaction and low fees on the more visible elements of current accounts – such as withdrawals from ATMs and that internet and telephone banking have also made it easier for consumers to manage their accounts. However, the OFT concluded that the personal current account market as a whole is not working well for consumers. The OFT found that a combination of complexity and a lack of transparency means that consumers and competition are focused almost exclusively on more visible fees and not on the less visible elements, such as insufficient funds charges and foregone interest – despite the fact that these make up the vast bulk of banks' revenues. For insufficient funds charges, the report indicated that this effect is exacerbated by a lack of simple mechanisms to control, or opt out of, an unarranged overdraft. Furthermore, the OFT found that a significant proportion of consumers believe that it is complex and risky to switch accounts, with the result that switching rates are very low.

The OFT invited comments from interested parties, with a deadline for responses of 31 October 2008. It highlighted in particular the low levels of transparency and switching and complexity of charges as issues upon which it would welcome comments together with potential measures to address those issues. The OFT has indicated that, depending upon the outcome of the consultation, it may publish a further or final report during 2009. Its objective is to produce recommendations that the banking industry, in consultation with government and other relevant stakeholders, will take forward. Failing resolution of its concerns by that means, the OFT has indicated that it would consider alternative remedies including changes to the Banking Code, recommendations to government or regulatory bodies or a market reference to the Competition Commission.

Plans for future financial services sector reviews

In April 2009, the OFT launched a consultation on its plans for keeping UK financial markets under review in the context of the financial crisis. It has indicated its intention to focus its efforts on the banking sector, including credit, leasing and debt recovery activities. Amongst other plans, it has announced its intention to launch a review of the unsecured consumer credit sector in 2009 which will address the offerings of suppliers, the role of intermediaries and the behaviour of and decisions made by consumers. The OFT has also reiterated that it will consider whether to refer any banking markets to the UK Competition Commission if it identifies any prevention, restriction or distortion of competition. The OFT envisages that, following consultation on its proposed plans, it will publish a final plan for its activities in the financial services markets for 2009 in July 2009.

Interchange Fees

The European Commission (the "**EC**") has adopted a formal decision finding that an infringement of EC 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 EC has required that the fee be reduced to zero for relevant cross-border transactions within the European Economic Area (the "**EEA**"). This decision has been appealed to the European Court of First Instance. The Bank and BOS (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 EC competition laws. Both the Bank and BOS submitted their respective statements in intervention on 26 February 2009. MasterCard has announced that it has reached an understanding with the EC on a new methodology for calculating intra EEA multi-lateral interchange fees on an interim basis pending the outcome of the appeal. Meanwhile, the EC 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 cross-border payment transactions also infringe EC and/or UK competition laws. As part of this initiative the OFT will also intervene in the European Court of First Instance appeal supporting the EC's position. The ultimate impact of the investigations on Lloyds TSB Bank Group can only be known at the conclusion of these investigations and any relevant appeal proceedings.

Continuing Obligations

The Bank intends to comply with its obligations as a company with securities admitted to the Official List in connection with further disclosures in relation to the impact of the reviews and inquiries being conducted by the UK Office of Fair Trading as disclosed above on the Bank.

UK Competition Commission

In January 2009, the Competition Commission completed its formal investigation into the supply of Payment Protection Insurance ("**PPI**") services (except store card PPI) to non-business customers in the UK. Various members of Lloyds TSB Bank Group underwrite PPI, while other members distribute PPI, by offering it for sale with a variety of the credit products which they supply.

On 5 June 2008, the Competition Commission issued its provisional findings, to the effect that there are market features which prevent, restrict or distort competition in the supply of PPI to non-business customers, with an adverse effect on competition and with resulting detriments to consumers.

Following consultation, the Commission published its final report on 29 January 2009 setting out its remedies. In summary, the Competition Commission has decided to adopt the following remedies: (i) a prohibition on the active sale of PPI by a distributor to a customer within 7 days of the distributor's sale of credit to that customer. However, customers may pro-actively return to the distributor to initiate a purchase by telephone or online from 24 hours after the credit sale; (ii) a requirement on all PPI providers to provide certain information and messages in PPI marketing materials; (iii) a requirement to provide personal PPI quotes to customers; (iv) a requirement on all PPI providers to provide certain information on PPI policies to the FSA; (v) a recommendation to the FSA that it use the information provided under the requirement in (iii) to populate its PPI price comparison tables; (vi) a requirement on distributors to provide an annual statement for PPI customers containing information on their PPI policy and what it costs; and (vii) a prohibition on the levying by distributors of payments for PPI on a single premium basis. Instead, distributors are permitted to charge only regular premiums at a constant rate, paid monthly or annually. This remedy therefore precludes the selling of multi-year PPI policies for a single premium. It is expected that remedial measures relating to the provision of information in marketing materials and to third parties will come into force in April 2010 and that all other elements of the remedies package will come into force in October 2010.

On 30 March 2009, Barclays Bank PLC lodged an appeal in the Competition Appeal Tribunal against the Competition Commission's findings. In particular, it has requested that the Competition Appeal Tribunal quash the decision of the Competition Commission insofar as it relates to the prohibition of distributors selling PPI at the credit point of sale and the Competition Commission's findings on market definition and the nature and extent of competition in the supply of PPI. Lloyds Banking Group filed a notice of its intention to intervene in the appeal on 23 April 2009. On 28 April 2009, Lloyds Banking Group was granted permission by the Competition Appeal Tribunal to intervene in the appeal. The hearing of the appeal is due to take place in September 2009. In the event that the appeal is successful, the Competition Commission may need to reconsider the issues and may ultimately reach a different conclusion.

Depending on the outcome of the appeal, the Competition Commission's decision may have a significant adverse impact on the level of sales and thus the revenue generation and profitability of the payment protection insurance products which Lloyds TSB Bank Group offers its customers, but the ultimate impact would be determined by a number of factors including the extent to which Lloyds TSB Bank Group was able to mitigate the potentially adverse effects of such statutory changes through restructuring the payment protection products which it offers its customers and/or developing alternative products and revenue streams. To this end, Lloyds TSB Bank Group took a commercial decision to sell only regular monthly premium PPI to its personal loan customers in the UK from early 2009. On 23 February 2009, the FSA wrote to all firms still selling single premium PPI with unsecured personal loans asking them to withdraw the product as soon as possible, and no later than 29 May 2009.

On 1 July 2008 the Financial Ombudsman Service referred concerns regarding the handling of PPI complaints to the FSA as an issue of wider implication. Lloyds TSB Bank Group and other industry members and trade associations have made submissions to the FSA regarding this referral. The matter was considered at the FSA Board meeting on 25 September 2008. Lloyds TSB Bank Group has been working with industry members and trade associations in preparing an industry response to address regulatory concerns regarding the handling of PPI complaints. The FSA has now indicated that it will issue formal handbook guidance and/or rules on PPI complaint handling by the end of September 2009 and a consultation paper which builds on the proposals put forward by the industry members and trade associations is expected before the end of June 2009.

On 30 September 2008 the FSA published a statement arising from its ongoing thematic review of PPI sales. In the statement, which was directed at the industry generally, the FSA highlighted certain concerns and indicated that it was escalating its regulatory intervention and considering appropriate action to deal with ongoing non-compliant sales practices and to remedy non-compliant past sales. The FSA plans indicate that an update on the third phase of the thematic work would be published during 2009.

UK Information Commissioner's office

This office is responsible for overseeing implementation of the Data Protection Act 1998. This Act regulates, among other things, the retention and use of data relating to individual customers. 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. Under section 2(1) of the FOIA, a public authority is not required to disclose information where an absolute exemption applies or if the public interest in maintaining the exemption outweighs the public interest in disclosing the information. If a requester is dissatisfied with his response from a public authority, he may refer the matter to the Information Commissioner who may order the disclosure of the information, for example if he considers that the public interest in disclosing the information outweighs the public interest in maintaining the exemption. Lloyds TSB Bank Group is not a public body but HM Treasury and certain other public authority and associated companies involved in the GAPS are. Any confidential information required to be disclosed under the GAPS to a public authority could be subject to enforced disclosure to members of the public pursuant to FOIA.

The European Commission

Retail Banking Investigation

On 10 January 2007, the European Commission published the Final Report of its sector inquiry into European retail banking markets covering payment cards and (non-card) payment systems and current accounts and related services. The Commission found that markets were fragmented along national lines, limiting consumer choice and leading to higher costs for current accounts, loans or payments. High degrees of variation of prices, profit margins and selling patterns between EU Member States and high degrees of homogeneity within EU Member States were found to be indicative of persisting regulatory or behavioural barriers to competition.

The Final Report identified competition concerns in several areas of retail banking, including:

- the combination of sustained high profitability, high market concentration and evidence of entry barriers in some Member States raise concerns about banks' ability to influence the level of prices for consumers and small firms;
- large variations in merchant and interchange fees between banks across the EU may indicate competition barriers;
- the existence of high joining fees for payment cards, co-branding, surcharging and the practice of "blending" card fees where a retailer is charged the same merchant fee irrespective of the different costs of card types;
- some credit registers, holding confidential data that lenders use to set loan rates, may be used to exclude new entrants to retail banking markets;
- some aspects of co-operation among banks, including savings and co-operative banks, can reduce competition and deter market entry;
- product tying by banks is widespread in Member States and can reduce consumer choice and increase banks' power in the market place to influence prices; and
- obstacles to customer mobility in banking, notably the inconvenience of changing a current account, are high.

Some of these concerns have already been addressed, at least in part. For example, following the interim report being published, the Commission met with Austrian banks who agreed to review arrangements for setting interchange fees and announced that a reduction can be expected. In Portugal, issuers and acquirers have met some of the concerns raised in the report by reducing domestic interchange fees and removing preferential bilateral domestic interchange fees. The establishment of a Single Euro Payments Area ("**SEPA**") is also seen as a method of remedying some of the competition concerns raised in the report. Since 1 January 2008, banks have been able to make the first SEPA products available and are aiming to make SEPA a reality for all customers by the end of 2010.

The Final Report also listed the following specific areas where enforcement action by the European Commission and the national competition authorities is appropriate:

- high interchange fees and merchant fees in some payment card networks;
- access barriers and discriminatory rules in relation to credit registers;
- tying of products by some banks; and
- bank co-operation (in respect to which the Commission indicated that it intended to gather more information before acting).

Since the Final Report was published, the Commission has adopted three decisions affecting payment card services. On 3 October 2007, the Commission fined Visa International and Visa Europe €10.2 million for refusing to admit Morgan Stanley as a member from March 2000 to September 2006. In a decision dated 17 October 2008, the Commission concluded that the *Groupement des Cartes Bancaires* infringed Article 81 of the Treaty establishing the European Community by adopting price measures hindering the issuing of cards in France at competitive rates by certain member banks, thereby keeping the price of payment cards artificially high and thus favouring the major French banks. As referred to above, on 19 December 2007, the Commission adopted a decision prohibiting MasterCard's multilateral interchange fees for cross-border card payments with MasterCard and Maestro consumer credit and debit cards between Member States of the European Economic Area (intra-EEA MIFs).

EU Directives

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

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

Financial institutions, such as those in the Lloyds TSB Bank Group, are primarily regulated in their home state by a local regulator but the EU directives prescribe criteria for the authorisation of such institutions and the prudential conduct of business supervision applicable to them. Different directives require Member States to give 'mutual recognition' to each other's standards of regulation through the operation of a 'passport' concept.

This passport gives a financial institution which has been authorised in its 'home' state the freedom to establish branches in, and to provide cross-border services into, other Member States without the need for additional local authorisation.

Directives Recently Implemented

The Unfair Commercial Practices Directive ("**UCPD**") was implemented in the UK under regulations enacted in May 2008. The regulations cover financial services and allow the FSA to apply for injunctive relief in circumstances where this may not be available under the FSMA. The FSA previously considered the implementation of the UCPD in its Handbook through amendments to its conduct of business rules (COBS and ICOBS sourcebook) in 2007 and 2008.

The Acquisitions Directive was implemented in the UK on 21 March 2009. The purpose of the Directive is to prevent EU Member States from blocking acquisitions of financial services firms for improper (e.g. protectionist) reasons and to facilitate the acquisition process.

Key measures include:

- introduction of assessment criteria, which are more tightly defined than the current assessment criteria and are limited to a prudential assessment; and
- provisions to increase the transparency of the process and ensure that potential acquirers that are declined permission are given the information they need to challenge the decision.

Directives Currently being Implemented

A number of other EU directives, including amendments to the Deposit Guarantee Schemes Directive (please see "Financial Services Guarantee Schemes in the UK" above), Payment Services Directive and the Consumer Credit Directive are currently being implemented in the UK.

The Payment Services Directive is to be fully implemented in the UK by 1 November 2009 and will enhance the movement towards a Single European Payments Area. Key measures include:

- the right to provide payment services to the public;
- transparency and information requirements; and
- rights and obligations of users and providers of payment services.

Draft provisions for implementing the Consumer Credit Directive are expected to be published in 2009, with the deadline for implementation being June 2010. The Directive aims to establish the conditions for a genuine EU market, ensure a high level of consumer protection, and improve clarity by recasting the existing EU directives on consumer credit.

Directives Under Review

Amendments to a number of EU directives are being considered, including the Distance Marketing Directive, Capital Requirements Directive, E-Money Directive, Undertakings for Collective Investment in Transferable Securities ("UCITS") Directive and the Financial Groups Directive.

Legislative amendments may be forthcoming.

The EU is also considering regulatory proposals for, *inter alia*;

- mortgage credit;
- a recast UCITS Directive; and
- capital adequacy requirements for insurance companies (Solvency II).

International Regulation

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

In view of the global financial crisis and the increased scrutiny financial regulators have come under, it is also expected that regulatory regimes in many jurisdictions will be significantly tightened, e.g. emergency restrictions on short selling practices were implemented in a number of jurisdictions including the UK, Ireland, France, Germany, and the Netherlands, following the market volatility in September 2008. At a G20 meeting to tackle the crisis in November 2008, a set of common principles for the reform of financial markets was set out. These principles have the aim of strengthening transparency and accountability; enhancing sound regulation; promoting integrity in financial markets; re-enforcing international co-operation and reforming international institutions. As a result of this and other domestic pressures, it is expected that Lloyds TSB Bank Group entities in all jurisdictions will be subject to increased scrutiny.

Legal Actions

Lloyds Banking Group is periodically subject to threatened or filed legal actions in the ordinary course of business.

Lloyds TSB Group provided information in relation to its review of historic US Dollar payments involving countries, persons or entities subject to US economic sanctions administered by the Office of Foreign Assets Control ("**OFAC**") to a number of authorities including OFAC, the US Department of Justice and the New York County District Attorney's Office which, along with other authorities, had been reported to be conducting a broader review of sanctions compliance by non-US financial institutions. At 31 December 2008, the discussions with those authorities had advanced towards resolution of their investigations and Lloyds Banking Group held an accrual of £180 million in respect of this matter. On 9 January 2009, Lloyds Banking Group announced that it had reached a settlement with both the US Department of Justice and the New York County District Attorney's Office in relation to their investigations. The settlement documentation contains details of the results of the investigations including the identification of certain activities relating to Iran, Sudan and Libya which Lloyds TSB Group conducted during the relevant period. The provision made by Lloyds Banking Group in respect of this matter during 2008 was hedged into US Dollars at the time and fully covers the settlement amount.

Lloyds Banking Group is continuing discussions with OFAC regarding the terms of the resolution of its investigation. OFAC has confirmed to Lloyds Banking Group that the amount paid to the US Department of Justice and the New York County District Attorney's Office will be credited towards satisfying any penalty it imposes. Lloyds Banking Group does not currently believe that any additional liability requiring provision will arise following the conclusion of the discussions with OFAC. Lloyds Banking Group does not anticipate any further enforcement actions as to these issues. A purported shareholder filed a derivative civil action in the Supreme Court of New York, Nassau County on 26 February 2009 against certain current and former directors, and nominally against the Bank and the Company, seeking various forms of relief following the settlement. The derivative action is at a very early stage.

Lloyds Banking Group is also engaged in High Court legal proceedings issued by the UK Office of Fair Trading relating to the legal status and enforceability of unarranged overdraft charges, proceedings before the European Court of First Instance in relation to interchange fees and proceedings before the UK Competition Appeal Tribunal in relation to the UK Competition Commission's findings in relation to payment protection insurance (see "Regulation – UK Office of Fair Trading" on pages 101-103 and "Regulation – UK Competition Commission" on page 104, of this Prospectus).

Major Shareholders

The Bank is a wholly owned subsidiary of the Company. The Solicitor for the Affairs of Her Majesty's Treasury has a direct interest of 43.38 per cent. in the Company's issued share capital. Following the Company's participation in the GAPS, it is possible that HM Treasury's ownership of the Company's ordinary shares may increase - see Risk Factor 2.3 and the GAPS Announcement (as incorporated by reference herein) for further information.

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 Victor Blank* Chairman	A senior adviser to the Texas Pacific Group and appointed by the Prime Minister as a Business Ambassador. Chairs two charities, Wellbeing of Women and UJS Hillel, as well as the Council of University College School.
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 and Intrinsic Financial Services and a non-executive director of Paternoster.
Executive directors	
J. Eric Daniels Group Chief Executive	A non-executive director of BT Group.
Archie G. Kane Group Executive Director, Insurance	Chairman of the Association of British Insurers and a member of the Chancellor's Financial Services Global Competitiveness Group, The Takeover Panel and the Chancellor's Insurance Industry Working Group.

Name	Principal outside activities
Executive directors *(continued)*	
G. Truett Tate Group Executive Director, Wholesale	A non-executive director of BritishAmerican Business Inc. A director of Business in the Community and a director and trustee of In Kind Direct.
Tim J.W. Tookey Group Finance Director	None.
Helen A. Weir CBE Group Executive Director, Retail	A non-executive director of Royal Mail Holdings. A member of the Said Business School Advisory Board.
Non-executive directors	
Wolfgang C.G. Berndt	A non-executive director of Cadbury, GfK AG and MIBA AG.
Ewan Brown CBE FRSE*+	A non-executive director of Noble Grossart and Stagecoach Group, chairman of Creative Scotland 2009, senior governor of the Court of the University of St Andrews and vice chairman of the Edinburgh International Festival.
Philip N. Green	Chief Executive of United Utilities. A director of Business in the Community and the UK Commission for Employment and Skills. A trustee of the Philharmonia Orchestra.
Sir Julian Horn-Smith	A non-executive director of Digicel Group, a member of the Altimo International advisory board and a senior adviser to UBS and CVC Capital Partners in relation to the global telecommunications sector.
Sir David Manning GCMG CVO	A non-executive director of BG Group and Lockheed Martin UK Holdings.
Carolyn J. McCall OBE	Group chief executive of Guardian Media Group. Chair of Opportunity Now and a director of Business in the Community.
T. Timothy Ryan Jr	President and chief executive of the Securities Industry and Financial Markets Association. A director of the US-Japan Foundation, Great-West Life Annuity Insurance and Putnam Investment 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 and chairman of Marks and Spencer Pension Trust, Asian Infrastructure Fund and Lincoln's Inn investment committee.

* On 17 May 2009, Sir Victor Blank notified the board of directors that he is planning to retire from the Chairmanship by the Company's annual general meeting ("**AGM**") in 2010. The Lord Leitch was appointed as Deputy Chairman with immediate effect.

+ Ewan Brown will retire from the board of directors at the conclusion of the Company's AGM on 5 June 2009. The Lord Leitch will succeed Ewan Brown as the senior independent director.

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 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 may be made without withholding or deduction for or on account of 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 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 UK Financial Services Authority, whether or not the borrowing actually counts towards tier 1, 2 or 3 capital for regulatory purposes.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where 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.

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 other jurisdictions. However, in relation to amounts payable on the redemption of such Notes HM Revenue & Customs published practice indicates that HM Revenue & Customs, will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2010.

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

Where interest has been paid under deduction of United Kingdom income tax (for example, if the Notes lost their listing), Noteholders who are not resident in the United Kingdom 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 EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain other persons in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead operate a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

United States Taxation

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

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

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

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

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

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

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

Characterisation of the Notes

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

Dated Notes

Payments of Interest

General

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

Original Issue Discount

General

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

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

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

Acquisition Premium

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

Market Discount

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

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

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

Election to Treat All Interest as Original Issue Discount

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

Variable Interest Rate Notes

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

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

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

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

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

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

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that such amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

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

Short-Term Notes

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

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

Further Issues

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

Dated Notes Purchased at a Premium

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

Purchase, Sale and Retirement of Dated Notes

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

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

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

Foreign Currency Dated Notes

Interest

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

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

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

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

OID

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

Market Discount

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

Bond Premium

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

Purchase, Sale or Retirement

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

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

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

Disposition of Foreign Currency

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

Undated Subordinated Notes

Payments of Interest

General

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

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

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

Foreign Currency Denominated Interest

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

Sale or other Disposition

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

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

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

Disposition of Foreign Currency

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

Passive Foreign Investment Company Considerations

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

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

Backup Withholding and Information Reporting

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

Reportable Transactions

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

SUBSCRIPTION AND SALE

Summary of Programme Agreement

Subject to the terms and on the conditions contained in a Programme Agreement originally dated 4 October 1996 and amended and restated on 4 June 2009 (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 Programme Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Registered Notes within the United States only to be qualified institutional buyers in reliance on Rule 144A.

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

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

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;

(ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(iii) at any time to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000, as shown in its last (or, in Sweden, its last two) annual or consolidated accounts;

(iv) at any time to fewer than 100 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

(v) 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 (v) 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 and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

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

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Bank was not an authorised person, apply to the Bank; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the 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.

The Netherlands

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

Singapore

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

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

(a) a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

(i) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law.

Hong Kong

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

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Republic of Korea

The Notes have not been and will not be registered with the Financial Services Commission of Korea for public offering in Korea under the Financial Investment Services and Capital Markets Ac (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 pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law (the "**FETL**") and the decrees and regulations thereunder. 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 and its subordinate decrees and regulations) 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 (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);

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

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

People's Republic of China

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

Sweden

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

France

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

(i) Offer to the public in France:

it has only made and will only make an offer of Notes to the public in France on or after 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*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

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

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

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

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that the Notes have not been and will not be offered, sold or publicly promoted or advertised, 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

This Prospectus has not been registered with the Comisión Nacional del Mercado de Valores (the "**CNMV**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes may only be offered in Spain to qualified investors pursuant to and in compliance with Law 24/1988 on the Securities Markets, as amended, Royal Decree 13 10/2005 and any regulation issued thereunder.

Malta

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that: (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), in relation to the 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 by or its contents have been approved by a licence holder in terms of the said Act or if the investment advertisement is exempt from the requirements set out in article 11 of the Investment Services Act in accordance with subsidiary legislation; and (ii) if any offer of Notes is made to the public in Malta or any advertisement or any other document or information in relation to the Notes is issued or caused to be issued in or from Malta, the offer will be made and the said advertisement, document or information will be so issued or caused to be issued in accordance with the requirements established by or under the Companies Act (Chapter 386 of the Laws of Malta), including any subsidiary legislation and any requirements that may be established by the Maltese Registrar of Companies.

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 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 offer or distribute the Notes by means of public advertising (öffentliche Werbung) in or from Switzerland, as such term is defined or interpreted under the CISA.

Neither this Prospectus nor any documents related to the Notes constitute a prospectus in the sense of article 652a or 1156 CO. 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.

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 will, to the best of its knowledge and belief, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes 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 €50,000 (OR EQUIVALENT) TO BE ADMITTED TO TRADING ON AN EEA REGULATED MARKET AND/OR OFFERED TO THE PUBLIC ON A NON-EXEMPT BASIS IN THE EUROPEAN ECONOMIC AREA (CGN & NGN)

Final Terms dated [●]

Lloyds TSB Bank plc

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

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

13	Status of the Notes:	[Senior/[Dated [(Upper/Lower Tier 2)/(Upper Tier 3)]/Undated]/Subordinated]
14	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
(ii)	Interest Payment Date(s):	[●] in each year [*N.B. Condition 6(h) will apply if an Interest Payment Date falls on a non-business day*]
(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
(v)	Day Count Fraction:	[●] (*Day count fraction should be Actual/Actual ICMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise agreed*)
(vi)	Determination Dates:	[●] *in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual-ICMA*)
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate for Notes denominated in euro)
(i)	Interest Period(s):	[●]
(ii)	Specified Interest Payment Dates:	[●]
(iii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
(iv)	Business Centre(s):	[●]
(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other (give details)]
(vi)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[●]
(vii)	Screen Rate Determination:	
–	Reference Rate:	[●]
–	Interest Determination Date(s):	[●] [TARGET/City] Business Days in [specify City] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]
–	Relevant Screen Page:	[●]
–	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:	[●]
17	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) Reference Price:	[●]
	(iii) Any other formula/basis of determining amount payable:	[●]
18	**Index Linked Interest Note and other variable-linked interest 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 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 8*(d)* applies/other] (*NB: if fallback set out in the definition of "Valuation Date" in Condition 8(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 8 applies/other]
	(viii) Strike Price:	[●]

(ix)	Multiplier for each Index comprising the basket:	[*Insert details*/*Not Applicable*]
(x)	Trade Date:	[●]
(xi)	Correction of Index Levels:	Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. (*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)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
(xvi)	Business Centre(s):	[●]
(xvii)	Minimum Rate of Interest:	[●] per cent. per annum
(xviii)	Maximum Rate of Interest:	[●] per cent. per annum
(xix)	Day Count Fraction:	[●]
(xx)	Other terms or special conditions:	[●]

19	**Equity Linked Interest Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete remaining sub-paragraphs of this paragraph*)

(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]. (*If Correction of Underlying Equity Prices 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]].
(x)	Valuation Time:	[Condition 9*(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 Condition 9*(c)*):	[*Insert details*/Not Applicable]
(xiv)	Trade Date:	[●]
(xv)	Interest Period(s):	[●]
(xvi)	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*]
(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 (*give details*)]
(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)	Other terms or special conditions:	[●]
20	**Currency Linked Note Provisions**	[Applicable/Not Applicable]
(i)	Relevant Currency(ies):	[●]
(ii)	Party responsible for calculating the principal and/or interest payable (if not the Issuing and Paying Agent):	[●]

	(iii)	Relevant provisions for determining amount of principal and/or interest payable including the Final Redemption Amount, including fall-back provisions:	[●]
21	**Dual Currency Note Provisions**		[Applicable/Not Applicable] (*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

22	**Call Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	If redeemable in part:	[●]
		(a) Minimum Redemption Amount:	[●]
		(b) Maximum Redemption Amount:	[●]
	(iv)	Notice period	[●]/[Not less than five nor more than [●] days]
23	**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:	[●]
24	**Final Redemption Amount**		[[●] per Calculation Amount/other/see Appendix] (*Where Notes are Currency Linked Redemption Notes, Index Linked Redemption Notes, Equity Linked Redemption Notes or Credit Linked Notes specify "Not Applicable" and complete item [20, 25, 26 or 29] [above/below] as applicable*)
25	**Index Linked Redemption Notes**		[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 8 (if not the Issuing and Paying Agent):	[●]
(iii)	Exchange(s):	[●]
(iv)	Related Exchange(s):	[[●]/All Exchanges]
(v)	Final Redemption Amount:	[*Express per Calculation Amount*]
(vi)	[Valuation Date/Averaging Dates]:	[●]
	[Adjustment provisions in the event of a Disrupted Day:	[Omission/Postponement/Modified Postponement] (*NB: only applicable where Averaging Dates are specified*)]
	[Reference Price:	[Condition 8*(d)* applies/other] (*NB: if fallback set out in the definition of "Valuation Date" in Condition 8(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 8 applies/other]
(viii)	Strike Price:	[●]
(ix)	Multiplier for each Index comprising the basket:	[Insert details/Not Applicable]
(x)	Trade Date:	[●]
(xi)	Correction of Index Levels:	Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. (*If Correction of Index Levels does not apply, delete the following sub-paragraph*)
	[Correction Cut-Off Date:	[[●] Business Days prior to the Maturity Date/In relation to Averaging Dates other than the final Averaging Dates, [●] days after the relevant Averaging Date and in relation to the final Averaging Date, [●] Business Days prior to the Maturity Date]].
(xii)	Other terms or special conditions:	[●]

26	**Equity Linked Redemption Notes:**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Whether the Notes relate to a basket of equity securities or a single equity security and the identity of the relevant issuer(s) of the Underlying Equity/Equities:	[Basket of Underlying Equities/Single Underlying Equity] [*Give or annex details of each Underlying Equity and each Equity Issuer*]
(ii)	Whether redemption of the Notes will be by (a) Cash Settlement or (b) Physical Delivery or (b) Physical Delivery or (c) Cash Settlement and/or Physical Delivery:	[Cash Settlement/Physical Delivery/Cash Settlement and/or Physical Delivery] (*If Cash Settlement and/or Physical Delivery specified, specify details for determining in what circumstances Cash Settlement or Physical Delivery will apply*)

(iii)	Party responsible for making calculations pursuant to Condition 9 (if not the Issuing and Paying Agent):	[●]
(iv)	Exchange:	[●]
(v)	Related Exchange(s):	[[●]/All Exchanges]
(vi)	Potential Adjustment Events:	[Applicable/Not Applicable]
(vii)	De-listing, Merger Event, Nationalisation and Insolvency:	[Applicable/Not Applicable]
(viii)	Tender Offer:	[Applicable/Not Applicable]
(ix)	Correction of Underlying Equity Prices:	Correction of Underlying Equity Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. (*If Correction of Underlying Equity Prices does not apply, delete the following sub-paragraph*)
	[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 9*(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 9(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 9*(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 9*(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) Other terms or special conditions:	[●]
	(xxii) Failure to Deliver due to Illiquidity:	[Applicable/Not Applicable] (*NB: Only applicable to certain types of Equity Linked Redemption Notes*)
27	**Relevant Assets:**	[Applicable/Not Applicable]
	(i) Type and class of Relevant Asset(s):	[●]
	(ii) Legislation under which the Relevant Asset(s) has/have been created:	[●]
	(iii) Form of the Relevant Asset(s):	[●]
	(iv) Currency of the Relevant Asset(s):	[●]
	(v) Rights attaching to the Relevant Asset(s):	[●] (*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*)
	(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:	[●]
28	**Additional Disruption Events:**	[Applicable/Not Applicable] [*Additional Disruption Events are only applicable to certain types of Index Linked Notes or Equity Linked Notes*] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) [Change in Law] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Insolvency Filing] (*N.B. Only applicable in the case of Equity Linked Notes*) [Loss of Stock Borrow]
29	**Credit Linked Notes:**	[Applicable/Not Applicable]

30	**Currency Linked Redemption Notes:**	[Applicable/Not Applicable]
31	**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 8*(c)*(ii)(z) or (c) in the case of Equity Linked Notes, following certain corporate events in accordance with Condition 9*(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 10*(b)*(iii), and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[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

32	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]
33	New Global Note:	[Yes] [No]
34	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 16(iv), 18(xvi) and 19(xix) relate*]
35	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*]
36	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*]
37	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
38	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to these Final Terms apply]

39	Consolidation provisions:	[Not Applicable/The provisions in [Condition 18] [annexed to these Final Terms] apply]
40	Additional U.S. Federal Tax Considerations:	[Not Applicable/*give details*]
41	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

42	(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 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.*)
	(ii) Date of [Subscription] Agreement:	[●]
	(iii) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
43	If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]
44	Total commission and concession:	[●] per cent. of the Aggregate Nominal Amount
45	U.S. Selling Restrictions:	[Reg S Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
46	Non-exempt Offer:	[An offer of the Notes may be made by the Managers [and [*specify, if applicable*]] other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member States(s) – which must be jurisdictions where the Prospectus and any supplements have been passported*] during the period from [*specify date*] until [*specify date*]. [Not Applicable]
47	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:

By: [●]____

Duly authorised

PART B — OTHER INFORMATION

1 **LISTING**

(i) Listing:	[London/Luxembourg/other (*specify*)/None]
(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on [●] with effect from [●].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original securities are already admitted to trading.*)

2 **RATINGS**

Ratings:	[The Notes to be issued have not been rated.] [The Notes to be issued have been rated: [S & P: [●]] [Moody's: [●]] [[Other]: [●]] [*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider*.] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3 **[Notification**

The [*include name of competent authority in EEA home Member State*] [has been requested to provide/has provided — *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4 **[Interests of Natural and Legal Persons involved in the [Issue/Offer]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: "Save as discussed in ["Subscription and Sale"], so far as the Bank is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 **Reasons for the Offer, Estimated Net Proceeds and Total Expenses**

(i) [Reasons for the offer:	[●] (*See "Use of Proceeds" wording in Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)]
(ii) [Estimated net proceeds:	[●] (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)
(iii) [Estimated total expenses:	[●] [*Include breakdown of expenses.*] (*If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.*)

6 **[Fixed Rate Notes only — YIELD**

Indication of yield	[●] Calculated as [include details of method of calculation in summary form] on the Issue Date. As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7 **[Floating Rate Notes only — HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

8 **[Index Linked, Equity Linked, Currency Linked or other variable-linked Notes only — PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/Underlying Equities/currencies/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an index need to include the name of the index and a description if composed by the Bank and if the index is not composed by the Bank need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]]

9 **[Dual Currency Notes only — PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

10 **OPERATIONAL INFORMATION**

ISIN Code:	[●]
Common Code:	[●]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s) [and addresses*]]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes] [No]. [Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

11 **TERMS AND CONDITIONS OF THE OFFER**

Offer Period:	[[●] to [●]]
Offer Price:	[●]
Conditions to which the offer is subject:	[Not Applicable/*give details*]
Description of the application process:	[Not Applicable/*give details*]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/*give details*]

Details of the minimum and/or maximum amount of application:	[Not Applicable/*give details*]
Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/*give details*]
Manner and date in which results of the offer are to be made public:	[Not Applicable/*give details*]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/*give details*]
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/*give details*]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/*give details*]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/*give details*]
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/*give details*]

APPLICABLE FINAL TERMS FOR ISSUES BY THE BANK WITH A DENOMINATION OF AT LEAST €50,000 (OR EQUIVALENT) TO BE ADMITTED TO TRADING ON AN EEA REGULATED MARKET (CGN & NGN)

Final Terms dated [●]

Lloyds TSB Bank plc

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

under the £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 (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 RESALES OF NOTES.]

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

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

1	Issuer:	Lloyds TSB Bank plc
2	[(i)] Series Number:	[●]
	[(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 [*insert date*] (*if applicable*)]
6	(i) Specified Denominations:	[●]
	(ii) Calculation Amount:	[●]
7	[(i)] Issue Date:	[●]
	[(ii)] Interest Commencement Date:	[●]
8	Maturity Date:	[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year] [*N.B. Care must be taken to ensure that if the Notes are Index Linked or Equity Linked or otherwise involve a computation, in any case by reference to one or more Valuation Dates or Averaging Dates, as the case may be, which may be postponed pursuant to the Conditions of such Notes, the Maturity Date is likewise postponed and cannot occur prior to an acceptable period before the last occurring Valuation Date or the final Averaging Date, as the case may be*]

9	Interest Basis:	[● per cent. Fixed Rate] [[*specify reference rate*] +/– ● per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Equity Linked Interest] [Credit Linked] [Currency Linked Interest] [Other (specify)] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Equity Linked Redemption] [Credit Linked] [Currency Linked Redemption] [Dual Currency] [Instalment] [Partly Paid] [Other (specify)]
11	Change of Interest or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12	Put/Call Options:	[Put Option] [Call Option] [(further particulars specified below)]
13	Status of the Notes:	[Senior/[Dated [(Upper/Lower Tier 2)/(Upper Tier 3)]/Undated]/Subordinated]
14	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [*N.B. Condition 6(h) will apply if an Interest Payment Date falls on a non-business day*]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[●] (*Day Count fraction should be Actual/Actual ICMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise agreed*)
	(vi) Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual-ICMA*)
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]

16	**Floating Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate relevance rate for notes denominated in euro*)
	(i)	Interest Period(s):	[●]
	(ii)	Specified Interest Payment Dates:	[●]
	(iii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(iv)	Business Centre(s):	[●]
	(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other (*give details*)]
	(vi)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[●]
	(vii)	Screen Rate Determination:	
		– Reference Rate:	[●]
		– Interest Determination Date(s):	[●] *[TARGET/City] Business Days in [specify City] prior to [the first day] in each Interest Accrual Period/each Interest Payment Date*
		– Relevant Screen Page:	[●]
		– 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:	[●]
17	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub paragraphs of this paragraph*)
	(i)	Amortisation Yield:	[●] per cent. per annum
	(ii)	Reference Price:	[●]
	(iii)	Any other formula/basis of determining amount payable:	[●]
18	**Index Linked Interest Note and other variable-linked interest 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 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 8*(d)* applies/other] *(NB: if fallback set out in the definition of "Valuation Date" in Condition 8(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 8 applies/other]
(viii)	Strike Price:	[●]
(ix)	Multiplier for each Index comprising the basket:	[*Insert details*/Not Applicable]
(x)	Trade Date:	[●]
(xi)	Correction of Index Levels:	Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. *(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) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(xvi) Business Centre(s):	[●]
	(xvii) Minimum Rate of Interest:	[●] per cent. per annum
	(xviii) Maximum Rate of Interest:	[●] per cent. per annum
	(xix) Day Count Fraction:	[●]
	(xx) Other terms or special conditions:	[●]
19	**Equity Linked Interest Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete remaining sub-paragraphs of this paragraph)*
	(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]. *(If Correction of Underlying Equity Prices 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]].
	(x) Valuation Time:	[Condition 9*(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 Condition 9*(c)*):	[*Insert details*/Not Applicable]
	(xiv) Trade Date:	[●]
	(xv) Interest Period(s):	[●]
	(xvi) 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]
	(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 (*give details*)]
	(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) Other terms or special conditions:	[●]
20	**Currency Linked Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub paragraphs of this paragraph)*
	(i) Relevant Currency(ies):	[●]
	(ii) Party responsible for calculating the principal and/or interest payable (if not the Issuing and Paying Agent):	[●]
	(iii) Relevant provisions for determining amount of principal and/or interest payable including the Final Redemption Amount, including fall-back provisions:	[●]
21	**Dual Currency Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub paragraphs of this paragraph)*
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent):	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

22	**Call Option**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●] per Calculation Amount

(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[●]
	(b) Maximum Redemption Amount:	[●]
(iv)	Notice period:	[●]/[Not less than five nor more than [●] days]
23	**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:	[●]
24	**Final Redemption Amount**	[[●] per Calculation Amount/other/see Appendix] *(Where Notes are Currency Linked Redemption Notes, Index Linked Redemption Notes, Equity Linked Redemption Notes or Credit Linked Notes specify "Not Applicable" and complete item [20, 25, 26 or 29] [above/below] as applicable)*
25	**Index Linked Redemption Notes**	[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 8 (if not the Issuing and Paying Agent):	[●]
(iii)	Exchange(s):	[●]
(iv)	Related Exchange(s):	[[●]/All Exchanges]
(v)	Final Redemption Amount:	[*Express per Calculation Amount*]
(vi)	[Valuation Date/Averaging Dates]:	[●]
	[Adjustment provisions in the event of a Disrupted Day:	[Omission/Postponement/Modified Postponement] *(NB: only applicable where Averaging Dates are specified)*]
	[Reference Price:	[Condition 8*(d)* applies/other] *(NB: if fallback set out in the definition of "Valuation Date" in Condition 8(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 8 applies/other]
(viii)	Strike Price:	[●]
(ix)	Multiplier for each Index comprising the basket:	[Insert details/Not Applicable]
(x)	Trade Date:	[●]

	(xi)	Correction of Index Levels:	Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. *(If Correction of Index Levels does not apply, delete the following sub-paragraph)*
		[Correction Cut-Off Date:	[[●] Business Days prior to the Maturity Date/In relation to Averaging Dates other than the final Averaging Dates, [●] days after the relevant Averaging Date and in relation to the final Averaging Date, [●] Business Days prior to the Maturity Date]].
	(xii)	Other terms or special conditions:	[●]
26	**Equity Linked Redemption Notes:**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Whether the Notes relate to a basket of equity securities or a single equity security and the identity of the relevant issuer(s) of the Underlying Equity/Equities:	[Basket of Underlying Equities/Single Underlying Equity [*Give or annex details of each Underlying Equity and each Equity Issuer*]
	(ii)	Whether redemption of the Notes will be by (a) Cash Settlement or (b) Physical Delivery or (c) Cash Settlement and/or Physical Delivery:	[Cash Settlement/Physical Delivery/Cash Settlement and or Physical Delivery] *(If Cash Settlement and/or Physical Delivery specified, specify details for determining in what circumstances Cash Settlement or Physical Delivery will apply)*
	(iii)	Party responsible for making calculations pursuant to Condition 9 (if not the Issuing and Paying Agent):	[●]
	(iv)	Exchange:	[●]
	(v)	Related Exchange(s):	[[●]/All Exchanges]
	(vi)	Potential Adjustment Events:	[Applicable/Not Applicable]
	(vii)	De-listing, Merger Event, Nationalisation and Insolvency:	[Applicable/Not Applicable]
	(viii)	Tender Offer:	[Applicable/Not Applicable]
	(ix)	Correction of Underlying Equity Prices:	Correction of Underlying Equity Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. *(If Correction of Underlying Equity Prices does not apply, delete the following sub-paragraph)*
		[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 9*(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 9(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 9(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 9*(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)	Other terms or special conditions:	[●]
(xxii)	Failure to Deliver due to Illiquidity:	[Applicable/Not Applicable] *(NB: Only applicable to certain types of Equity Linked Redemption Notes)*

27	**Relevant Assets:**	[Applicable/Not Applicable]
(i)	Type and class of Relevant Asset(s):	[●]
(ii)	Legislation under which the Relevant Asset(s) has/have been created:	[●]
(iii)	Form of the Relevant Asset(s):	[●]
(iv)	Currency of the Relevant Asset(s):	[●]
(v)	Rights attaching to the Relevant Asset(s):	[●] *(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)*
(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:	[●]
28	**Additional Disruption Events:**	[Applicable/Not Applicable] *[Additional Disruption Events are only applicable to certain types of Index Linked Notes or Equity Linked Notes]* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)* [Change in Law] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Insolvency Filing] *(N.B. Only applicable in the case of Equity Linked Notes)* [Loss of Stock Borrow]
29	**Credit Linked Notes:**	[Applicable/Not Applicable]
30	**Currency Linked Redemption Notes:**	[Applicable/Not Applicable]
31	**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 8*(c)*(ii)(z) or (c) in the case of Equity Linked Notes, following certain corporate events in accordance with Condition 9*(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 10*(b)*(iii), and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[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

32	**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 50,000 (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]
33	New Global Note:	[Yes] [No]
34	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 16(iv), 18(xvi) and 19(xix) relate*]
35	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*]
36	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*]
37	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
38	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to these Final Terms apply]
39	Consolidation provisions:	[Not Applicable/The provisions in [Condition 18] [annexed to these Final Terms] apply]
40	Additional U.S. Federal Tax Considerations:	[Not Applicable/*give details*]
41	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

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

By: [●]____________________________________

Duly authorised

PART B — OTHER INFORMATION

1 **LISTING**

(i) Listing:	[London/Luxembourg/other (*specify*)/None]
(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on [●] with effect from [●].] [Not Applicable.]
(iii) Estimate of total expenses related to admission to trading:	[●]

2 **RATINGS**

Ratings:	[The Notes to be issued have not been rated.] [The Notes to be issued have been rated: [S & P: [●]] [Moody's: [●]] [[Other]: [●]]] *[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]* *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3 **NOTIFICATION**

The *[include name of competent authority in EEA home Member State]* [has been requested to provide/has provided — *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4 **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: "Save as discussed in ["Subscription and Sale"], so far as the Bank is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5 **[REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer:	[●] *(See "Use of Proceeds" wording in Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*]
[(ii)] Estimated net proceeds:	[●] *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*
[(iii)] Estimated total expenses:	[●] *[Include breakdown of expenses.]* *(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*]

6 **[Fixed Rate Notes only — YIELD**

Indication of yield:	[●] *The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.*]

7 **[Floating Rate Notes only — HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

8 **[Index Linked, Equity Linked, Currency Linked or other variable-linked Notes only — PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/Underlying Equities/currencies/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Bank and if the index is not composed by the Bank need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

9 **[Dual Currency Notes only — PERFORMANCE OF RATE[S] OF EXCHANGE**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

10 **OPERATIONAL INFORMATION**

ISIN Code:	[●]
CUSIP:	[●]
Common Code:	[●]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (including the Depository Trust Company) and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s) [and address(es)]*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes] [No]. [Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

GENERAL INFORMATION

1 The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or before 9 June 2009. 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 17 April 2009.

3 There has been no significant change in the financial or trading position of Lloyds TSB Bank Group since 31 December 2008 and, save as disclosed in Risk Factors 1.18 and 2.3 to 2.5 relating to certain elements of the GAPS, there has been no material adverse change in the prospects of Lloyds TSB Bank Group since 31 December 2008.

4 Save as disclosed in the section entitled "Legal Actions" on page 107 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 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 l65(j) and 1287(a) of the Internal Revenue Code".

6 Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). In addition, the Bank may make an application with respect to any Notes of a Registered Series to be accepted for trading in book-entry form by DTC. Acceptance by DTC of Notes of each Tranche of a Registered Series issued by the Bank will be confirmed in the applicable Final Terms. The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041. The address of any alternative clearing system will be specified in the applicable Final Terms.

7 For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of Lloyds TSB Bank plc, 25 Gresham Street, London EC2V 7HN:

7.1 the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

7.2 the Programme Agreement;

7.3 the Memorandum and Articles of Association of the Bank;

7.4 the Annual Report and Accounts of the Bank for the two financial years ended 31 December 2007 and 31 December 2008;

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 Registered Auditors, (members of the Institute of Chartered Accountants in England and Wales) have audited, and rendered unqualified audit reports on, the annual consolidated published accounts of the Bank and its subsidiaries for the two financial years ended 31 December 2007 and 31 December 2008.

10 No redemption of the Notes for taxation reasons, no redemption of the Notes, no optional redemption of the Notes pursuant to Condition 5*(d)* or Condition 5*(e)* and no purchase and cancellation of the Notes in accordance with the Conditions of the Notes will be made by the Bank without such prior consent of, or notification to (and no objection being raised by), the Financial Services Authority as may for the time being be required therefor.

11 The Bank has agreed that, for so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Bank will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

12 The Bank is a limited liability company organised under the laws of England. All or a substantial portion of the directors and executive officers of the Bank are non-residents of the United States, and all or a substantial portion of the assets of the Bank and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Bank or such persons or to enforce against any of them in the United States courts judgements obtained in United States courts, including judgements predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

REGISTERED OFFICE OF THE BANK
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London E14 5LB

Deutsche Bank AG, London Branch
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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

Lloyds TSB Bank plc
10 Gresham Street
London EC2V 7AE

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

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

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

UBS Limited
1 Finsbury Avenue
London EC2M 2PP

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
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London EC2V 7EX

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PAYING AGENT AND TRANSFER AGENT

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