PROSPECTUS

Lloyds TSB Bank plc

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

U.S.$2,000,000,000 12.00 per cent. Fixed-to-Floating Rate Perpetual Capital Securities

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This Prospectus relates to the U.S.$2,000,000,000 12.00 per cent. Fixed-to-Floating Rate Perpetual Capital Securities (the "Capital Securities") issued by Lloyds TSB Bank plc (the "Issuer"). The terms and conditions of the Capital Securities (the "Conditions") are set out more fully in "Terms and Conditions of the Capital Securities".

Interest on the Capital Securities accrues from (and including) 16 December 2009 to (but excluding) 16 December 2024 (the "First Reset Date") at the rate of 12.00 per cent. per annum, and is payable semi-annually in arrear on 16 June and 16 December in each year. Thereafter, the Capital Securities will bear interest at a rate, reset quarterly, of 11.756 per cent. per annum above the then prevailing London interbank offered rate for three-month U.S. dollar deposits, payable quarterly in arrear on the Coupon Payment Dates falling in March, June, September and December in each year, all as more particularly described in Condition 5.

Coupon Payments (as defined in the Conditions) may be deferred as described in Condition 4 and are subject to the condition to payment set out in Condition 2. Payments in respect of the Capital Securities will be made without withholding or deduction for, or on account of, taxes of the United Kingdom, unless such deduction is required by law. In the event that any such withholding or deduction is made, the Capital Securities will be subject to grossing up by the Issuer, subject to certain exceptions as are more fully described under Condition 10.

Subject to the requirements of Condition 7(a), the Capital Securities are redeemable (at the option of the Issuer) in whole but not in part at their principal amount, together with any Payments which are Outstanding thereon (each as defined in the Conditions) on the First Reset Date or any Coupon Payment Date (as defined in the Conditions) thereafter.

In addition, upon the occurrence of a Tax Event or a Regulatory Event (each as defined in the Conditions), the Capital Securities may (i) be substituted for, or have their terms varied so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities (each as defined in the Conditions), or (ii) be redeemed at their principal amount together with any Payments which are Outstanding thereon and otherwise as more particularly described in Condition 7. The Capital Securities are unsecured securities of the Issuer and are subordinated to the claims of all Senior Creditors (as defined in the Conditions) and rank *pari passu* without preference among themselves (all as more particularly described in Conditions 2 and 3).

Applications have been made to the Financial Services Authority ("FSA") in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for the Capital Securities 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 Capital Securities to be admitted to trading on the London Stock Exchange's Regulated Market (the "Market"). References in this Prospectus to Capital Securities being "listed" (and all related references) shall mean that such Capital Securities 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 on markets in financial instruments.

You should read the whole of this Prospectus and the documents incorporated herein by reference. In particular, your attention is drawn to the risk factors described in the Risk Factors set out in the section entitled "Risk Factors" of this Prospectus, which you should read in full.

The Capital Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "Securities Act") or under any securities laws of any State or other jurisdiction of the United States and the Capital Securities are being offered and will be issued only to (i) "qualified institutional buyers," as that term is defined in Rule 144A under the Securities Act, in a private transaction in reliance upon an exemption from the registration requirements of the Securities Act for transactions by an issuer not involving a public offering or (ii) to persons other than "U.S. persons" as that term is defined in Rule 902 under the Securities Act, in offshore transactions in reliance upon Regulation S.

The Capital Securities have been assigned on issue a rating of "Ba1" by from Moody's Investors Service Limited, "BB" by Standard & Poor's Rating Services, a Division of the McGraw-Hill Companies, Inc. and "BB+" by Fitch Ratings Ltd. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

17 December 2009

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and the Issuer and its subsidiaries (the "Lloyds TSB Bank Group") and the Capital Securities which, according to the particular nature of the Issuer and the Capital Securities, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer (the "Responsible Person") accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has 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 Capital Securities are in registered form and in the denominations of U.S.$100,000 plus integral multiples of U.S.$1,000 in excess thereof up to and including U.S.$199,000. The Capital Securities sold in the United States to qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("Rule 144A") pursuant to an exemption from the registration requirements of the Securities Act for transactions not involving a public offering are represented by one or more global certificates in registered form (each, a "Restricted Global Certificate") and registered in the name of a nominee of, and deposited with a custodian for, The Depository Trust Company ("DTC") on the Issue Date (as defined in the Conditions). The Capital Securities sold to persons that are not U.S. persons in an "offshore transaction" within the meaning of Regulation S under the Securities Act ("Regulation S") are represented by a global certificate in registered form (the "Unrestricted Global Certificate", and together with the Restricted Global Certificate, the "Global Certificates") and registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg", together with Euroclear, the "Clearing Systems") on the Issue Date.

The Capital Securities have been issued as a private placement and although the Capital Securities are listed on the official list of the UK Listing Authority and traded on the Market, the Capital Securities will have no established trading market when issued and it is possible that one may not develop.

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

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 issue or offering of the Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer. The delivery of this Prospectus shall not, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or Lloyds TSB Bank Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented.

This Prospectus (i) is not intended to provide the basis of any credit or other evaluation and (ii) should not be considered as a recommendation or constituting an invitation or offer by the Issuer that any recipient of this Prospectus should purchase any Capital Securities. Each investor should make its own independent investigation of the financial condition and affairs, and its own appraisal of the credit-worthiness, of the Issuer and should satisfy itself that it understands all the risk associated with making investments in the Capital Securities. If an investor is any doubt whatsoever as to the risks involved in investing in the Capital Securities, he or she should consult his or her professional advisors.

Investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposal of Capital Securities and any foreign exchange restrictions that might be relevant to them.

This Prospectus does not constitute or form part of, and should not be construed as, an offer for sale or subscription of, or a solicitation of any offer to buy or subscribe for, the Capital Securities in any jurisdiction in which such offer or solicitation would be unlawful. The distribution of this Prospectus may nonetheless be restricted by law in certain jurisdictions. For a description of certain restrictions on the sale of the Capital Securities, see "*Book Entry, Transfer Restrictions and Summary of Provisions Relating to the Capital Securities while in Global Form*". Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about, and to observe, any such restrictions. This Prospectus does not constitute an offering in any circumstances in which such offering is unlawful. The Issuer will not incur any liability for its own failure or the failure of any other person or persons to comply with the provisions of any such restrictions. No one has taken any action that would permit a public offering of the Capital Securities.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to (i) "£" and "pounds sterling" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom" or "UK"); and (ii) "U.S. dollars" and to "U.S.$" are to the lawful currency of the United States, its territories and possessions, any state of the United States of America and the District of Columbia (the "United States" or "U.S.").

NOTICE TO U.S. INVESTORS

The Capital Securities have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws.

Each subsequent purchaser of the securities offered hereby will be deemed by its acceptance of those Capital Securities to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of those Capital Securities as set forth in the Capital Securities or described in this Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases. See 'Book Entry, Transfer Restrictions and Summary of Provisions Relating to the Capital Securities while in Global Form ─ Transfer Restrictions" of this Prospectus.

FORWARD-LOOKING STATEMENTS

This Prospectus and the information incorporated by reference in this Prospectus include certain "forward-looking statements" with respect to the business, strategy and plans of the Issuer 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 Issuer, Lloyds TSB Bank Group's or Lloyds Banking Group's (as defined below) or their respective directors' and or management's beliefs and expectations are forward-looking statements. Words such as "believes", "anticipates", "estimates", "expects", "intends", "plans", "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 future circumstances that may or may not occur, many of which are beyond the Issuer's control and all of which are based on the Issuer's current beliefs and expectations about future events.

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 Issuer 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 Issuer, Lloyds TSB Bank Group or the Parent (as defined below) and its subsidiary undertakings (the "Lloyds Banking Group"); statements concerning any future UK or other economic environment or performance; 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 Issuer or on the Issuer'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 Issuer'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 Issuer in managing the risks of the foregoing.

The forward-looking statements made in this Prospectus are made as of the date hereof, and the Issuer 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:

Lloyds Banking Group plc (the "Parent") financial information:

- the interim management statement (the "Interim Management Statement") of the Parent for the three months ended 30 September 2009 published on 3 November 2009 save for the sixth paragraph under "Key highlights";
- the condensed statutory consolidated interim financial statements of the Parent for the six months ended 30 June 2009, together with the independent review report thereon, as set out on pages 87 to 115 and 117 to 118, respectively, of the Parent's 2009 Interim Results News Release (the "Parent's 2009 Interim Statutory Results").

Lloyds TSB Bank plc financial statements:

- the condensed statutory consolidated interim financial statements of the Issuer for the six months ended 30 June 2009, together with the independent review report thereon, as set out on pages 4 to 25 and 27 to 28, respectively, of the Issuer's Interim Management Report for the half year ended 30 June 2009 (the "Issuer's 2009 Interim Statutory Results");
- the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2008, together with the audit report thereon, as set out on pages 11 to 107 and 9 to 10, respectively, of the Issuer's Annual Report and Accounts 2008; and
- the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2007, together with the audit report thereon, as set out on pages 10 to 100 and 8 to 9, respectively, of the Issuer's Annual Report and Accounts 2007.

HBOS Group plc financial statements:

- the last sentence of the first paragraph under the section entitled "Overview of Results" on page 3 of the HBOS 2008 Annual Report.

Other documents incorporated by reference:

- The following sections of the prospectus published by the Parent and the Issuer dated 11 November 2009 relating to the U.S.$35,000,000,000 programme for the issue of senior and subordinated medium term notes (the "US MTN Prospectus"):
  - (a) "Risk Factors" as set out on pages 19 to 43, save for risk factors 1.3, 1.4, 1.8, 1.28 and 1.29;
  - (b) "Lloyds Banking Group" as set out on pages 93 to 116, save for the sections entitled "Legal Proceedings", "Current terms and conditions" and "Historic terms and conditions" as set out on pages 105 to 106;
  - (c) "Recent Developments - Capital Restructuring Proposals" as set out on pages 117 to 127;
  - (d) Part C "Capital Resources and Liquidity" of the section entitled "Capital Resources" as set out on pages 151 to 158; and
  - (e) "Unaudited pro forma net assets statement of the Group as at 30 June 2009" as set out on pages 160 to 162,

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 statements 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 information or documents incorporated by reference in the above listed documents does not form any part of this Prospectus unless expressly incorporated herein by reference.

The Issuer 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 attention of the Investor Relations department of the Issuer at 25 Gresham Street, London EC2V 7HN, United Kingdom, telephone: +44 207 356 1273, e-mail: investor.relations@ltsb-finance.co.uk

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Capital Securities. All of these factors are contingencies which may or may not occur and neither the Issuer nor Lloyds Banking Group is in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Capital Securities are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Capital Securities, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Capital Securities may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Capital Securities are exhaustive. Prospective purchasers should consider carefully the risks and uncertainties described below, together with all other information contained in this Prospectus and the information incorporated by reference herein, before making any investment decision. This section of the Prospectus is divided into two main sections – "Risks Relating to the Issuer and Lloyds Banking Group" and "Risks Relating to the Capital Securities".

1 Risk Factors relating to the Issuer and Lloyds Banking Group

The risk factors relating to the Issuer and Lloyds Banking Group set out on pages 19 to 43 ("Risk relating to the Issuers") of the US MTN Prospectus are incorporated by reference into this Prospectus, save for risk factors 1.3, 1.4 and 1.8 (which are replaced in their entirety by the information below) and risk factors 1.28 and 1.29.

1.3 *Lloyds Banking Group is subject to European state aid obligations following the approval of its restructuring plan by the European Commission on 18 November 2009. The implementation of this restructuring plan may have consequences that are materially adverse to the interests of Lloyds Banking Group. Moreover, should a third party successfully challenge the European Commission's decision to approve Lloyds Banking Group's restructuring plan, or should Lloyds Banking Group require additional state aid in the future, further restructuring measures could be required and these may be materially adverse to its interests.*

As a result of Lloyds Banking Group's placing and open offer in November 2008 and Lloyds Banking Group's participation in HM Treasury's credit guarantee scheme (the "Credit Guarantee Scheme"), which was announced on 8 October 2008, Lloyds Banking Group has been required to cooperate with HM Treasury to submit a restructuring 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.

On 18 November 2009 the European Commission approved Lloyds Banking Group's restructuring plan. The principal elements of the plan are set out under "*Recent Developments*" in this Prospectus and address competition distortions from all elements of state aid that Lloyds Banking Group has received, including HM Treasury's participation in the placing and compensatory open offer in June 2009 and in the November 2009 rights issue, as well as any commercial benefit received by Lloyds Banking Group following its announcement in March 2009 of the intention it held at that time to participate in GAPS. The approval also covers Lloyds Banking Group's ongoing participation in HM Treasury's Credit Guarantee Scheme at current rates up to June 2010. The Parent has agreed with HM Treasury in the deed of withdrawal relating to the Parent's withdrawal from GAPS (the "GAPS Withdrawal Deed") that it will comply with the terms of the European Commission's decision.

It is possible that a third party could challenge the decision of the College of Commissioners to approve the restructuring plan in the European Courts. Lloyds Banking Group does not believe that any such challenge would be likely to succeed, but if it were to succeed the Commission would need to reconsider its decision, which could result in more extensive remedies being applied including the disposal of a significantly larger proportion of Lloyds Banking Group's assets and/or a significantly more stringent divestment timetable or more onerous behavioural restrictions than those contemplated in the approved restructuring plan.

Lloyds Banking Group will also be subject to a variety of risks as a result of implementing the approved restructuring plan. There is no assurance that the price that Lloyds Banking Group receives for any assets sold pursuant to the restructuring plan will be at a level Lloyds Banking Group considers adequate or which it could obtain in circumstances in which Lloyds Banking Group was not required to sell such assets in order to implement a state aid restructuring plan or if such sale were not subject to the restrictions contained in the terms thereof. In particular, should Lloyds Banking Group fail to complete the disposal of the retail banking business that Lloyds Banking Group is required to divest within four years, a divestiture trustee would be appointed to conduct the sale, with a mandate to complete the disposal with no minimum price (including at a negative price). In implementing the plan, Lloyds Banking Group will lose existing customers, deposits and other assets (both directly through the sale and potentially through damage to the rest of Lloyds Banking Group's business arising from implementing the restructuring plan) and the potential for realising additional associated revenues and margins that it otherwise might have achieved in the absence of such disposals. Such implementation may also result in disruption to the retained business, impacting on customers and separation costs which could potentially be substantial.

The effect of implementing the approved restructuring plan may be the emergence of one or more new viable competitors in the UK banking market or a material strengthening of one or more of Lloyds Banking Group's competitors in that market. There can be no assurance that Lloyds Banking Group will be able to continue to compete as effectively (whether against existing or new or strengthened competitors) and maintain or improve its revenues and margins in the resulting competitive environment, which could adversely affect Lloyds Banking Group's results of operations and financial condition and its business generally. If any or all of the risks described in this paragraph, or any other currently unforeseen risks, materialise, there could be a negative impact, which could be material, on Lloyds Banking Group's business, operations and competitive position.

Should Lloyds Banking Group require any further state aid that was not covered in the European Commission's approval decision of 18 November 2009, this may require Lloyds Banking Group to commit to further restructuring measures. Any such measures could be materially adverse to the interests of Lloyds Banking Group.

1.4 *Future legislative and regulatory changes could force the group to comply with certain operational restrictions, take steps to raise further capital, or divest assets.*

In July 2009, the UK Government issued a White Paper (the "White Paper") which builds on and responds to the previously published Turner Review (March 2009) and Bank of England Financial Stability Report (June 2009), both of which contained proposals for reform of the structure and regulation of the UK banking system. Proposals in the White Paper include: enhanced regulatory powers for the FSA; introducing pre-funding for the UK's deposit guarantee scheme by 2012; requiring banks to develop and maintain detailed plans for winding down (or resolution); and more stringent capital and liquidity requirements for systemically significant firms. The Government's stated aim in linking capital requirements to the size and complexity of systemically significant firms, is that, "The capital requirements in place for systemically significant institutions would need to be sufficient

to change incentives of banks to over-indulge in risky activities throughout the economic cycle. This should encourage them to reduce or at least better understand the riskier activities they undertake (for example, proprietary trading) and reduce the moral hazard problem by removing the incentive for firms to become systemically significant."

A second Turner Review (October 2009) developed some issues highlighted for further discussion in the March review, specifically how to offset the moral hazard created by the existence of systemically important banks and the cumulative impact of changes to the capital and liquidity schemes. Key proposals include: using contingent capital which converts to equity when required; reducing the interconnectedness of large cross-border banks; restricting retail banks from engaging in proprietary trading activities; and emphasising the need to prioritise capital conservation and enhancement above employee bonus payments.

In November 2009 the draft Financial Services Bill was presented to Parliament. This bill consolidates some of the proposals presented in the White Paper, in addition to enhancing the FSA's disciplinary and enforcement powers. Specifically, the bill provides the FSA with the powers to require authorised firms to prepare recovery and resolution plans and act in accordance with the FSA's remuneration rules. The proposals set out in the White Paper, Turner Review and draft legislation, if implemented, could have a significant impact on the operations, structure and costs of Lloyds Banking Group.

There is a risk that the regulation or legislation that may be developed over time to implement these proposals (including the Financial Services Bill) could force Lloyds Banking Group to divest core assets, withdraw from or not engage in some activities, and/or increase its capital. Such regulations or legislation, taken with the more regular and detailed reporting obligations which are expected to accompany regulatory reform, the development and maintenance of a wind down plan, and the move to pre-funding of the deposit protection scheme in the UK, would result in additional costs for Lloyds Banking Group, and such costs could be material. Such measures could have a material adverse effect on Lloyds Banking Group's results of operations, financial condition and prospects.

On 5 October 2009, the FSA published its new liquidity rules which significantly broaden the scope of the existing liquidity regime and are designed to enhance regulated firms' liquidity risk management practices. Procedures to comply with the FSA's liquidity proposals are already incorporated within Lloyds Banking Group's liquidity funding plans. These will result in more stringent requirements, which may lead to additional costs for Lloyds Banking Group. See Risk Factor 1.14 of the US MTN Prospectus for a fuller discussion of liquidity risks affecting Lloyds Banking Group.

1.8 *Lloyds Banking Group's businesses are subject to substantial regulation, and to regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a significant material adverse effect on Lloyds Banking Group's operating results, financial condition and prospects.*

Lloyds Banking Group conducts its businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK and the other markets where it operates. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector, which Lloyds Banking Group expects to continue for the foreseeable future. Future changes in regulation, fiscal or other policies are unpredictable and beyond the control of Lloyds Banking Group and could materially adversely affect Lloyds Banking Group'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 Lloyds Banking Group operates, may change the structure of those markets and the products offered or may increase the costs of doing business in those markets;
- changes to prudential regulatory rules relating to capital adequacy and liquidity frameworks;
- external bodies applying or interpreting standards or laws differently to those applied by Lloyds Banking Group historically;
- changes in competition and pricing environments;
- further developments in requirements relating to financial reporting, corporate governance, conduct of business and employee compensation;
- 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 Lloyds Banking Group's products and services.

In particular, the July 2009 White Paper and the Financial Services Bill (presented to Parliament in November 2009) both contain a wide range of legislative proposals. Some proposals (how to offset moral hazard problems and the impact of changes to the capital and liquidity schemes) were discussed in the second Turner Review published in October 2009. Although, many of the proposals in these papers are subject to the further discussion and achievement of a wider international consensus, see Risk Factor 1.4 set out above for a further discussion of liquidity proposals which are expected to proceed in advance of any international consensus. There is a risk that if the Government chooses to proceed with certain of its proposals more quickly than anticipated, this could adversely affect the competitive position of UK banks, including Lloyds Banking Group.

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. In the longer term, if the position of a relevant entity in Lloyds Banking Group were to decline so dramatically that it was considered to be failing, or likely to fail, to meet threshold authorisation conditions in the FSMA, it could become subject to the exercise of powers by HM Treasury, the Bank of England or the FSA under the special resolution regime (the "SRR"). There can be no assurance that, if economic conditions deteriorate significantly in the future and/or if the financial position of Lloyds Banking Group deteriorates significantly in the future, further UK Government or other intervention will not take place, including pursuant to the Banking Act. For a discussion of the Banking Act see *"Lloyds Banking Group - Regulation - Other Relevant Legislation and Regulation — UK Government"* of the US MTN Prospectus (which is incorporated by reference into this Prospectus).

In the United Kingdom and elsewhere, there is also increased political and regulatory scrutiny of the banking industry and, in particular, retail banking. Increased regulatory intervention may lead to

requests from regulators to carry out wide ranging reviews of past sales and/or sales practices. In the United Kingdom, the Competition Commission, the FSA and Office of Fair Trading (the "OFT") have recently carried out, or are currently conducting, several inquiries. In recent years, regulators have increased their focus on consumer protection and there have been several issues in the UK financial services industry in which the FSA has intervened directly, including the sale of investment products, personal pensions and mortgage-related endowments. See "*Lloyds Banking Group - Regulation"* of the US MTN Prospectus (which is incorporated by reference into this Prospectus). Under the GAPS Withdrawal Deed, Lloyds Banking Group has, among other things, agreed to implement any measures relating to personal current accounts agreed between the OFT and the UK banking industry.

In light of the ongoing market uncertainty, Lloyds Banking Group 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 Lloyds Banking Group.

In addition, HBOS plc and its subsidiary undertakings (the "HBOS Group") faces increased political and regulatory scrutiny as a result of the Acquisition. Such scrutiny may focus or include review of the historical or future operations of the HBOS Group as well as the characteristics of the enlarged Lloyds Banking Group and future operation of the markets concerned. Regulatory reviews and investigations may result in enforcement actions and public sanction, which could expose Lloyds Banking Group to an increased risk of litigation in addition to financial penalties and/or the deployment of such regulatory tools as the relevant regulator deems appropriate in the circumstances. The outcome of any regulatory review, proceeding or complaint against Lloyds Banking Group or the heritage HBOS Group is inherently uncertain and difficult to predict particularly at the early stages and could have a material adverse effect on Lloyds Banking Group's operations and/or financial condition, especially to the extent the scope of any such proceedings expands beyond its original focus. See "*Lloyds Banking Group - Regulation - Regulatory Approach of the FSA — FSA Supervisory Review into Historical HBOS Disclosures"* and *"Lloyds Banking Group - Regulation - Other Relevant Legislation and Regulation*" of the US MTN Prospectus (which is incorporated by reference into this Prospectus).

Such increased scrutiny may result in part from Lloyds Banking Group's increased size and systemic importance following the Acquisition. 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. The Secretary of State then asked 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. At this time, the OFT 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. On 29 July 2009, following consultation on its proposed plans, the OFT published a final plan for its activities in the financial services markets in 2009. The outcome of any reviews by the OFT or referrals to the Competition Commission could adversely affect Lloyds Banking Group.

Compliance with any changes in regulation or with any regulatory intervention resulting from political or regulatory scrutiny may significantly increase Lloyds Banking Group'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 Lloyds Banking Group's operating results, financial condition and prospects.

2 Risk Factors relating to the Capital Securities

Terms defined in this section "Risk Factors Relating to the Capital Securities" shall have the meanings set out in the Conditions.

2.1 *Deferral of Coupon Payments*

The Issuer may elect to defer any Coupon Payment on the Capital Securities. If the Issuer does defer a Coupon Payment (whether pursuant to the general right to defer a Coupon Payment under Condition 4 or by virtue of failing to satisfy the condition to payment set out in Condition 2(b)(i)), such Deferred Coupon Payment will become due only on the earliest of: (i) redemption of the Capital Securities pursuant to the Issuer's call option; (ii) redemption, substitution or variation of the Capital Securities as a result of a Tax Event; (iii) redemption, substitution or variation of the Capital Securities as a result of a Regulatory Event and (iv) in relation to any Deferred Coupon Payment relating to any particular Coupon Payment Date, three months following such Coupon Payment Date. Deferred Coupon Payments will also become due on the commencement of the winding-up or administration of the Issuer. Deferred Coupon Payments may only (except in the circumstances otherwise provided in Condition 8(d) and in the winding-up of the Issuer) be satisfied by means of the Alternative Coupon Satisfaction Mechanism and the operation of such mechanism is subject to certain conditions (more particularly described in the Conditions).

2.2 *Perpetual Securities*

The Issuer is under no obligation to redeem the Capital Securities at any time and the Holders have no right to call for their redemption.

2.3 *Redemption and Substitution Risk*

The Capital Securities may, subject as provided in Condition 7, be redeemed at their principal amount together with any Payments which are Outstanding thereon at the option of the Issuer on the First Reset Date or on any Reset Date thereafter. In addition, upon the occurrence of a Tax Event or a Regulatory Event, the Capital Securities may: (i) be substituted for, or have their terms varied so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities; or (ii) be redeemed at any time at their outstanding principal amount, together with any Payments which are Outstanding thereon, all as more particularly described in Condition 7.

2.4 *No Limitation on Issuing Senior or Pari Passu Securities; Subordination*

There is no restriction on the amount of securities which the Issuer may issue and which rank senior to, or *pari passu* with, the Capital Securities. The issue of any such securities may reduce the amount recoverable by Holders on a winding-up or administration of the Issuer and/or may increase the likelihood of a deferral of Coupon Amounts under the Capital Securities. In particular, on the winding-up or administration of the Issuer, the Capital Securities shall rank junior to the claims of all Senior Creditors of the Issuer and any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any Junior Subordinated Debt in a winding-up or administration of the Issuer is determined. Accordingly, in the winding-up or administration of the Issuer and after payment of the claims of other creditors, there may not be a sufficient amount to satisfy the amount owing to the Holders.

2.5 *Availability of Shares*

The Issuer and the Parent will undertake to use all reasonable endeavours to satisfy any ACSM Payment, as more particularly described in Condition 6. However, if at the time when any Deferred Coupon Payments fall to be satisfied by means of the ACSM, the Issuer does not have available and/or the relevant Directors do not have the necessary authority under English law to allot in favour of the Calculation Agent, a sufficient number of authorised but unissued Payment Issuer Shares, as the case may be, to satisfy the relevant ACSM Payments, then the Issuer will not be able to operate the ACSM.

The Issuer may not exercise its right to redeem, substitute or vary the terms of the Capital Securities, unless the Issuer has available, and the relevant Directors have the corresponding authority to allot, such number of authorised but unissued Payment Issuer Shares required to be issued for the purposes of satisfying in full any ACSM Payments which are required to be satisfied in connection with such redemption, substitution or variation (all as more particularly described in Condition 6(d)). In addition, the Capital Securities may not be redeemed, substituted or have their terms varied unless all Deferred Coupon Payments (if any) are satisfied through the operation of the ACSM on or prior to the date set for the relevant redemption, substitution or variation.

2.6 *Market Disruption Event*

If, following a decision by the Issuer to satisfy a payment using the ACSM, in the opinion of the Issuer a Market Disruption Event in respect of the Parent's ordinary shares exists, the payment to Holders may be deferred until the cessation of such Market Disruption Event, as more particularly described in Condition 6(e). Any such deferred payments shall not bear interest.

2.7 *Tier 1 Capital Securities*

Except on a winding-up, payments in respect of the principal of, and interest on, the Capital Securities will be conditional upon the Issuer being solvent at the time of payment, as provided in, and as more particularly described in, Condition 2(b) and no payment shall be due to the extent that the Issuer is insolvent or would become insolvent as a result of making such payment.

2.8 *Restricted Remedy for Non-Payment when due*

In accordance with the FSA's requirements for Tier 1 Capital, the sole remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Holder for recovery of amounts which have become due in respect of the Capital Securities and Coupons will be the institution of proceedings for the winding-up of the Issuer in England and/or proving in any winding-up of the Issuer. Except on a winding-up, in accordance with Condition 2(b)(ii), no payment in respect of the Capital Securities shall become due unless the condition (solvency) to payment set out in Condition 2(b)(i) is satisfied.

2.9 *Set-Off*

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Capital Securities or the Coupons and each Holder shall, by virtue of his purchase, subscription or holding of any Capital Security, be deemed to have waived all such rights of set-off.

2.10 *Secondary Market Generally*

The Capital Securities have been issued as a private placement and although the Capital Securities are listed on the official list of the UK Listing Authority and traded on the Market, the Capital Securities will have no established trading market when issued, and it is possible that one may not develop. In the

event a secondary market does not develop, investors may not be able to sell their Capital Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

2.11 *Rating methodologies, including "notching" practices, may change*

The rating methodologies for securities with features similar to the Capital Securities are still developing, and the rating agencies may change their methodologies in the future. This may include, for example, the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Capital Securities, sometimes called "notching". If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Capital Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Capital Securities.

2.12 *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Capital Securities. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Capital Securities. 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.

2.13 *Capital Securities may not be a suitable investment for all investors*

Each potential investor in any Capital Securities 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 Capital Securities, the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in this 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 Capital Securities 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 Capital Securities;

(iv) understand thoroughly the terms of the Capital Securities;

(v) recognise that it may not be possible to make any transfer of the Capital Securities for a substantial period of time, if at all; and

(vi) 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.

2.14 *Interest rate risks*

Investment in Capital Securities as fixed rate instruments involves the risk that subsequent changes in market interest rates may adversely affect the value of the Capital Securities.

2.15 *Change of law or regulation*

The Conditions are based on English law and the regulations, requirements, guidelines and policies of the FSA relating to capital adequacy in effect as at the Issue Date of the Capital Securities. No

assurance can be given as to the impact of any possible judicial decision or change to English law, administrative practice or the regulations, requirements, guidelines and policies of the FSA after the Issue Date of the Capital Securities.

2.16 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 an individual resident in that other Member State or to certain other persons in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead (unless during that period they elect otherwise) impose a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other counties). Belgium will change to the provision of information system (rather than a withholding system) from 1 January 2010. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

2.17 *Because the Global Certificates will be held by or on behalf of Euroclear or Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment, voting and communication with the Issuer.*

The Capital Securities will be represented by one or more Global Certificates. The Global Certificates will either be deposited with a custodian on behalf of DTC or its nominee or a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Certificates, investors will not be entitled to receive Capital Securities in definitive form. DTC or Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificates. While the Capital Securities are represented by a Global Certificate, Holders will be able to trade their beneficial interests only through DTC or through Euroclear and Clearstream, Luxembourg or the accountholders of Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Capital Securities by making payments to the custodian for distribution to the holders of beneficial interests at DTC or a participant of DTC with respect to interests of indirect participants, or to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of DTC or DTC's participants or the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Capital Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

2.18 *Modification and waivers*

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. The Conditions also provide that the Trustee may, without the consent of the Holders, agree to any modification of, or waiver or authorisation of any breach or proposed breach of, the Conditions.

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The following, subject to alteration and except for paragraphs in italics, are the terms and conditions of the Capital Securities which will be endorsed on each Capital Security in definitive form (if issued).

The U.S.$2,000,000,000 12.00 per cent. Fixed-to-Floating Rate Perpetual Capital Securities (the "Capital Securities", which expression shall, unless the context otherwise requires, include any further securities issued pursuant to Condition 16 and forming a single series with the Capital Securities) of Lloyds TSB Bank plc (the "Issuer") was authorised by a resolution of the Board of Directors of the Issuer passed on 11 December 2009 and of the Board of Directors of the Parent passed on 11 December 2009. The Capital Securities are constituted by a trust deed (the "Trust Deed") dated 16 December 2009 between the Issuer, the Parent and BNY Corporate Trustee Services Limited (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Holders (as defined in Condition 21). These terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of (i) the Trust Deed; (ii) the paying agency agreement (the "Paying Agency Agreement") dated 16 December 2009 made between the Issuer, the Parent, The Bank of New York Mellon as initial principal paying agent (the "Principal Paying Agent", which expression shall include any successor thereto), the other initial paying agents named therein (together with the Principal Paying Agent, the "Paying Agents", which expression shall include the Paying Agents for the time being), The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "Registrar", which expression shall include any successor thereto), the transfer agents named therein (the "Transfer Agents", which expression shall include any successor thereto and the Registrar) and the Trustee; and (iii) the Calculation Agency Agreement (to the extent entered into pursuant to Condition 17) are available for inspection during normal business hours at the specified office of Trustee (being at the Issue Date (as defined in Condition 21) at One Canada Square, London E14 5AL, United Kingdom). The Holders are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed and, to the extent applicable to them, are deemed to have notice of all the provisions of the Paying Agency Agreement and the Calculation Agency Agreement (if any).

Capitalised terms used but not defined in these Conditions (whether in Condition 21 or otherwise) shall have the meanings ascribed to them in the Trust Deed, unless, in any case, the context otherwise requires or unless otherwise stated.

1 Form, Denomination and Title

(a) Form and Denomination

The Capital Securities are issued in registered form in the Authorised Denominations without coupons attached. A certificate (each a "Certificate") will be issued to each Holder in respect of its registered holding of Capital Securities. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register.

(b) Title

Title to the Capital Securities will pass by transfer and registration in the Register. Each Holder will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss or anything written on the Certificate, or the theft or loss of the Certificate issued in respect of it) and no person will be liable for so treating the Holder. The Issuer will cause to be kept at the specified offices of the Registrar outside the United

Kingdom and in accordance with the terms of the Paying Agency Agreement, a register (the "Register") on which shall be entered the names and addresses of the Holders and the particulars of the Capital Securities held by them and of all transfers and redemptions of Capital Securities. Each Holder shall be entitled to receive only one Certificate in respect of its entire holding.

(c) Transfer

Subject to the terms of the Paying Agency Agreement and to Conditions 1(f) and 1(g), each Capital Security may be transferred in whole or in part upon the surrender of the relevant Certificate representing the Capital Security to be transferred (together with the form of transfer in respect thereof duly completed and executed and stamped (where applicable)) at the specified office of the Registrar or the specified office of any other Transfer Agent. In the case of a transfer of part only of a Capital Security, a new Certificate in respect of the balance not transferred will be issued and delivered to the transferor in accordance with Condition 1(d).

No transfer of a Certificate will be valid unless and until entered on the Register. A Capital Security may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number) or a nominee.

(d) Delivery of New Certificates

Each new Certificate to be issued upon transfer of a Capital Security will, within three Business Days of receipt by the Registrar or, as the case may be, any other relevant Transfer Agent of the form of transfer duly completed and executed, be mailed by uninsured mail at the risk of the Holder entitled to the Capital Securities (but free of charge to the Holder) to the address specified in the form of transfer. The form of transfer is available at the specified offices of the Transfer Agents.

(e) Formalities Free of Charge

The transfer of a Capital Security will be effected without charge by or on behalf of the Issuer or the Transfer Agents subject to (i) the person making such application for transfer paying or procuring the payment of (or the giving of such indemnity as the Issuer or the relevant Transfer Agent may require in respect of) any taxes, duties or other governmental charges which may be imposed in relation to such transfer; and (ii) the relevant Transfer Agent being satisfied with the documents of title and/or the identity of the person making the application.

(f) Closed Periods

No Holder may require the transfer of any Capital Security (or part thereof) during the period of 15 days ending on (and including) the due date for any payment of principal of that Capital Security or seven days ending on (and including) any Record Date in respect of a Coupon Payment Date.

(g) Regulations

All transfers of Capital Securities and entries on the Register will be made subject to the regulations concerning transfer of Capital Securities scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder upon request and is available at the specified offices of the Transfer Agents.

2 Status and Subordination

(a) Status

The Capital Securities constitute direct, unsecured and, in accordance with Condition 2(b) below, subordinated securities of the Issuer and rank *pari passu* without any preference among themselves.

(b) Subordination

(i) Condition to Payment

Subject to Condition 3, payments in respect of or arising from the Capital Securities (including Coupon Amounts payable in cash or by way of the issue of Issuer Shares in accordance with Condition 6 and including any damages awarded for breach of any obligation of the Issuer under these Conditions, the Trust Deed or the Paying Agency Agreement) are conditional upon the Issuer being solvent at the time of payment by the Issuer (or at the time of issue of such Issuer Shares) and no principal or Payments shall be due and payable in respect of the Capital Securities (including Coupon Amounts payable in cash or by way of the issue of Issuer Shares in accordance with Condition 6 and including any damages awarded for breach of any obligation of the Issuer under these Conditions, the Trust Deed or the Paying Agency Agreement) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. Payments in respect of the Capital Securities may also be deferred pursuant to Condition 4.

In these Conditions, the Issuer shall be considered to be solvent if (x) it is able to pay its debts to its Senior Creditors as they fall due; and (y) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). For the purposes of this Condition 2(b)(i) any reference to a payment by the Issuer in respect of a Capital Security shall be deemed to include a purchase of such Capital Security by the Issuer. A report as to the solvency of the Issuer by two Directors of the Issuer or, if the Issuer is in a winding-up, its liquidator or, if the Issuer is in administration, its administrators shall, in the absence of manifest error, be treated and accepted by the Issuer, the Parent, the Trustee and the Holders as correct and sufficient evidence thereof.

(ii) Solvency Claims

Without prejudice to the rest of these Conditions, amounts in respect of principal or Payments (including any damages awarded for breach of any obligation of the Issuer under these Conditions, the Trust Deed or the Paying Agency Agreement) in respect of which the conditions referred to in Condition 2(b)(i) are not satisfied on the date upon which the same would otherwise be due and payable ("Solvency Claims") will be payable by the Issuer in a winding-up or administration of the Issuer as provided in Condition 3 and any redemption pursuant to Condition 7 or 8(e). A Solvency Claim shall not bear interest.

(iii) Set-off

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Capital Securities and each Holder shall, by virtue of his holding of any Capital Security, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with, the Capital Securities is discharged

by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its winding-up or administration, the liquidator, or as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

If the condition to payment set out in Condition 2(b)(i) is not satisfied, any sums which would otherwise have been payable in respect of the Capital Securities but are not paid by reason of such condition to payment will be available to be put towards the losses of the Issuer.

3 Winding-Up or Administration

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business (as defined in the Trust Deed) of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in Condition 12)), or, following the appointment of an administrator of the Issuer, an administrator gives notice that it intends to declare and distribute a dividend, there shall be payable by the Issuer in respect of each Capital Security (in lieu of any other payment by the Issuer but subject as provided in this Condition 3), such amount, if any, as would have been payable to the Holder if, on the day prior to the commencement of the winding-up or administration and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer ("Notional Preference Shares") ranking *pari passu* as to a return of assets on a winding-up or administration with the holders of Other Tier 1 Securities of the Issuer and the holders of that class or classes of preference shares (if any) from time to time issued or which may be issued by the Issuer which have a preferential right to a return of assets in the winding-up or administration over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors and junior to any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any Junior Subordinated Debt in a winding-up or administration of the Issuer is determined, on the assumption that the amount that such Holder was entitled to receive in respect of each Notional Preference Share on a return of assets in such winding-up or administration was an amount equal to the principal amount of the relevant Capital Security and any other Payments which are Outstanding thereon together with, to the extent not otherwise included within the foregoing, its pro rata share of any Solvency Claims.

On a winding-up or administration of the Issuer, there may be no surplus assets available to meet the claims of the Holders after the claims of the parties ranking senior to the Holders (as provided in this Condition 3) have been satisfied.

4 Coupon Deferral

The Issuer may elect, subject as provided below, to defer any Coupon Payment otherwise scheduled to be paid on a Coupon Payment Date by giving notice of such election to the Holders (in accordance with Condition 15), the Trustee and the Principal Paying Agent not less than 20 Business Days prior to the relevant Coupon Payment Date. The Issuer may not exercise its rights under this Condition 4 to defer Coupon Payments if a Capital Disqualification Event has occurred (and the Issuer has notified the FSA of such occurrence), unless a Capital Breach Event has also occurred and is continuing.

The Issuer may (except where Condition 3 applies) at any time satisfy any Deferred Coupon Payment by operation of the procedures set out in Condition 6 and, subject to Condition 8(e), shall only be obliged to do so upon the occurrence of the first of the following to occur: (i) redemption of the Capital Securities in accordance with Condition 7(b); (ii) redemption, substitution or variation of the terms of the Capital Securities in accordance with Condition 7(c); (iii) redemption, substitution or variation of the terms of the Capital Securities in accordance with Condition 7(d); and (iv) in relation to any Deferred Coupon Payment relating to any particular Coupon Payment Date, within three months following such Coupon Payment Date, but in any such case, subject to, and only by the operation of the procedures set out in, Condition 6.

If, on any Coupon Payment Date, payment of all Coupon Payments scheduled to be made on such date is not made in full by reason of either Condition 2(b)(i) or this Condition 4, neither the Issuer nor the Parent shall, (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, any Junior Share Capital other than, in the case where the Issuer has elected to defer a Coupon Payment in accordance with this Condition 4, a dividend (other than a dividend which is, or is expressed to be, an extraordinary or special dividend), distribution or other payment which has been declared, paid or made by the Issuer or the Parent on any Junior Share Capital, prior to the date on which the decision to defer the relevant Coupon Payment is notified to Holders in accordance with Condition 15; or (b) redeem, purchase, cancel, reduce or otherwise acquire any Junior Share Capital or any Other Tier 1 Securities (save where those shares or securities being redeemed, purchased or acquired are 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 administration 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), in each case unless or until (i) the Coupon Payments due and payable in any succeeding 12-month period on all outstanding Capital Securities have been paid in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Holders and in a manner satisfactory to the Trustee) or (ii) (if shorter) until all Deferred Coupon Payments have been satisfied in full.

Notwithstanding any other provision in these Conditions or the Trust Deed, the deferral of any Coupon Payment by virtue of this Condition 4 or Condition 2(b)(i) shall not constitute a default for any purpose (including, without limitation, Condition 9(a)) on the part of the Issuer. Any Coupon Payment so deferred shall not bear interest.

The restrictions set out in this Condition 4 do not apply to the declaration and payment of any dividends and distributions or the making of any other payment by the Issuer to the Parent, any holding company of the Parent or to another wholly-owned subsidiary of the Parent.

5 Coupon Payments

(a) Coupon Payment Dates

The Capital Securities bear interest at the Coupon Rate from (and including) the Issue Date and the amount of such interest will (subject to Conditions 2(b)(i), 2(b)(ii), 4, 6(c), 6(d) and 8(e)) be payable on each Coupon Payment Date.

(b) Interest Accrual

Each Capital Security will cease to bear interest from the due date for redemption thereof pursuant to Condition 7(b) or the date of redemption or substitution thereof pursuant to Condition 7(c), 7(d) or 8(e), as the case may be, unless, after surrender of the relevant Certificate, payment and performance

of all amounts and obligations due in respect of the Capital Securities is not properly and duly made, in which event interest shall continue to accrue as provided in the Trust Deed.

(c) Coupon Rate

The relevant coupon rate (the "Coupon Rate"):

(i) in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date shall be 12.00 per cent. per annum; and thereafter

(ii) in respect of each Reset Period shall be the aggregate of 11.756 per cent. per annum and:

(I) the offered rate (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) for three-month deposits in U.S. dollars as at 11.00 a.m. (London time) on the Coupon Determination Date in question as appears on the display designated as page "LIBOR01" on the Reuters Monitor Money Rates Service (or such other page or service as may replace it for the purpose of displaying such information) as determined by the Principal Paying Agent; or

(II) if such offered rate does not appear, the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of offered quotations to prime banks in the London interbank market for three-month deposits in U.S. dollars as at 11.00 a.m. (London time) on the Coupon Determination Date in question obtained by the Principal Paying Agent from the principal London office of the Reference Banks, provided at least two of the Reference Banks provide the Principal Paying Agent with such offered quotations; and

(III) if, on any Coupon Determination Date to which the provisions of Condition 5(c)(ii)(II) above apply, one only or none of the Reference Banks provides the Principal Paying Agent with such a quotation, the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the U.S. dollar lending rates which major banks in the London interbank market selected by the Principal Paying Agent are quoting at approximately 11.00 a.m. (London time) on the relevant Coupon Determination Date to leading banks in London for a period of three months,

except that, if the banks so selected by the Principal Paying Agent under Condition 5(c)(ii)(III) above are not quoting as mentioned above, the Coupon Rate shall be either (i) the Coupon Rate in effect for the last preceding Coupon Period to which one of the preceding sub-paragraphs of this Condition 5(c) shall have applied or (ii) if none, 13.00 per cent. per annum.

(d) Determination and Publication of Coupon Rate and Coupon Amounts

The Principal Paying Agent will, upon determining the Coupon Rate pursuant to Condition 5(c)(ii), calculate the Coupon Amount in respect of each U.S.$1,000 principal amount of the Capital Securities and cause the Coupon Rate and each Coupon Amount payable in respect of a Coupon Period to be notified to the Trustee, the Issuer, the other Paying Agents and any stock exchange on which the Capital Securities are for the time being listed and to be notified to the Holders as soon as possible after their determination but in no event later than the fourth Business Day thereafter.

Each Coupon Amount in respect of any Coupon Period ending prior to the First Reset Date shall be calculated by applying the Coupon Rate to the principal amount of the relevant Capital Security and (in the case of a semi-annual Coupon Period) dividing the result by two and, in respect of any period of

less than one year (save for a semi-annual Coupon Period), such Coupon Amount shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed, and the resulting figure rounded to the nearest cent (half a cent being rounded up).

Each Coupon Amount in respect of any Coupon Period commencing on or after the First Reset Date shall be calculated by applying the Coupon Rate to the principal amount of the relevant Capital Security and multiplying the result by the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded up).

(e) Determination or Calculation by Trustee

If the Principal Paying Agent does not at any time for any reason so determine the Coupon Rate or calculate each Coupon Amount in accordance with Conditions 5(c)(ii) and 5(d), the Trustee or an agent on its behalf shall do so and such determination or calculation shall be deemed to have been made by the Principal Paying Agent. In doing so, the Trustee or its agent shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it or its agent 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. All determinations or calculations made or obtained for the purposes of the provisions of this Condition 5(e) by the Trustee or its agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents, the Transfer Agents and all Holders and (in the absence of wilful default or bad faith) no liability to the Issuer or the Holders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(f) Reference Banks

Unless the Capital Securities are to be redeemed on the First Reset Date, the Issuer will (with the prior written approval of the Trustee) not later than 20 Business Days before the First Reset Date appoint four leading financial institutions engaged in the London interbank market to act as Reference Banks and will procure that, so long as any Capital Security is outstanding, there shall thereafter at all times be four Reference Banks. If any such institution (acting through its relevant office) is unable to continue to act as a Reference Bank, the Issuer shall (with the prior written approval of the Trustee) appoint some other leading financial institution engaged in the London interbank market (acting through its principal London office) to act as such in its place.

6 Alternative Coupon Satisfaction Mechanism

(a) Alternative Coupon Satisfaction Mechanism

Where an ACSM Payment is to be satisfied as provided in this Condition 6, it shall be so satisfied in accordance with the Alternative Coupon Satisfaction Mechanism (the "ACSM") as provided in this Condition 6. The Issuer shall notify the Holders in accordance with Condition 15 and the Trustee, the Principal Paying Agent and the Calculation Agent not less than 10 Business Days prior to the relevant ACSM Payment Date that an ACSM Payment is to be satisfied on such ACSM Payment Date.

(b) Issue of Ordinary Shares

If any ACSM Payment is to be satisfied pursuant to the provisions of this Condition 6 then, subject to Conditions 6(d), 6(e) and 8(e):

(i) by close of business in London on or before the seventh Business Day prior to the relevant ACSM Payment Date, the Issuer will, subject to it having the necessary corporate authorisations in place, issue and allot in favour of the Calculation Agent such number of Issuer Shares (the "Payment Issuer Shares") as, in the determination of the Parent, will have a market value (converted, where necessary, into U.S. dollars) as near as practicable to, but not less than, the relevant ACSM Payment to be satisfied in accordance with this Condition 6;

(ii) on or before the sixth Business Day prior to the relevant ACSM Payment Date, the Calculation Agent shall transfer the Payment Issuer Shares to the Parent in consideration for which the Parent shall issue to the Calculation Agent within one Business Day of the Parent receiving the Payment Issuer Shares such number of ordinary shares of the Parent (the "Payment Ordinary Shares") as, in the determination of the Calculation Agent, will have a market value (converted, where necessary, into U.S. dollars) as near as practicable to, but not less than the relevant ACSM Payment to be satisfied in accordance with this Condition 6; and

(iii) the Calculation Agent shall be required to agree in the Calculation Agency Agreement to use reasonable endeavours to procure purchasers for such Payment Ordinary Shares. If necessary, the Calculation Agent shall further be required to agree in the Calculation Agency Agreement to convert the net proceeds of such sale into U.S. dollars at prevailing market exchange rates. The Calculation Agent shall further be required to agree to deliver the amount of such proceeds of sale (if necessary, as so converted) to the Principal Paying Agent for application in accordance with Condition 6(c).

If the proceeds of the sale of the Payment Ordinary Shares will not, in the opinion of the Calculation Agent, subject to Conditions 6(c) and 6(d) but despite the arrangements contained above, result in a sum (if necessary, when converted into U.S. dollars) at least equal to the relevant ACSM Payment being available to satisfy the relevant ACSM Payment in full on the relevant ACSM Payment Date, the Issuer, the Parent and the Calculation Agent shall use all reasonable endeavours to issue and/or sell additional Payment Issuer Shares and Payment Ordinary Shares on one or more further occasions, following, *mutatis mutandis*, the procedures contained above, in order to ensure that a sum (if necessary, when converted into U.S. dollars) as near as practicable to, and at least equal to, the relevant ACSM Payment will be available to satisfy the relevant ACSM Payment in full as soon as reasonably practicable.

(c) Application of Proceeds

The net proceeds of sale of Payment Ordinary Shares shall promptly following receipt be paid by the Principal Paying Agent to the Holders in respect of the relevant ACSM Payment as provided in Condition 8 or in such other manner as the Trustee shall determine to be appropriate and notify to the Holders in accordance with Condition 15 (in respect of each Capital Security on a pro rata basis if the net proceeds are insufficient to satisfy the relevant payment in full).

(d) Insufficiency

The Issuer shall not be entitled to exercise its option pursuant to any of Conditions 7(b), 7(c) or 7(d) to redeem, substitute or vary the terms of any of the Capital Securities until such time as the Issuer has available, and the Directors of the Issuer have the corresponding authority to allot, a sufficient number of authorised but unissued Payment Issuer Shares as may be required to be issued in accordance with this Condition 6 for the purposes of satisfying in full in accordance with this Condition 6 any ACSM Payment required to be satisfied in connection with such redemption, substitution or variation of the terms of the Capital Securities.

(e) Market Disruption

Notwithstanding the provisions of this Condition 6, if there exists, in the opinion of the Issuer, a Market Disruption Event on or after notice has been given by the Issuer pursuant to Condition 6(a), then the Issuer may give a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and (in accordance with Condition 15) the Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant ACSM Payment may be deferred until such time as the Market Disruption Event, in the opinion of the Issuer, no longer exists.

Any such Deferred Coupon Payment will be satisfied by way of the ACSM as soon as practicable following such time as, in the opinion of Issuer, the Market Disruption Event no longer exists (as notified to the Trustee by the Issuer). Interest shall not accrue on such Deferred Coupon Payment.

(f) Treatment of ACSM Payment Not Satisfied by ACSM

The Issuer and the Parent shall use all reasonable endeavours to satisfy any ACSM Payment in accordance with this Condition 6. If, however, any ACSM Payment is not satisfied in accordance with this Condition 6 (whether as a consequence of the proceeds of issue and/or sale of Payment Ordinary Shares being insufficient to discharge such ACSM Payment, as a consequence of the Issuer or the Parent being unable to operate the ACSM by reason of the operation of Condition 6(d) or 6(e), or otherwise), this shall not constitute a default for any purpose (including, without limitation, Condition 9(a)) on the part of the Issuer or the Parent. If any such ACSM Payment is not so satisfied, the Issuer shall continue to use all reasonable endeavours to satisfy such ACSM Payment, as provided in this Condition 6, as soon as reasonably practicable and, in any event, upon the occurrence of any of the events listed in (i), (ii) and (iii) in the second paragraph of Condition 4. No damages will be payable in respect of any breach of this Condition 6.

(g) Listing

The Parent shall ensure (to the extent possible) that, at the time when any Payment Ordinary Shares are issued pursuant to this Condition 6, such Payment Ordinary Shares are listed on the Official List and are admitted to trading on the Market (or, if the London Stock Exchange is not a Recognised Stock Exchange at that time, such other stock exchange as is a Recognised Stock Exchange at that time).

The Issuer and the Parent shall, subject to compliance with the requirements of the Companies Act, use all reasonable endeavours to obtain and maintain at all times all corporate authorisations and take any other corporate actions required for the issue and allotment of such number of Payment Issuer Shares or Payment Ordinary Shares, as the case may be, as the Issuer or the Parent reasonably considers would be required to be issued in order to enable the satisfaction of any ACSM Payment pursuant to this Condition 6, provided that such reasonable endeavours shall be satisfied where the relevant corporate authorisation or action required is to be obtained or done by the passing of a resolution of the shareholders of the Issuer or the Parent and the Directors of the Issuer or the Parent propose a relevant resolution to its shareholders for approval at any general meeting of the Issuer or the Parent and, if such proposal is rejected, the relevant resolution is proposed again at the next general meeting of the Issuer or the Parent.

No damages will be payable for breach of this covenant.

The Trustee shall not be obliged to monitor compliance by the Issuer or the Parent with this Condition 6(g) or to ascertain at any time whether or not a Capital Breach Event, a Capital Disqualification Event or a Market Disruption Event has occurred or whether any payment has been or may be deferred and

shall be entitled to assume, unless it has actual knowledge to the contrary pursuant to the Trust Deed, that the Issuer and the Parent are complying with its obligations under this Condition 6(g) and that no such event has occurred.

7 Redemption, Substitution, Variation or Purchase

(a) No Fixed Redemption Date

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Conditions 2 and 3 and without prejudice to the provisions of Condition 11) only have the right to repay them, substitute them, vary their terms or purchase them in accordance with the following provisions of this Condition 7 or in the circumstances provided for in Condition 8(e).

In addition, any redemption, substitution, variation of the terms or purchase of the Capital Securities is (i) subject to the Issuer giving at least one month's prior written notice to, and receiving no objection from or, in the case of any redemption of the Capital Securities prior to the 10th anniversary of the Issue Date, receiving the consent of, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that any such notice is required to be given); (ii) subject to the Issuer (both at the time of, and immediately following, the redemption, substitution, variation or purchase) being in compliance with the Capital Regulations applicable to it from time to time (and a certificate from any two Directors of the Issuer confirming such compliance shall be conclusive evidence of such compliance); and (iii) (other than in the case of a purchase) conditional on the terms of Condition 6(d) being satisfied prior to the exercise by the Issuer of its rights with respect to such redemption, substitution or variation and all Deferred Coupon Payments (if any) being satisfied in full by the operation of Condition 6 and the Trust Deed on or prior to the date set for such redemption, substitution or variation.

(b) Issuer's Call Option

Subject to Conditions 2(b)(i) and 7(a), the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Holders (in accordance with Condition 15), the Trustee and the Principal Paying Agent, which notice shall be irrevocable, elect to redeem all, but not some only, of the Capital Securities on the First Reset Date or any Reset Date thereafter at their principal amount together with any Payments which are Outstanding thereon (including any Deferred Coupon Payments, which will be satisfied by the operation of Condition 6).

(c) Redemption, Substitution or Variation Due to Taxation

If, immediately prior to the giving of the notice referred to below, as a result of a Tax Law Change:

(i) in making any payments on the Capital Securities, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts on the Capital Securities and the Issuer cannot avoid the foregoing in connection with the Capital Securities by taking measures reasonably available to it;

(ii) in respect of the Issuer's obligation to make any Coupon Payment on the next following Coupon Payment Date there is a more than insubstantial risk that Coupon Payments on the Capital Securities including, for the avoidance of doubt, any ACSM Payment and the related issue of Payment Issuer Shares and Payment Ordinary Shares pursuant to Condition 6, may be

treated as "distributions" within the meaning of Section 832(1) of the Income and Corporation Taxes Act 1988 (or such other Section and/or Act as may from time to time supersede or replace Section 832(1) of the Income and Corporation Taxes Act 1988 for the purposes of such definition) and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith) deems appropriate; or

(iii) in respect of the Issuer's obligation to make any Coupon Payment on the next following Coupon Payment Date, (a) there is a more than insubstantial risk that the Issuer would not be entitled to claim a deduction in respect thereof when computing its taxation liabilities in the United Kingdom, or such entitlement is materially reduced; (b) the Issuer would not to any material extent be entitled to have such a deduction set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the Issue Date or any similar system or systems having like effect as may from time to time exist); or (c) the Issuer would not, as a result of the Capital Securities being in issue, be able to have losses or deductions set against the profits, or profits offset by the losses or deductions, of companies with which it is or would otherwise be so grouped; and in any such case the Issuer cannot avoid the foregoing in connection with the Capital Securities by taking measures as it (acting in good faith) deems appropriate,

then:

(aa) the Issuer may, subject to Condition 7(a) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15, the Holders (which notice shall be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Capital Securities at their principal amount, together, with any Payments which are Outstanding thereon (including any Deferred Coupon Payments, which will be satisfied by the operation of Condition 6); or

(bb) the Issuer may, subject to Condition 7(a) (without any requirement for the consent or approval of the Holders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15, the Holders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Capital Securities for, or vary the terms of the Capital Securities so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (bb) and subject to the receipt by it of the certificate of the Directors referred to below and the certificate of the Directors referred to in the definition of Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities) agree to such substitution or variation. In connection therewith, all Deferred Coupon Payments (if any) will be satisfied by the operation of Condition 6. The Trustee shall use its reasonable endeavours to participate in or assist the Issuer with the substitution of the Capital Securities for or the variation of the terms of the Capital Securities so that they become alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate in or assist with any such substitution or variation if the terms of the proposed alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon it. If, notwithstanding the above, the Trustee does not participate or

assist as provided above, the Issuer may, subject as provided above, redeem the Capital Securities as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 7(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the relevant condition referred to in paragraph (i), (ii) or (iii) above is satisfied and the Trustee shall accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the conditions set out in such paragraphs in which event it shall be conclusive and binding on the Holders. Upon expiry of such notice, the Issuer shall either redeem, vary the terms of or substitute the Capital Securities in accordance with this Condition 7(c), as the case may be.

In connection with any substitution or variation in accordance with this Condition 7(c), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Capital Securities are for the time being listed or admitted to trading, and (for so long as the Capital Securities are admitted to the Official List and admitted to trading on the Market and the rules of the London Stock Exchange require) shall publish a supplement in connection therewith.

(d) Substitution, Variation or Redemption for Regulatory Purposes

If immediately prior to the giving of the notice referred to below a Regulatory Event has occurred and is continuing, then:

(i) the Issuer may, subject to Condition 7(a) and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 15, the Trustee and the Principal Paying Agent (which notice shall be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Capital Securities at their principal amount, together with any Payments which are Outstanding thereon (including any Deferred Coupon Payments which will be satisfied by the operation of Condition 6); or

(ii) the Issuer may, subject to Condition 7(a) (without any requirement for the consent or approval of the Holders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15, the Holders (which notice shall be irrevocable), substitute at any time all (and not some only) of the Capital Securities for, or vary the terms of the Capital Securities so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph (ii) and subject to the receipt by it of the certificate of the Directors referred to below and the certificate of the Directors referred to in the definition of Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities) agree to such substitution or variation. In connection therewith, all Deferred Coupon Payments (if any) will be satisfied by the operation of Condition 6. The Trustee shall use its reasonable endeavours to participate in or assist the Issuer with the substitution of the Capital Securities for or the variation of the terms of the Capital Securities so that they become alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate in or assist with any such substitution or variation if the terms of the proposed alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon it or require the Trustee to incur any liability for which it is not indemnified and/or secured and/or pre-funded to its satisfaction. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the Issuer may, subject as provided above, redeem the Capital Securities as provided above.

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 7(d), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that a Regulatory Event has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate without any further inquiry as sufficient evidence of the occurrence and continuation of a Regulatory Event in which event it shall be conclusive and binding on the Holders. Upon expiry of such notice, the Issuer shall either redeem, vary the terms of or substitute the Capital Securities in accordance with this Condition 7(d), as the case may be.

In connection with any substitution or variation in accordance with this Condition 7(d), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Capital Securities are for the time being listed or admitted to trading, and (for so long as the Capital Securities are admitted to the Official List and admitted to trading on the Market and the rules of such exchange require) shall publish a supplement in connection therewith.

(e) Purchases

The Issuer, the Parent or any other subsidiary of the Parent may, subject to Condition 7(a), at any time purchase Capital Securities in any manner and at any price.

(f) Cancellation

All Capital Securities so redeemed or substituted by the Issuer or otherwise acquired as aforesaid and surrendered to the Registrar for cancellation will forthwith be cancelled and thereafter may not be re-issued or resold and the obligations of the Issuer in respect of any such Capital Securities shall be discharged. Capital Securities purchased by the Issuer, the Parent or any other subsidiary of the Parent may be held, reissued or resold or, at the option of the Issuer, surrendered to the Registrar for cancellation.

(g) Trustee Not Obliged to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 7 or whether a Suspension under Condition 8(e) has occurred and will not be responsible to Holders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 7 or the occurrence of a Suspension under Condition 8(e), it shall be entitled to assume that no such event or circumstance or Suspension exists.

8 Payments

(a) Method of Payment

(i) Payments of principal and interest due other than on a Coupon Payment Date in respect of the Capital Securities will be made by or on behalf of the Issuer against presentation and, if no further payment falls to be made on it, surrender of the relevant Certificate at the specified office of any of the Paying Agents. Such payments will be made by transfer to the registered account of the Holder.

(ii) Payments of Coupon Amounts in respect of the Capital Securities will be paid on the due date for payment to the persons shown on the Register at the close of business on the relevant

Record Date in respect of such payment. Payments of interest on each Capital Security will be made by transfer to the registered account of the Holder.

(iii) For the purposes of this Condition 8, a Holder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the second Business Day before the due date for payment.

(b) Payments on Payment Business Days

A Certificate may only be presented and, if no further payment falls to be made on it, surrendered (pursuant to Condition 8(a)(i)) for payment on a day which is a Payment Business Day. No further interest or other payment will be made as a consequence of the day on which the relevant Certificate may be presented and surrendered for payment under this Condition 8(b) falling after the due date.

(c) Payment Initiation

Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the immediately following Business Day which is a Payment Business Day) will be initiated on the due date for payment (or, if it is not a Payment Business Day, the immediately following Business Day which is a Payment Business Day) or, in the case of a payment of principal or any payment not on a Coupon Payment Date in respect of the Capital Securities, if later, on the Payment Business Day on which the relevant Certificate is presented for payment and/or surrendered at the specified office of an Agent.

(d) Payments Subject to Fiscal Laws

Without prejudice to the terms of Condition 10, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders in respect of such payments.

(e) Suspension

If, following any take-over offer made under the City Code on Take-overs and Mergers or any reorganisation, restructuring or scheme of arrangement, the Parent ceases to be the ultimate holding company of the Lloyds Banking Group, then the Issuer shall as soon as practicable give notice to the Holders in accordance with Condition 15, the Trustee, the Principal Paying Agent and the Calculation Agent whereupon the operation of the ACSM shall be suspended (such event being a "Suspension"). In such event, unless a Permitted Restructuring Arrangement shall be put in place within six months of the occurrence of a Permitted Restructuring (in which case the Suspension shall cease upon such Permitted Restructuring Arrangement being put in place), an independent investment bank, merchant bank, commercial bank, stockbroker or financial institution appointed by the Issuer (at the Issuer's expense) (such appointed entity, the "Independent Expert") and approved by the Trustee shall determine (subject to the requirements that: (i) the Issuer shall not be obliged to reduce its net assets; (ii) no amendment may be proposed or made which would alter the regulatory capital treatment of the Capital Securities for regulatory capital and solvency purposes unless the Issuer has given at least one month's prior written notice to, and received no objection from, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that such notice is required to be given); and (iii) no such amendment may be made which would or may, in the Trustee's opinion, expose it to liability, reduce its protections or impose more onerous obligations on it without its consent) what amendments (if any) to these Conditions, the Trust Deed and any other

relevant documents are appropriate in order (aa) to preserve substantially the economic effect, for the Holders, of a holding of the Capital Securities prior to the Suspension and (bb) to replicate the ACSM in the context of the capital structure of the new Ultimate Owner. Upon any such determination being reached and notified to the Trustee, the Parent and the Issuer by the Independent Expert, the Trustee (at the expense of the Issuer), the Parent and the Issuer shall, pursuant to the terms of the Trust Deed and without any requirement for the consent or the approval of the Holders, effect the amendments determined by such Independent Expert together with any necessary consequential changes to these Conditions and the Trust Deed and any other relevant documents, whereupon the satisfaction of any ACSM Payment (when due) by the method contemplated in Condition 6 shall no longer be subject to the Suspension.

If, after using all reasonable endeavours, the Independent Expert is unable to formulate such amendments, it shall so notify the Issuer, the Parent, the new Ultimate Owner, the Trustee, the Principal Paying Agent and the Calculation Agent and the Capital Securities may (subject in each case to the Issuer giving at least one month's prior written notice to, and receiving consent from, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that such notice is required to be given) and with the prior agreement of the new Ultimate Owner) at the option of the Issuer and without any requirement for the consent or the approval of the Holders either be substituted for, or have their terms varied so that they remain or, as the case may be, become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or be redeemed, in each case as described below.

If the Capital Securities are to be substituted for, or have their terms varied so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, the Issuer shall give not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 15, the Holders (which notice shall be irrevocable) and all (but not some only) of the Capital Securities will be substituted for, or have their terms varied so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph and subject to the receipt by it of the certificate of the Directors referred to in the definition of Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities and subject further to the receipt by it of the notification of the relevant Independent Expert referred to above) agree to such substitution or variation. In connection therewith, all accrued and unpaid Coupon Amounts and Deferred Coupon Payments (if any) will either (at the option of the Issuer) (x) be carried over such that the rights of the Holders with respect thereto are preserved in the new Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or (y) be satisfied (unless otherwise agreed by the Issuer and the Trustee) by the issue of Issuer Shares to the new Ultimate Owner in consideration for which the new Ultimate Owner shall issue ordinary shares in its capital (or shares in its capital of an equivalent class) so as to enable it to satisfy the amount of such accrued and unpaid Coupon Amounts and Deferred Coupon Payments in accordance, *mutatis mutandis*, with Conditions 6(b), 6(c) and 6(d) (with references to the Payment Ordinary Shares being construed as references to such ordinary shares or equivalent shares in the capital of the new Ultimate Owner which, when sold, provide a net cash amount of not less than the amount of such accrued and unpaid Coupon Amounts and Deferred Coupon Payments which fall to be satisfied by the Issuer). The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to participate in or assist the Issuer and the Parent with the substitution of the Capital Securities for, or the variation of the terms of the Capital Securities so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate in or assist with any such substitution or variation if the terms of the proposed alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or the participation in or assistance

with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon it or expose it to liability or reduce its protections. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the FSA does not consent to such substitution or variation or it is otherwise not practicable (in the opinion of the Issuer) for the Capital Securities to be substituted or varied as described above, the Issuer may, subject to Conditions 2(b)(i) and 7(a), elect to redeem the Capital Securities as provided in this Condition 8(e). In connection with any substitution or variation in accordance with this Condition 8(e), the Issuer shall comply with the rules of any stock exchange on which the Capital Securities are for the time being listed or admitted to trading.

If the Capital Securities are to be redeemed by the Issuer in accordance with this Condition 8(e), the Issuer shall give notice thereof to the Trustee, the Principal Paying Agent and the Calculation Agent and, in accordance with Condition 15, the Holders (which notice shall be irrevocable and which shall expire as soon as practicable after consent from the FSA has been obtained) and all (but not some only) of the Capital Securities will be redeemed at their principal amount, together in each case with any Payments which are Outstanding thereon, not later than the 60th Business Day following the giving of such notice by the Issuer to the Holders. Such redemption will, unless otherwise agreed by the Parent, be effected by the issue of Issuer Shares to the new Ultimate Owner in consideration for which the new Ultimate Owner shall issue ordinary shares in its capital (or shares in its capital of an equivalent class) so as to enable it to satisfy such redemption amount in accordance, *mutatis mutandis*, with Conditions 6(b), 6(c) and 6(d) (with references to the Payment Ordinary Shares being construed as references to such ordinary shares or equivalent shares in the capital of the new Ultimate Owner which, when sold, provide a net cash amount of not less than the redemption amount which falls to be satisfied by the Issuer).

9 Non-Payment when due

Notwithstanding any of the provisions below in Condition 9, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Except in the circumstances contemplated in Condition 3, no principal or Payment (including any Payment which falls to be satisfied by means of the ACSM) will be due on the relevant payment date unless the condition to payment set out in Condition 2(b)(i) is satisfied. Also, in the case of any Coupon Payment, such Payment will not be due if the Issuer has elected to defer that Payment pursuant to Condition 4 or if the circumstances referred to in any of Conditions 6(c), 6(d) or 8(e) then apply. The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.

(a) If the Issuer shall not make payment in respect of the Capital Securities (in the case of payment of principal) for a period of 14 days or more after the due date for the same or (in the case of any interest) shall not make payment for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Capital Securities and the Trustee may, notwithstanding the provisions of Condition 9(b), institute proceedings in England (but not elsewhere) for the winding-up of the Issuer and/or prove in any winding up of the Issuer, provided that it shall not have the right to institute such proceedings if the Issuer withholds or refuses any such payment (i) 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 Issuer, the relevant Paying Agent or the holder of the Capital Security; or (ii) (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) Subject as provided in Condition 18, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer or the Parent as it may think fit to enforce any term or condition binding on the Issuer or, as the case may be, the Parent under the Trust Deed or the Capital Securities (other than for the payment of any principal or satisfaction of any Payments in respect of the Capital Securities or Accrued Coupon Payment), provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(c) The Trustee shall not be bound to take any of the actions referred to in Condition 9(a) or (b) above against the Issuer or the Parent to enforce the terms of the Trust Deed or the Capital Securities or, save where expressly provided therein, take any other action under the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding; and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(d) No Holder shall be entitled to proceed directly against the Issuer, the Parent or to institute proceedings for the winding-up of the Issuer in England or to prove in any winding-up of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. No remedy against the Issuer shall be available to the Trustee or any Holder (i) for the recovery of amounts owing in respect of the Capital Securities, other than the institution of proceedings in England (but not elsewhere) for the winding-up of the Issuer and/or proving in any winding-up; and (ii) for the breach of any other term under the Trust Deed or the Capital Securities, other than as provided in Condition 9(b) above.

(e) If payment to any Holder of any amount due in respect of the Capital Securities (other than interest) is improperly withheld or refused (any withholding or refusal effected in reliance upon the proviso to Condition 9(a) 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 at the rate determined in accordance with Condition 5 from the date of such withholding or refusal, as the case may be, until (but excluding) the date on which notice is given in accordance with Condition 15 that the full amount in U.S. dollars payable in respect of such Capital Securities is available for payment or the date of payment, whichever first occurs and shall be calculated in accordance with Condition 5.

(f) If, in reliance upon the proviso to Condition 9(a) above, payment of any amount (each a "Withheld Amount") in respect of the whole or any part of the principal and/or any Payment due (other than a Deferred Coupon Payment) in respect of Capital Securities or any of them is not paid or provided by the Issuer to the Trustee or to the account of or with the Principal Paying Agent, or is withheld or refused by any of the Paying Agents, in each case other than improperly within the meaning of Condition 9(e) above, or which is paid or provided after the due date for payment thereof, such Withheld Amount shall, where not already on interest bearing deposit, if lawful, promptly be so placed, all as more particularly described in the Trust Deed. If subsequently it shall be or become lawful to make payment of such Withheld Amount in U.S. dollars, notice shall be given in accordance with Condition 15, 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 Principal Paying Agent for payment to the relevant holders of Capital Securities (or, if the Principal Paying Agent advises the Issuer of its inability to effect such payment, shall be paid to (or released by) such other Paying Agent as there then may be or, if none, to the Trustee, in any such case for payment as aforesaid). For purposes of Condition 9(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 Condition 9(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 Condition 9(f) above shall be paid net of any taxes applicable thereto and Condition 10 shall not apply in respect of the payment of any such interest.

10 Taxation

All payments by or on behalf of the Issuer of principal, Coupon Amounts, Deferred Coupon Payments, Accrued Coupon Payments and Solvency Claims (whether or not to be satisfied by way of the ACSM) in respect of the Capital Securities will be made without withholding of or deduction for, or on any account of, any present or future United Kingdom taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Capital Securities in the absence of a requirement to make such withholding or deduction, except that no such Additional Amounts shall be payable in relation to any payment with respect to any Capital Securities:

(a) held by or on behalf of any Holder who is liable to such tax, duty or charge in respect of such Capital Security by reason of his having some connection with the United Kingdom other than the mere holding of such Capital Security; and/or

(b) in circumstances where such withholding or deduction would not be required if the Holder or any person acting on his behalf had obtained and/or presented any form or certificate or had made a declaration of non residence or similar claim for exemption upon the presentation or making of which the Holder would have been able to avoid such withholding or deduction; and/or

(c) (where presentation and surrender is required pursuant to these Conditions) the relevant Capital Security is surrendered 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 if it had surrendered the same for payment at the expiry of such period of 30 days; and/or

(d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law or treaty implementing or complying with, or introduced in order to conform to, such Directive; and/or

(e) (where presentation and surrender is required pursuant to these Conditions) in respect of any Capital Security presented for payment held by or on behalf of any Holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a Member State of the European Union.

References in these Conditions to principal, Coupon Amounts, Deferred Coupon Payments and/or Accrued Coupon Payments, shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

If the Issuer becomes resident for tax purposes in any jurisdiction other than or in addition to the United Kingdom, references in this Condition 10 to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction as the case may be.

In the event that any payment is satisfied by means of the ACSM then any Additional Amounts which are payable shall also be satisfied by means of the ACSM.

11 Prescription

The Capital Securities will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

12 Meetings of Holders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests including the sanctioning by Extraordinary Resolution of any modification of any of these Conditions 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 Holders to which special quorum provisions shall have applied. Any Extraordinary Resolution duly passed shall be binding on all Holders (whether or not they were present at the meeting at which such resolution was passed).

The Trustee may agree, without the consent of the Holders, to (i) any modification of any of the provisions of the Trust Deed, these Conditions, the Paying Agency Agreement or the Calculation Agency Agreement (if any) that is of a formal, minor or technical nature or is made to correct a manifest error or an error which, in the opinion of the Trustee, is proven, and (ii) any modification (except as mentioned in the Trust Deed) of any of the provisions of the Trust Deed, these Conditions, the Paying Agency Agreement or the Calculation Agency Agreement (if any), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, these Conditions, the Paying Agency Agreement or the Calculation Agency Agreement (if any) that is in the opinion of the Trustee not materially prejudicial to the interests of the Holders. Any such modification, authorisation or waiver shall be binding on the Holders and, if the Trustee so requires, shall be notified to the Holders as soon as practicable thereafter in accordance with Condition 15.

No modification which in the opinion of the Issuer is material to these Conditions or any other provisions of the Trust Deed shall become effective unless the Issuer has given at least one month's prior written notice to, and received no objection from, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that there is a requirement to give such notice).

Subject to the Issuer giving one month's prior written notice to, and receiving no objection from, the FSA (or such other period of notice as the FSA may from time to time require or accept and, in any event, provided that there is a requirement to give such notice) and as provided in the Trust Deed, the Trustee may agree, if requested by the Issuer 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 Holders, to the substitution, subject to the Capital Securities being irrevocably guaranteed by the Issuer on a subordinated basis equivalent to that mentioned in Condition 2(b) of the Parent, any new Ultimate Owner, any other subsidiary of the Parent or any new Ultimate Owner, any successor in business of the Issuer or any subsidiary of any successor in business of the Parent in place of the Issuer as a new issuing party under the Trust Deed, the Capital Securities and as a party to the Paying Agency Agreement and so that the claims of the Holders may, in the case of the substitution of the Parent, any new Ultimate Owner or a Banking Company (as defined in the Trust Deed) in the place of the Issuer, also be subordinated to the rights of Senior Creditors (as defined in Condition 21, but with the substitution of references to "the Parent", any such "Ultimate Owner" or to "that subsidiary" in place of references to "the Issuer" together with such consequential amendments as are appropriate).

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Holders as a class and shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever the 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 the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Parent, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 10 and/or any undertaking given in addition thereto or in substitution therefor under the Trust Deed.

An "Extraordinary Resolution" is a resolution in respect of which not less than three-quarters of the votes cast shall have been cast in favour at a meeting of Holders duly convened and held in accordance with the Trust Deed.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Capital Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

13 Replacement Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or Principal Paying Agent (or any other place of which notice shall have been given in accordance with Condition 15) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before any replacement will be issued.

14 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 any action unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Parent or any other subsidiary of the Parent without accounting for any profit resulting therefrom. The Trustee is entitled under the Trust Deed to rely on reports and certificates addressed and/or delivered to it by

two Directors of the Issuer, its auditors or the liquidator or administrators of the Issuer or any other expert (as the case may be) whether or not the report or certificate of its auditors or such liquidator or administrators or any such expert is subject to any limitation on the liability of the auditors or the liquidator or administrators or such expert (as the case may be) and whether by reference to a monetary cap or otherwise.

15 Notices

All notices to the Holders will be mailed to such Holders of record at their respective addresses in the Register and shall be deemed to have been given on the first weekday (being a day other than a Saturday, Sunday or public holiday) after the date of mailing.

16 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Holders to create and issue further Capital Securities ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Capital Securities) and so that the same shall be consolidated and form a single series with the outstanding Capital Securities. Any such Capital Securities shall be constituted by a deed supplemental to the Trust Deed.

17 Agents

The initial Principal Paying Agent, Registrar and Transfer Agent and their respective specified offices are specified below. The Principal Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and, in the case of the Calculation Agent, the Parent and do not assume any obligation or relationship of agency or trust for or with any Holder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent and to appoint additional or other Paying Agents, Transfer Agents or Calculation Agents, provided that there shall at all times be (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) such other agents as may be required by any other stock exchange on which the Capital Securities may be listed, in each case as approved by the Trustee and (v) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents, the Registrar or the Transfer Agents will be given to the Holders in accordance with Condition 15.

Whenever a function expressed by the Conditions to be performed by the Calculation Agent falls to be performed, the Issuer shall appoint and (for so long as such function is required to be performed) maintain a Calculation Agent. Under no circumstances shall the Trustee be required to appoint a Calculation Agent (where the Issuer has failed to do so or otherwise), and the Trustee shall not be responsible, or liable to any person, for the consequences of any failure by the Issuer to appoint a Calculation Agent. All calculations and determinations made by the Calculation Agent in relation to the Capital Securities shall (save in the case of manifest error) be final and binding on the Issuer the Trustee, the Paying Agents, the Registrar, the Transfer Agents and the Holders. None of the Issuer, the Parent, the Trustee, the Agent Bank and the Paying Agents shall have any responsibility to any person for any errors or omissions in any calculation, or any sale of Payment Ordinary Shares made pursuant to Condition 6 or otherwise, by the Calculation Agent.

Any Calculation Agency Agreement may contain provision for the indemnification of the Calculation Agent and for relief from responsibility in certain circumstances, and may entitle it to enter into business transactions with the Issuer without being liable to account to the Holders for any resulting profit.

18 Pre-Emption

Each of the Issuer and the Parent shall, subject to compliance with the requirements of the Companies Act, use all reasonable endeavours to obtain and maintain at all times all corporate authorisations and take any other corporate actions required for the issue and allotment to the Trustee or its agent (free from any pre-emption rights) of such number of Payment Issuer Shares and Payment Ordinary Shares, respectively as it reasonably considers would be required to be issued in order to enable the Issuer and the Parent to make a payment satisfying the aggregate amount of Deferred Coupon Payments (if any) and the aggregate of Coupon Payments due in the next 12 months, provided that such reasonable endeavours shall be satisfied where the relevant corporate authorisation or action required is to be obtained or done by the passing of a resolution of the shareholders of the Issuer or, as the case may be, the Parent and the board of directors of the Issuer or, as the case may be, the Parent proposes the relevant resolution to its shareholders for approval at any general meeting of the Issuer or, as the case may be, the Parent and, if such proposal is rejected, the relevant resolution is proposed again at the next general meeting of the Issuer or, as the case may be, the Parent.

No damages will be payable for breach of this covenant but, in the event of breach by the Issuer or the Parent of this Condition 18, the Trustee may only require the Parent, as applicable (i) to procure that the Issuer holds as soon as practicable an extraordinary general meeting of the shareholders of the Issuer at which a resolution is proposed to remedy the breach or (ii) to put before the next general meeting of the shareholders of the Parent a resolution to remedy the breach.

The Trustee shall not be obliged to monitor compliance by the Issuer or the Parent with this Condition and shall be entitled to assume, unless it has actual knowledge to the contrary, that each of the Issuer and the Parent is complying with its obligations under this Condition.

Any authorised but unissued Issuer Shares or ordinary shares in the capital of the Parent which the Issuer or the Parent, as the case may be, is required to maintain other than in connection with the Capital Securities shall be discounted in determining whether the Issuer or, as the case may be, the Parent, is complying with its obligations under this Condition 18.

19 Governing Law

The Trust Deed, the Paying Agency Agreement, the Calculation Agency Agreement (if any) and the Capital Securities (including any non-contractual obligations arising out of or in connection with the Trust Deed, the Paying Agency Agreement, the Calculation Agency Agreement (if any) and the Capital Securities) are governed by, and shall be construed in accordance with, the laws of England.

The Courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Paying Agency Agreement, the Calculation Agency Agreement (if any) or the Capital Securities and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Paying Agency Agreement, the Calculation Agency Agreement (if any) or the Capital Securities ("Proceedings") may be brought in such courts. The Parent has in the Trust Deed irrevocably submitted to the jurisdiction of such courts. Service or process in any Proceedings in England may be effected on the Parent by delivery to the Parent's principal place of business in England currently at 25 Gresham Street, London EC2V 7HN or such other address as may be notified to Holders in accordance with Condition 15.

20 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Capital Securities by virtue of the Contracts (Rights of Third Parties) Act 1999.

21 Definitions

In these Conditions:

"Accrued Coupon Payment" means, as at any given time, where these Conditions provide that interest shall continue to accrue after a Coupon Payment Date or ACSM Payment Date in respect of a Capital Security or an ACSM Payment, the amount of interest accrued thereon at that time in accordance with Condition 5;

"ACSM Payment" means any Deferred Coupon Payment and/or any Accrued Coupon Payment which has been or is to be satisfied pursuant to Condition 6;

"ACSM Payment Date" means the date on which an ACSM Payment is due to be satisfied pursuant to these Conditions provided that where the provisions of Condition 6(e) cause an ACSM Payment to be deferred, references therein to "ACSM Payment Date" shall be to the date on which such ACSM Payment would otherwise have been due to be satisfied had such ACSM Payment not been deferred pursuant to Condition 6(e);

"Additional Amounts" has the meaning given to it in Condition 10;

"Alternative Coupon Satisfaction Mechanism" or "ACSM" means the mechanism described in Condition 6;

"Assets" means the unconsolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events in such manner as the Directors or, if the Issuer is in a winding-up or administration, its liquidator or administrator may determine;

"Authorised Denominations" means a minimum denomination of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof up to and including U.S.$199,000;

"Business Day" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets settle payments in London and New York, except that for the purposes of Condition 1, "Business Day" shall mean a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in the city in which the specified office of the Registrar or other Transfer Agent with whom a Certificate is deposited in connection with a transfer or exchange, is located;

"Calculation Agent" means the independent investment bank or financial institution, appointed on the terms of a Calculation Agency Agreement, selected by the Issuer and approved by the Trustee, for the purposes of performing the functions expressed to be performed by it under these Conditions;

"Calculation Agency Agreement" means any agreement entered into by the Issuer, the Parent, the Trustee and the Calculation Agent in respect of the appointment of the Calculation Agent to perform the functions expressed to be performed by the Calculation Agent under these Conditions;

"Capital Breach Event" means the occurrence of a breach by the Issuer or the Group or any member of the Group of the Capital Regulations applicable to the Issuer or the Group or any member of the Group, as the case may be (whether or not such requirements, guidelines or measures have the force of law and whether they are applied generally or specifically to the Issuer or the Group or any member of the Group, as the case may be);

"Capital Disqualification Event" is deemed to have occurred if as a result of a change of law or regulation or interpretation thereof, the Capital Securities would cease to be eligible to qualify (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as regulatory capital for the Issuer on a solo and/or consolidated basis under applicable Capital Regulations;

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

"Capital Securities" has the meaning given to it in the preamble;

"Certificate" has the meaning given to it in Condition 1(a);

"Companies Act" means the Companies Act 2006 (as amended or re-enacted from time to time);

"Conditions" means these terms and conditions of the Capital Securities, as amended from time to time;

"Coupon Amount" means the amount of interest payable for the relevant Coupon Period in accordance with Condition 5;

"Coupon Determination Date" means, in relation to each Reset Date, the second Business Day prior to such Reset Date;

"Coupon Payment" means, in respect of a Coupon Payment Date, the aggregate Coupon Amounts for the Coupon Period ending on (but excluding) such Coupon Payment Date;

"Coupon Payment Date" means (i) in respect of the period from (and including) the Issue Date to (and including) the First Reset Date, 16 June and 16 December in each year, starting on 16 June 2010; and (ii) after the First Reset Date, 16 March, 16 June, 16 September and 16 December in each year, starting on 16 March 2025, provided that if any Coupon Payment Date after the First Reset Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless such day shall fall within the next calendar month whereupon such payment will be made on the preceding Business Day;

"Coupon Period" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Coupon Payment Date and each successive period beginning on (and including) a Coupon Payment Date and ending on (but excluding) the next succeeding Coupon Payment Date;

"Coupon Rate" has the meaning given to it in Condition 5(c);

"Day Count Fraction" means in respect of each Coupon Period after the First Reset Date, the actual number of days elapsed divided by 360;

"Deferred Coupon Payment" means (i) any Coupon Payment which, pursuant to Condition 4, the Issuer has elected to defer and which has not been satisfied and (ii) any Coupon Payment which, by reason of the condition to payment set out in Condition 2(b)(i), has not been satisfied;

"Directors" means the directors of the Issuer or, as the case may be, the Parent;

"EEA Regulated Market" means a market as defined by Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments;

"Eligible Company" means a company incorporated in a member state of the European Union or in the United States of America by or on behalf of the Parent whose ordinary shares are listed (i) on the Official List and are admitted to trading on the Market or (ii) on such other stock exchange as is a Recognised Stock Exchange;

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

"FSMA" means the Financial Services and Markets Act 2000 (as amended or re-enacted from time to time);

"First Reset Date" means 16 December 2024;

"Group" means the Issuer and its Subsidiaries;

"Holder" means the person in whose name a Capital Security is registered in the Register (or in the case of a joint holding, the first named thereof);

"holding company" has the meaning given to it under Section 1159 of the Companies Act;

"Holding Company Shares" means ordinary shares in the capital of the New Holding Company;

"interest" shall, where appropriate, include Coupon Amounts, Deferred Coupon Payments and Accrued Coupon Payments;

"Issue Date" means 16 December 2009, being the date of the initial issue of the Capital Securities;

"Issuer" means Lloyds TSB Bank plc;

"Issuer Shares" means ordinary shares of the Issuer, which as at the Issue Date have a par value of £0.10 each;

"Junior Share Capital" means the Issuer Shares, the ordinary shares of the Parent, any other securities of the Issuer ranking, or expressed to rank, junior whether contractually or structurally to the Capital Securities (and shall include the 6 per cent. Non-Cumulative Redeemable Preference Shares issued by the Issuer) and any securities issued by any subsidiary of the Parent which securities benefit from a guarantee or support agreement entered into by the Issuer and ranking or expressed to rank junior to the Capital Securities and any other securities of the Parent or guarantee or support undertaking by the Parent ranking junior to the most senior preference shares of the Parent;

"Junior Subordinated Debt" means the Issuer's outstanding obligations which constitute Tier 2 Capital and any other obligations of the Issuer which rank or are expressed to rank *pari passu* with the aforesaid obligations;

"Liabilities" means the non-consolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events in such manner as the Directors, the auditors or, if the Issuer is in a winding-up or administration, its liquidator or administrator may determine;

"Lloyds Banking Group" means the Parent and its subsidiary undertakings from time to time;

"London Stock Exchange" means the London Stock Exchange plc;

"Market" means the London Stock Exchange's EEA Regulated Market;

"Market Disruption Event" means (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the London Stock Exchange or such other principal exchange of the Parent from time to time or otherwise) or on settlement procedures for transactions in the ordinary shares of the Parent on the London Stock Exchange or such other principal exchange of the Parent from time to time if, in any such case, the Calculation Agent has confirmed to the Issuer and the Parent that the suspension or limitation is material in the context of the sale of the Payment Ordinary Shares, or (ii) in the opinion of the Issuer, there has been a substantial deterioration in the price

and/or value of the ordinary shares of the Parent or circumstances are such so as to prevent or to a material extent restrict the issue, allotment, sale, delivery or listing of the Payment Ordinary Shares, as the case may be, including the Parent entering a close period (within the meaning of the FSA Handbook: Listing Rules), except that an event or circumstance contemplated by Condition 8(e) which leads to a Suspension shall not constitute a Market Disruption Event or (iii) where pursuant to these Conditions, moneys are required to be converted from one currency into another currency in respect of any Payment, the occurrence of any event that makes it impracticable to effect such conversion;

"New Holding Company" means an Eligible Company that becomes the Ultimate Owner following a Permitted Restructuring;

"Official List" means the official list of the UK Listing Authority;

"Other Tier 1 Securities" means, in respect of the Issuer or the Parent (as the case may be), any securities which are Tier 1 Capital of the Issuer or the Parent (as the case may be) and which rank on a winding-up of the Issuer or the Parent (as the case may be) or in respect of a distribution or payment of dividends or any other payments thereon, in the case of the Issuer, *pari passu* with the Capital Securities (on the assumption that the Capital Securities are still Tier 1 Capital of the Issuer) or, in the case of the Parent, *pari passu* with the most senior preference share capital of the Parent;

"Outstanding" in relation to any Coupon Payment, Deferred Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment, means that such payment (a) has either become due and payable or would have become due and payable except for the non-satisfaction on the relevant date of the condition to payment set out in Condition 2(b)(i) or the deferral, postponement or suspension of such payment in accordance with any of Condition 4, 6(d), 6(e) or 8(e); and (b) in any such case has not been satisfied and, in respect of any Accrued Coupon Payment, means any amount thereof which has not been satisfied whether or not payment has become due;

"Parent" means Lloyds Banking Group plc;

"Paying Agency Agreement" has the meaning given to it in the preamble to these Conditions;

"Paying Agents" has the meaning given to it in the preamble to these Conditions;

"Payment" means any Coupon Payment, Deferred Coupon Payment, Accrued Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment;

"Payment Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York and, in the case of a presentation or surrender of a Certificate, in the place of the specified office of the relevant Paying Agent to whom the same is presented or surrendered;

"Payment Issuer Shares" has the meaning given to it in Condition 6(b);

"Payment Ordinary Shares" has the meaning given to it in Condition 6(b);

"Permitted Restructuring" means the completion of (i) an offer made by or on behalf of an Eligible Company to all (or as nearly as may be practicable all) shareholders of the Parent (or, if the Parent is not the Ultimate Owner, the then Ultimate Owner) to acquire the whole (or as nearly as may be practicable the whole) of the issued ordinary share capital of the Parent (or, if the Parent is not the Ultimate Owner, the then Ultimate Owner) other than that which is already held by or on behalf of such Eligible Company or (ii) a reorganisation or restructuring whether by way of a scheme of arrangement or otherwise pursuant to which an Eligible Company acquires all (or as nearly as may be practicable all) of the issued ordinary share capital of the Parent (or, if the Parent is not the Ultimate Owner, the then Ultimate Owner) other than that which is already held by such Eligible Company or pursuant to which all (or as nearly as may be practicable all) of the issued ordinary

share capital of the Parent (or, if the Parent is not the Ultimate Owner, the then Ultimate Owner) not held by the New Holding Company is cancelled;

"Permitted Restructuring Arrangement" means, in relation to a Permitted Restructuring, an arrangement whereby the following conditions are satisfied: (a) the execution of a trust deed supplemental to the Trust Deed and/or such other documentation as may be necessary to ensure that (i) the ACSM, the Trust Deed and any Calculation Agency Agreement operates so that Issuer Shares may be exchanged for Holding Company Shares in such a manner that ensures that upon the sale of such Holding Company Shares the holder of each Capital Security then outstanding will receive, in the event of a payment to be satisfied pursuant to Condition 6, an amount not less than that which would have been receivable had such a Permitted Restructuring not taken place and (ii) the economic effect, for the Holders, of a holding of the Capital Securities prior to the Permitted Restructuring is substantially preserved; and (b) the Trustee is satisfied that the credit ratings that would be assigned to the Capital Securities by Fitch Ratings Limited, Moody's Investors Service, Inc. or Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. following any such Permitted Restructuring, shall not be lower than those assigned to the Capital Securities immediately prior to such Permitted Restructuring taking place as confirmed by such rating agency in writing;

"Principal Paying Agent" has the meaning given to it in the preamble to these Conditions;

"Qualifying Tier 1 Securities" means securities issued directly or indirectly by the Issuer that:

(a) have terms not materially less favourable to an investor than the terms of the Capital Securities (as reasonably determined by the Issuer, and provided that a certification to such effect of two Directors of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities which shall be conclusive and binding on the Trustee and the Holders), provided that (1) they shall contain terms which comply with the then current requirements of the FSA in relation to Tier 1 Capital; (2) they shall include terms which provide for the same Coupon Rate from time to time applying to the Capital Securities; (3) they shall rank *pari passu* with, the Capital Securities; and (4) such securities shall preserve any existing rights under these Conditions to any Accrued Coupon Payment which has not been satisfied, except that such securities need not necessarily include provisions analogous to the provisions of Condition 6; and

(b) do not have terms such that (x) the Issuer would not, as a result of the Qualifying Tier 1 Securities being in issue, be able to have losses or deductions set against the profits, or profits offset by the losses or deductions, of companies with which it is or would otherwise be grouped for United Kingdom tax purposes or (y) the holders of such Qualifying Tier 1 Securities would constitute "equity holders" of the Issuer for United Kingdom tax purposes; and

(c) are (i) listed on the Official List and admitted to trading on the Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

"Qualifying Upper Tier 2 Securities" means securities issued directly or indirectly by the Issuer that:

(a) have terms not materially less favourable to an investor than the terms of the Capital Securities (as reasonably determined by the Issuer, and provided that a certification to such effect of two Directors of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities which shall be conclusive and binding on the Trustee and the Holders), provided that (1) they shall contain terms which comply with the then current requirements of the FSA in relation to Upper Tier 2 Capital; (2) they shall include terms which provide for the same Coupon Rate from time to time applying to the Capital Securities; (3) they shall rank senior to, or *pari passu* with, the Capital Securities; and (4) such securities shall preserve any existing rights under these Conditions to any Accrued Coupon Payment

which has not been satisfied, except that such securities need not include provisions analogous to the provisions of Condition 6; and

(b) do not have terms such that (x) the Issuer would not, as a result of the Qualifying Upper Tier 2 Securities being in issue, be able to have losses or deductions set against the profits, or profits offset by the losses or deductions, of companies with which it is or would otherwise be grouped for United Kingdom tax purposes or (y) the holders of such Qualifying Upper Tier 2 Securities would constitute "equity holders" of the Issuer for United Kingdom tax purposes; and

(c) are (i) listed on the Official List and admitted to trading on the Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

"Record Date" means, with respect to the payment of a Coupon Amount, the 15th day before the due date for the payment of such Coupon Amount;

"Recognised Stock Exchange" means a recognised stock exchange as defined in Section 1005 of the Income Tax Act 2007 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

"Reference Banks" means the financial institutions appointed as such by the Issuer pursuant to Condition 5(f);

"Register" has the meaning given to it in Condition 1(b);

"Registrar" has the meaning given to it in the preamble to these Conditions;

a "Regulatory Event" is deemed to have occurred if at any time the FSA has determined that securities of the nature of the Capital Securities cease to qualify as Tier 1 Capital (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital);

"Relevant Date" means (i) in respect of any payment other than a Solvency Claim to be paid by the Issuer in a winding-up of the Issuer, 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 Principal Paying Agent or the Trustee on or prior to such due date) the date on which, the full amount of such moneys having been so received, notice to that effect is given to the Holders in accordance with Condition 15; and (ii) in respect of a Solvency Claim to be paid by the Issuer in a winding-up of the Issuer, the date which is one day prior to the commencement of the winding-up or, in the case of an administration, one day prior to the date on which any dividend is distributed;

"Reset Date" means the First Reset Date and, thereafter, every Coupon Payment Date;

"Reset Period" means the period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

"Senior Creditors" means creditors of the Issuer (a) who are depositors or other unsubordinated creditors of the Issuer; (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up of the Issuer or otherwise) to the claims of depositors and other unsubordinated creditors of the Issuer but not further or otherwise; (c) whose claims are in respect of Junior Subordinated Debt of the Issuer; or (d) who are subordinated creditors of the Issuer other than those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders;

"Solvency Claim" has the meaning given to it in Condition 2(b)(ii);

"Subsidiary" means each subsidiary for the time being of the Issuer;

"subsidiary" has the meaning given to subsidiary undertaking under Section 1159 of the Companies Act 2006;

"Suspension" has the meaning given to it in Condition 8(e);

"Tax Event" means an event of the type described in Condition 7(c)(i), (ii) and/or (iii);

"Tax Law Change" means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any written interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written statements made by a tax authority regarding the anticipated tax treatment of the Capital Securities, which change or amendment becomes, or would become, effective on or after the Issue Date;

"Tier 1 Capital" and "Tier 2 Capital" have the respective meanings given to them from time to time by the FSA;

"Transfer Agents" has the meaning given to it in the preamble to these Conditions;

"Trust Deed" has the meaning given to it in the preamble to these Conditions;

"Trustee" has the meaning given to it in the preamble to these Conditions;

"UK Listing Authority" means the FSA in its capacity as competent authority under FSMA;

"Ultimate Owner" means, at any given time, the ultimate holding company of the Lloyds Banking Group at that time;

"United Kingdom" means the United Kingdom of Great Britain and Northern Ireland; and

"Upper Tier 2 Capital" has the meaning given to it by the FSA from time to time.

BOOK ENTRY, TRANSFER RESTRICTIONS AND SUMMARY OF PROVISIONS RELATING TO THE CAPITAL SECURITIES WHILE IN GLOBAL FORM

General

Capital Securities sold to qualified institutional buyers within the meaning of Rule 144A under the Securities Act pursuant to an exemption from the registration requirements of the Securities Act for transactions not involving a public offering will be represented by one or more Restricted Global Certificates. The Restricted Global Certificate will be deposited upon issuance with The Bank of New York Mellon (Luxembourg) S.A., as custodian for DTC, and registered in the name of Cede & Co., as nominee of DTC. Capital Securities sold to persons that are not U.S. persons in an "offshore transaction" within the meaning of Regulation S will be represented by interests in the Unrestricted Global Certificate. The Unrestricted Global Certificates will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream, Luxembourg.

Ownership of interests in the Restricted Global Certificate ("Rule 144A Book-Entry Interests") and in the Unrestricted Global Certificate (the "Unrestricted Book-Entry Interests" and, together with the Rule 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants. DTC, Euroclear and Clearstream, Luxembourg will hold interests in the Global Certificates on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will only be effected through, records maintained in book-entry form by DTC, Euroclear and Clearstream, Luxembourg and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Capital Securities are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Capital Securities for any purpose.

So long as the Capital Securities are held in global form, DTC, Euroclear and/or Clearstream, Luxembourg, as applicable (or their respective nominees), will be considered the sole holders of Global Certificates for all purposes under the Trust Deed. In addition, participants must rely on the procedures of DTC, Euroclear and/or Clearstream, Luxembourg, and indirect participants must rely on the procedures of DTC, Euroclear, Clearstream, Luxembourg and the participants through which they own Book-Entry interests, to transfer their interests or to exercise any rights of holders under the Trust Deed.

Neither the Issuer nor the Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Transfer Restrictions

None of the Capital Securities offered hereby have been registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Capital Securities are being sold only to (i) qualified institutional buyers (as

defined in Rule 144A) in a private transaction in reliance upon an exemption from the registration requirements of the Securities Act for transactions not involving a public offering or (ii) to persons other than "U.S. persons" as that term is defined in Rule 902 under the Securities Act in offshore transactions in reliance upon Regulation S.

Unrestricted Capital Securities

Each purchaser of Capital Securities outside the United States pursuant to Regulation S and each subsequent purchaser of such Capital Securities in resales prior to the expiration of the distribution compliance period (as defined in Regulation S) by accepting delivery of the Capital Securities, will be deemed to have represented, agreed and acknowledged that:

(i) it is acquiring the Capital Securities in an offshore transaction within the meaning of Regulation S and it is, or at the time Capital Securities are purchased will be, the beneficial owner of such Capital Securities and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate; and

(ii) it understands that such Capital Securities have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Capital Securities except (a) in accordance with Rule 144A to a person that it or any person acting on its behalf reasonably believes is a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or the account of a qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 under the Securities Act or (c) to the Issuer, in each case in accordance with any applicable securities laws of any State of the United States; and

(iii) it understands that the Issuer, the Registrar and their affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify the Issuer. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations, and agreements on behalf of each account.

On or prior to the 40th day after the Issue Date, Capital Securities represented by an interest in the Unrestricted Global Certificate may be transferred to a person who wishes to hold such Capital Securities in the form of an interest in the Restricted Global Certificate only upon receipt by the Registrar (or any other Agent which shall forward such certification to the Registrar) of a written certification from the transferor (in the form set out in Appendix II to the Schedule (Form of Rule 144A Certificate) of the Paying Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Certificate, as described below under "─Exchange of Interests in the Global Certificates for Definitive Certificates".

Capital Securities represented by an interest in the Restricted Global Certificate may also be transferred to a person who wishes to hold such Capital Securities in the form of an interest in the Unrestricted Global Certificate, but only upon receipt by the Registrar (or any other Agent which shall forward such certification to the Registrar) of a written certification from the transferor (in the form set out in Appendix I(Form of

Regulation S Certificate) of the Paying Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Any interest in the Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in the Restricted Global Certificate will, upon transfer, cease to be an interest in the Unrestricted Global Certificate and become an interest in the Restricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in the Restricted Global Certificate.

Restricted Capital Securities

Each subsequent purchaser of Capital Securities within the United States pursuant to Rule 144A, by accepting delivery of the Capital Securities, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

(i) the purchaser (a) is a qualified institutional buyer within the meaning of Rule 144A, (b) is acquiring the Capital Securities for its own account or for the account of a qualified institutional buyer and (c) is aware, and each beneficial owner of such Capital Securities has been advised, that the sale of the Capital Securities to it is being made in reliance on Rule 144A;

(ii) the purchaser understands that the Capital Securities are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Capital Securities and others have not been and will not be registered under the Securities Act except in accordance with the legend set forth below; and

(iii) the purchaser understands that the Restricted Global Certificate and any Restricted Definitive Certificates (as defined below) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THE CAPITAL SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE 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 ACCORDINGLY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) WITHIN THE UNITED STATES TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, UNDER THE SECURITIES ACT (2) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), AND (B) IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF INTERESTS IN SUCH SECURITIES. THE HOLDER UNDERSTANDS THAT ITS ABILITY, AND THE ABILITY OF ANY SUBSEQUENT HOLDER TO REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE CAPITAL SECURITIES PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, OR BY VIRTUE OF THE FACT THAT THE CAPITAL SECURITY WAS PREVIOUSLY SOLD IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S

THEREUNDER, MAY BE LIMITED AS A RESULT OF MARKETMAKING IN THE CAPITAL SECURITIES BY AFFILIATES OF LLOYDS BANKING GROUP PLC.

(iv) It understands that the Issuer, the Registrar, the Transfer Agent and their affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Capital Securities 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 acknowledgements, representations and agreements on behalf of each such account.

Upon the transfer, exchange or replacement of the Restricted Global Certificate or a restricted Capital Security in definitive form (a "Restricted Definitive Certificate") bearing the above legend, or upon specific request for removal of the legend, the Issuer will deliver only the Restricted Global Certificate or one or more Restricted Definitive Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the Issuer, the Registrar and the Transfer Agent such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in the Restricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate will, upon transfer, cease to be an interest in the Restricted Global Certificate and become an interest in the Unrestricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in the Unrestricted Global Certificate.

Exchange of Interests in the Global Certificates for Definitive Certificates

The Global Certificates will be exchangeable, free of charge to the holder, in whole but not in part, for Definitive Certificates only if:

(i) a Restricted Global Certificate is held by or on behalf of DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or ceases to be a "clearing agency" registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC; or

(ii) an Unrestricted Global Certificate is held by or on behalf of Euroclear or Clearstream, and Euroclear or Clearstream, Luxembourg, as the case may be, 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 Clearing System satisfactory to the Trustee is available.

In such circumstances, the Issuer shall procure the delivery of Definitive Certificates in exchange for the Unrestricted Global Certificate and/or the Restricted Global Certificate. A person having an interest in a Global Certificate must provide the Registrar (through DTC, Euroclear and/or Clearstream, Luxembourg) with (a) such information as the Issuer and the Registrar may require to complete and deliver Definitive Certificates (including the name and address of each person in which the Definitive Certificates are to be registered and the principal amount of each such person's holding) and (b) (in the case of the Restricted Global Certificate only) a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer

restrictions applicable to the Capital Securities and that the person transferring such interest reasonably believes that the person acquiring such interest is a qualified institutional buyer with the meaning of Rule 144A and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Definitive Certificates issued in exchange for interests in the Restricted Global Certificate will bear the legends and be subject to the transfer restrictions set out under "— Transfer Restrictions — Restricted Capital Securities".

If a Global Certificate is to be exchanged for Definitive Certificates, such Definitive Certificates will be issued within five business days of the delivery to the Registrar of the information and any required certification described in the preceding paragraph against the surrender of the relevant Global Certificate at the specified office of the Registrar. Such exchange shall be effected in accordance with the regulations concerning the transfer and registration from time to time relating to the Capital Securities and shall be effected without charge, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Registrar will not register the transfer of or exchange of interests in a Global Certificate for Definitive Certificates for a period of 15 days ending on the due date for any payment of principal or interest in respect of the Capital Securities.

DTC Book-Entry Ownership of Global Certificates

The Issuer has applied to DTC in order to have the Restricted Capital Securities accepted in its book-entry settlement system. Upon the issue of the Restricted Global Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by the Restricted Global Certificate to the account of DTC participants. Ownership of beneficial interests in the Restricted Global Certificate will be held through participants of DTC. Ownership of beneficial interests in the Restricted Global Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee.

Payments in U.S. dollars of principal and interest in respect of the Restricted Global Certificate registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Capital Security. In the case of any payment in a currency other than U.S. dollars, payment will be made by the Issuer and all or a portion of such payment will be remitted for credit directly to the beneficial holders of interests in the Restricted Global Certificate in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable participants' accounts.

Transfers of Interests in Global Certificates

Transfers of interests in the Global Certificates within DTC, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Capital Securities. Consequently, the ability to transfer interests in the Global Certificates to such persons will be limited. Because DTC only acts on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in the Global Certificate to pledge such interest to persons or entities which do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a Definitive Certificate representing such interest.

Cross market transactions will require delivery of instructions to Clearstream, Luxembourg or (as the case may be) Euroclear by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Clearstream, Luxembourg or (as the case may be) Euroclear will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant Global Certificate in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream, Luxembourg account holders and Euroclear account holders may not deliver instructions directly to the depositaries for Clearstream, Luxembourg or Euroclear.

Because of time zone differences, credits of Capital Securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC participant will be made during the securities settlement processing day following the DTC settlement date and such credits of any transactions in such securities settled during such processing will be reported to the relevant Clearstream, Luxembourg or Euroclear account holder on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of Capital Securities by or through a Clearstream, Luxembourg account holder or a Euroclear account holder to a DTC participant will be received for value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC. Settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery versus payment basis. The arrangements for transfer of payments must be established separately from the arrangements for transfer of Capital Securities, the latter being effected on a free delivery basis. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Restricted Capital Securities (including, without limitation, the presentation of the Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in the Restricted Global Certificate are credited, and only in respect of such portion of the aggregate principal amount of the Restricted Global Certificate as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the Restricted Global Certificate for Restricted Definitive Certificates (which will, in the case of Restricted Capital Securities, bear the legend set out above under "─ Transfer Restrictions").

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Certificates among participants and account holders 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. None of the Issuer, the Trustee, the Registrar, Paying Agent or the Transfer Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

While the Restricted Global Certificate is lodged with DTC or the custodian, Restricted Definitive Certificates will not be eligible for clearing and settlement through Clearstream, Luxembourg or Euroclear.

Payments

Payments of amounts falling due in respect of the Global Certificates will be made against presentation for endorsement and, if no further payment falls to be made on it, surrender of the Global Certificates to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Holders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Certificates, which endorsement will be prima facie evidence that such payment has been made.

Record Date

So long as the Capital Securities are represented by the Global Certificates and the Global Certificates are held on behalf of any one or more of DTC, Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, each payment in respect of a Global Certificate will be made to the person shown as the Holder in the Register at the opening of business on the Clearing System Business Day before the due date for such payment (the "Record Date").

"Clearing System Business Day" means a day on which each clearing system for which the Global Certificate is being held is open for business.

Meetings

The holder of the Global Certificates shall be treated at any meeting of Holders as having one vote in respect of each U.S.$1,000 principal amount of Capital Securities for which the Global Certificates may be exchanged.

Purchase and Cancellation

Cancellation of any Capital Security represented by the Global Certificates which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the relevant Global Certificate.

Trustee's Powers

In considering the interests of Holders in circumstances where the Global Certificates are held on behalf of any one or more of DTC, Euroclear, Clearstream, Luxembourg, and an Alternative Clearing System, the Trustee may have regard to such information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of a Global Certificate and may consider such interests on the basis that such accountholders were the holder of the relevant Global Certificate.

Notices

So long as the Capital Securities are represented by the Global Certificates and the Global Certificates are held on behalf of any one or more of DTC, Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, notices required to be given to Holders may be given by their being delivered to the relevant clearing system for communication by it to entitled accountholders in substitution for notification, as required by the Conditions. Any such notice shall be deemed to be given to Holders on the day after the day on which such notice is delivered to the relevant clearing system(s).

Transfers

Transfers of interests in the Capital Securities with respect to which the Global Certificates are issued shall be made in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg, or DTC, as the case may be.

Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Capital Securities in respect of which the Global Certificates are issued shall be recognised as the beneficiaries of the trusts set out in the Trust Deed to the extent of the principal amount of their interest in the Capital Securities set out in the certificate of the holder as if they were themselves the holders of Capital Securities in such principal amounts.

USE OF PROCEEDS

The net proceeds of the issue of Capital Securities are expected to be approximately U.S.$1,990,000,000 and will be used for the general business purposes of the Lloyds TSB Bank Group.

INFORMATION ON LLOYDS BANKING GROUP

Information on Lloyds Banking Group is set out in the "Interim Management Statement" and on pages 93 to 116 ("Lloyds Banking Group") of the US MTN Programme, both of which are incorporated by reference into this Prospectus, save for the sections of the US MTN Prospectus entitled "Legal Proceedings", "Current terms and conditions" and "Historic terms and conditions" as set out on pages 105 to 106 of the US MTN Prospectus. There follows below additional information relating to Legal Proceedings.

Legal proceedings

On 27 July 2007, following agreement between the Office of Fair Trading ("OFT"), the FSA and a number of UK financial institutions, the OFT issued High Court legal proceedings against those financial institutions, including the Issuer and HBOS plc ("HBOS"), to determine the legal status and enforceability of unarranged overdraft charges.

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 Issuer 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 (the "Regulations"). On 23 May 2008, the Issuer 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 gave the relevant financial institutions permission to appeal this judgment. The hearing before the House of Lords took place from 23 to 25 June 2009.

The Supreme Court (which replaced the House of Lords as the highest court of appeal in the United Kingdom on 1 October 2009) published its judgment on 25 November 2009. The Supreme Court overturned the High Court and Court of Appeal judgments and found in favour of the financial institutions. It decided that, insofar as the terms pursuant to which the charges are levied are in plain intelligible language, no assessment of the fairness of the charges can be made by the OFT on the basis that the charges are too high. In a previous judgment the High Court had already ruled that substantially all the banks' current charges are in plain intelligible language.

On 8 October 2008, the High Court had confirmed that HBOS's historic terms and conditions are not capable of being penalties and on 21 January 2009, that the relevant unarranged overdraft charges under the Issuer's historic terms and conditions are not capable of being penalties to the extent that the Issuer's contracts with customers included the applicable charging terms.

On 25 November, the Supreme Court agreed that the principles of its judgment of that date on current terms and conditions would also apply to historic terms and conditions. The Supreme Court declined to make any referral of this case to the European Court of Justice so the 25 November 2009 judgment is now final.

The judgment acknowledges that there are other potential challenges available under the Regulations.

The OFT has announced it is currently considering the detail of the judgment before it decides whether or not to continue its investigation.

The FSA's waiver, permitting the relevant financial institutions to suspend the handling of complaints relating to the level, fairness or lawfulness of unarranged overdraft charges, lapsed on 25 November 2009. The Issuer

and HBOS are working with the regulators to ensure that customer complaints are concluded as quickly as possible and anticipate that most cases in the county courts will be withdrawn.

RECENT DEVELOPMENTS

Capital Restructuring and State Aid Decision

Capital Raising Transactions

On 3 November 2009 Lloyds Banking Group plc announced proposals intended to meet its current and long-term capital requirements including a rights issue and two separate exchange offers (together, the "Proposals"). The Proposals, which were fully underwritten were approved by shareholders on 26 November 2009. The rights issue which raised £13.5 billion (£13 billion net of the expenses of the Proposals) was completed on 14 December 2009 with 95.3 per cent. of shares placed with shareholders. The remaining 4.7 per cent. rump was placed with investors and settled on 17 December 2009. The exchange offers were completed on 23 November and 8 December 2009 and generated £9.0 billion in core tier 1 and/or nominal value of contingent core tier 1 capital.

HM Treasury, which holds a 43.4 per cent. holding in Lloyds Banking Group, voted in favour of the resolutions to implement the Proposals to the extent it was entitled to vote. HM Treasury also participated in full in respect of its rights in the rights issue. In addition, all of the Parent's Directors participated in respect of their rights in the rights issue.

Alongside the Proposals, Lloyds Banking Group has paid to HM Treasury, with shareholder approval (excluding HM Treasury), a fee of £2.5 billion for the benefit to Lloyds Banking Group's trading operations arising as a result of HM Treasury proposing to make GAPS available to Lloyds Banking Group and a commission, being a commission of up to £143.7 million in consideration, *inter alia*, of HM Treasury's pre-launch commitment to participate in full in respect of its entitlements under the rights issue. Payment of a fee in relation to the benefit to Lloyds Banking Group's trading operations as described above was also required by the European Commission as part of the state aid remedies. Lloyds Banking Group has also agreed to reaffirm the lending commitments that it gave to HM Treasury in March 2009 and to maintain in the 12 months commencing 1 March 2010 similar overall levels of lending as in the 12 months commencing 1 March 2009.

State Aid

Lloyds Banking Group has previously announced that, as a result of HM Treasury's investment in the Parent in the context of the placing and open offer undertaken by the Parent in November 2008 and Lloyds Banking Group's participation in the Credit Guarantee Scheme, Lloyds Banking Group was required to work with HM Treasury to submit a restructuring plan to the European Commission in the context of a state aid review. The plan was required to contain measures to limit any competition distortions resulting from the state aid received by Lloyds Banking Group.

The College of Commissioners announced its formal approval of Lloyds Banking Group's restructuring plan on 18 November 2009. See Risk Factor 1.8 under "*Risk Factors*" of this Prospectus for further discussion of the risks relating to the state aid proceedings. The restructuring plan consists of the following principal elements:

(i) the disposal of a retail banking business with at least 600 branches, a 4.6 per cent., share of the personal current accounts market in the UK and approximately 19 per cent., of Lloyds Banking Group's mortgage assets. The business would consist of:

- the TSB brand;

- the branches, savings accounts and branch-based mortgages of Cheltenham & Gloucester;
- the branches and branch based customers of Lloyds TSB Scotland and a related banking licence;
- additional Lloyds TSB branches in England and Wales, with branch based customers; and
- Intelligent Finance,

and would need to be disposed of within four years;

(ii) an asset reduction programme to achieve a £181 billion reduction in a specified pool of assets by 31 December 2014; and

(iii) behavioural commitments, including commitments:

- not to make certain acquisitions for approximately three to four years; and
- not to make discretionary payments of coupons or to exercise voluntary call options on hybrid securities from 31 January 2010 until 31 January 2012, which will prevent Lloyds Banking Group from paying dividends on its ordinary shares for the same duration.

The assets and liabilities, and associated income and expenses, of the business to be divested (referred to in sub-paragraph (i) above) cannot be determined with precision until nearer the date of sale. However, the Parent estimates that, as at 31 December 2008 and after aggregating the elements relating to the Lloyds TSB Bank Group and the HBOS Group, the business to be divested comprised approximately £70 billion of customer lending and £30 billion of customer deposits and, on this basis, approximately £18 billion of risk-weighted assets. For the year ended 31 December 2008, the Board estimates that the business to be divested generated income of approximately £1.4 billion and, after associated direct expenses of approximately £600 million and impairment charges of £300 million, contributed approximately £500 million of profit before tax to Lloyds Banking Group.

The Board is confident that this restructuring plan will not have a materially negative impact on Lloyds Banking Group.

For more information and background on the Proposals and the state aid restructuring plan, including the rationale presented to shareholders on 3 November 2009 when seeking their approval for the Proposals, please see "Recent Developments" on pages 117 to 127 of the US MTN Prospectus.

Preference Share Exchanges

On 11 December 2009 Lloyds Banking Group plc announced that it had agreed to repurchase $359,790,000 of its $750,000,000 6.413 per cent. Non-Cumulative Fixed to Floating Rate Preference Shares, $194,457,000 of its $750,000,000 5.92 per cent. Non-Cumulative Fixed to Floating Rate Preference Shares, $252,842,000 of its $750,000,000 6.657 per cent. Non-Cumulative Fixed to Floating Rate Preference Shares and $451,542,000 of its $1,000,000,000 6.267 per cent. Non-Cumulative Fixed to Floating Rate Preference Shares, which are held by a limited number of investors in the United States, for new $1,258,631,000 8.00 per cent. Fixed to Floating Rate Undated Enhanced Capital Notes. The exchanges settled on 15 and 16 December 2009.

On 14 December 2009 Lloyds Banking Group plc announced that it had agreed to repurchase $15,400,000 of its $750,000,000 6.413 per cent. Non-Cumulative Fixed to Floating Rate Preference Shares, $183,610,000 of its $750,000,000 5.92 per cent. Non-Cumulative Fixed to Floating Rate Preference Shares, $62,808,000 of its $750,000,000 6.657 per cent. Non-Cumulative Fixed to Floating Rate Preference Shares and $14,840,000 of its $1,000,000,000 6.267 per cent. Non-Cumulative Fixed to Floating Rate Preference Shares, for new $276,658,000 8.50 per cent. Undated Enhanced Capital Notes. The exchanges are expected to settle on or around 17 December 2009.

SELLING RESTRICTIONS

United States

The Capital Securities have not been and will not be registered under the Securities Act, and the Capital Securities are being offered and will be issued only to (i) ''qualified institutional buyers'', as that term is defined in Rule 144A, in a private transaction in reliance upon an exemption from the registration requirements of the Securities Act for transactions by an issuer not involving a public offering or to (ii) persons other than ''U.S. persons'', as that term is defined in Rule 902 under the Securities Act, in offshore transactions in reliance upon Regulation S. The Capital Securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and other applicable securities laws, pursuant to registration or exemption therefrom. The Capital Securities will not be eligible for resale pursuant to Rule 144A. See ''Book Entry, Transfer Restrictions and Summary of Provisions Relating to the Capital Securities while in Global Form - Transfer Restrictions''.

The Capital Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Capital Securities or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

United Kingdom

(a) No communication of an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, "FSMA") in connection with the issue or sale of any Capital Securities in circumstances in which Section 21(1) of the FSMA applies shall be made otherwise than by an authorised person; and

(b) all applicable provisions of the FSMA with respect to anything done in relation to any Capital Securities in, from or otherwise involving the United Kingdom must be complied with.

General

No action will be taken in any jurisdiction that would permit a public offering of the Capital Securities, or possession or distribution of this Prospectus or any offering or publicity material relating to the Capital Securities, in any country or jurisdiction where action for that purpose is required. The subscriber has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Capital Securities or has in its possession or distributes this Prospectus or any such material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions.

TAXATION

The following discussion is a summary of the current taxation treatment of payments of interest on the Issuer Capital Securities under tax law in the United Kingdom. The discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Capital Securities. The discussion is based on the tax laws of the United Kingdom and the published practice of HM Revenue & Customs as in effect on the date of this Prospectus, which are subject to change, possibly with retroactive effect. The discussion does not consider any specific facts or circumstances that may apply to a particular Holder and relates only to the position of persons who are absolute beneficial owners of their Capital Securities and may not apply to certain classes of persons or certain professional investors. The discussion does not necessarily apply where the income is deemed for tax purposes to be the income of any other person. Holders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than that discussed should consult their professional advisers.

United Kingdom Taxation

For so long as the Capital Securities continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007, payments of interest on the Capital Securities may be made without withholding or deduction for or on account of United Kingdom tax. The London Stock Exchange is a recognised Stock Exchange for these purposes. 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 are admitted to trading on the London Stock Exchange.

Interest on the Capital Securities may also be paid without withholding or deduction on account of United Kingdom tax where, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Capital Securities is paid reasonably believes) that the beneficial owner, a United Kingdom resident company, is within the charge to United Kingdom corporation tax as regards the payment of interest or is one of a number of other persons to whom interest can be paid gross, provided that HM Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely 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.

In other cases, interest will generally be paid under deduction of income tax at the basic rate (currently 20 per cent.), subject to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any 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 HM Revenue & Customs regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be provided to the tax authorities in other countries.

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

The interest on the Capital Securities will have a United Kingdom source and, accordingly, subject as set out below, may be chargeable to United Kingdom tax by direct assessment even if paid without withholding or deduction. However, such interest received without deduction or withholding is not chargeable to United Kingdom tax in the hands of a Holder who is not resident for tax purposes in the United Kingdom unless the

Holder carries on a trade, profession or vocation in the United Kingdom through a branch or agency or, in the case of a corporate holder, a permanent establishment in the United Kingdom in connection with which the interest is received or to which the Capital Securities are attributable in which case (subject to exemptions for certain categories of agent) tax may be levied on the United Kingdom branch or agency or permanent establishment.

Holders should be aware that the provisions relating to additional payments referred to in Condition 10 would not apply if HM Revenue & Customs sought to assess the person entitled to the relevant interest on any Capital Security directly to United Kingdom income tax.

However, exemption from or reduction of such United Kingdom tax liability might be available under an applicable double taxation treaty.

EU Directive on the Taxation of Savings Income

The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Austria, Belgium and Luxembourg may instead impose a withholding system for a transitional period unless during such period they elect otherwise. Belgium will change to the provision of information system (rather than a withholding system) from 1 January 2010. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in Switzerland).

Investors should note that the European Commission has announced proposals to amend the Directive. If implemented, the proposed amendments would, *inter alia*, extend the scope of the Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual and (ii) a wider range of income similar to interest**.**

GENERAL INFORMATION

(1) The listing of the Capital Securities on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that listing of the Capital Securities on the Official List and admission of the Capital Securities to trading on the Market will be granted on or around the Issue Date. 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.

(2) The issue of the Capital Securities by the Issuer has been duly authorised by resolutions of the Board of Directors of the Issuer passed on 11 December 2009 and by the Board of Directors of the Parent passed on 11 December 2009.

(3) The Issuer estimates that the expenses in connection with the issue of the Capital Securities are expected to be £6625.

(4) The Capital Securities have been accepted for clearance through DTC, or its nominees and the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code. The International Securities Identification Number ("ISIN") for the Capital Securities is XS0474660676 and the CUSIP for the Capital Securities is 539473 AE8.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, NY 10041-0099, USA.

(5) All Capital Securities will carry a legend to the following effect "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code". The sections referred to in such legend provide that United States persons, with certain exceptions, will not be entitled to deduct any loss, and will not be entitled to capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of a Capital Security or Coupon.

(6) There has been no significant change in the financial or trading position of Lloyds TSB Bank Group since 30 June 2009, the date to which Lloyds TSB Bank Group's last published financial information was prepared and save as disclosed in Risk Factor 1.3 in the US MTN Prospectus (as incorporated by reference herein) relating to the European Commission's review of the State aid given by HM Treasury to Lloyds Banking Group, there has been no material adverse change in the prospects of Lloyds TSB Bank Group since 31 December 2008.

(7) Save as disclosed in the section entitled "Legal Action" on pages 112-113 of the US MTN Prospectus, as incorporated by reference into this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus, which may have or have had in the recent past, significant effects on the financial position or profitability of the Issuer or Lloyds TSB Bank Group.

(8) For the period of 12 months starting on the date on which this Prospectus is made available to the public, copies of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of, and copies may be obtained free of charge from, Lloyds TSB Bank plc, Investor Relations, 25 Gresham Street, London EC2V 7HN, telephone: +44 207 356 1273, email: investor.relations@ltsbfinance.co.uk:

(a) the Memorandum and Articles of Association of the Issuer;

(b) the Trust Deed;

(c) the Paying Agency Agreement;

(d) copies of documents incorporated by reference, as set out in the section "Documents Incorporated by Reference" in this Prospectus; and

(e) a copy of this Prospectus together with any supplemental Prospectus or further Prospectus.

(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 Issuer and its subsidiaries for the two financial years ended 31 December 2007 and 31 December 2008.

LLOYDS TSB BANK PLC

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