

## OFFERING CIRCULAR



# Lloyds TSB

## Lloyds TSB Bank plc

*(incorporated with limited liability in England and Wales with registered number 2065)*

**€750,000,000**

### Step-Up Perpetual Capital Securities

**Issue price: 100 per cent.**

Interest on the €750,000,000 Step-Up Perpetual Capital Securities (the "Capital Securities") of Lloyds TSB Bank plc (the "Issuer") will be payable from and including 12 May 2005 to but excluding 12 May 2017 at the rate of 4.385 per cent. per annum, annually in arrear. From and including 12 May 2017 the Capital Securities will bear interest at a rate reset quarterly of 1.68 per cent. per annum above the Euro-zone interbank offered rate for three month euro deposits payable quarterly in arrear on the Coupon Payment Dates (as defined in the Terms and Conditions of the Capital Securities) falling on 12 February, 12 May, 12 August and 12 November in each year, all as more particularly described in "Terms and Conditions of the Capital Securities — 5. Coupon Payments". Coupon Payments (as defined in the Terms and Conditions of the Capital Securities) may be deferred as described in "Terms and Conditions of the Capital Securities — 4. Coupon Deferral". Payments in respect of the Capital Securities will be made without deduction for, or on account of, taxes of the United Kingdom, unless such deduction is required by law. In the event that any such 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 "Terms and Conditions of the Capital Securities — 10. Taxation".

Subject to giving prior written notice to, and receiving no objection from, the Financial Services Authority (the "FSA"), the Capital Securities will be redeemable (at the option of the Issuer) in whole but not in part at their principal amount on 12 May 2017, or on any Coupon Payment Date thereafter. In addition, upon the occurrence of a Par Tax Event, Other Tax Event or a Regulatory Event (each as defined in the Terms and Conditions of the Capital Securities), 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 Terms and Conditions of the Capital Securities), or (ii) be redeemed, at the amounts specified, and as otherwise more particularly described, in "Terms and Conditions of the Capital Securities — 7. Redemption, Substitution, Variation or Purchase".

The Capital Securities will be unsecured securities of the Issuer and will be subordinated to the claims of all creditors.

For a description of certain matters that prospective investors should consider, see "Investment Considerations".

Application has been made to the FSA in its capacity as competent authority (the "UK Listing Authority") under the Financial Services and Markets Act 2000 (the "FSMA") 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 the Capital Securities to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange's market for listed securities constitute official listing on a stock exchange. A copy of this Offering Circular, which comprises listing particulars approved by the UK Listing Authority, has been delivered to the Registrar of Companies in England and Wales for registration as required by Section 83 of the FSMA.

The Capital Securities will initially be represented by a temporary global capital security (the "Temporary Global Capital Security"), without interest coupons or talons, which will be deposited with a common depositary on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") on or about 12 May 2005 (the "Closing Date"). The Temporary Global Capital Security will be exchangeable for interests in a permanent global capital security (the "Permanent Global Capital Security"), without interest coupons or talons, not earlier than 40 days after the Closing Date upon certification of non-U.S. beneficial ownership. The Permanent Global Capital Security will be exchangeable for definitive securities only in certain limited circumstances, as described under "Summary of Provisions relating to the Capital Securities while in Global Form".

*Joint Bookrunners and Lead Managers*

**Merrill Lynch International**

**UBS Investment Bank**

*Manager*

**Lloyds TSB**

Dated: 9 May 2005



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*This Offering Circular comprises listing particulars given in compliance with the listing rules for the purposes of giving information with regard to the Issuer and the Capital Securities.*

*The Issuer accepts responsibility for the information contained in this Offering Circular. 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 Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*Any reference in this Offering Circular to listing particulars means this Offering Circular excluding all information incorporated by reference (if any). The Issuer has confirmed that any information incorporated by reference, including any such information to which readers of this Offering Circular are expressly referred, has not been and does not need to be included in the listing particulars to satisfy the requirements of the FSMA or the listing rules made under Section 74 of the FSMA by the UK Listing Authority. The Issuer believes that none of the information incorporated herein by reference conflicts in any material respect with the information included in the listing particulars.*

*In connection with the issue and sale of the Capital Securities, no person is authorised to give any information or to make any representation not contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Managers (as defined in "Subscription and Sale" below) or Lloyds TSB Group plc (the "Parent") or the Trustee.*

*This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Managers or the Trustee that any recipient of this Offering Circular should purchase any of the Capital Securities. Each investor contemplating purchasing Capital Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Issuer and its subsidiaries as a whole ("the Lloyds TSB Bank Group"), the Parent and the Lloyds TSB group of companies (which includes the Issuer) (the "Lloyds TSB Group" or the "Group").*

*The distribution of this Offering Circular and the offering or sale of the Capital Securities in certain jurisdictions may be restricted by law. The Issuer and the Managers do not represent that this Offering Circular may be lawfully distributed, or that the Capital Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular no action has been taken by the Issuer or the Managers which would permit a public offering of the Capital Securities or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Capital Securities may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or the Capital Securities may come must inform themselves about, and observe, any such restrictions. See "Subscription and Sale" below for a description, inter alia, of certain restrictions on offers, sales and deliveries of the Capital Securities in the United States or to U.S. persons. Neither the delivery of this Offering Circular nor any sale hereunder shall create, under any circumstances, any implication that there has been no change in the affairs of the Issuer since the date hereof or that the information contained herein is correct as of any time subsequent to its date.*

*The Capital Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and comprise securities in bearer form that are subject to United States tax law requirements. Subject to certain exceptions, the Capital Securities may not be sold or delivered, directly or indirectly, within the United States or to U.S. persons.*

*In this Offering Circular, all references to "£" and "Sterling" refer to pounds sterling and to "euro" and "€" refer to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.*

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## Contents

	Page		Page
Summary .....	4	Lloyds TSB Bank Group .....	40
Investment Considerations .....	11	Capitalisation and Indebtedness of Lloyds TSB Bank plc .....	44
Terms and Conditions of the Capital Securities .....	13	Taxation .....	47
Summary of Provisions relating to the Capital Securities while in Global Form .....	37	Subscription and Sale .....	49
Use of Proceeds .....	39	General Information .....	50

In connection with this issue, UBS Limited, or any person acting for it, may over-allot or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on UBS Limited or any agent of it to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

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## Summary

*The following summary refers to certain provisions of the Terms and Conditions of the Capital Securities and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Offering Circular. Capitalised terms used herein have the meaning given to them in "Terms and Conditions of the Capital Securities", as appropriate.*

<b>Issuer</b>	Lloyds TSB Bank plc.
<b>Parent</b>	Lloyds TSB Group plc.
<b>Trustee</b>	The Law Debenture Trust Corporation (Channel Islands) Limited.
<b>Issue Size</b>	€750,000,000 of Capital Securities.
<b>Redemption and Purchases</b>	<p>The Capital Securities are perpetual securities and have no maturity date. However, the Capital Securities may be redeemed in whole, but not in part, at the option of the Issuer, subject to giving prior written notice to, and receiving no objection from, the Financial Services Authority, at their principal amount together with any Payments which are Outstanding on the Coupon Payment Date falling on 12 May 2017 or on any Coupon Payment Date thereafter.</p> <p>The Issuer, the Parent and any other subsidiary of the Parent may, subject to giving prior written notice to, and receiving no objection from, the Financial Services Authority, purchase the Capital Securities in any manner and at any price, together with all unmatured Coupons and Talons appertaining thereto.</p>
<b>Coupons</b>	The Capital Securities will bear interest at a rate of 4.385 per cent. per annum payable annually in arrear from (and including) 12 May 2005 to (but excluding) 12 May 2017, and thereafter at a rate, reset and payable quarterly in arrear, of 1.68 per cent. per annum above the then prevailing offered rate for three-month euro deposits.
<b>Coupon Payment Dates</b>	Except as described below, Coupon Amounts will be payable on 12 May in each year, commencing on 12 May 2006 in respect of the period from (and including) 12 May 2005 to (but excluding) 12 May 2006, and ending on 12 May 2017; thereafter Coupon Amounts will be payable (subject to adjustment for days which are not Business Days) on 12 February, 12 May, 12 August and 12 November in each year commencing on 12 August 2017.
<b>Subordination</b>	<p>The Capital Securities constitute direct, unsecured and subordinated securities of the Issuer. The rights and claims of the Holders and the Couponholders under the Capital Securities are subordinated to the claims of creditors of the Issuer:</p> <ul style="list-style-type: none"><li>• who are depositors or other unsubordinated creditors of the Issuer; or</li><li>• 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; or</li><li>• whose claims are in respect of Junior Subordinated Debt (e.g. undated subordinated bonds) of the Issuer; or</li></ul>

- who are subordinated creditors of the Issuer other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders.

No payment in respect of the Capital Securities shall be due and payable except to the extent that the Issuer is solvent and could make such payment and still be solvent immediately thereafter.

The sole remedy against the Issuer available to the Trustee or any Holder for recovery of amounts owing in respect of any sum which has become due from the Issuer in respect of the Capital Securities will be the institution of proceedings for the winding-up of the Issuer in England (but not elsewhere) and/or proving in any winding-up of the Issuer.

### Winding-up Claims

In the event of the winding-up of the Issuer, the Holders will, for the purpose only of calculating the amounts payable by the Issuer in respect of each Capital Security, be treated as if, save as mentioned below, on the day prior to the commencement of the winding-up and thereafter, they were the holders of the most senior class or classes of preference shares (if any) of the Issuer in issue and in priority to all other classes of issued shares of the Issuer. Such class would rank 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 the winding-up of the Issuer is determined.

The Holder's claim in any winding-up of the Issuer shall be for the principal amount of the relevant Capital Securities, together with sums due in respect of any accrued but unpaid Coupon Amounts and any Deferred Coupon Payments.

### Interest Deferral

On any Coupon Payment Date, the Issuer shall have the option to defer Coupon Payments on the Capital Securities.

Deferred Coupon Payments, if any, may be made by the Issuer at any time but shall become due only on the earliest of the following dates: (i) the date upon which the Capital Securities are redeemed (see "— Optional Redemption", "— Par Tax Event/Other Tax Event" and "— Regulatory Event", below) or (ii) the date upon which the Capital Securities are substituted for, or have their terms varied so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities following a Par Tax Event, Other Tax Event or Regulatory Event (see "— Par Tax Event/Other Tax Event" and "— Regulatory Event", below); and (iii) the commencement of the winding-up of the Issuer. Except as provided in Condition 8(d) — Suspension or in a winding-up of the Issuer, Deferred Coupon Payments may only be satisfied by means of the Alternative Coupon Satisfaction Mechanism (see "— Alternative Coupon Satisfaction Mechanism", below). Except in the limited circumstances provided in Condition 6(e) — Market Disruption, no interest will accrue on any Deferred Coupon Payments.

### Limitation on Dividend and Capital Payments

If any Coupon Payment is deferred, neither the Issuer nor the Parent will:

- (i) 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 a dividend (not being a dividend which is, or is expressed to be, an extraordinary or special dividend) which has been declared by the Issuer or the Parent on the Issuer Shares or the ordinary shares of the Parent, as the case may be, prior to the date on which the decision to defer the relevant Coupon Payment is notified to Holders; or

- (ii) 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 in respect of a distribution of 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 the Coupon Payments due and payable on the next succeeding Coupon Payment Date (or, if this provision applies after the First Reset Date, the next four succeeding Coupon Payment Dates) 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).

**Alternative Coupon  
Satisfaction Mechanism  
(ACSM)**

If the Issuer defers a Coupon Payment and the Deferred Coupon Payment is to be made, the Issuer must (except as provided in Condition 8(d) — Suspension or in a winding-up of the Issuer or the Parent) appoint a Calculation Agent (if it has not already done so) and satisfy its obligation to make the relevant Deferred Coupon Payment by operation of the ACSM. The Issuer shall (subject to it having the necessary corporate authorisations in place) issue Issuer Shares ("Payment Issuer Shares") and allot them in favour of the Trustee or its agent. In that event, the Parent will issue ordinary shares ("Payment Ordinary Shares") to the Trustee or its agent in exchange for the Payment Issuer Shares. Such issue of Payment Issuer Shares shall satisfy in full the Issuer's obligation to make the relevant Deferred Coupon Payment. When sold, the Payment Ordinary Shares will provide a cash amount which, when converted into euro, the Paying Agent on behalf of the Trustee, will pay to the Holders in respect of the relevant Deferred Coupon Payment.

The number of Payment Ordinary Shares required to be issued will be such number of ordinary shares as, in the determination of the Calculation Agent, have a market value as near as practicable to, but not less than, the relevant Deferred Coupon Payment. The Trustee will use reasonable endeavours to effect the transfer or instruct its agent to effect the transfer of such Payment Ordinary Shares to or to the order of the Calculation Agent and the Calculation Agent will use reasonable endeavours to procure purchasers for such Payment Ordinary Shares. If the proceeds of the sale of the Payment Ordinary Shares will not in the opinion of the Calculation Agent result in a sum at least equal to the relevant Deferred Coupon Payment being available to make the necessary payment in full, the Issuer, the Parent, the Trustee and the Calculation Agent will take such steps as are reasonably necessary to ensure, so far as practicable, that through issuing additional Payment Issuer Shares and Payment Ordinary Shares and following, *mutatis mutandis*, the procedures described above, a sum as near as practicable to, and at least equal to, the relevant Deferred Coupon Payment will be available in full on the relevant due date.

In addition, any Accrued Coupon Payment which accrues pursuant to Condition 6(e) — Market Disruption must be satisfied by operation, *mutatis mutandis*, of the ACSM as described herein.

**Market Disruption Event**

If, in the opinion of the Issuer, a Market Disruption Event in respect of the payment of the ordinary shares of the Parent exists on or after the 15th Business Day preceding any date upon which the Issuer is due to satisfy a payment using the ACSM, such payment may be deferred until, in the opinion of the Issuer, the Market Disruption Event no longer exists. Any

such deferred payments shall bear interest at the rate applicable to the Capital Securities if the Market Disruption Event continues such that the ACSM Payment is not satisfied for 14 days or more and such interest shall itself be satisfied by the operation of the ACSM.

### Insufficiency

The Issuer shall not be entitled to exercise its option to redeem, substitute or vary the terms of any of the Capital Securities as described herein unless both the Issuer and the Parent have available, and the Directors of both the Issuer and the Parent have the corresponding authority to allot, a sufficient number of authorised but unissued Issuer Shares or ordinary shares of the Parent, as the case may be, to be able to satisfy the Issuer's obligation to make any Deferred Coupon Payment and any other ACSM Payment by the operation of the ACSM. In connection therewith, the Issuer and the Parent will undertake to use all reasonable endeavours to obtain and maintain all corporate authorisations required under English law for the issue of Issuer Shares and ordinary shares of the Parent and 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 as the Issuer and the Parent reasonably consider would be required to be issued in order to enable the Issuer to satisfy the aggregate amount of Deferred Coupon Payments (if any) and, prior to the First Reset Date, the aggregate of Coupon Payments due on the next succeeding Coupon Payment Date and, after the First Reset Date, on the next four succeeding Coupon Payment Dates.

### Suspension

If, following any take-over offer or any reorganisation, restructuring or scheme of arrangement, the Parent or any subsequent New Owner ceases to be the ultimate holding company of the Lloyds TSB Group of companies, then, unless (in the case of a Permitted Restructuring) a Permitted Restructuring Arrangement shall be put in place, such amendments to the documentation relating to the Capital Securities as determined by an independent investment bank (selected by the Issuer and approved by the Trustee) to be appropriate in order to (a) preserve substantially the economic effect, for the Holders, of a holding of the Capital Securities prior to the Suspension and (b) replicate the ACSM in the context of the capital structure of the New Owner, will be made by the Issuer and the Trustee, and pending such amendments, the Issuer will be unable to satisfy payments using the ACSM. If such independent investment bank is unable to determine appropriate amendments, as notified to the Issuer and the Trustee, then the Capital Securities shall at the option of the Issuer either (in each case subject to the Issuer giving prior written notice to, and receiving no objection from, the FSA):

- (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 their Make Whole Redemption Price if the redemption occurs prior to the First Reset Date and at their principal amount plus accrued interest (if any) if the redemption occurs on or after such date, in each case together with all Payments which are Outstanding thereon.

In connection with (i) above, the new Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities will preserve the rights to all accrued but unpaid Coupon Amounts on the Capital Securities and all Deferred Coupon Payments (if any) on the Capital Securities will be satisfied in the manner described in Condition 8(d) — Suspension. In connection with (ii) above, such redemption will, unless otherwise agreed by the Issuer and the Trustee, be effected by the issue of Issuer Shares to the New Owner in

consideration for which the New Owner shall issue ordinary shares in its capital (or shares in its capital of an equivalent class) so as to enable it to pay such redemption amount in accordance, *mutatis mutandis*, with the ACSM.

**Optional Redemption**

Subject to giving prior written notice to, and receiving no objection from, the FSA, the Capital Securities will be redeemable on the First Reset Date or on any Coupon Payment Date thereafter in whole, but not in part, at the option of the Issuer at a price equal to their principal amount together with (i) all accrued but unpaid interest (other than any Deferred Coupon Payments) and (ii) (by the operation of the ACSM) all Deferred Coupon Payments (if any).

**Par Tax Event/Other Tax Event**

Upon the occurrence of a Par Tax Event or Other Tax Event, the Issuer may, subject to giving prior written notice to, and receiving no objection from, the FSA:

- (i) redeem at any time on or prior to the First Reset Date and thereafter only on a Coupon Payment Date, all, but not some only, of the Capital Securities (I) (in the case of a Par Tax Event) at their principal amount plus accrued interest (if any), (II) (in the case of an Other Tax Event and a consequential redemption prior to the First Reset Date) at the Make Whole Redemption Price and (III) (in the case of an Other Tax Event and a consequential redemption on or after the First Reset Date) at their principal amount, together with any Payments which are Outstanding thereon (all such amounts so payable being payable in cash, save for any Deferred Coupon Payments which will be satisfied by the operation of the ACSM); or
- (ii) 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. In connection therewith, the new Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities will preserve the rights to all accrued but unpaid Coupon Amounts on the Capital Securities and all Deferred Coupon Payments (if any) on the Capital Securities will be satisfied by the operation of the ACSM.

“Par Tax Event” means:

- (i) if, as a result of a Tax Law Change, 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; or
- (ii) if, as a result of a Tax Law Change, 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, the 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) if, as a result of a Tax Law Change in respect of the Issuer's obligation to make any Coupon Payment on the next following Coupon Payment Date, (a) there is more than an 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 or (b) the Issuer would not to any material extent be entitled to have such 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 9 May 2005 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.

"Other Tax Event" means if, (I) as a result of a Tax Law Change in respect of the Issuer's obligation to make any Coupon Payment on the next following Coupon Payment Date, the Issuer would suffer adverse tax consequences (other than any consequence referred to under paragraphs (i), (ii) and (iii) of the definition of "Par Tax Event" above); or (II) other than as a result of a Tax Law Change in respect of the Issuer's obligation to make any Coupon Payment on the next following Coupon Payment Date, (a) the Issuer would not be entitled to claim a deduction in respect of 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 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 9 May 2005 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; or (d) the Issuer would otherwise suffer adverse tax consequences; and in each 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.

**Withholding Tax and  
Additional Amounts**

The Issuer will pay such Additional Amounts as may be necessary in order that the net payment received by each Holder in respect of the Capital Securities, after withholding for any taxes imposed by tax authorities in the United Kingdom upon payments made by or on behalf of the Issuer in respect of the Capital Securities, will equal the amount which would have been received in the absence of any such withholding taxes, subject to customary exceptions (see also " — Par Tax Event/Other Tax Event", above).

**Regulatory Event**

If at any time a Regulatory Event occurs and is continuing, the Issuer may, subject to giving prior written notice to, and receiving no objection from, the FSA:

- (i) redeem all, but not some only, of the Capital Securities at any time on or prior to the First Reset Date and thereafter only on a Coupon Payment Date. The Capital Securities will be redeemed at their Make Whole Redemption Price (in the case of any redemption prior to the First Reset Date) or on or after the First Reset Date at their principal amount, in each case together with any Payments which are

Outstanding thereon (all such amounts so payable being payable in cash, save for any Deferred Coupon Payments which will be satisfied by the operation of the ACSM); or

- (ii) 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. In connection therewith, the new Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities will preserve the rights to all accrued but unpaid Coupon Amounts on the Capital Securities and all Deferred Coupon Payments (if any) on the Capital Securities will be satisfied by the operation of the ACSM.

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).

<b>Listing</b>	Application has been made to admit the Capital Securities to the Official List of the UK Listing Authority and to trading on the London Stock Exchange.
<b>Governing Law</b>	The Capital Securities will be governed by, and construed in accordance with, English law.
<b>Form</b>	Bearer. The Capital Securities will be represented initially by the Temporary Global Capital Security which will be deposited with a common depositary for Clearstream, Luxembourg and Euroclear on or about 12 May 2005. The Temporary Global Capital Security will be exchangeable for interests in the Permanent Global Capital Security without interest coupons or talons on or after a date which is expected to be 22 June 2005 upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations and as described in the Temporary Global Capital Security. Save in limited circumstances, Capital Securities in definitive bearer form with coupons and a talon attached on issue will not be issued in exchange for interests in the Permanent Global Capital Security.
<b>Investment Considerations</b>	Prospective investors should carefully consider the information under "Investment Considerations" in conjunction with the other information contained or incorporated by reference in this document.

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## Investment Considerations

*The following is a summary of certain aspects of the Capital Securities of which prospective investors should be aware. This summary is not intended to be exhaustive and prospective investors should carefully consider this summary in conjunction with the other information contained in this document.*

### **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) the date of which the Capital Securities are redeemed; (ii) the date on which the Capital Securities are substituted for, or have their terms varied so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities following a Par Tax Event, Other Tax Event or Regulatory Event; and (iii) the commencement of the winding-up of the Issuer. Deferred Coupon Payments may only (except following a Suspension and 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 Terms and Conditions of the Capital Securities).

Except in the limited circumstances provided in Condition 6(e), no Deferred Coupon Payment will bear interest.

### **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.

### **REDEMPTION AND EXCHANGE 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 Coupon Payment Date thereafter. In addition, upon the occurrence of a Par Tax Event, Other 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 their outstanding principal amount, or in the case of a Regulatory Event or an Other Tax Event in respect of which the relevant redemption occurs prior to the First Reset Date, the Make Whole Redemption Price, together in each case with any Payments which are Outstanding thereon, all as more particularly described in "Terms and Conditions of the Capital Securities — 7. Redemption, Substitution, Variation or Purchase".

### **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 of the Issuer and/or may increase the likelihood of a deferral of Payments under the Capital Securities. In particular, the Capital Securities shall rank junior to the claims of all 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 Upper Tier 2 Securities in a winding-up of the Issuer is determined. Accordingly, in the winding-up of the Issuer and after payment of the claims of creditors, there may not be a sufficient amount to satisfy the amount owing to the Holders.

### **AVAILABILITY OF SHARES**

The Issuer and the Parent will undertake to use all reasonable endeavours to obtain and maintain certain corporate authorisations required for the operation of the ACSM, as more particularly described in "Terms and Conditions of the Capital Securities — 18. Pre-emption". However, if at the time when any Deferred Coupon Payments fall to be satisfied by means of the ACSM, the Issuer or the Parent do not have available and/or the relevant Directors do not have the necessary authority under English law to allot in favour of the Trustee or its agent (free from any pre-emption rights), a sufficient number of authorised but unissued

Payment Issuer Shares and/or Payment Ordinary 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 and the Parent have available, and the relevant Directors have the corresponding authority to allot, such number of authorised but unissued Payment Issuer Shares and/or Payment Ordinary Shares, as the case may be, 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 "Terms and Conditions of the Capital Securities — 6. Alternative Coupon Satisfaction Mechanism — (d) Insufficiency"). 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.

### **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 Terms and Conditions of the Capital Securities) 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. In accordance with Condition 2(b)(i), no payment in respect of the Capital Securities shall become due unless the condition to payment set out in Condition 2(b)(i) is satisfied.

### **MARKET DISRUPTION EVENT**

If, following a decision by the Issuer to satisfy a payment using the Alternative Coupon Satisfaction Mechanism, 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 "Terms and Conditions of the Capital Securities — 6. Alternative Coupon Satisfaction Mechanism — (e) Market Disruption". Any such deferred payments shall bear interest at the rate applicable to the Capital Securities if the Market Disruption Event continues for 14 days or more.

### **SET-OFF**

Subject to applicable law, no Holder or Couponholder 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 and Couponholder shall, by virtue of being the bearer of any Capital Security or Coupon, be deemed to have waived all such rights of set-off.

### **ABSENCE OF PRIOR PUBLIC MARKETS**

The Capital Securities constitute a new issue of securities by the Issuer. Prior to this issue, there will have been no public market for the Capital Securities. Although application has been made to the UK Listing Authority under the FSMA for the Capital Securities to be admitted to the Official List and to the London Stock Exchange for the Capital Securities to be admitted to trading on the London Stock Exchange's market for listed securities, there can be no assurance that an active public market for the Capital Securities will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Capital Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities.

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## 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 €750,000,000 Step-Up Perpetual Capital Securities (the "Capital Securities", which expression shall in these Conditions, unless the context otherwise requires, include any further instruments issued pursuant to Condition 16 and forming a single series with the Capital Securities) of Lloyds TSB Bank plc (the "Issuer") are constituted by a trust deed (the "Trust Deed") dated 12 May 2005 between the Issuer, the Parent and The Law Debenture Trust Corporation (Channel Islands) 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 of the Capital Securities (the "Holders"). The issue of the Capital Securities was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 3 March 2005 and resolutions of a duly authorised executive committee of the Board of Directors passed on 29 April 2005. The statements in 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 and (ii) the paying agency agreement (the "Paying Agency Agreement") dated 12 May 2005 made between the Issuer, the Parent, Citibank, N.A. as principal paying agent (the "Principal Paying Agent", which expression shall include any successor thereto) and the other paying agent named therein and any successors thereto (together with the Principal Paying Agent, the "Paying Agents"), Citibank, N.A. as agent bank (the "Agent Bank", which expression shall include any successor thereto) and the Trustee are available for inspection during normal business hours by the Holders and the holders of the interest coupons (the "Coupons", which expression includes, where the context so permits, Talons, as defined below) and talons for further Coupons (the "Talons") appertaining to Capital Securities in definitive form (the "Couponholders") at the specified office of each of the Paying Agents. The Holders and the Couponholders are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Paying Agency Agreement applicable to them.

### 1. FORM, DENOMINATION AND TITLE

#### (a) Form and Denomination

The Capital Securities are serially numbered and in bearer form in the denominations of €1,000, €10,000 and €100,000 (each an "Authorised Denomination") each with Coupons and one Talon attached on issue. Capital Securities of one Authorised Denomination may not be exchanged for Capital Securities of another Authorised Denomination.

#### (b) Title

Title to the Capital Securities, Coupons and Talons will pass by delivery. The bearer of any Capital Security and the bearer of any Coupon or Talon shall be deemed to be, and may be treated as (except as otherwise required by law or as ordered by a court of competent jurisdiction) 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 it) and no person will be liable for so treating the bearer.

### 2. STATUS AND SUBORDINATION

#### (a) Status

The Capital Securities constitute direct, unsecured and subordinated securities of the Issuer and rank *pari passu* without any preference among themselves.

#### (b) Subordination

##### (i) Condition to Payment

The rights and claims of the Holders and the Couponholders are subordinated to the claims of all Senior Creditors, in that payments in respect of the Capital Securities (including Coupons payable in cash or by way of the issue of Issuer Shares in accordance with Condition 6) 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 in that no principal, premium or Payments shall be due and payable in respect of the Capital Securities (including Coupons payable in cash or by way of the issue of Issuer Shares in accordance with Condition 6) except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

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 or, if the Issuer is in a winding-up, its liquidator shall, in the absence of proven error, be treated and accepted by the Issuer, the Parent, the Trustee, the Holders and the Couponholders as correct and sufficient evidence thereof.

**(ii) Solvency Claims**

Without prejudice to the rest of these Conditions, amounts in respect of principal, premium or Payments 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 of the Issuer as provided in Condition 3 and any redemption pursuant to Condition 7. A Solvency Claim shall not bear interest.

**(iii) Set-off**

Subject to applicable law, no Holder or Couponholder 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 and Couponholder shall, by virtue of his holding of any Capital Security or Coupon, be deemed to have waived all such rights of set-off.

*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**

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 the Trust Deed)), there shall be payable by the Issuer in respect of each Capital Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such Capital Security if, on the day prior to the commencement of the winding-up and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer ("Notional Preference Shares") having an equal right to a return of assets in the winding-up to, and so ranking *pari passu* 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 by the Issuer which have a preferential right to a return of assets in the winding-up 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 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 were 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 attributable to the Capital Security.

*On a winding-up 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 Condition 3) have been satisfied.*

**4. COUPON DEFERRAL**

The Issuer may elect 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 at any time satisfy any Deferred Coupon Payment by operation of the procedures set out in Condition 6. The Issuer shall (except where Condition 3 applies) satisfy any Deferred Coupon Payment only by operation of the procedures set out in Condition 6 and, subject to Condition 8(d), 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); and (iii) redemption, substitution or variation of the terms of the Capital Securities in accordance with Condition 7(d).

If, on any Coupon Payment Date, payment of all Coupon Payments scheduled to be made on such date is not made in full, 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) which has been declared by the Issuer or the Parent on the Issuer Shares or the ordinary shares of the Parent, as the case may be, 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 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 the Coupon Payments due and payable on the next succeeding Coupon Payment Date (or, if this provision applies after the First Reset Date, the next four succeeding Coupon Payment Dates) 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).

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, except in the circumstances provided in Condition 6(e), bear interest.

## **5. COUPON PAYMENTS**

### **(a) Coupon Rate**

The Capital Securities bear interest at the applicable Coupon Rate from the Issue Date in accordance with the provisions of this Condition 5.

Subject to Conditions 2(b)(i), 2(b)(ii), 4, 6(d), 6(e) and 8(d), during the Fixed Rate Coupon Period interest shall be payable on the Capital Securities annually in arrear on each Coupon Payment Date in the Fixed Rate Coupon Period, and thereafter interest shall be payable on the Capital Securities quarterly in arrear on each Coupon Payment Date, in each case as provided in this Condition 5.

### **(b) Interest Accrual**

The Capital Securities will cease to bear interest from (and including) the date of redemption thereof pursuant to Condition 7(b) or the date of redemption, substitution or variation of the terms thereof pursuant to Condition 7(c), 7(d) or 8(d), as the case may be, unless, upon due presentation, 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, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

### **(c) Fixed Coupon Rate**

For the Fixed Rate Coupon Period, the Capital Securities bear interest at the rate of 4.385 per cent. per annum (the "Fixed Coupon Rate").

Where it is necessary to compute an amount of interest in respect of any Capital Security during the Fixed Rate Coupon Period for a period which is less than a Coupon Period, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Coupon Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Coupon Payment Date (or, if none, the Issue Date) to (but excluding) the next (or first) scheduled Coupon Payment Date. Where it is necessary to compute an amount of interest in respect of any Capital Security for a period of more than a Coupon Period, such interest shall be calculated in respect of each full Coupon Period within such period, with the interest in respect of any remaining period being calculated in the manner as aforesaid.

**(d) Floating Coupon Rate**

From (and including) the First Reset Date, the Capital Securities will bear interest at a floating rate of interest (the "Floating Coupon Rate"). The Floating Coupon Rate in respect of each Coupon Period commencing on or after the First Reset Date will be determined by the Agent Bank on the basis of the following provisions:

- (i) On each Coupon Determination Date, the Agent Bank will determine the offered rate (expressed as a rate per annum) for three-month euro deposits as at 11.00 a.m. (Brussels time) on such Coupon Determination Date, as displayed on the display designated as page "248" on the Telerate Monitor (or such other page or pages as may replace it for the purpose of displaying such information). The Floating Coupon Rate for the Coupon Period commencing on the Coupon Determination Date shall be such offered rate as determined by the Agent Bank plus the Margin.
- (ii) If such offered rate does not so appear, or if the relevant page is unavailable, the Agent Bank will, on such date, request the principal London office of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks in the Euro-zone inter bank market for three-month euro deposits as at 11.00 a.m. (Brussels time) on the Coupon Determination Date in question. If at least two of the Reference Banks provide the Agent Bank with such offered quotations, the Floating Coupon Rate for the Coupon Period commencing on the relevant Coupon Determination Date shall be the rate determined by the Agent Bank to be the arithmetic mean (rounded upwards if necessary to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of such offered quotations plus the Margin.
- (iii) If on any Coupon Determination Date to which the provisions of sub-paragraph (ii) above apply, one only or none of the Reference Banks provides the Agent Bank with such a quotation, the Floating Coupon Rate for the Coupon Period commencing on such Coupon Determination Date shall be the rate which the Agent Bank determines to be the aggregate of the Margin and the arithmetic mean (rounded upwards, if necessary, to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the euro lending rates which leading banks in the Euro-zone selected by the Agent Bank are quoting, on the relevant Coupon Determination Date, to leading banks in the Euro-zone for a period of three months, except that, if the banks so selected by the Agent Bank are not quoting as mentioned above, the Floating Coupon Rate for such Coupon Period shall be either (1) the Floating Coupon Rate in effect for the last preceding Coupon Period to which one of the preceding sub-paragraphs of this Condition 5(d) shall have applied or (2) if none, 4.385 per cent. per annum.

**(e) Determination of Floating Coupon Rate and Calculation of Floating Coupon Amounts**

The Agent Bank will, as soon as practicable after 11.00 a.m. (Brussels time) on each Coupon Determination Date, determine the Floating Coupon Rate in respect of the Coupon Period commencing on that Coupon Determination Date and calculate the amount of interest payable in respect of a Capital Security of each Authorised Denomination on the Coupon Payment Date for that Coupon Period (the "Floating Coupon Amounts") by applying the Floating Coupon Rate for such Coupon Period to the principal amount of a Capital Security of each Authorised Denomination, multiplying such sum by the actual number of days in the Coupon Period concerned divided by 365 (or, in the case of a Coupon Payment Date falling in a leap year, 366) and, if necessary, rounding the resultant figure to the nearest €0.01 (€0.005 being rounded upwards).

**(f) Publication of Floating Coupon Rate and Floating Coupon Amounts**

The Issuer shall cause notice of the Floating Coupon Rate determined in accordance with this Condition 5 in respect of each relevant Coupon Period, the Floating Coupon Amount and the relevant date scheduled for payment to be given to the Trustee, the Paying Agents, any stock exchange or other relevant authority on which the Capital Securities are for the time being listed or admitted to trading and, in accordance with Condition 15, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

The Floating Coupon Amount, the Floating Coupon Rate and the date scheduled for payment so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant period in accordance with these Conditions or in the event of proven or manifest error.



### **(g) Determination or Calculation by Trustee**

The Trustee (or an agent appointed by it) shall, if the Agent Bank does not at any relevant time for any reason determine the Floating Coupon Rate on the Capital Securities in accordance with this Condition 5, determine the Floating Coupon Rate in respect of the relevant Coupon Period at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedures described in this Condition 5), it shall deem fair and reasonable in all the circumstances and such determination shall be deemed to be a determination thereof by the Agent Bank.

### **(h) Agent Bank**

So long as any Capital Securities remain outstanding, the Issuer will maintain an Agent Bank. The name of the initial Agent Bank and its initial specified office is set out at the end of these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading investment, merchant or commercial bank in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or (without prejudice to Condition 5(g) above) fails duly to determine the Floating Coupon Rate in respect of any Coupon Period as provided in Condition 5(d), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank in London approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

### **(i) Determinations of Agent Bank or Trustee Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5, whether by the Agent Bank or the Trustee (or its agent), shall (in the absence of wilful default, bad faith or manifest or proven error) be binding on the Issuer, the Agent Bank, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence as aforesaid) no liability to the Holders, the Couponholders or the Issuer shall attach to the Agent Bank or the Trustee in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

## **6. ALTERNATIVE COUPON SATISFACTION MECHANISM**

### **(a) Alternative Coupon Satisfaction Mechanism**

Each ACSM Payment, when due to be satisfied in accordance with these Conditions, will (except as provided in Condition 8(d) or if Condition 3 applies) be satisfied by the Issuer in full only through the issue of Ordinary Shares and their allotment in favour of the Trustee or its agent in accordance with this Condition 6.

The Issuer shall appoint a Calculation Agent (if it has not already done so), and notify the Parent, the Trustee, the Principal Paying Agent and the Calculation Agent that an ACSM Payment is to be satisfied on such ACSM Payment Date. All other Payments due must, subject to Conditions 2 and 4, be satisfied in accordance with Condition 8(a).

### **(b) Issue of Shares**

If any ACSM Payment is to be satisfied through the issue or to the order of to the Trustee of Ordinary Shares as required by the provisions of this Condition 6 then, subject to Conditions 6(d) and 6(e) and 8(d):

- (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 Trustee (or, if so agreed between the Issuer and the Trustee, an agent of the Trustee) such number of Ordinary Shares (the "Payment Issuer Shares") as, in the determination of the Parent, will have a market value (converted, where necessary, into euro) 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 Trustee shall transfer or instruct its agent to transfer the Payment Issuer Shares to the Parent in consideration for which the Parent shall issue to the Trustee (or, if so agreed between the Issuer and the Trustee, to an agent of the Trustee) 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 euro) as near as practicable to, but not less than the relevant ACSM Payment to be satisfied in accordance with this Condition 6.

The Trustee shall hold such Payment Ordinary Shares and such proceeds of the sale of the Payment Ordinary Shares, in each case: (i) as have a value equal to the applicable ACSM Payment as certified by the Calculation Agent, on trust for the Holders; and (ii) as have a value equal to any Associated Costs as certified by the Calculation Agent, on trust for itself or its agent. The remainder (if any) of the Payment Ordinary Shares or the proceeds of the sale of the Payment Ordinary Shares shall, in each case, be held on trust for the Issuer by the Trustee. Following the sale of the Payment Ordinary Shares in accordance with this Condition 6 and the discharge of any Associated Costs and satisfaction of the relevant ACSM Payment as provided below, the Trustee or its agent shall pay the remainder (if any) of the proceeds of the sale of the Payment Ordinary Shares as certified by the Calculation Agent to the Issuer.

The Trustee shall use reasonable endeavours to effect the transfer or instruct its agent to effect the transfer of such Payment Ordinary Shares to or to the order of the Calculation Agent (subject to any necessary consents being obtained) as soon as practicable and in any case by not later than the close of business in London on the fifth Business Day prior to the relevant ACSM Payment Date and 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 has further agreed to exchange, as agent of the Trustee, the proceeds of such sale into euro at prevailing market exchange rates and deliver such exchanged proceeds to, or hold such exchanged proceeds to the order of, the Trustee who shall pay or procure that its agent pays such proceeds as it holds in respect of the relevant Payment on its due date to the Principal Paying Agent. The Calculation Agent shall further be required to agree in the Calculation Agency Agreement to discharge, on behalf of the Trustee or its agent, the Associated Costs and pay the remaining proceeds of such sale to, or hold the remaining proceeds of such sale to the order of, the Trustee, who shall pay or procure that its agent pays such remaining proceeds as it holds in respect of the relevant ACSM Payment on its due date to the Principal Paying Agent for application in accordance with Condition 6(c).

The Trustee shall not be liable to anyone for any loss occasioned by the transfer or sale of the Payment Issuer Shares or the Payment Ordinary Shares, in each case by or on behalf of the Trustee, or any delay or failure in effecting such transfer or sale of the Payment Issuer Shares or the Payment Ordinary Shares under these Conditions.

If the proceeds of the sale of the Payment Ordinary Shares will not, in the opinion of the Calculation Agent, subject to Conditions 6(d) and 6(e) but despite the arrangements contained above, result in a sum (when converted into euro) at least equal to the relevant ACSM Payment and any Associated Costs being available to satisfy the necessary ACSM Payment in full on its due date and the Associated Costs, the Issuer, the Parent, the Trustee and the Calculation Agent shall take such steps as are reasonably necessary to ensure, so far as practicable, that through issuing additional Issuer Payment Shares and Payment Ordinary Shares on one or more further occasions and allotting them in favour of the Trustee or its agent and following, *mutatis mutandis*, the procedures contained above, a sum (when converted into euro) as near as practicable to, and at least equal to, the relevant ACSM Payment and any Associated Costs will be available to satisfy the relevant ACSM Payment in full on its due date and the Associated Costs.

### **(c) Issue Satisfies Payment**

Where the Issuer elects or is required to satisfy an ACSM Payment hereunder by issuing Payment Issuer Shares and issues such Payment Issuer Shares to the Trustee (with the subsequent issue by the Parent to the Trustee of Payment Ordinary Shares in exchange therefor), such issue shall satisfy the relevant ACSM Payment if done in accordance with this Condition 6. The proceeds of sale of Payment Ordinary Shares resulting from the mandatory exchange of Payment Issuer Shares paid to the Principal Paying Agent in accordance with Condition 6(b) shall be paid by the Principal Paying Agent to the Holders in respect of the relevant ACSM Payment.

### **(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 and the Parent have available, and the Directors of both the Issuer and the Parent have the corresponding authority to allot, a sufficient number of authorised but unissued Payment Issuer Shares and Payment Ordinary 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 Condition 6(b), if there exists, in the opinion of the Issuer, a Market Disruption Event on or after the 15th Business Day preceding any ACSM Payment Date, 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 ACSM Payment will be satisfied as soon as practicable following such time as the Market Disruption Event, in the opinion of the Issuer, no longer exists. Interest shall not accrue on such deferred ACSM Payment, unless, as a consequence of the existence of the relevant Market Disruption Event, the Issuer does not satisfy the relevant ACSM Payment for a period of 14 days or more after the relevant ACSM Payment Date, in which case interest shall accrue on such deferred ACSM Payment from (and including) the relevant ACSM Payment Date to (but excluding) the date on which such ACSM Payment is satisfied. Any such interest shall accrue at a rate determined in accordance with Condition 5 and shall be satisfied only in accordance with this Condition 6, as soon as reasonably practicable after the relevant deferred ACSM Payment is satisfied. No liability shall attach to the Trustee or its agent if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or its agent, the Trustee or its agent is unable to comply with the provisions of Condition 6(b).

**(f) 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 of the FSA in its capacity as competent authority under the Financial Services and Markets Act 2000 and are admitted to trading on the market for listed securities of the London Stock Exchange (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).

**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(d).

In addition, any redemption, substitution, variation of the terms or purchase of the Capital Securities is (i) subject to the Issuer giving prior written notice to, and receiving no objection from, the FSA, and (ii) 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, variation or purchase 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, variation or purchase.

**(b) Issuer's Call Option**

Subject to Condition 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 Coupon Payment Date thereafter at their principal amount together with any Payments which are Outstanding thereon (such redemption amounts to be payable in cash, save for 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:

- (i) as a result of a Tax Law Change, 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; or

- (ii) as a result of a Tax Law Change 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, the 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) as a result of a Tax Law Change in respect of the Issuer's obligation to make any Coupon Payment on the next following Coupon Payment Date, (a) there is more than an 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 or (b) the Issuer would not to any material extent be entitled to have such 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 9 May 2005 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; or
- (iv) (I) as a result of a Tax Law Change in respect of the Issuer's obligation to make any Coupon Payment on the next following Coupon Payment Date, the Issuer would suffer adverse tax consequences (other than any consequence referred to under paragraphs (i), (ii) and (iii) above); or (II) other than as a result of a Tax Law Change in respect of the Issuer's obligation to make any Coupon Payment on the next following Coupon Payment Date, (a) the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in the United Kingdom or such entitlement is materially reduced (except where such deduction is not available in consequence of or by reference to the Capital Securities being equity notes in accordance with section 209 of the Income and Corporation Taxes Act 1988 as a result of a Holder being a company which is associated with the Issuer for the purposes of Section 209(2)(e)(vii) of that Act); (b) the Issuer would not to any material extent be entitled to have such 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 9 May 2005 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; or (d) the Issuer would otherwise suffer adverse tax consequences; and in each 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 on or prior to the First Reset Date and thereafter only on a Coupon Payment Date, all, but not some only, of the Capital Securities (I) (in the case of a Par Tax Event) at their principal amount, (II) (in the case of an Other Tax Event and a consequential redemption prior to the First Reset Date) at their Make Whole Redemption Price and (III) (in the case of an Other Tax Event and a consequential redemption on or after the First Reset Date) at their principal amount, together, in each case, with any Payments which are Outstanding thereon (all such amounts so payable being payable in cash, save for 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 certificates of the Directors referred to below and 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 stating that the relevant condition referred to in paragraph (i), (ii), (iii) or (iv) 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 listed on the London Stock Exchange and the rules of such 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 all, but not some only, of the Capital Securities at any time on or prior to the First Reset Date and thereafter only on a Coupon Payment Date. The Capital Securities will be redeemed at their Make Whole Redemption Price (in the case of any redemption prior to the First Reset Date) or on or after the First Reset Date at their principal amount, in each case together with any Payments which are Outstanding thereon (all such amounts so payable being payable in cash, save for 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 certificates of the Directors referred to below and 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 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 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 official listing on the London Stock Exchange 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. In each case, purchases will be made together with all unmatured Coupons and Talons appertaining thereto.

**(f) Cancellation**

All Capital Securities so redeemed or substituted by the Issuer and any unmatured Coupons and Talons appertaining thereto will be cancelled and may not be reissued or resold. 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 any Paying Agent for cancellation. Any Capital Securities so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Capital Securities shall be discharged.

**(g) Trustee Not Obligated 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(d) 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(d), it shall be entitled to assume that no such event or circumstance exists.

**8. PAYMENTS**

**(a) Method of Payment**

- (i) Payments of principal, premium and Coupon Amounts will be made by or on behalf of the Issuer against presentation and surrender of Capital Securities or the appropriate Coupons at the specified office of any of the Paying Agents except that payments of Coupon Amounts in respect of any period not ending on a Coupon Payment Date will only be made upon surrender of the relevant Capital Security. Such payments will be made (subject to Condition 8(a)(ii) below), at the option of the payee, by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in the Euro-zone.
- (ii) Upon the due date for redemption of any Capital Security, any unexchanged Talon relating to such Capital Securities (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon and unmatured Coupons relating to such Capital Securities (whether or not attached) shall also become void and no payment shall be made in respect of them. If any Capital Security is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Coupon Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Capital Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 11).

**(b) 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.

**(c) Payments on Business Days**

If the date for payment of any amount in respect of any Capital Security or Coupon, or any later date on which any Capital Security or Coupon is presented for payment, is not a business day, then the holder thereof shall not be entitled to payment at that place of payment of the amount payable until the next following business day at that place of payment and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 8(c), "business day" means any day (not being a Saturday, Sunday or a public holiday) on which commercial banks and foreign exchange markets which settle payments in euro are open in London and in the relevant place of payment.

**(d) 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 or any subsequent New Owner ceases to be the ultimate holding company of the Lloyds TSB group of companies, then the Issuer shall as soon as practicable give notice to the Holders in accordance with Condition 15, the Trustee and the Principal Paying 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 appointed by the Issuer (at the Issuer's expense) 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 FSA's regulatory capital treatment of the Capital Securities for regulatory capital and solvency purposes without the Issuer giving prior written notice to, and receiving no objection from, the FSA and (iii) no such amendment may be made which would, in the Trustee's opinion, 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 Owner. Upon any such determination being reached and notified to the Trustee, the Parent and the Issuer by such investment bank, the Trustee, 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 or Couponholders, effect the amendments that the independent investment bank has determined are appropriate 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, such investment bank is unable to formulate such amendments or if, having used all reasonable endeavours, the Issuer is unable to appoint an investment bank willing and able to make such determination, the investment bank or, as the case may be, the Issuer shall so notify the Issuer (in the case of notification by the investment bank), the Parent, the New Owner, the Trustee and the Principal Paying Agent and the Capital Securities shall (subject in each case to the Issuer giving prior written notice to, and receiving no objection from, the FSA and with the prior agreement of the New Owner) at the option of the Issuer either be substituted for, or have their terms varied so that they 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 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 agree (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 investment bank referred to above) to such substitution or variation. In connection therewith, all 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 Ordinary Shares to the New Owner in consideration for which the New 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 Deferred Coupon Payments in accordance, *mutatis mutandis*, with Conditions 6(b), 6(c), 6(d) and 6(e) (with references to the Payment Ordinary Shares being construed as references to such ordinary shares or equivalent shares in the capital of the New Owner which, when sold, provide a net cash amount of not less than the amount of such Deferred Coupon Payments which fall to be satisfied by the Issuer). 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 to its satisfaction. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the FSA objects to such substitution or variation or it is otherwise not practicable for the Capital Securities to be substituted or varied as described above, the Issuer may, subject to Condition 7(a), elect to redeem the Capital Securities as provided in this Condition 8(d). In connection with any substitution or variation in accordance with this Condition 8(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 listed on the London Stock Exchange and the rules of such exchange require) shall publish a supplement in connection therewith.

If the Capital Securities are to be redeemed by the Issuer in accordance with this Condition 8(d), the Issuer shall give notice thereof to the Trustee, the Principal Paying 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 redeemed at (in the case of any redemption prior to the First Reset Date) their Make Whole Redemption Price or (on or after the First Reset Date) 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 Issuer and the Trustee, be effected by the issue of Ordinary Shares to the New Owner in consideration for which the New 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), 6(d) and 6(e) (with references to the Payment Ordinary Shares being construed as references to such ordinary shares or equivalent shares in the capital of the New 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. No principal, premium 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(d), 6(e) or 8(d) 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 and/or premium) for a period of 14 days or more after the due date for the same or (in the case of any Coupon Amount or Accrued Coupon Payment) 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, the Capital Securities and the Coupons 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 Coupon 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, the Capital Securities or the Coupons (other than for the payment of any principal or premium or satisfaction of any Payments in respect of the Capital Securities or the Coupons 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, the Capital Securities or the Coupons 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 to its satisfaction.
- (d) No Holder or Couponholder shall be entitled to proceed directly against the Issuer or 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 or Couponholder 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 or Couponholder (i) for the recovery of amounts owing in respect of the Capital Securities or the Coupons, 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, the Capital Securities or the Coupons, other than as provided in Condition 9(b) above. The Issuer has undertaken in the Trust Deed to pay English and Jersey stamp and other duties (if any) on or in connection with the execution of the Trust Deed and English, Belgian and Luxembourg stamp and other duties or taxes (if any) on the constitution and issue of the Capital Securities in temporary global, permanent global or definitive form (provided such stamp and other duties or taxes result from laws applicable on or prior to the date 40 days after the Issue Date and, in the case of exchange of a global Capital Security for Capital Securities in definitive form, such tax results from laws applicable on or prior to the date of such exchange) and stamp and other duties or taxes (if any) payable in England (but not elsewhere) solely by virtue of and in connection with any proceedings under and in accordance with the Trust Deed or the Capital Securities, save that the Issuer shall not be liable to pay any such stamp duties or taxes to the extent that the obligation arises or the amount payable is increased by reason of the Holder or, as the case may be, Couponholder at the relevant time unreasonably delaying in producing any relevant document for stamping or similar process. Subject as aforesaid, the Issuer will not be otherwise responsible for stamp or other duties or taxes otherwise imposed and in particular (but without prejudice to the generality of the foregoing) for any penalties arising on account of late payment where due by the Holder or Couponholder at the relevant time. Any such stamp or other duties or taxes that might be imposed upon or in respect of Capital Securities in temporary global, permanent global or definitive form or the Coupons (in each case other than as aforesaid) are the liability of the holders thereof.
- (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 paragraph (a) of this Condition where the relevant law, regulation or order proves subsequently not to be valid or applicable shall be treated, for the purpose of ascertaining entitlement to accrued interest but not for any other purpose, as if it had been at all times an improper withholding or refusal), interest shall accrue 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 euro 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 paragraph (a) above, payment of any amount (each a "withheld amount") in respect of the whole or any part of the principal, premium 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 paragraph (e) above, or which is paid or provided after the due date for payment thereof, such withheld amount shall, where not already on interest bearing deposit, if lawful, promptly be so placed, all as more particularly described in the Trust Deed. If subsequently it shall be or become lawful to make payment of such withheld amount in euro, 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 and/or Coupons, as the case may be (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 paragraph (a) above, the date specified in the said notice shall become the due date for payment in respect of such withheld amount or the relevant part thereof. The obligations under this paragraph (f) shall be in lieu of any other remedy otherwise available under these Conditions, the Trust Deed or otherwise in respect of such withheld amount or the relevant part thereof.
- (g) Any interest payable as provided in paragraph (f) above shall be paid net of any taxes applicable thereto and Condition 10 shall not apply in respect of the payment of any such interest.

#### **10. TAXATION**

All payments by the Issuer of principal, premium, Coupon Amounts, Deferred Coupon Payments, Accrued Coupon Payments and Solvency Claims 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 or Couponholders 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 or, as the case may be, Coupons 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 or Coupon:

- (a) presented for payment by, or on behalf of, a Holder or Couponholder who (i) would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or similar claim for exemption but fails to do so, or (ii) is liable to such taxes, duties, assessments or governmental charges in respect of such Capital Security or Coupon by reason of his having some connection with the United Kingdom other than a mere holding of such Capital Security or Coupon;
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (c) presented for payment by or on behalf of a Holder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Capital Security or Coupon to another Paying Agent in a Member State of the European Union; or

- (d) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Couponholder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

References in these Conditions to principal, premium, 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 therefore 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**

Capital Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of Capital Securities and five years in the case of Coupons from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition or Condition 8(a)(ii) or any Talon which would be void pursuant to Condition 8(a)(ii).

#### **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 any of the provisions of the Capital Securities, the Coupons or the Trust Deed, except that certain provisions of the Trust Deed may only be modified subject to approval by Extraordinary Resolution passed at a meeting of 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) and on all Couponholders.

The Trustee may agree, without the consent of the Holders or the Couponholders, to (i) any modification of any of the provisions of the Trust Deed or these Conditions 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 or these Conditions, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or these Conditions 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 the Couponholders 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 prior written notice to, and received no objection from, the Financial Services Authority.

Subject to the prior written notice to, and receiving no objection from, the Financial Services Authority and as provided in the Trust Deed, the Trustee shall 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 or the Couponholders, to the substitution, subject to the Capital Securities and the Coupons being irrevocably guaranteed by the Issuer on a subordinated basis equivalent to that mentioned in Condition 2(b) of the Parent, any New Owner, any other subsidiary of the Parent or any New 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 the Coupons and as a party to the Paying Agency Agreement and so that the claims of the Holders and the Couponholders may, in the case of the substitution of the Parent, any New 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 "New 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 or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders or Couponholders (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 or Couponholder 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 or Couponholders 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.

### **13. REPLACEMENT OF THE CAPITAL SECURITIES, COUPONS AND TALONS**

Should any Capital Security, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the 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 reasonably require. Mutilated or defaced Capital Securities, Coupons or Talons must be surrendered before any replacement Capital Securities, Coupons or Talons will be issued. In addition the Issuer may require the person requesting delivery of a replacement Capital Security or Coupon to pay, prior to delivery of such replacement Capital Security or Coupon, any stamp or other tax or governmental charges required to be paid in connection with such replacement.

### **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 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 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 any such expert is subject to any limitation on the liability of the auditors or the liquidator or such expert (as the case may be) and whether by reference to a monetary cap or otherwise.

### **15. NOTICES**

Notices to Holders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. If publication as provided above is not practicable notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

### **16. FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the Holders or the Couponholders 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 names of the initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right, subject to the approval of the Trustee, such approval not to be unreasonably withheld, at any time

to vary or terminate the appointment of any Paying Agent or Calculation Agent and to appoint additional or other Paying Agents or (as the case may be) another Calculation Agent (if a Calculation Agent has already been appointed), provided that it will: (a) at all times maintain an Agent Bank, a Principal Paying Agent and a Paying Agent having a specified office in London (which may be the same as the Principal Paying Agent); (b) whenever a function expressed in these Conditions to be performed by the Calculation Agent falls to be performed, appoint and (for so long as such function is required to be performed) maintain a Calculation Agent; (c) for so long as the Capital Securities are admitted to official listing on any stock exchange maintain a Paying Agent having a specified office in such location as may be required by the rules of the stock exchange; and (d) insofar as the Issuer would be obliged to pay additional amounts pursuant to Condition 10 upon presentation of the Capital Security or Coupon, as the case may be, for payment in the United Kingdom, maintain a Paying Agent having a specified office in a major city in a Member State of the European Union other than the United Kingdom that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to such Directive which is approved by the Trustee, PROVIDED THAT under no circumstances shall the Issuer be obliged to maintain a Paying Agent with a specified office in such a Member State unless at least one Member State of the European Union other than the United Kingdom does not require a Paying Agent with a specified office in that Member State so to withhold or deduct tax. Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 15. If any of the Agent Bank, Calculation Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions, the relevant Calculation Agency Agreement or the Paying Agency Agreement (as the case may be), the Issuer and the Parent shall appoint, on terms acceptable to the Trustee, an independent investment bank acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Agent Bank, Calculation Agent or the Principal Paying Agent in relation to the Capital Securities shall (save in the case of manifest error) be final and binding on the Issuer, the Parent, the Trustee, the Paying Agents, the Holders and the Couponholders.

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. 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 Ordinary Shares made pursuant to Condition 6 or otherwise, by the Calculation Agent.

### 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 Ordinary 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, prior to the First Reset Date, the aggregate of Coupon Payments due on the next succeeding Coupon Payment Date and, after the First Reset Date, on the next four succeeding Coupon Payment Dates, 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 Ordinary Shares which the Issuer or the Parent 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 Capital Securities, the Coupons and the Talons 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 Capital Securities, the Coupons or the Talons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Capital Securities, the Coupons or the Talons ("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 or 6(e), as the case may be;

"ACSM Payment" means any Deferred Coupon Payment and/or any Accrued Coupon Payment pursuant to Condition 6(e);

"ACSM Payment Date" means the date on which an ACSM Payment is due to be satisfied pursuant to these Conditions;

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

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

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

"Associated Costs" means any duties or costs that are payable by the Trustee or its agent in connection with the issue and sale of Payment Issuer Shares or Payment Ordinary Shares pursuant to Condition 6;

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

"Business Day" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London;

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

"Calculation Agent" means the independent investment bank of international repute, appointed on the terms of a Calculation Agency Agreement, selected by the Issuer and approved by the Trustee, such approval not to

be unreasonably withheld, for the purposes of performing any of the functions expressed to be performed by it under these Conditions;

“Capital Securities” means the €750,000,000 Step-Up Perpetual Capital Securities, and such expression shall include, unless the context otherwise requires, any further capital securities issued pursuant to Condition 16 and forming a single series with the Capital Securities;

“Companies Act” means the Companies Act 1985 (as amended);

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

“Coupon” means an interest coupon relating to a Capital Security and includes, where the context so permits, a Talon;

“Coupon Amount” means, in respect of a Coupon, the amount of interest payable on the presentation and surrender of such Coupon for the relevant Coupon Period in accordance with Condition 5 and includes Floating Coupon Amounts;

“Coupon Determination Date” means, in relation to each Coupon Period from and including the Coupon Period beginning on the First Reset Date, the second TARGET Business Day of the relevant Coupon Period;

“Couponholder” means the bearer of any Coupon;

“Coupon Payment” means, in respect of a Coupon Payment Date, the aggregate Coupon Amounts for the Coupon Period ending on such Coupon Payment Date;

“Coupon Payment Date” means (i) in respect of the period from the Issue Date to (and including) the First Reset Date, 12 May in each year, starting on (and including) 12 May 2006 and (ii) after the First Reset Date, 12 February, 12 May, 12 August and 12 November in each year, starting on (and including) 12 August 2017, 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 it would thereby fall in the next calendar month, in which event it shall be brought forward to the immediately 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” means the Fixed Coupon Rate and/or the Floating Coupon Rate, as the case may be;

“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;

“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 of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and are admitted to trading on the market for listed securities of the London Stock Exchange or (ii) on such other internationally Recognised Stock Exchange as the Trustee may approve;

“Euro-zone” means the region comprised of member states of the European Union that have adopted the single currency in accordance with the Treaty;

“Financial Services Authority” or “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;

“First Reset Date” means 12 May 2017;

“Fixed Coupon Rate” has the meaning given to it in Condition 5(c);

“Fixed Rate Coupon Period” means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

“Floating Coupon Amounts” has the meaning given to it in Condition 5(e);

“Floating Coupon Rate” has the meaning given in Condition 5(d);

“Group” means the Issuer and its Subsidiaries;

“Holder” means the bearer of any Capital Security;

“holding company” has the meaning given to it under Section 736 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 12 May 2005, 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;

“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 Primary Capital Undated Floating Rate Notes (Series 1), Primary Capital Undated Floating Rate Notes (Series 2), Primary Capital Undated Floating Rate Notes (Series 3), 11¼ per cent. Perpetual Subordinated Bonds, 5½ per cent. Undated Subordinated Step-Up Notes Callable 2009, Undated Step-Up Floating Rate Notes Callable 2009, 6½ per cent. Undated Subordinated Step-Up Notes Callable 2010, 5.57 per cent. Undated Subordinated Step-Up Coupon Notes Callable 2015, 6½ per cent. Undated Subordinated Step-Up Notes Callable 2019, 8 per cent. Undated Subordinated Step-Up Notes Callable 2023 and 6½ per cent. Undated Subordinated Step-Up Notes Callable 2029 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 contingencies and for subsequent events to such extent as the Directors, the auditors or, if the Issuer is in a winding-up in England, its liquidator may determine;

“London Stock Exchange” means the London Stock Exchange plc;

“Make Whole Redemption Price” means, in respect of each Capital Security, (a) the principal amount of such Capital Security or, if redemption occurs before the First Reset Date and this is higher, (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the gross redemption yield on the Capital Security on the Reference Date (assuming for this purpose that the Capital Securities are to be redeemed at their principal amount on the First Reset Date) is equal to the gross redemption yield (determined by reference to the middle market price) at 11.00 a.m. (Brussels time) on the Reference Date of the Reference Bond plus 0.50 per cent., all as determined by the Calculation Agent;

“Margin” means 1.68 per cent.;

“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 United Kingdom Listing Authority Sourcebook: Listing Rules), except that an event or circumstance contemplated by Condition 8(d) 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 New Owner following a Permitted Restructuring;

"New Owner" means any new ultimate holding company of the Parent;

"New Owner Shares" means ordinary shares of the New Owner;

"Ordinary Shares" means ordinary shares in the capital of the Issuer, having on the Issue Date a par value of £1 each;

"Other Tax Event" means any of the events of the type described in Conditions 7(c)(iv);

"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, the 6.35% Step-Up Perpetual Capital Securities callable 2013, the 6.90% Perpetual Capital Securities callable 2007, the 6.625% Perpetual Capital Securities callable 2006 and the 7.834% Step-Up Non-voting Non-cumulative Capital Securities callable 2015;

"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(d); 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 TSB Group plc;

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

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

"Paying Agents" means the paying agents appointed pursuant to the Paying Agency Agreement and such term shall, unless the context otherwise requires, include the Principal Paying Agent;

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

"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 to acquire the whole (or as nearly as may be practicable the whole) of the issued ordinary share capital of the Parent 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 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 not held by the New Owner 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 alternative coupon satisfaction mechanism as described in Condition 6, the Trust Deed and any Calculation Agency Agreement operates so that Issuer Shares may be exchanged for New Owner Shares in such a manner that ensures that upon the sale of such New Owner 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 lower than that which would have been receivable had such a 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 Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc. and by Moody’s Investors Service, Inc. following any such restructuring, shall not be lower than those assigned to the Capital Securities immediately prior to such Permitted Restructuring taking place as confirmed by each such rating agency in writing;

“Principal Paying Agent” means Citibank, N.A.;

“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 shall have been delivered to the Trustee prior to the issue of the relevant securities), provided that they shall rank at least equal to the Capital Securities and the same Coupon Rate from time to time applying to the Capital Securities shall apply to them, but they shall not necessarily have provisions analogous to the provisions of Condition 6, and provided further that they shall comply with the then current requirements of the FSA in relation to Tier 1 Capital and shall preserve any existing rights under these Conditions to any Accrued Coupon Payment which has not been satisfied; and
- (b) are listed on the London Stock Exchange or 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 shall have been delivered to the Trustee prior to the issue of the relevant securities), 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) are listed on the London Stock Exchange or such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee;

“Recognised Stock Exchange” means a recognised stock exchange as defined in section 841 of the Income and Corporation Taxes Act 1988 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 four major banks in the interbank market in London as selected by the Agent Bank;

"Reference Bond" means such European government bond with a maturity date as near as possible to the First Reset Date as the Calculation Agent may, with the advice of the Reference Market Makers and in consultation with the Issuer, determine to be appropriate;

"Reference Date" means the date which is three Business Days prior to the date fixed for redemption pursuant to Conditions 7(c), 7(d) or 8(d) by the Issuer;

"Reference Market Makers" means three brokers or market makers of gilts selected by the Calculation Agent and approved for this purpose by the Trustee or such other three persons operating in the gilt-edged market as are selected by the Calculation Agent in consultation with the Issuer and approved for this purpose by the Trustee;

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 and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been 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;

"Senior Creditors" means creditors of the Issuer (a) who are depositors or other unsubordinated creditors of the Issuer; or (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; or (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 736 of the Companies Act;

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

"Talon" means a talon for further Coupons;

"TARGET Business Day" means a day on which the TARGET System is operating;

"TARGET System" means the Trans-European Real-Time Gross Settlement Express Transfer (TARGET) System;

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

"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 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 (x) (subject to (y)) becomes, or would become, effective on or after 9 May 2005, or (y) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or by Statutory Instrument, on or after 9 May 2005;

## **Terms and Conditions of the Capital Securities**

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

“Trust Deed” means the trust deed dated 12 May 2005 between the Issuer, the Parent and the Trustee;

“Trustee” means The Law Debenture Trust Corporation (Channel Islands) Limited as trustee for the Holders and includes its successor(s);

“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.

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## Summary of Provisions relating to the Capital Securities while in Global Form

### 1. EXCHANGE

The Capital Securities will be represented initially by a Temporary Global Capital Security in bearer form without Coupons or Talons which will be deposited outside the United States with a common depository for Clearstream, Luxembourg and Euroclear on or about 12 May 2005. The Temporary Global Capital Security will be exchangeable in whole or in part (free of charge to the holder) for interests in a Permanent Global Capital Security in bearer form without Coupons or Talons on or after a date which is expected to be 22 June 2005 (the "Exchange Date") upon certification as to non-US beneficial ownership as required by US Treasury regulations and as described in the Temporary Global Capital Security. Upon deposit of the Temporary Global Capital Security or the Permanent Global Capital Security (each a "Global Capital Security") with a common depository, Clearstream, Luxembourg and Euroclear will credit each subscriber with a principal amount of Capital Securities equal to the principal amount thereof for which it has subscribed and paid.

Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear as the holder of a Capital Security represented by a Global Capital Security must look solely to Clearstream, Luxembourg or Euroclear for his share of each payment made by the Issuer to the bearer of such Global Capital Security, subject to and in accordance with the rules and procedures of Clearstream, Luxembourg or Euroclear (as the case may be).

The Global Capital Securities will contain provisions applicable to the Capital Securities represented thereby, some of which modify the effect of the Terms and Conditions of the Capital Securities. Certain of these are summarised in this section.

For so long as any of the Capital Securities is represented by a Global Capital Security, the bearer of the Global Capital Security may, except as ordered by a court of competent jurisdiction or as required by law, be treated by the Issuer, the Trustee and the Paying Agents as the owner thereof and of all rights thereunder free from all encumbrances (in accordance with and subject to its terms and the Trust Deed) and the expression "Holder" and related expressions shall be construed accordingly. Interests in Capital Securities which are represented by a Global Capital Security will only be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg and/or Euroclear, as the case may be.

If any date on which a payment is due on the Capital Securities occurs prior to the Exchange Date, the relevant payment will be made on the Temporary Global Capital Security only to the extent that certification as to non-US beneficial ownership as required by US Treasury regulations (in substantially the form referred to in the Temporary Global Capital Security or in such other form as is customarily issued in such circumstances by the relevant clearing system or depository) has been received by Clearstream, Luxembourg or Euroclear. Payment of amounts due in respect of the Permanent Global Capital Security will be made through Clearstream, Luxembourg or Euroclear without any requirement for certification.

The holder of the Temporary Global Capital Security shall not (unless, upon due presentation of such Temporary Global Capital Security for exchange (in whole or in part) for interests in the Permanent Global Capital Security, such exchange is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Capital Securities represented by such Temporary Global Capital Security which falls due on or after the Exchange Date.

Interests in the Permanent Global Capital Security will be exchangeable in whole but not in part (free of charge to the holder) for definitive bearer Capital Securities (a) if the Permanent Global Capital Security is held on behalf of Clearstream, Luxembourg or Euroclear or an Alternative Clearing System (as defined below) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (b) at any time at the option of the Issuer, by the Issuer or, in the case of (a) above, the Holder of the Permanent Global Capital Security giving notice to the Principal Paying Agent and, if applicable, the Issuer or the Holders of its intention to exchange interests in the Permanent Capital Security for definitive Capital Securities on or after the Permanent Global Exchange Date (as defined below) specified in the notice.

On or after the Permanent Global Exchange Date the holder of the Permanent Global Capital Security shall surrender the Permanent Global Capital Security to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Capital Security, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Capital Securities having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Capital Security and a Talon.

"Alternative Clearing System" means any such other clearing system as shall have been approved by the Trustee.

"Permanent Global Exchange Date" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (a) above, in the cities in which Clearstream, Luxembourg and Euroclear or, if relevant, the Alternative Clearing System are located.

## **2. PAYMENTS**

Principal, premium and interest in respect of the Permanent Global Capital Security shall be paid to its holder against presentation and (if no further payment falls to be made on it) surrender of it to or to the order of any Paying Agent which shall endorse such payment or cause payment to be endorsed in the appropriate schedule to the Permanent Global Capital Security. A record of each payment so made will be endorsed in the appropriate schedule to the Permanent Global Capital Security which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Capital Securities. No person shall however be entitled to receive any payment on the Permanent Global Capital Security falling due after the Permanent Global Exchange Date, unless exchange of the Permanent Global Capital Security for definitive Capital Securities is improperly withheld or refused by or on behalf of the Issuer. Condition 10(c) of the Capital Securities will apply to the Definitive Securities only.

## **3. NOTICES**

So long as the Permanent Global Capital Security is held on behalf of Clearstream, Luxembourg or Euroclear or an Alternative Clearing System, notices required to be given to Holders may be given by their being delivered to Clearstream, Luxembourg and/or Euroclear or, as the case may be, the Alternative Clearing System, rather than by publication as required by the Terms and Conditions of the Capital Securities. Any notice delivered to Clearstream, Luxembourg and/or Euroclear and/or, as the case may be, the Alternative Clearing System shall be deemed to have been given to the Holders on the day on which such notice is so delivered.

## **4. MEETINGS**

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

## **5. PURCHASE AND CANCELLATION**

Cancellation of any Capital Security represented by the Permanent Global Capital Security which is required by the Terms and Conditions of the Capital Securities to be cancelled will be effected by reduction in the principal amount of the Permanent Global Capital Security.

## **6. TRUSTEE'S POWERS**

In considering the interests of Holders in circumstances where the Permanent Global Capital Security is held on behalf of any one or more of Clearstream, Luxembourg, Euroclear 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 the Permanent Global Capital Security and may consider such interests on the basis that such accountholders were the holder of the Permanent Global Capital Security.

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## Use of Proceeds

*The net proceeds from the issue of the Capital Securities are estimated to amount to €744,375,000 and will be used by the Issuer to strengthen the capital base of the Group and to develop and expand its business.*

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## Lloyds TSB Bank Group

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

### **UK RETAIL BANKING**

UK Retail Banking provides banking, financial services, mortgages and private banking to some 15 million personal customers through our multi channel distribution capabilities.

#### **Branches**

The Lloyds TSB Bank Group provides wide-reaching geographic branch coverage in England, Scotland and Wales, with some 2,200 branches of Lloyds TSB Bank, Lloyds TSB Scotland and Cheltenham & Gloucester as at the end of 2004.

#### **Internet banking.**

Internet banking provides online banking facilities for personal customers. Some 3 million customers have registered to use Lloyds TSB Bank Group's internet banking services.

#### **Telephone banking**

Telephone banking continues to grow and Lloyds TSB Bank Group provides, in terms of customer numbers, one of the largest telephony services in Europe. At the end of 2004, some 4.8 million customers had registered to use the services of PhoneBank and the automated voice response service PhoneBank Express. Lloyds TSB Bank Group's telephone banking contact centres handled some 62 million calls during 2004.

#### **Cash machines**

Lloyds TSB Bank Group has one of the largest cash machine networks of any leading banking group in the UK and, at 31 December 2004, personal customers of Lloyds TSB Bank and Lloyds TSB Scotland were able to withdraw cash and check balances through some 4,200 ATMs at branches and external locations around the country. In addition, our personal customers have access to some further 50,000 cash machines via LINK in the UK and to cash machines worldwide through the VISA and MasterCard networks.

#### **Current accounts**

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

#### **Savings accounts**

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

#### **Personal loans**

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

#### **Credit Cards**

Lloyds TSB Bank Group provides a range of card-based products and services, including credit and debit cards and card transaction processing services for retailers. Lloyds TSB Bank Group is a member of both the VISA and MasterCard payment systems and had a 12.7 per cent. share of outstanding card balances at 31 December 2004.

#### **Mortgages**

Cheltenham & Gloucester is Lloyds TSB Bank Group's specialist residential mortgage provider, offering a range of mortgage products to personal customers through its own branches and those of Lloyds TSB Bank in England and Wales, as well as through the telephone, internet and postal service, C&G TeleDirect. Lloyds TSB Bank Group also provides mortgages through Lloyds TSB Scotland and Scottish Widows Bank. Lloyds TSB Bank Group is the third largest residential mortgage lender in the UK on the basis of outstanding balances, with mortgages outstanding at 31 December 2004 of £80.1 billion, representing a market share of 9.1 per cent.



**UK Wealth Management**

Private Banking provides a range of tailor-made wealth management services and products to individuals from 30 offices throughout the UK. In addition to asset management, these include tax and estate planning, executor and trustee services, deposit taking and lending, insurance and personal equity plan and individual savings account (ISA) products.

**INSURANCE AND INVESTMENTS**

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

**Life assurance, pensions and investments**

Scottish Widows is Lloyds TSB Bank Group's specialist provider of life assurance, pensions and investment products, which are distributed through Lloyds TSB Bank's branch network, through independent financial advisors and directly via the telephone and the internet. The Scottish Widows brand is the main brand for new sales of Lloyds TSB Bank Group's life, pensions, unit trust and other long-term savings products.

**General Insurance**

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

**Scottish Widows Investment Partnership**

Scottish Widows Investment Partnership manages funds for Lloyds TSB Bank Group's retail life, pensions and investment products. Clients also include corporate pension schemes, local authorities and other institutions in the UK and overseas. At 31 December 2004 funds under management amounted to some £82 billion.

**WHOLESALE AND INTERNATIONAL BANKING**

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

**Wholesale**

2004 has seen a further increase in our corporate activity with the tighter integration of the businesses within the Wholesale Bank.

**Corporate Markets**

Combining the respective strengths of Corporate Banking, Structured Finance and Financial Markets, Corporate Markets plays an integral role in leveraging and expanding our customer franchise and building deep, long-lasting relationships. Corporate Banking manages the core franchise, providing a relationship-based financial and advisory service to the corporate marketplace through dedicated regional teams throughout the UK and key strategic locations abroad, including New York. Customers have access to our capital and expertise in a broad range of financial solutions. Our relationship managers act as a conduit to partners in the Wholesale Bank and other parts of the Group. Structured Finance comprises the private equity and leveraged debt businesses and other transactional lending businesses of the Wholesale Bank. Structured Finance executes transactions within the existing corporate franchise as well as building an avenue for new to bank relationships. Financial Markets is a leading participant in the sterling money market. It is also active in currency money markets, foreign exchange markets and in certain derivatives markets, primarily to meet the needs of customers. It also plays a central role in the funding, cash and liquidity management of Lloyds TSB Bank Group.

**Asset Finance**

Lloyds TSB Bank Group's asset finance businesses provide individuals and companies with finance through leasing, hire purchase and contract hire packages. Through its invoice discounting and factoring subsidiary, Lloyds TSB Commercial Finance, Lloyds TSB Bank Group provides working capital finance for customers. Specialist personal lending, store credit and the Dutton-Forshaw motor dealership group complete this group of businesses.

**Business Banking**

Relationships with some 574,000 small businesses are managed by around 1,700 dedicated business managers based in over 500 locations throughout the UK supported by nearly 2,000 business customer advisers in branches. Lloyds TSB Bank Group is one of the leading banks for new business start-ups with nearly a quarter of new businesses opening an account with Lloyds TSB. The main activity of the Agricultural Mortgage Corporation is to provide long-term finance to the agricultural sector.

**International Banking**

The Group has continued to reshape its international network in 2004 as the sales of our businesses in Argentina, Colombia, Guatemala, Panama and Honduras were completed during the year.

**Europe**

Lloyds TSB Bank Group has private banking operations for wealthy individuals outside their country of residence. The business is conducted through branches of Lloyds TSB Bank located in Switzerland, Luxembourg, Monaco and Gibraltar. There are also personal and corporate banking operations in Belgium, The Netherlands and Spain.

**Offshore banking**

Lloyds TSB Bank Group's offshore banking operations comprise offices in the UK, the Channel Islands, the Isle of Man and overseas representative offices in the Middle East, Asia and the Americas. The business provides a wide range of retail banking, wealth management and expatriate services to local island residents, UK expatriates, foreign nationals and to other customers requiring offshore financial services.

**The Americas**

Lloyds TSB Bank Group continues to have offices in Ecuador, Paraguay and Uruguay which provide mainly corporate banking services. In addition, Lloyds TSB Bank Group has private banking and investment operations in the US.

**Middle East and Asia**

There are banking operations in Hong Kong, Singapore, Tokyo, Malaysia and Dubai.

**DIRECTORS**

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

**Maarten A. van den Bergh**  
Chairman

A non-executive director of Royal Dutch Petroleum Company, BT Group and British Airways

**EXECUTIVE DIRECTORS**

**J. Eric Daniels**  
Group Chief Executive

**Michael E. Fairey**  
Deputy Group Chief Executive

President of The British Quality Foundation

**Archie G. Kane**  
Group Executive Director,  
Insurance and Investments

**G. Truett Tate**  
Group Executive Director,  
Wholesale and International Banking

**Helen A. Weir**  
Group Finance Director

A non-executive director of The City of London Investment Trust

**NON-EXECUTIVE DIRECTORS**

Wolfgang C. G. Berndt

A non-executive director of Cadbury Schweppes and GfK AG and board member of the Institute for the Future

Ewan Brown CBE FRSE

Chairman of Transport Initiatives Edinburgh and a non-executive director of John Wood Group, Noble Grossart and Stagecoach Holdings

Gavin J. N. Gemmell CBE

A non-executive director of Archangel Informal Investment and chairman of the Court of Heriot-Watt University

Sir Julian Horn-Smith

Deputy chief executive officer of Vodafone and a non-executive director of Smiths Group

DeAnne S. Julius CBE

Chairman of the Royal Institute of International Affairs and a non-executive director of BP, Serco Group and Roche Holdings SA.

Angela A. Knight

Chief Executive of the Association of Private Client Investment Managers and Stockbrokers and a non-executive director of LogicaCMG and the Port of London Authority

## Capitalisation and Indebtedness of Lloyds TSB Bank plc

The following table presents on a consolidated basis, as at 31 December 2004, as extracted without material adjustment from the audited accounts of Lloyds TSB Bank plc for the year ended 31 December 2004, the shareholders' funds, minority interests, undated loan capital and dated loan capital of Lloyds TSB Bank Group. Undated loan capital is subordinated debt that has no mandatory repayment date. Dated loan capital is subordinated debt that is repayable on an agreed date that, at the time of issue of the loan capital, is at least five years and one day in the future.

In addition, other liabilities, including debt securities in issue, arising in the normal course of banking business, are disclosed in note (o) to the table.

	31 December 2004 (£ millions)
<b>Shareholders' funds</b>	
Authorised:	
1,650,000,000 ordinary shares of £1 each, 1 cumulative floating rate preference share of £1 and	
100 per cent. non-cumulative redeemable preference shares of £1 each	1,650
Issued and fully paid:	
Ordinary shares	1,542
Reserves	9,514
<b>Total</b>	<b>11,056</b>
<b>Minority interests (Notes (a) and (b))</b>	
Equity	46
Non-equity:	
7.375% Step-up Non-voting Non-cumulative Capital Securities callable 2012 (€430 million)	
(Notes (c) and (d))	302
7.834% Step-up Non-voting Non-cumulative Capital Securities callable 2015 (£250 million)	
(Notes (c) and (d))	248
<b>Total</b>	<b>596</b>
<b>Undated loan capital (Notes (a), (b), (d) and (f))</b>	
Primary Capital Undated Floating Rate Notes: (Note (g))	
Series 1 (US\$750 million)	389
Series 2 (US\$500 million)	259
Series 3 (US\$600 million)	311
11¼% Perpetual Subordinated Bonds	100
6.625% Perpetual Capital Securities (€750 million) (Note (e))	526
6.90% Perpetual Capital Securities callable 2007 (US\$1,000 million) (Notes (h))	512
5½% Undated Subordinated Step-up Notes callable 2009 (€1,250 million) (Note (i))	877
Undated Step-up Floating Rate Notes callable 2009 (€150 million) (Note (g))	105
6¾% Undated Subordinated Step-up Notes callable 2010 (Note (j))	407
6.35% Step-up Perpetual Capital Securities callable 2013 (€500 million) (Notes (i) and (l))	350
5.57% Undated Subordinated Step-up Coupon Notes callable 2015 (¥20,000 million) (Note (k))	101
5.125% Undated Subordinated Step-up Notes callable 2016	497
6½% Undated Subordinated Step-up Notes callable 2019 (Note (j))	267
8% Undated Subordinated Step-up Notes callable 2023 (Note (j))	199
6½% Undated Subordinated Step-up Notes callable 2029 (Note (j))	455
6% Undated Subordinated Step-up Guaranteed Bonds callable 2032 (Note (j))	500
<b>Total</b>	<b>5,855</b>

## Capitalisation and Indebtedness of Lloyds TSB Bank plc

	31 December 2004 (£ millions)
<b>Dated loan capital (Notes (a), (b) and (d))</b>	
7¾% Subordinated Bonds 2007 .....	299
5¼% Subordinated Notes 2008 (DM 750 million) .....	270
10⅝% Guaranteed Subordinated Loan Stock 2008 .....	107
9½% Subordinated Bonds 2009 .....	100
6¼% Subordinated Notes 2010 (€400 million) .....	281
Subordinated Floating Rate Notes 2010 (US\$400 million) (Note (g)) .....	207
12% Guaranteed Subordinated Bonds 2011 .....	114
4¾% Subordinated Notes 2011 (€850 million) .....	582
Subordinated Floating Rate Notes 2011 .....	150
Subordinated Floating Rate Notes 2011 .....	100
Subordinated Floating Rate Notes 2012 (Note (n)) .....	200
Subordinated Floating Rate Notes 2013 (Note (n)) .....	150
Subordinated Floating Rate Notes 2014 .....	464
5⅞% Subordinated Notes 2014 .....	148
6⅝% Subordinated Notes 2015 .....	345
Subordinated Step-up Floating Rate Notes 2016 callable 2011 (€500 million) (Note (g) and (m)) .....	353
5¾% Subordinated Step-up Notes 2025 callable 2020 (Note (m)) .....	346
Subordinated Floating Rate Notes 2020 (€100 million) (Note (g)) .....	70
9⅝% Subordinated Bonds 2023 .....	338
Subordinated Non-interest Bearing Loan on rolling 6 year notice .....	150
<b>Total</b> .....	<b>4,774</b>
<b>Total capitalisation</b> .....	<b>22,281</b>

### Notes:

- (a) Preferred securities, capital securities and loan capital denominated in currencies other than sterling have been translated at the rates prevailing on 31 December 2004.
- (b) In certain circumstances the amounts of preferred securities, capital securities and loan capital reflect issue expenses which are amortised over the shorter of the life of the issue and the period to the callable date.
- (c) These preferred securities, bonds and notes will bear interest at an increased margin over the relevant reference benchmark if they are not called on the relevant callable date.
- (d) In certain circumstances the preferred securities are subject to mandatory conversion into preference shares issued by Lloyds Bank Group plc. If they are not called at the relevant callable date, investors have the right to seek redemption from the proceeds of issues of new ordinary shares in Lloyds Bank Group plc.
- (e) In certain circumstances the interest payments on these securities can be deferred although in this case neither Lloyds TSB Bank plc nor Lloyds TSB Group plc can declare or pay a dividend until any deferred payments have been made. In the event of a winding up of Lloyds TSB Bank plc, these securities will acquire the characteristics of preference shares. The securities can be redeemed at par at the option of Lloyds TSB Bank plc on or after 25 October 2006.
- (f) The undated loan capital notes were issued on a subordinated basis and, in certain circumstances, the notes would acquire the characteristics of preference share capital.
- (g) These notes bear interest at rates fixed periodically in advance based on London interbank rates.
- (h) In certain circumstances the interest payments on these securities can be deferred although in this case neither Lloyds TSB Bank plc nor Lloyds TSB Group plc can declare or pay a dividend until payments are resumed. Any deferred payments will be made good on redemption of the securities. In the event of a winding up of Lloyds TSB Bank plc, these securities will acquire the characteristics of preference shares. The securities can be redeemed at par at the option of Lloyds TSB Bank plc on or after 22 November 2007.
- (i) In the event that these Notes are not redeemed at the callable date, the coupon will be reset to a floating rate.
- (j) At the callable date the coupon on these Notes will be reset by reference to the applicable five year benchmark gilt rate.
- (k) In the event that these Notes are not redeemed at the callable date, the coupon will be reset to a fixed margin over the then five year Yen swap rate.
- (l) In certain circumstances the interest payments on these securities can be deferred although in this case neither Lloyds TSB Bank plc nor Lloyds TSB Group plc can declare or pay a dividend until any deferred payments have been made. In the event of a winding up of Lloyds TSB Bank plc, these securities will acquire the characteristics of preference shares. The securities can be redeemed at par at the option of Lloyds TSB Bank plc on or after 25 February 2013.
- (m) Issued during 2004 primarily to finance the general business of the Group.
- (n) The repayment date of these notes has been extended during the year.

- (o) As at 31 December 2004, Lloyds TSB Bank Group had other borrowings of £204,546 million (including deposits by banks of £39,738 million, customer accounts of £122,354 million, debt securities in issue of £27,217 million and other liabilities of £15,237 million) and contingent liabilities (including guarantees) of £8,526 million.*
- (p) None of the preferred securities, capital securities or loan capital is secured, or except where otherwise stated, guaranteed.*
- (q) Since 31 December 2004 Lloyds TSB Bank Group has issued £300 million Subordinated Callable Floating Rate Notes due 2016. There have been no other material changes to Lloyds TSB Bank Group's capitalisation or indebtedness, contingent liabilities and guarantees since 31 December 2004.*

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## Taxation

*The following discussion is a summary of the current taxation treatment of payments of interest on the Capital Securities under UK tax law. 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 as in effect on the date of this Offering Circular, 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 such as dealers 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 those 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 841 of the Income and Corporation Taxes Act 1988 ("ICTA"), 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. Under an Inland Revenue published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the United Kingdom Listing Authority and 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 interest on the Capital Securities is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that the Inland Revenue 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 lower rate (currently 20 per cent.), subject to any direction to the contrary from the Inland Revenue 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 the United Kingdom Inland Revenue 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 of "Terms and Conditions of the Capital Securities" would not apply if the Inland Revenue 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. Subject to a number of important conditions being met, it is proposed that Member States will be required from a date not earlier than 1 July 2005 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 in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.



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## Subscription and Sale

Under a subscription agreement entered into with the Issuer and the Parent on 9 May 2005 (the "Subscription Agreement"), Merrill Lynch International, UBS Limited and Lloyds TSB Bank plc (together, the "Managers") have agreed to subscribe for the Capital Securities at the issue price of 100 per cent. of the principal amount of the Capital Securities plus accrued interest (if any) less certain commissions as agreed with the Issuer. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Issuer.

### UNITED STATES

The Capital Securities have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Capital Securities are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Capital Securities (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement), within the United States or to, or for the account or benefit of, US persons, and that it will have sent to each dealer to which it sells Capital Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of Capital Securities within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Capital Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### UNITED KINGDOM

Each Manager has represented and agreed that:

- (1) it has not offered or sold and will not offer or sell any Capital Securities to persons in the United Kingdom prior to admission of the Capital Securities to listing in accordance with Part VI of the FSMA, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the FSMA;
- (2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Capital Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Capital Securities in, from or otherwise involving the United Kingdom.

### GENERAL

No action has been or will be taken in any country or any jurisdiction by any Manager or the Issuer that would permit a public offering of the Capital Securities, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Capital Securities, in any country or jurisdiction where action for that purpose is required. Each Manager has agreed to comply, to the best of its knowledge and belief, with all applicable laws and regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Capital Securities or has in its possession or distributes this Offering Circular or any such other material relating to the Capital Securities, in all cases at its own expense.

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## General Information

- (1) It is expected that admission of the Capital Securities to the Official List and to trading on the London Stock Exchange's market for listed securities will be granted on or around 12 May 2005, subject only to the issue of the Temporary Global Capital Security. If the Temporary Global Capital Security is not issued as mentioned in this document, the issue of the Capital Securities may be cancelled. Prior to official listing, however, dealings in Capital Securities will be permitted by the London Stock Exchange in accordance with its rules.
- (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 3 March 2005 and by resolutions of the executive committee of the Board of Directors of the Issuer passed on 29 April 2005.
- (3) The Capital Securities have been accepted for clearance through Clearstream, Luxembourg and Euroclear.

Common Code: 021863823

ISIN: XS0218638236

- (4) All Capital Securities and Coupons 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.
- (5) Neither the Issuer nor any of its subsidiaries is or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the past 12 months, a significant effect on the financial position of the Lloyds TSB Bank Group.
- (6) There has been no significant change in the financial or trading position of the Parent or the Lloyds TSB Bank Group and no material adverse change in the financial position or prospects of the Parent or the Lloyds TSB Bank Group since 31 December 2004.
- (7) No redemption or purchase by the Issuer, the Parent or any of the Parent's other subsidiaries, of the Capital Securities will be made by the Issuer without the prior consent of the Financial Services Authority.
- (8) Copies of the following documents will be available free of charge at the specified office of each of the Paying Agents during normal business hours, for 14 days from the date of this document:
  - (a) the memorandum and articles of association of the Issuer and the Parent;
  - (b) the Trust Deed;
  - (c) the Subscription Agreement;
  - (d) the Paying Agency Agreement; and
  - (e) the annual report and accounts of the Issuer for the two years ending 31 December 2003 and 31 December 2004, the latest annual report and consolidated accounts of the Parent for the two years ending 31 December 2003 and 31 December 2004 and the latest interim accounts of the Parent.
- (9) The auditors of the Issuer, PricewaterhouseCoopers LLP chartered accountants and registered auditors, have audited the accounts of the Issuer in accordance with the laws of England and Wales and issued an unqualified audit opinion for each of the three financial years ending 31 December 2004.

## General Information

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The auditors of the Parent, PricewaterhouseCoopers LLP have audited the accounts of the Parent in accordance with the laws of England and Wales and issued an unqualified audit opinion for each of the three financial years ending 31 December 2004.

- (10) The Trust Deed provides that the Trustee may rely on certificates or reports from the auditors of the Issuer and/or the Parent and/or any other expert in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and such auditors and/or expert in connection therewith contains any limit on liability (monetary or otherwise) of such auditors and/or expert.

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**REGISTERED OFFICE OF THE ISSUER**

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**REGISTERED OFFICE OF THE PARENT**

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