BASE PROSPECTUS

Lloyds Banking Group plc

as Issuer and Guarantor

(incorporated in Scotland with limited liability under the Companies Act 1985 with registered number 95000)

Lloyds TSB Bank plc

as Issuer

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

U.S.$35,000,000,000
Senior and Subordinated Medium-Term Notes
Due Nine Months or More from Date of Issue

Lloyds Banking Group plc (the "Company") and Lloyds TSB Bank plc (the "Bank" and, together with the Company, the "Issuers" and each an "Issuer") may issue at various times up to $35,000,000,000 aggregate principal amount outstanding at any time of senior medium-term notes (the "Senior Notes") or dated subordinated medium-term notes with terms intended to qualify as Lower Tier 2 Capital (which term has the meaning given to it from time to time by the FSA (as defined below)) (the "Subordinated Notes" and together with the Senior Notes, the "Notes") denominated in U.S. dollars or in other currencies or composite currencies (the "Programme"). The Issuers are privately placing the Notes on a delayed or continuous basis to one or more of the dealers named below or otherwise appointed by an Issuer from time to time, in connection with a specific issuance or otherwise (the "Dealers"), or through the Dealers to qualified institutional buyers as described in this Base Prospectus under the section entitled "Plan of Distribution". Each Issuer has also reserved the right to sell, and may solicit and accept offers to purchase, Notes directly on its own behalf. This document will be considered a base prospectus ("Base Prospectus") for the purposes of Directive 2003/7 I/EC (the "Prospectus Directive"). The United Kingdom Financial Services Authority (the "FSA"), in its capacity as competent authority for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom (the "U.K. Listing Authority") approved this document as a Base Prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Notes issued under this programme. Application has been made to admit such Notes during the period of 12 months after the date hereof to listing on the Official List of the U.K. Listing Authority (the "Official List"). Application has also been made to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's regulated market, which is a regulated market for the purpose of Directive 2004/39/EC (the "Markets in Financial Instruments Directive").

The Notes will be issued in series and each series will be the subject of final terms (each "Final Terms"). The Issuers may issue Notes with the following terms:

- Maturity Date: The Notes will mature nine months or more from the date of issue.
- Status: The Issuers will issue either Senior Notes or Subordinated Notes, each as further described in this Base Prospectus.
- Redemption or Repayment Option: The Notes may be subject to redemption or repayment at the relevant Issuer's option or the holder's option.
- Interest Rate Basis: The Notes will bear interest at either a fixed or a floating rate. The floating rate formula may be based on the CD rate, CMS rate, CMT rate, commercial paper rate, federal funds rate, LIBOR, EURIBOR, prime rate, treasury rate or such other basis as are described in an applicable Final Terms.
- Other Features: The Issuers may issue the Notes as original issue discount Notes, index linked Notes or amortising Notes, or on such other basis as are described in an applicable Final Terms.
- Form: The Issuers will issue both the Senior Notes and the Subordinated Notes as global notes in fully registered form without coupons.
- Denomination: The Issuers will issue the Senior Notes in minimum denominations of $200,000 and the Subordinated Notes in minimum denominations of $250,000 or, in each case, in integral multiples of $1,000 in excess of these minimum denominations, or the equivalent of these amounts in other currencies or composite currencies, and in any other denominations in excess of the minimum denominations as may be specified in the applicable Final Terms.
- Interest Payment Dates: The Issuers will pay interest on the Notes on the dates specified in the applicable Final Terms.

See the section entitled "*Risk Factors*" commencing on page 9 for a discussion of certain risks that prospective purchasers should consider prior to making an investment in the Notes. The applicable Final Terms for any series of Notes may describe additional risks prospective purchasers should consider.

The Issuers have not registered and will not register the Notes or the Guarantees (as defined herein) under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws, and are only offering Notes to qualified institutional buyers within the meaning of and in reliance on Rule 144A under the Securities Act ("Rule 144A") and outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") or in other transactions exempt from registration under the Securities Act and, in each case, in compliance with applicable securities laws.

In the United Kingdom, this communication is directed only at persons who (i) have professional experience in matters relating to investments or (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

Each initial and subsequent purchaser of a note will be deemed, by its acceptance or purchase thereof, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such note, as described in this Base Prospectus, and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases. See the section entitled "Transfer Restrictions" for a further description of these restrictions.

One or more Dealers may purchase Notes, as principal, from the Issuers for resale to investors and other purchasers at varying prices relating to prevailing market prices as determined by any such Dealer at the time of resale or, if so agreed, at a fixed offering price. In addition, the Issuers may agree with a Dealer that it may utilise its reasonable efforts on an agency basis to submit offers for Notes, as specified in the applicable Final Terms.

The Issuers reserve the right to cancel or modify the medium-term note programme described in this Base Prospectus without notice. The Issuers, or a Dealer if it solicits an offer on an agency basis, may reject any offer to purchase Notes in whole or in part. For further information, see the section entitled "Plan of Distribution".

The Dealers expect to deliver the Notes in book-entry form through the facilities of The Depository Trust Company ("DTC") or through the facilities of Euroclear Bank S.A./N.V. ("Euroclear") or Clearstream Banking, societe anonyme, ("Clearstream") as specified in the Final Terms. Beneficial interests in the Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and/or Euroclear and Clearstream (as the case may be) and their respective participants or account holders.

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

Dealers

BofA Merrill Lynch
BNP PARIBAS
Credit Suisse
Goldman, Sachs & Co.
J.P. Morgan
Lloyds Securities
RBS
Wells Fargo Securities

Barclays Capital
Citi
Deutsche Bank Securities
HSBC
Lloyds Bank Corporate Markets
Morgan Stanley
UBS Investment Bank

The date of this Base Prospectus is 20 May 2011

NOTICE TO INVESTORS

The Issuers are furnishing this Base Prospectus in connection with an offering exempt from registration under the Securities Act and applicable state securities laws solely for the purpose of enabling a prospective investor to consider the purchase of the Notes. Delivery of this Base Prospectus to any person or any reproduction of this Base Prospectus, in whole or in part, without the Issuers' consent is prohibited. The information contained in this Base Prospectus has been provided by the Issuers and other sources identified in this Base Prospectus. Any information provided by a third party has been accurately reproduced and as far as the Issuers are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Dealers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Base Prospectus. None of the information contained in this Base Prospectus is, or should be relied upon as, a promise or representation by the Dealers. Prospective purchasers should be aware that since the date of this Base Prospectus there may have been changes in the affairs of the Issuers or the Group (as defined below) or otherwise that could affect the accuracy or completeness of the information set forth in this Base Prospectus.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption from registration. Prospective purchasers should be aware that they may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

Prospective purchasers must comply with all applicable laws and regulations in force in any jurisdiction in connection with the distribution of this Base Prospectus and the offer or sale of the Notes. If a prospective purchaser decides to invest in the Notes such a purchaser and any subsequent purchaser will be deemed, by acceptance or purchase of a note, to have made certain acknowledgements, representations and agreements to and with the Issuers and any applicable Dealer intended to restrict the resale or other transfer of the note as described in this Base Prospectus. In addition, a prospective purchaser and any subsequent purchaser may be required to provide confirmation of compliance with resale or other transfer restrictions in certain cases. See the section entitled "Transfer Restrictions" for more information on these restrictions.

In making the decision whether to invest in the Notes, prospective purchasers must rely on their own examination of the Issuers and the terms of this offering, including the merits and risks involved. Prospective purchasers should not construe the contents of this Base Prospectus as legal, business, financial or tax advice. Prospective purchasers should consult their own attorney, business advisor, financial advisor or tax advisor.

The Notes and the Guarantees (as defined herein) have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "**SEC**") or any state or foreign securities commission or any regulatory authority. The foregoing authorities have not confirmed the accuracy or determined the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence.

Prospective purchasers should direct any inquiries relating to the Issuers, this Base Prospectus or the medium-term note programme described in this Base Prospectus to the Dealers.

This Base Prospectus comprises a base prospectus for the purpose of the Prospectus Directive and for the purpose of giving information with regard to the Issuers, the Company in its capacity as guarantor (the "Guarantor") and the Company and its subsidiary and associated undertakings (the "Group" or the "Lloyds Banking Group") of the Notes issued by the Bank or the Company, as the case may be, which, according to the particular nature of each Issuer, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the relevant Issuer or the Guarantor.

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

Apart from the responsibilities and liabilities, if any, which may be imposed on any of the Dealers by the Financial Services and Markets Act 2000 (the "**FSMA**") or the regulatory regime established thereunder, each of the Dealers accepts no responsibility whatsoever for the contents of this Base Prospectus, any Final Terms and/or the information incorporated herein by reference, including in relation to the accuracy, completeness and/or verification thereof, and/or for any other statement made or purported to be made by any of them, or on behalf of any of them, in connection with the offering or any other matter referred to in this document. Each of the Dealers accordingly disclaims all and any liability whatsoever arising in tort, contract or otherwise (save as referred to above) which any of them might otherwise have in respect of this document or any such statement.

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FORWARD-LOOKING STATEMENTS

This Base Prospectus includes certain forward looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 with respect to the business, strategy and plans of Lloyds Banking Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Lloyds Banking Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as "believes", "anticipates", "estimates", "expects", "intends", "aims", "potential", "will", "would", "could", "considered", "likely", "estimate" and variations of these words and similar future or conditional expressions are intended to identify forward looking statements but are not the exclusive means of identifying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future.

Examples of such forward looking statements include, but are not limited to, projections or expectations of the Group's future financial position including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, expenditures or any other financial items or ratios; statements of plans, objectives or goals of Lloyds Banking Group or its management including in respect of the integration of HBOS and the achievement of certain synergy targets; statements about the future business and economic environments in the United Kingdom ("UK") and elsewhere including future trends in interest rates, foreign exchange rates, credit and equity market levels and demographic developments and any impact on the Group; statements about strategic goals,

competition, regulation, disposals and consolidation or technological developments in the financial services industry; and statements of assumptions underlying such statements.

Factors that could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by Lloyds Banking Group or on Lloyds Banking Group's behalf include, but are not limited to, the risks identified herein under "Risk Factors", as well as general economic conditions in the UK and internationally; inflation, deflation, interest rates, policies of the Bank of England and other G8 central banks and interest rate, exchange rate, market and monetary fluctuations; changing demographic developments including mortality and changing customer behaviour including consumer spending, saving and borrowing habits, borrower credit quality, technological changes, natural and other disasters, adverse weather and similar contingencies outside the Group's control; the ability to access sufficient funding to meet the Group's liquidity needs; inadequate or failed internal or external processes, people and systems; terrorist acts and other acts of war or hostility and responses to those acts, geopolitical, pandemic or other such events; changes in laws, regulations, taxation, government policies, including those relating to share ownership, or accounting standards or practices and similar contingencies outside Lloyds Banking Group's control; the ability to derive cost savings and other benefits as well as the ability to integrate successfully the Acquisition (as defined below); requirements or limitations imposed on the Group as a result of H M Treasury's investment in the Group; the ability to complete satisfactorily the disposal of certain assets as part of the Group's EU State Aid Obligations; exposure to regulatory scrutiny, legal proceedings or complaints; changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves and the extent of any future impairment charges or write-downs caused by depressed asset valuations; the actions of competitors; the ability to secure new customers and develop more business from existing customers; the degree of borrower credit quality; the ability to achieve value-creating mergers and/or acquisitions at the appropriate time and prices and the success of Lloyds Banking Group in managing the risks of the foregoing.

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

PRIVATE PLACEMENT OF MEDIUM-TERM NOTES

The Issuers have appointed Barclays Capital Inc., BNP Paribas Securities Corp., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Lloyds Securities Inc., Lloyds TSB Bank plc, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, RBS Securities Inc., UBS Securities LLC and Wells Fargo Securities, LLC as Dealers for the offering, from time to time, of the Notes. The Issuers will limit the aggregate principal amount of the Notes to U.S.$35,000,000,000, or the equivalent of that amount in one or more other currencies or composite currencies, outstanding at any time, subject to increase without the consent of the holders of the Notes. The Notes have not been registered and will not be registered under the Securities Act and purchasers of the Notes may not offer or sell them in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes will be offered in the United States only to qualified institutional buyers, as defined in Rule 144A, in transactions exempt from registration under the Securities Act. The Notes may be offered outside the United States in accordance with Regulation S. The Issuers hereby notify prospective purchasers that the sellers of the Notes, other than the Issuers, may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Prospective purchasers may not transfer Notes sold in the United States, except in accordance with the restrictions described under the section entitled "Transfer Restrictions" of this Base Prospectus. Each purchaser of

the Notes in the United States will be deemed to have made the representations and agreements contained in this Base Prospectus.

The Issuers may issue additional Notes of any series having identical terms to that of the original Notes of that series but for the original issue discount (if any) and the public offering price. The period of the resale restrictions applicable to any Notes previously offered and sold in reliance on Rule 144A shall automatically be extended to the last day of the period of any resale restrictions imposed on any such additional Notes.

The Issuers will furnish each initial purchaser of the Notes with a copy of this Base Prospectus and each applicable amendment and supplement, including the Final Terms to the Base Prospectus describing the terms related to that series of the medium-term Notes. Unless the context otherwise requires, references to the Base Prospectus include this Base Prospectus, together with any amendment and supplements applicable to a particular series of the Notes.

ENFORCEMENT OF LIABILITIES, SERVICE OF PROCESS

The Company is a public limited company incorporated under the laws of Scotland and the Bank is a public limited company incorporated under the laws of England and Wales. Most of their respective directors and executive officers reside outside the United States. All or a substantial portion of the assets of the Company, the Bank and/or those non-resident persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company, the Bank or those persons or to enforce against them judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. The Company has been advised by its Scottish solicitors, Dundas & Wilson CS LLP (as to Scots law), and its English solicitors, Linklaters LLP (as to English law), that, both in original actions and in actions for the enforcement of judgments of U.S. courts, there is doubt as to whether civil liabilities predicated solely upon the U.S. federal securities laws are enforceable in Scotland and England, respectively.

CERTAIN DEFINITIONS

In this Base Prospectus, reference to:

(i) "Acquisition" is to the acquisition by Lloyds TSB Group plc of 100 per cent. of the ordinary share capital of HBOS plc on 16 January 2009. Upon completion of the Acquisition, Lloyds TSB Group plc changed its name to Lloyds Banking Group plc. Accordingly, where in this Base Prospectus information is presented for dates prior to 16 January 2009, unless otherwise indicated, such information relates to Lloyds Banking Group prior to the Acquisition;

(ii) "BOS" is to Bank of Scotland plc;

(iii) "Company" is to Lloyds Banking Group plc;

(iv) "Group Reorganisation" is to the transfer by Lloyds Banking Group plc of its holding in HBOS plc to Lloyds TSB Bank plc on 1 January 2010;

(v) "Guarantor" is to the Company in its capacity as guarantor of Notes issued by the Bank;

(vi) "HBOS" or "HBOS Group" is to HBOS plc and its subsidiary and associated undertakings;

(vii) "Issuers" is to the Company and the Bank, each an "Issuer";

(viii) "Lloyds Banking Group", "Lloyds" or the "Group" is to the Company and its subsidiary and associated undertakings;

(ix) "Lloyds TSB Bank" or "Bank" is to Lloyds TSB Bank plc;

(x) "Lloyds TSB Bank Group" is to the Bank and its subsidiary and associated undertakings; and

(xi) “Lloyds TSB Group” is to the Company and its subsidiary and associated undertakings but excluding the HBOS Group.

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DOCUMENTS INCORPORATED BY REFERENCE

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

Lloyds Banking Group plc financial statements:

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

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

(iii) The audited consolidated annual financial statements of the Company for the financial year ended 31 December 2008, together with the audit report thereon, as set out on pages 97 to 181 and 96, respectively, of the Company's Annual Report and Accounts 2008;

Lloyds TSB Bank plc financial statements:

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

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

(iii) The audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2008, together with the audit report thereon, as set out on pages 11 to 107 and 9 to 10, respectively, of the Bank's Annual Report and Accounts 2008;

HBOS plc financial statements:

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

(ii) The audited consolidated annual financial statements of HBOS plc for the financial year ended 31 December 2008, together with the audit report thereon, as set out on pages 41 to 45, 48 to 140 and 40, respectively, of HBOS plc's Annual Report and Accounts 2008;

Other documents incorporated by reference:

(i) The section entitled "Description of the Notes and Guarantees" set out on pages 51 to 87 of the Base Prospectus dated 11 November 2009 relating to Lloyds Banking Group plc and Lloyds TSB Bank plc's $35,000,000,000 U.S. MTN Programme;

(ii) The section entitled "Description of the Notes and Guarantees" set out on pages 47 to 83 of the Base Prospectus dated 14 May 2010 relating to Lloyds Banking Group plc and Lloyds TSB Bank plc's $35,000,000,000 U.S. MTN Programme;

(iii) The report on Form 6-K filed with the SEC on 13 May 2011 pursuant to the United States Securities Exchange Act of 1934, as amended, (the "**Exchange Act**"), which includes the unaudited consolidated interim results of the Company for the quarter ended 31 March 2011, except for:

(a) the section entitled "First Quarter 2011: Key Highlights" as set out on page 1;

(b) the section entitled "Combined Businesses Basis Information" as set out on pages 11 to 18; and

(c) the section entitled "Non-GAAP Measures" as set out on pages 19 to 21;

(iv) The report on Form 6-K filed with the SEC on 13 May 2011 pursuant to the Exchange Act, which includes the Company's Statement of Computation of Ratio of Earnings to Fixed Charges for the year ended 31 December 2010;

(v) The report on Form 6-K filed with the SEC on 13 May 2011 pursuant to the Exchange Act, which includes the Capitalization Table of the Company as at 31 December 2010;

(v) The following sections of the annual report of the Company for the financial year ended 31 December 2010 on Form 20-F filed with the SEC on 13 May 2011 pursuant to the Exchange Act (the "**Company's 2010 Annual Report on Form 20-F**"):

(a) "**Selected Consolidated Financial Data**" as set out on page 3;

(b) "**Exchange Rates**" as set out on page 4;

(c) "**Business – Environmental Matters**" as set out on pages 6 to 7;

(d) "**Business – Properties**" as set out on page 7;

(e) "**Recent Developments**" as set out on pages 9 to 10;

(f) "**Operating and Financial Review and Prospects**" as set out on pages 11 to 115, except for the subsection entitled "Combined Businesses Basis Summary" as set out on pages 47 to 49;

(g) "**Management and Employees – Employees**" as set out on pages 116 to 118;

(h) "**Compensation**" as set out on pages 119 to 134;

(i) "**Corporate Governance**" as set out on pages 135 to 139; and

(j) The audited consolidated annual financial statements of the Company for the financial year ended 31 December 2010, together with the audit report thereon, as set out on pages F-1 to F-134,

all of which have been previously published and filed with the FSA and, in the case of the Company's 2010 Annual Report on Form 20-F, with the SEC, and which shall be deemed to be incorporated in, and form part of, this Base Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus. Any documents or information themselves incorporated by reference in, or cross-referred to in, the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus unless also separately incorporated by reference above.

The Company will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated in whole or in part by reference herein. Written or oral requests for such documents should be directed to the Company at its registered office set out at the end of this Base Prospectus. The majority of the documents listed above can be found on the Company's website.

The Company will, in the event of any significant new factor, material mistake or inaccuracy relating to information included or incorporated by reference in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus (a "**Supplementary Prospectus**") or publish

a new prospectus for use in connection with any subsequent issue of Notes. The Company has undertaken to the Dealers in the Programme Agreement (as defined herein) that it will comply with section 87G of the FSMA.

PRESENTATION OF INFORMATION

In this Base Prospectus, references to the "**consolidated financial statements**" or "**financial statements**" are to Lloyds Banking Group's consolidated financial statements included in the Company's 2010 Annual Report on Form 20-F. References to the "Financial Services Authority" or "FSA" are to the United Kingdom (the "**UK**") Financial Services Authority.

The consolidated financial statements of the Company, the Bank and HBOS incorporated by reference within this Base Prospectus (with the exception of the Company's 2010 Annual Report on Form 20-F) have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union ("**EU**"). The consolidated financial statements within the Company's 2010 Annual Report on Form 20-F have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**").

Lloyds Banking Group publishes its consolidated financial statements expressed in British pounds ("pounds sterling", "sterling" or "£"), the lawful currency of the UK. In this Base Prospectus, references to "pence" and "p" are to one-hundredth of one pound sterling; references to "U.S. dollars", "U.S.$" or "$" are to the lawful currency of the United States (the U.S.); references to "cent" or "c" are to one-hundredth of one U.S. dollar; references to "euro" or "e" are to the lawful currency of the member states of the European Union that have adopted a single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty of European Union; references to "euro cent" are to one-hundredth of one euro; and references to "Japanese yen", "Japanese ¥" or "¥" are to the lawful currency of Japan. Solely for the convenience of the reader, this Base Prospectus contains translations of certain pounds sterling amounts into U.S. dollars at specified rates. These translations should not be construed as representations by Lloyds Banking Group that the pounds sterling amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated or at any other rate. Unless otherwise stated, the translations of pounds sterling into US dollars have been made at the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) in effect on 31 December 2010, which was $1.5392 = £1.00. The Noon Buying Rate on 31 December 2010 differs from certain of the actual rates used in the preparation of the consolidated financial statements, which are expressed in pounds sterling, and therefore US dollar amounts appearing in this Base Prospectus may differ significantly from actual US dollar amounts which were translated into pounds sterling in the preparation of the consolidated financial statements in accordance with IFRS.

OVERVIEW OF THE PROGRAMME

This overview highlights important information regarding, but is not a complete description of, the medium term note programme. The Issuers urge prospective purchasers to read the remainder of this Base Prospectus where a description of the medium-term note programme is set out in more detail. Prospective purchasers should also review the applicable Final Terms for additional information about the particular series of Notes that they are considering purchasing. The terms of the applicable Final Terms for a series of Notes may supersede the description of the Notes contained in this Base Prospectus.

The Issuers may offer Senior Notes or Subordinated Notes under the medium-term note programme described in this Base Prospectus, depending on the terms of the applicable Final Terms for each series.

Issuers	Lloyds Banking Group plc Lloyds Banking Group plc (the "**Company**") was incorporated in Scotland on 21 October 1985 (Registration number 95000). The Company's registered office is at The Mound, Edinburgh, EH1 1YZ. Lloyds TSB Bank plc Lloyds TSB Bank plc (the "**Bank**" or "**Lloyds TSB Bank**") was incorporated in England and Wales on 20 April 1865 (Registration number 2065). The Bank's registered office is at 25 Gresham Street, London EC2V 7HN. The Bank is a wholly owned subsidiary of the Company. The Company and its subsidiary and associated undertakings are referred to as the "**Lloyds Banking Group**", "**Lloyds**" or the "**Group**". The businesses of the Lloyds Banking Group are in or owned by the Bank. Lloyds Banking Group is a leading UK-based financial services group, providing a wide range of banking and financial services in the UK and a limited number of locations overseas to personal and corporate customers. Its main business activities are retail, commercial and corporate banking, general insurance, and life, pensions and investment provision.
Guarantor	Notes issued by the Bank will be guaranteed by the Company on a senior or subordinated basis as described in "Description of the Notes and the Guarantees".
Dealers	Barclays Capital Inc. BNP Paribas Securities Corp. Citigroup Global Markets Inc. Credit Suisse Securities (USA) LLC Deutsche Bank Securities Inc. Goldman, Sachs & Co. HSBC Securities (USA) Inc. J.P. Morgan Securities LLC Lloyds Securities Inc. Lloyds TSB Bank plc Merrill Lynch, Pierce, Fenner & Smith Incorporated Morgan Stanley & Co. Incorporated

	RBS Securities Inc. UBS Securities LLC Wells Fargo Securities, LLC
Trustee, Paying Agent and Calculation Agent.....	The Bank of New York Mellon, London branch
Paying Agent and Note Registrar	The Bank of New York Mellon, New York branch
Paying Agent and Note Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Method of Distribution	The Notes are being offered on a continual basis by the Issuers through the Dealers. The Issuers may also sell Notes to the Dealers acting as principals for resale to investors or other purchasers. See "Plan of Distribution".
Programme Size.....	The Issuers may issue up to $35,000,000,000, or the equivalent of that amount in one or more other currencies or composite currencies, outstanding at any time. The Issuers may increase the programme size from time to time without the consent of the holders of the Notes.
Currencies.....	Subject to any applicable legal or regulatory restrictions, the relevant Issuer may issue Notes in any currency as it may agree with the relevant Dealer(s).
Issuance in Series.....	The Issuers will issue Senior Notes in series under a Senior Indenture (as defined below) and Subordinated Notes in series under a Subordinated Indenture (as defined below). Within each series, they may issue tranches of Notes subject to terms identical to those of other tranches in that series, except that the issue date, the issue price and the amount of the first payment of interest may vary.
Status of Senior Notes	The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and, in the case of the Bank, will be unconditionally and irrevocably guaranteed by the Guarantor. The Senior Notes will rank equally without any preference among themselves and at least equally with all other present and future unsecured and unsubordinated obligations of such Issuer, provided that the relevant Issuer's or the Guarantor's other unsecured and unsubordinated indebtedness may contain covenants, events of default and other provisions which differ from or which are not contained in the Senior Notes.
Status of Subordinated Notes.....	The Subordinated Notes will constitute direct, unsecured and subordinated obligations of the relevant Issuer and, in the case of the Bank, will be irrevocably guaranteed on a subordinated basis by the Guarantor and rank equally without any preference among themselves, all as described in "Description of the Notes and the Guarantees". References to

	Subordinated Notes are to Subordinated Notes with a fixed maturity date. Unless otherwise stated in the applicable Final Terms, Subordinated Notes issued pursuant to the Subordinated Indenture are intended to constitute lower tier two capital in accordance with the requirements of the FSA. The Subordinated Notes will have a Stated Maturity of at least five years from the date on which such note is issued (the "Original Issue Date").
Issue Price	The Issuers may offer Notes at par or at a premium or discount to par as specified in the applicable Final Terms.
Maturities	The Notes will mature at a minimum of 9 months or longer from the original issue date as specified in the applicable Final Terms.
Redemption at Maturity	The Issuers may redeem Notes at par on the maturity date or at such other amount as they may specify in the applicable Final Terms.
Early Redemption	The Issuers are permitted to redeem the Notes prior to maturity for taxation reasons and as specified in the applicable Final Terms. Additionally, the applicable Final Terms may provide that the Notes of a series are redeemable at the relevant Issuer's option and/or the option of the holder.
Interest	Interest may accrue at a fixed rate or a floating rate, which will be calculated by referring to an index and/or formula. The floating rate may be determined by reference to one or more base rates, such as LIBOR, and may be adjusted by a spread or a spread multiplier or other interest rate formula, in each case as the relevant Issuer agrees with the purchaser and as described in the applicable Final Terms.
Interest Payments	The Issuers may pay interest monthly, quarterly, semi-annually, annually or at such other intervals as described in the applicable Final Terms.
Denominations	The Issuers will issue the Senior Notes in minimum denominations of $200,000 and the Subordinated Notes in minimum denominations of $250,000 or, in each case, in integral multiples of $1,000 in excess of these minimum denominations, or the equivalent of these amounts in other currencies or composite currencies, and in any other denominations in excess of the minimum denominations as specified in the applicable Final Terms.
Form, Clearance and Settlement	Notes offered in the United States to qualified institutional buyers in reliance on Rule 144A will be represented by one or more U.S. global notes and Notes offered outside the United States in reliance on

	Regulation S will be represented by one or more international global notes. The global notes will be issued in fully registered form and will be either deposited with a custodian for DTC for the benefit of participants in DTC or deposited with a common depository on behalf of Euroclear and Clearstream as specified in the applicable Final Terms. In ordinary circumstances, no temporary documents of title will be issued. Notes will bear a legend setting forth transfer restrictions and may not be transferred except in compliance with the transfer restrictions set forth therein. Transfers of interests from a U.S. global note to an international global note are subject to certification requirements.
Governing Law.....	The Notes, the Indentures (as defined below), the paying agent, currency determination agent and note registrar agreement, the calculation agency agreement and the amended and restated programme agreement for the programme (the "Programme Agreement") will be governed by, and construed in accordance with, the laws of the State of New York (save that the provisions relating to the subordination and waiver of set-off of the Company's obligations as Issuer and/or Guarantor of Subordinated Notes under the Subordinated Indenture shall be governed by, and construed in accordance with, Scots law and that the provisions relating to the subordination and waiver of set-off of the Bank's obligations as Issuer of Subordinated Notes under the Subordinated Indenture shall be governed by, and construed in accordance with, English law).
Ratings.....	Tranches of Notes (as referred to in "*Overview of the Programme – Issuance in Series*") to be issued under the Programme will be rated or unrated. Where a tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Whether or not a rating in relation to any tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Sales and Transfer Restrictions	The Issuers have not registered the Notes under the Securities Act, and they may not be offered or sold within the United States or to, or for the account or

	benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the Securities Act.
Listing.....	Application has been made to the U.K. Listing Authority for the Notes to be admitted to listing on the Official List. Application has also been made to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's regulated market.
Risk Factors Relating to the Group	Risks: • Relating to the shareholding of The Commissioners of Her Majesty's Treasury. • Arising from certain undertakings provided to Her Majesty's Treasury in relation to the operation of the Group's business. • Associated with state aid obligations. • Arising from general and sector specific economic conditions in the UK and other markets and further adverse economic developments, including credit rating downgrades of sovereigns • Of material negative changes to the estimated fair values of financial assets of the Group. • Of failing to realise benefits from, and incurring unanticipated costs associated with, the Acquisition. • Relating to borrower and counterparty credit quality. • Relating to concentrations of credit and market risk. • Concerning the Group's access to liquidity and sources of funding. • Relating to the Group's insurance businesses and employee pension schemes. • Associated with reform of the structure and regulation of the UK banking system. • Relating to adverse regulatory developments or changes in UK Government or EU policy. • Associated with the Banking Act 2009. • Relating to competition and related issues, including the Independent Commission on Banking. • Associated with changes in taxation rates,

	accounting policy, law or interpretation of the law. • That the Group could fail to attract or retain senior management or other key employees. • Of assumptions and estimates on which the Group's financial statements are based being wrong.
Taxation.....	Payments of principal of and interest on the Notes by the Issuers will be paid without withholding or deduction for, or on account of, taxes in the United Kingdom except as described in "Description of the Notes and the Guarantees – Payment of Additional Amounts" below.
Use of Proceeds	The net proceeds of each issue of Notes will be used for the general business purposes of Lloyds Banking Group. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

RISK FACTORS

The Issuers believe that the following factors may affect their ability to fulfil their obligations under the Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Company nor the Bank is in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuers believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme in relation to the Group are also described below.

The Issuers believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of either Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuers do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective purchasers should consider carefully the risks and uncertainties described below, together with all other information contained in this Prospectus and the information incorporated by reference herein, before making any investment decision.

1. Government related risks

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

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

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

There is also a risk that, through the interest of HM Treasury in the Company, the UK Government and HM Treasury may attempt to influence the Group in other ways that would have a material adverse effect on the Group's business, including, for example, through the election of directors, the appointment of senior management at the Company, staff remuneration policies, lending policies and commitments and management of the Group's business (in particular, the management of the Group's assets such as its existing retail and corporate loan portfolios, significant corporate transactions and the issue of new ordinary shares). Moreover, HM Treasury also has interests in other UK financial institutions, as well as an interest in the general health of the UK banking industry and the wider UK economy. The pursuit of those interests may not always be aligned with the commercial interests of the Group.

1.2 The Group is subject to European state aid obligations following the approval of its restructuring plan. The implementation of this restructuring plan may have consequences that are materially adverse to the

interests of the Group. Moreover, should the Group require additional state aid in the future, further restructuring measures could be required and these may be materially adverse to the interests of the Group.

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

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

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

For more detail on the principal elements of the restructuring plan and associated timescales see "Operating and financial review and prospects – Risk management – State funding and state aid" in the Company's 2010 Annual Report on Form 20-F as set out on pages 55 to 56 therein.

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

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

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

recommendations of the BBA Business Finance Taskforce, certain aspects of remuneration policy and its support for the proposed Business Growth Fund and Big Society Bank.

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

2. Business and economic risks

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

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

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

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

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

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

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

Market movements will continue to have a significant impact on the Group in a number of key areas. For example, adverse market movements have had and would have an adverse effect, which could be material, upon the financial condition of the pension schemes of the Group. Banking and trading activities that are undertaken by the Group are subject to interest rate risk, foreign exchange risk, inflation risk and credit spread risk. For example, changes in interest rate levels, interbank margins over official rates, yield curves and spreads affect the interest rate margin realised between lending and borrowing costs. The potential for future volatility and margin changes

remains. Competitive pressures on fixed rates or product terms in existing loans and deposits sometimes restrict the Group in its ability to change interest rates applying to customers in response to changes in official and wholesale market rates.

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

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

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

The markets for UK financial services, and the other markets within which the Group operates, are highly competitive, and management expects such competition to intensify in response to competitor behaviour, consumer demand, technological changes, and the impact of consolidation, regulatory actions and other factors. The Group's financial performance and its ability to capture additional market share depends significantly upon the competitive environment and management's response thereto. Intervention by the UK Government and/or European bodies and/or governments of other countries in which the Group operates may impact the competitive position of the Group relative to its international competitors, which may be subject to different forms of government intervention, thus potentially putting the Group at a competitive disadvantage. Additionally, one effect of implementing the Restructuring Plan may be the emergence of one or more new viable competitors in the UK banking market or a material strengthening of one or more of the Group's existing competitors in that market. Any of these factors or a combination thereof could result in a significant reduction in the profit of the Group.

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

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

The Group has made asset redesignations as permitted by amendments to IAS 39 ("Financial Instruments: Recognition and Measurement"). The effect of such redesignations has been, and would be, that any effect on the income statement of movements in the fair value of such redesignated assets that have occurred since 1 July 2008, in

the case of assets redesignated prior to 1 November 2008, or may occur in the future, may not be recognised until such time as the assets become impaired or are disposed of.

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

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

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

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

3. Credit-related risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group has credit exposure to market counterparties through securities insured or guaranteed by such parties and credit protection bought from such parties with respect to certain over-the-counter derivative contracts, mainly credit default swaps ("**CDSs**") which are recorded at fair value. The fair value of these CDSs and other securities, and the Group's exposure to the risk of default by the underlying counterparties, depend on the valuation and the perceived credit risk of the instrument insured or guaranteed or against which protection has been bought. Market counterparties have been adversely affected by their exposure to residential mortgage-linked products, and their perceived creditworthiness has deteriorated significantly since 2007. Although the Group seeks to limit and manage direct exposure to market counterparties, indirect exposure may exist through other financial arrangements and counterparties. If the financial condition of market counterparties or their perceived creditworthiness deteriorates further, the Group may record further credit valuation adjustments on the underlying instruments insured by such parties. Any primary or indirect exposure to the financial condition or creditworthiness of these counterparties could have a material adverse impact on the results of operations, financial condition and prospects of the Group.

4. Financial soundness related risks

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

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

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

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

This reliance has increased in the recent past given the difficulties in accessing wholesale funding. The ongoing availability of retail deposit funding on appropriate terms is dependent on a variety of factors outside the Group's control, such as general economic conditions and market volatility, the confidence of retail depositors in the economy, the financial services industry and in the Group as well as the availability and extent of deposit guarantees. Increases in the cost of retail deposit funding will impact on the Group's margins and affect profit, and a lack of availability of retail deposit funding could impact on the Group's future growth.

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

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

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

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

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

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

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

Reduction in the credit ratings of the Group or deterioration in the capital markets' perception of the Group's financial resilience, could significantly increase its borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. Therefore, any further reduction in credit ratings or deterioration of market perception could materially adversely affect the Group's

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

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

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

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

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

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

- The Group may experience an increased demand for capital. For example:

    - The Group is subject to extensive regulation and regulatory supervision in relation to the levels of capital in its business. The Group currently meets, and expects to continue to meet, all regulatory capital requirements. However, the FSA could, for example, impose new or revised minimum and buffer capital requirements, apply increasingly stringent stress case scenarios and/or change the manner in which it applies existing regulatory requirements to the Group.

    - The Group's reported regulatory capital requirements depend upon the level of risk weighted assets calculated from the Group's Basel II approved models. These are subject to regular review on a rolling basis to ensure that they remain appropriate in prevailing economic and business conditions. Additionally the Group is currently effecting a programme of new model roll-out and is in the process of some model replacement as a part of the integration of the HBOS and Lloyds TSB businesses. These reviews and new models may lead to increased levels of risk weighted assets, and so to lower reported capital ratios.

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

    - The Group's life assurance and general insurance businesses in the UK are subject to capital requirements prescribed by the FSA, and the Group's life and general insurance companies outside the UK are subject to local regulatory capital requirements. Solvency II, a fundamental review of the capital adequacy regime for the European insurance industry, aims to establish a revised set of EU-wide capital requirements where the required regulatory capital will be dependent upon the risk profile of the entities, together with risk management

standards, that will replace the current Solvency I requirements. Solvency II is still in development, but there is a risk that the final regime could increase the planned amount of regulatory capital which the Group's life assurance and general insurance businesses are required to hold, thus decreasing the amount of capital available for other uses.

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

For more detail on capital management see "Operating and financial review and prospects – Risk management – Financial soundness" in the Company's 2010 Annual Report on Form 20-F as set out on pages 95 to 105 therein.

5. Insurance and pension scheme related risks

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

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

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

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

UK banks recognise an insurance asset in their balance sheets representing the value of in-force business ("**VIF**") in respect of long-term life assurance contracts, being insurance contracts and investment contracts with discretionary participation features. This asset represents the present value of future profits expected to arise from the portfolio of in-force life assurance contracts. Adoption of this accounting treatment results in the earlier recognition of profit on new business, but subsequently a lower contribution from existing business, when compared to the recognition of profits on investment contracts under IAS 39 (Financial Instruments: "Recognition and Measurement"). Differences between actual and expected experience may have a significant impact on the value of the VIF asset, as changes in experience can result in significant changes to modelled future cash flows. The VIF asset is calculated based on best-estimate assumptions made by management, including mortality experience and persistency. If these assumptions prove incorrect, the VIF asset could be materially reduced, which in turn could have a material adverse effect on the Group's financial condition and results of operations.

6. Legal and regulatory risks

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

The Group's businesses are subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK, the European

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

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

(a) general changes in government, central bank or regulatory policy, or changes in regulatory regimes that may influence investor decisions in particular markets in which the Group operates, which may change the structure of those markets and the products offered or may increase the costs of doing business in those markets;

(b) external bodies applying or interpreting standards or laws differently to those applied by the Group;

(c) changes in competitive and pricing environments;

(d) further requirements relating to financial reporting, corporate governance, conduct of business and employee compensation; and

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

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

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

From April 2011, the FSA is commencing an internal reorganisation as a first step in a process towards the formal transition of regulatory and supervisory powers from the FSA to the new Financial Conduct Authority (the "**FCA**") for conduct of business supervision and the Prudential Regulatory Authority (PRA) for capital and liquidity supervision in 2012. Until this time the responsibility for regulating and supervising the activities of Lloyds Banking Group plc and its subsidiaries will remain with the FSA. In addition, from 2011, the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority as new EU Supervisory Authorities are likely to have greater influence on regulatory approaches across the EU. These could lead to changes in how the Group is regulated and supervised on a day-to-day basis.

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

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

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

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

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

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

6.2 The Group is exposed to various forms of legal and regulatory risk in its operations, including the risk of mis-selling financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice, any of which could have a material adverse effect on its results or its relations with its customers.

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

(a) certain aspects of the Group's business may be determined by the relevant authorities, the Financial Ombudsman Service (the "**FOS**") or the courts not to have been conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the Ombudsman's opinion;

(b) the possibility of alleged mis-selling of financial products or the mishandling of complaints related to the sale of such products by or attributed to a member of the Group, resulting in disciplinary action or requirements to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions;

(c) contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;

(d) the Group holds accounts for a number of customers that might be or are subject to interest from various regulators and authorities including the Serious Fraud Office or similar regulators in the United States or other jurisdictions. The Group is not aware of any current investigation into the Group as a result of any such interest but cannot exclude the possibility of its conduct being reviewed as part of any such investigations;

(e) the intellectual property of the Group (such as trade names) may not be adequately protected;

(f) Group may be liable for damages to third parties harmed by the conduct of its business; and

(g) the risk of regulatory proceedings and private litigation, arising out of regulatory investigations or otherwise (brought by individuals or groups of plaintiffs) in the UK and other jurisdictions.

The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. The Group may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when the Group believes that it has no liability. The Group may

also do so when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, the Group may, for similar reasons, reimburse counterparties for their losses even in situations where the Group does not believe that it is legally compelled to do so.

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

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

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

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

7. Banking Act related risks

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

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

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

8. Competition related risks

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

The UK Government has appointed an Independent Commission on Banking (the "**ICB**") to review possible structural measures to reform the banking system in order to promote, amongst other things, competition. The ICB will publish its final report by the end of September 2011. The interim report published on 11 April 2011 (the "Interim Report") sets out the ICB's current and provisional views on possible reforms to improve stability and competition in UK banking and seeks responses to those views. Reform options for competition include structural

measures to improve competition, including increasing the size of the Verde divestment to a level which is not specified, improved means of switching and transparency and a primary duty for the FCA to promote effective competition. The Group will continue to play a constructive role in the debate and to consult with the ICB during the coming months. However, there can be no assurance that the final report will not recommend that additional obligations be imposed upon the Group. The implementation of such recommendations could materially adversely affect the Group's results of operations, financial condition and prospects.

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

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

For more information on Competition related risks see "Risk Factors – Legal and regulatory risks – The Group's businesses are subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a significant material adverse effect on the Group's results of operations, financial condition and prospects" and "Lloyds- Banking Group – Regulation – Other bodies impacting the regulatory regime".

9. Operational risks and related issues

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

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

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

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

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

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

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

10. Other risks

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Group's results and financial position, based upon materiality and significant judgements and estimates, include impairment of financial assets; valuation of financial instruments; pensions; insurance and taxation; are discussed in detail in the Company's 2010 Annual Report on Form 20-F under the section entitled "Critical Accounting Estimates and Judgements" as set out on pages F-21 to F-23 therein.

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

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

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

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

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

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

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

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

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

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

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

11. RISKS RELATING TO THE NOTES

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

11.1 Notes may not be a suitable investment for all investors

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

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

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

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

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

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and

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

In addition, an investment in Index Linked Notes or other Notes linked to other assets or bases of reference, may entail significant risks not associated with investments in conventional securities such as debt or equity securities, including, but not limited to, the risks set out in risk factor 10.2 below.

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

11.2 Risks related to the structure of a particular issue of Notes

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

There is a risk of loss of investment

If, in the case of any particular tranche of Notes, the relevant Final Terms specifies that the Notes are Index Linked Notes or Subordinated Notes, there is a risk that any investor may lose the value of their entire investment or part of them.

Fluctuations in applicable indices may adversely affect the value of Index Linked Notes

With respect to an investment in Notes indexed to one or more interest rates, currencies or other indices or formulas, significant risks exist that are not associated with a conventional fixed rate or floating rate debt security. These risks include fluctuation of the particular indices or formulas and the possibility that an investor will receive a lower amount of principal, premium or interest and at different times than expected. The Company and the Bank have no control over a number of matters, including economic, financial and political events, that are important in determining the existence, magnitude and longevity of such risks and their results. In addition, if an index or formula used to determine any amounts payable in respect of the Notes contains a multiplier or leverage factor, the effect of any change in such index or formula will be magnified. In recent years, values of certain indices and formulas have been volatile, and volatility in those and other indices and formulas may be expected in the future. Fluctuations in exchange rates may adversely affect the value of the Notes. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. The Company and the Bank have no control over the factors that generally affect these exchange rates, such as economic, financial and political events and the supply and demand for the applicable currencies.

An Issuer's obligations under Subordinated Notes are subordinated

The relevant Issuer's obligations under any Subordinated Notes (and of the Guarantor in the case of Subordinated Notes issued by the Bank) will be unsecured and subordinated and will, in the event of the winding-up of the relevant Issuer or the Guarantor as applicable, be subordinated, in the manner provided in the Subordinated Indenture, to the claims of depositors and all other creditors of the Issuer or the Guarantor as the case may be other than their respective Subordinated Creditors (as described in "Description of the Notes and the Guarantees" herein). Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of its investment should the relevant Issuer or the Guarantor (if applicable) become insolvent.

Basel III and related reforms

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

The Basel III Reforms provide that instruments, such as the Subordinated Notes, which do not contain any contractual terms providing for their writing off or conversion into ordinary shares upon the occurrence of a Non-Viability Event (as defined below), will cease to be eligible to count in full as Tier 2 Capital from 1 January 2013 unless, among other things, the jurisdiction of the relevant bank has in place laws that (i) require such instruments to be written off upon the occurrence of a Non-Viability Event, or (ii) otherwise require such instruments fully to absorb losses before tax payers are exposed to loss.

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

As used above, "**Non-Viability Event**" means the earlier of (a) a decision that a write-off, without which the relevant bank would become non-viable, is necessary; and (b) the decision to make a public sector injection of

capital, without which the relevant bank would become non-viable, in each case as determined by the relevant authority.

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

Notes subject to optional redemption by the Issuer

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

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

Unless the relevant Final Terms for a particular Tranche specifies otherwise, if the relevant Issuer is required to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the relevant Issuer may redeem all outstanding Notes in accordance with their conditions.

Accordingly, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

Index Linked Notes and Dual Currency Notes

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

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

(ii) they may receive no interest;

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

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

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

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

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

Holders of Index Linked Notes and prospective purchasers of such Notes should ensure that they understand the nature of such Notes and the extent of their exposure to risk and that they consider the suitability of such Notes as an investment in the light of their own circumstances and financial condition. A small movement in the index may result in a significant change in the value of such Notes. Holders of such Notes and prospective purchasers of such Notes, should conduct their own investigations in deciding whether or not to purchase such Notes. Prospective purchasers should form their own views of the merits of an investment on which the return is to be determined by reference to an index based upon such investigations and not in reliance on any information given in the relevant Final Terms. Given the highly specialised nature of Index Linked Notes, they are only suitable for highly sophisticated investors who are able to determine for themselves the risk of an investment on which the return is determined in this way. Consequently, a prospective purchaser that is not an investor who falls within the description above, should not consider purchasing such Notes without taking detailed advice from a specialised professional adviser.

Partly-paid Notes

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

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, or, if the interest which is payable on a Note is calculated by reference to a currency other than the currency of the Notes, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

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

Notes issued at a substantial discount or premium

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

11.3 Risks related to Notes generally

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

Modification, waivers and substitution

The provisions of the Indentures permit defined majorities to bind all holders of the Notes including holders who did not vote and holders who voted in a manner contrary to the majority.

Each of the Indentures also provide that the Trustee may, without the consent of the noteholders, agree to (i) certain modifications of the terms and provisions of the Notes in the circumstances described in the Description of the Notes and the Guarantees.

Each Issuer may, without the consent of the Trustee or any noteholder, substitute for itself a substituted issuer upon notice by the relevant Issuer and the substituted issuer in the circumstances described in the Description of the Notes and the Guarantees.

European Monetary Union

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

EU Savings Directive

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

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the European Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

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

Change of law

The Notes are governed by New York law (save in relation to the subordination and waiver of set off provisions relating to the Company's obligations as either Issuer or Guarantor of Notes which are governed by Scots law or the Bank's obligations which are governed by English law) and based on such law as was or will be in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to New York (or, if applicable, Scots or English) law or administrative practice after the date of issue of the relevant Notes.

11.4 Risks related to the market generally

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

The secondary market generally

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

Exchange rate risks and exchange controls

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

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

Interest rate risk

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

Credit ratings may not reflect all risks

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

The Notes may not be freely transferred

The Company and the Bank have not registered, and will not register, the Notes under the Securities Act or any other applicable securities laws. Accordingly, the Notes are subject to certain restrictions on resale and other transfer thereof as set forth in the section entitled "Transfer Restrictions". As a result of these restrictions, the Company and

the Bank cannot be certain of the existence of a secondary market for the Notes or the liquidity of such a market if one develops. Consequently, a holder of Notes and an owner of beneficial interests in those Notes must be able to bear the economic risk of their investment in the Notes for the term of the Notes.

Prospective purchasers will have to rely on the procedures of DTC or Euroclear and Clearstream for transfer, payment and communication with the relevant Issuer

The Notes will be represented by one or more global notes. The Notes will either be deposited with a custodian on behalf of DTC or its nominee or a common depositary for Euroclear and Clearstream. Except in limited circumstances, holders will not be entitled to receive certificated Notes. DTC or Euroclear and Clearstream will maintain records of the beneficial interests in the global notes. Holders will be able to trade their beneficial interests either only through DTC or a participant of DTC or through Euroclear and Clearstream or the account holders of Euroclear and Clearstream. The laws of some jurisdictions, including some states in the United States, may require that certain purchasers of securities take physical delivery of such securities in certificated form. The foregoing limitations may impair a holder's ability to own, transfer or pledge its beneficial interests. A holder of beneficial interests in the global notes in one of these jurisdictions will not be considered the owner or "holder" of the Notes.

The relevant Issuer will discharge its payment obligations under the Notes by making payments to the custodian for distribution to the holders of beneficial interests at DTC or a participant of DTC with respect to interests of indirect participants, or to the common depositary for holders of beneficial interests at Euroclear and Clearstream. The relevant Issuer and the initial purchasers of the Notes will not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the global notes. A holder of beneficial interests must rely on the procedures of DTC or DTC's participants or the procedures of Euroclear and Clearstream and their account holders, through which holders hold their interests, to receive payments under the Notes. The relevant Issuer cannot assure holders that either the procedures of DTC or DTC's nominees, participants or indirect participants or the procedures of Euroclear and Clearstream or their account holders will be adequate to ensure that holders receive payments in a timely manner.

A holder of beneficial interests in the global notes will not have a direct right under the relevant Indenture governing the Notes to act upon solicitations the relevant Issuer may request. Instead, holders will be permitted to act only to the extent they receive appropriate proxies to do so from DTC, Euroclear, or Clearstream (as the case may be) or, if applicable, DTC's participants or indirect participants. Similarly, if the relevant Issuer or the Guarantor defaults on its obligations under the Notes, as a holder of beneficial interests in the global notes, holders will be restricted to acting through DTC, Euroclear or Clearstream (as the case may be), or, if applicable, DTC's participants or indirect participants. The relevant Issuer cannot assure holders that the procedures of DTC, Euroclear or Clearstream (as the case may be) or DTC's nominees, participants or indirect participants will be adequate to allow them to exercise their rights under the Notes in a timely manner.

11.5 Legal considerations may restrict certain investments

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

DESCRIPTION OF THE NOTES AND THE GUARANTEES

This section describes the material terms, conditions and provisions of the Notes to which any Final Terms may relate. The particular terms of the Notes offered will be described in the Final Terms and in such Notes and the extent, if any, to which the general provisions described below may apply to those Notes. Capitalised terms used but not defined in this section have the meanings given to them in the Senior Notes, Subordinated Notes, Final Terms or the Indentures, as the case may be. The following is a description of the terms and conditions of the Notes which, as supplemented, modified or replaced in relation to any Notes of any series by applicable Final Terms, and as set forth in the Senior Indenture or the Subordinated Indenture (as each term is defined below), will be applicable to each series of the Notes.

General

The Senior Notes will be offered under an Indenture, dated as of 11 November 2009, as amended and restated as of 14 May 2010 and as supplemented and amended from time to time (the "Senior Indenture"), between the Company, as issuer and guarantor of Notes issued by the Bank, the Bank as issuer, The Bank of New York Mellon, London branch as trustee (the "Trustee") and Paying Agent, The Bank of New York Mellon, New York branch as Paying Agent and Note Registrar and The Bank of New York Mellon (Luxembourg) S.A. as Paying Agent and Note Registrar. The Subordinated Notes will be offered under an Indenture, dated as of 11 November 2009, as amended and restated as of 14 May 2010 and as supplemented and amended from time to time (the "Subordinated Indenture" and, together with the Senior Indenture, collectively the "Indentures" and each an "Indenture"), between the Company, the Guarantor, the Bank, the Trustee, the Bank of New York Mellon, New York branch and The Bank of New York Mellon (Luxembourg) S.A.

The Notes are limited to an aggregate principal amount of up to $35,000,000,000 outstanding at any time. This includes, in the case of Notes denominated in one or more other currencies or composite currencies, the equivalent thereof calculated at the exchange rate contained in the H.10 release (or its successor) published by the U.S. Federal Reserve Board (the "Market Exchange Rate"), in the one or more other currencies on the date the relevant Issuer agreed to issue the Notes, subject to reduction by or pursuant to action of each of the boards of directors of the Issuers (and the Guarantor, as applicable), provided that a reduction will not affect any Note already issued or as to which any offer to purchase has already been accepted. These limits may be increased without the consent of the holders of the Notes if in the future the Issuers (and the Guarantor, as applicable) determine to issue additional Notes.

If unlisted Senior Notes are issued the specific terms relating to such Senior Notes will be contained in a pricing supplement. No Final Terms are expected to be prepared in the case of Senior Notes that are unlisted and references to "Final Terms" below in relation to such Senior Notes should be read as references to a pricing supplement.

The Notes will mature nine months or more from the Original Issue Date and may be subject to redemption or early repayment at the option of the relevant Issuer or (in the case of Senior Notes issued by the Bank and guaranteed by the Guarantor and only in certain circumstances described below) the Guarantor or the holder, all as further described in the section entitled "— Redemption and Repurchase".

The Notes may be issued as Extendible Maturity Notes as further described in "— Extendible Maturity Notes".

Each note will be denominated in U.S. dollars or in another currency specified in the applicable Final Terms. For a further discussion, see "— Payment of Principal, Premium, if any, and Interest, if any". Each note will be either:

- a Fixed Rate Note; or
- a Floating Rate Note which will bear interest at a rate determined by reference to the Interest Rate Basis or combination of Interest Rate Bases specified in the applicable Final Terms, which may be adjusted by a Spread and/or Spread Multiplier, each as defined below.

Status of Senior Notes

The Senior Notes (being those Notes that specify their status in the relevant Final Terms as being "Senior") (the "Senior Notes") will constitute unsecured and unsubordinated obligations of the relevant Issuer and, in the case of the Bank, will be unconditionally and irrevocably guaranteed by the Guarantor. The Senior Notes will rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the relevant Issuer other than with respect to obligations preferred by statute or operation of law.

Senior Notes - Senior Guarantee

Pursuant to the Senior Indenture and the applicable Final Terms, the Guarantor will unconditionally and irrevocably guarantee (each such guarantee, a "Senior Guarantee") the due and punctual payment of the principal, premium, if any, and interest, if any, on (and any payments of additional amounts, if any, described under "— Payment of Additional Amounts") provided for by the terms of the Senior Notes issued by the Bank, when and as the same shall become due and payable, whether at Maturity (as defined below), upon acceleration or by call for redemption or otherwise.

If the Bank fails for any reason whatsoever to punctually pay any such principal, premium, interest or additional amount, the Guarantor shall (except as provided in the Senior Indenture), as an independent primary obligation, indemnify the Trustee and the holders of the Senior Notes on demand for such amounts and shall also be required to pay an amount equal to any payments of additional amounts required to be paid as described under "— Payment of Additional Amounts" in respect of tax incurred by the holder, such additional amounts and indemnity amounts to be paid on an after tax basis, against each and every amount payable by the Bank under the Senior Indenture or in respect of the Senior Notes so that the Trustee and/or the holders of the Senior Notes (as the case may be) shall receive the same amounts in respect of principal payments or such other amount as would have been receivable had such payments been made by the Bank.

Status and Subordination of Subordinated Notes - General

The Subordinated Notes (being those Notes that specify their status in the relevant Final Terms as being "Subordinated") (the "Subordinated Notes") will constitute unsecured and subordinated obligations of the relevant Issuer and, in the case of the Bank, will be unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor, and will rank *pari passu* without any preference among themselves.

References to Subordinated Notes are to subordinated Notes with a fixed maturity date. Unless otherwise stated in the applicable Final Terms, Subordinated Notes issued pursuant to the Subordinated Indenture are intended to constitute lower tier two capital (as that term, or the equivalent thereto from time to time, has the meaning given to it in the Capital Regulations (as defined below)) in accordance with the requirements of the U.K. Financial Services Authority. Such Subordinated Notes will have a Stated Maturity of at least five years from the Original Issue Date. For further restrictions on redemption, repayment and repurchase of the Subordinated Notes, see the sections entitled "—Redemption and Repurchase —Redemption at the Option of the Issuer", "—Redemption and Repurchase — Redemption for Tax Reasons", "—Redemption and Repurchase—Repayment at the Option of the Holders" and "— Redemption and Repurchase—U.K. Financial Services Authority Consents".

Subordinated Guarantee - General

Pursuant to the Subordinated Indenture and the applicable Final Terms, the Guarantor will unconditionally and irrevocably guarantee (each such guarantee, a "Subordinated Guarantee", and together each Senior Guarantee, the "Guarantees") on a subordinated basis the due and punctual payment of the principal, premium, interest, if any, (and any payments of additional amounts, if any, described under "— Payment of Additional Amounts") and other sums from time to time payable by the Bank in respect of the Subordinated Notes and all other monies payable by the Bank in respect of or under or pursuant to the Subordinated Indenture. The obligations of the Guarantor under such Subordinated Guarantee shall constitute unsecured and subordinated obligations of the Guarantor.

If the Bank fails for any reason whatsoever to punctually pay any such principal, premium, interest or additional amount, the Guarantor shall (subject as provided in the Subordinated Indenture), as an independent primary

obligation, indemnify the Trustee and the holders of the Subordinated Notes on demand for such amounts and shall also be required to pay an amount equal to any additional amounts required to be paid as described under "— Payment of Additional Amounts" in respect of tax incurred by the holder, such additional amounts and indemnity amounts to be paid on an after tax basis, against each and every amount payable by the Bank under the Subordinated Indenture or in respect of the Subordinated Notes so that the Trustee and/or the holders of the Subordinated Notes (as the case may be) shall receive the same amounts in respect of principal payments or such other amount as would have been receivable had such payments been made by the Bank.

Subordinated Notes - Definitions

Set forth below are definitions for certain terms used to describe the Subordinated Notes:

"Capital Regulations" means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy of the U.K. Financial Services Authority then in effect.

"Capital Resources", "Capital Resources Requirement" and "Overall Financial Adequacy Rule" have the respective meanings given to such terms in the Capital Regulations and shall include any successor terms from time to time equivalent thereto as agreed between the relevant Issuer (and the Guarantor, as applicable) and the Trustee.

"Qualifying Administration" means that an administrator has (or joint administrators have) been appointed to the relevant Issuer or the Guarantor, as the case may be, and notice has been given that he or they intend(s) to declare and distribute a dividend.

"Relevant Supervisory Consent" means the prior consent of or, following the giving of due notice, the receipt of no objection to, the relevant redemption, payment, repayment, purchase, modification or substitution, as the case may be, from, the U.K. Financial Services Authority or its successor.

"Subordinated Creditors" means:

(i) persons whose claims are subordinated in the event of the winding-up or in a Qualifying Administration in any manner (other than by statute) to the claims of any of the unsecured creditors of the relevant Issuer or the Guarantor as the case may be; and

(ii) persons whose claims in the event of the winding-up or in a Qualifying Administration should have been, but shall not have been, subordinated to the claims of the unsecured creditors of the relevant Issuer or the Guarantor, as the case may be, in the manner required by any agreement, deed or instrument entered into by the relevant Issuer or the Guarantor as applicable (whether before, on or after the date of the Subordinated Indenture) whereunder the claims of any of the creditors or any class of creditors of the relevant Issuer or the Guarantor, as applicable, are required to be subordinated to the claims of any unsecured creditors of the relevant Issuer or the Guarantor, as the case may be.

Subordinated Notes - Subordination

In the event of the winding-up or Qualifying Administration of the relevant Issuer, the rights and claims of the Trustee and the holders of the Subordinated Notes against the relevant Issuer in respect of (including any damages awarded for any breach of any obligations in respect of) the Subordinated Notes will be subordinated, in the manner provided in the Subordinated Indenture, to the claims of the relevant Issuer's other creditors (including, without limitation, in the case of the Bank, its depositors) other than Subordinated Creditors.

Subordinated Notes - Certain Additional Limitations

Subject to applicable law and unless the Subordinated Notes provide otherwise in the relevant Final Terms, no holder of any Subordinated Note nor the Trustee may exercise or claim any right of set-off in respect of any amount owed to it by the relevant Issuer arising under or in connection with a Subordinated Note and each such holder shall, by virtue of being the holder of any Subordinated Note, be deemed to have waived all such rights of set-off, both before and during the winding-up, liquidation or administration of the relevant Issuer. Notwithstanding the foregoing sentence, if any of such rights and claims of any such holder against the relevant Issuer are discharged by

set-off, such holder will immediately pay an amount equal to the amount of such discharge to the relevant Issuer or, in the event of the winding-up or administration of the relevant Issuer, the liquidator or administrator (or other relevant insolvency official), as the case may be and until such time as payment is made will hold a sum equal to such amount in trust for the relevant Issuer or the liquidator or administrator (or other relevant insolvency official) as the case may be and accordingly such discharge shall be deemed not to have taken place.

Subordination of the Subordinated Guarantee

In the event of the winding-up or Qualifying Administration of the Guarantor, the rights and claims of the Trustee and the holders of the Subordinated Notes against the Guarantor in respect of (including any damages awarded for any breach of any obligations in respect of) the Subordinated Guarantee and the Subordinated Notes will be subordinated, in the manner provided in the Subordinated Indenture, to the claims of the Guarantor's other creditors other than Subordinated Creditors.

Subordinated Notes - Subordinated Guarantee - Certain Additional Limitations

Subject to applicable law and unless the Subordinated Notes provide otherwise in the applicable Final Terms, no holder of any Subordinated Note nor the Trustee may exercise or claim any right of set-off in respect of any amount owed to it by the Guarantor arising under or in connection with a Subordinated Guarantee or a Subordinated Note and each holder shall, by virtue of being the holder of any Subordinated Note, be deemed to have waived all such rights of set-off, both before and during the winding-up, liquidation or administration of the Guarantor. Notwithstanding the foregoing sentence, if any of such rights and claims of any such holder against the Guarantor is discharged by set-off, such holder will immediately pay an amount equal to the amount of such discharge to the Guarantor or, in the event of its winding-up or administration, its liquidator or administrator (or other relevant insolvency official), as the case may be and until such time as payment is made will hold a sum equal to such amount in trust for the Guarantor or the liquidator or administrator (or other relevant insolvency official) as the case may be and accordingly such discharge will be deemed not to have taken place.

Subordinated Notes - Other Provisions

Nothing contained in the subordination provisions of the Subordinated Indenture in any way restricts the right of the Issuers or the Guarantor to issue debt obligations, or to give any guarantee or indemnity of any nature, ranking in priority to or *pari passu* with or junior to their respective obligations in respect of the Subordinated Notes and Subordinated Guarantee.

To the extent that holders of the Notes are entitled to any recovery with respect to the Notes in any winding-up or liquidation, it is unclear whether such holders would be entitled in such proceedings to recovery in U.S. dollars and they may be entitled only to a recovery in pounds sterling and, as a general matter, the right to claim for any amounts payable on Notes may be limited by applicable insolvency law.

Certain Definitions

Set forth below are definitions for certain terms used in relation to the Notes:

"Business Day" means, unless otherwise defined in a Final Terms, any day, other than a Saturday or Sunday, that is a New York City Banking Day (as defined below); provided, however, that, with respect to notes denominated in a Specified Currency (as defined below) other than U.S. dollars, it is also not a day on which commercial banks are authorised or required by law, regulation or executive order to close in the Principal Financial Centre (as defined below) of the country issuing the Specified Currency (or, if the Specified Currency is euro or EURIBOR is an applicable Interest Rate Basis, such day is also a day on which the euro payments settlement system known as TARGET (or any successor thereto) is open for settlement of payments in euro, a "TARGET Settlement Date"); provided, further, that, with respect to Notes as to which LIBOR is an applicable Interest Rate Basis, it is also a London Business Day.

"Day Count Fraction" means a method to calculate the fraction of a year between two dates. The applicable Final Terms will specify the day count convention, if any, and include:

(i) *Actual/360*. The actual number of days between two periods divided by 360.

(ii) *30/360*. Each month is treated as having 30 days and the year is considered to have 360 days.

(iii) *Actual/Actual (ISDA)*. The actual number of days in the period in respect of which payment is being made divided by 365 (or, if any portion of that period falls in a leap year, the sum of (i) the actual number of days in that portion of the period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the period falling in a non-leap year divided by 365.

(iv) *Actual/Actual* (ICMA). If the period being calculated is equal to or shorter than the Determination Period during which it falls, the number of days in such period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Periods normally ending in any year. If the period being calculated is longer than one Determination Period, the sum of (i) the number of days in such period falling in the Determination Period in which it begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year and (ii) the number of days in such period being calculated falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year. For the purposes of this section, "Determination Period" means the period from and including the Determination Date in any year to but excluding the next Determination Date and "Determination Date" means the Interest Payment Date or such other date as is specified on the face of the note.

(v) *Actual/365 Fixed*. Each month represents the actual number of days, and the year is assumed to have 365 days, regardless of leap year status.

"London Business Day" means a day on which commercial banks are open for business (including dealings in the Designated LIBOR Currency, as defined below) in London.

"New York City Banking Day" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in The City of New York.

"Principal Financial Centre" means the capital city of the country issuing the Specified Currency except that with respect to U.S. dollars, Canadian dollars, and Swiss francs, the "Principal Financial Centre" shall be New York City, Toronto, and Zurich, respectively.

"Specified Currency" means a currency issued and actively maintained as a country's or countries' recognised unit of domestic exchange by the government of any country and such term shall also include the euro.

"TARGET" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system 2 which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto.

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

"United States" and "U.S." mean, unless otherwise specified with respect to any particular series of Notes, the United States of America, its territories and possessions and other areas subject to its jurisdiction.

"U.S. Government Securities Business Day" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

Form, Transfer, Exchange and Denomination

Unless otherwise specified in the applicable Final Terms, Notes of a series will initially be represented by a global note or global notes in fully registered form. Notes offered in the United States to qualified institutional

buyers in reliance on Rule 144A will be represented by one or more U.S. global notes ("U.S. Global Notes"). Notes offered outside the United States to non-U.S. persons in reliance on Regulation S will be represented by one or more international global notes ("International Global Notes").

Notes will bear a legend setting forth transfer restrictions and may not be transferred except in compliance with these transfer restrictions and subject to certification requirements. See the section entitled "Transfer Restrictions" for further information.

As specified in the applicable Final Terms, the global note or global notes representing a series of Notes will either be (i) issued to and deposited with, or on behalf of, DTC in New York City and registered in the name of Cede & Co. ("Cede"), as DTC's nominee or (ii) deposited with a common depositary for and registered in the name of a nominee of Euroclear and Clearstream. Interests in a global note or global notes representing Notes of a series will be shown in, and transfers thereof will be effected only through, records maintained by DTC and its participants or Euroclear or Clearstream and their account holders until such time, if any, as physical registered certificates ("Certificated Notes") in respect of such Notes are issued, as set forth in the subsection entitled "Description of the Global Notes — Book-Entry System". In no event will definitive Notes in bearer form be issued.

A global note or global notes representing a series of Notes registered in the name of a nominee for DTC may be transferred only to a successor of DTC or another nominee of DTC. For additional information, see the sub-section entitled "Description of the Global Notes — Book-Entry System".

Under the following circumstances, global notes of a series may be exchanged for Certificated Notes of such series:

- If, in the case of Notes registered in the name of a nominee of DTC, at any time DTC notifies the relevant Issuer that it is unwilling or unable to continue as the depositary for the Notes, or DTC ceases to be a clearing agency registered under the Exchange Act, and the relevant Issuer is unable to appoint a successor to DTC registered as a clearing agency under the Exchange Act within 90 days of such notification or of the relevant Issuer becoming aware of such ineligibility;

- If, in the case of Notes registered in the name of a nominee of or a common depositary for Euroclear and Clearstream, the relevant Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention to permanently cease business or have in fact done so and, in each case, no successor clearing system is available;

- upon the occurrence of any Event of Default under the relevant Indenture; and

- if the relevant Issuer determines in its sole discretion (subject to the procedures of DTC, Euroclear and Clearstream (as the case may be)) that the Notes of any series should no longer be represented by such global note or notes.

Certificated Notes representing a series of Notes, if any, will be exchangeable for other Certificated Notes representing Notes of such series of any authorised denominations and of a like aggregate principal amount and tenor. Certificated Notes will be serially numbered.

Certificated Notes may be presented for registration of transfer or exchange in the manner, at the places and subject to the restrictions set forth in the relevant Indenture and the Notes. The relevant Issuer has not registered the Notes and the Guarantor has not registered the Guarantees under the Securities Act or with any securities regulatory authority of any jurisdiction, and accordingly, transfers of the Notes will be subject to the restrictions set forth in the sections entitled "Notice to Investors" and "Transfer Restrictions".

Certificated Notes and interests in the U.S. Global Notes may be transferred to a person who takes delivery in the form of interests in an International Global Note only upon receipt by the registrar or a paying agent of written certifications, in the form provided in the relevant Indenture, to the effect that the transfer is being made in accordance with Regulation S or Rule 144A and that, in the case of an International Global Note registered in the name of a nominee of DTC, if this transfer occurs prior to 40 days after the commencement of the offering of such

Notes, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, each of which is a participant in DTC.

Until 40 days after the closing date for the offering of a series of Notes, interests in an International Global Note registered in the name of a nominee of DTC may be held only through Euroclear or Clearstream, each of which is a participant in DTC. Certificated Notes and interests in International Global Notes may be transferred to a person who takes delivery in the form of interests in a U.S. Global Note only upon receipt by the registrar or a paying agent of written certifications, in the form provided in the relevant Indenture, to the effect that such transfer is being made in accordance with Rule 144A to a person whom the transferor reasonably believes is purchasing for its own account or for an account as to which it exercises sole investment discretion and that such person and such account or accounts are "qualified institutional buyers" within the meaning of Rule 144A and agree to comply with the restrictions on transfer set forth in the sections entitled "Notice to Investors" and "Transfer Restrictions".

In the event of any redemption of Notes, the relevant Issuer will not be required to (i) register the transfer of or exchange the Notes during a period of 15 calendar days immediately preceding the date of redemption; (ii) register the transfer of or exchange the Notes, or any portion thereof so selected for redemption, except the unredeemed portion of any of the Notes being redeemed in part; or (iii) with respect to Notes represented by a global note or global notes, exchange any such Note or Notes called for redemption, except to exchange such Note or Notes for another global note or global notes of that series and like tenor representing the aggregate principal amount of Notes of that series that have not been redeemed.

Pursuant to the Paying Agent, Currency Determination and Note Registrar Agreement, dated 14 May 2010 (the "Agency Agreement") and as supplemented and amended from time to time, among the Company, the Bank, the Trustee and the paying agents named therein, the paying agents initially appointed by the Issuers are The Bank of New York Mellon, New York branch, The Bank of New York Mellon, London branch, and The Bank of New York Mellon (Luxembourg) S.A. (together, the "Paying Agents"). The Company and the Bank may at any time designate additional paying agents or rescind the designation of any of the Paying Agents provided that if and for so long as the Notes are listed on any stock exchange which requires the appointment of a paying agent in any particular place, the Company and the Bank shall maintain a paying agent with an office in the place required by such stock exchange or relevant authority.

The Bank of New York Mellon, London branch, may be appointed as the calculation agent (the "Calculation Agent") pursuant to the Calculation Agency Agreement dated 14 May 2010 (the "Calculation Agency Agreement") and as supplemented and amended from time to time, among the Company, the Bank and The Bank of New York Mellon, London branch, as calculation agent.

Unless otherwise specified in the applicable Final Terms, the Company and the Bank will issue Senior Notes in minimum denominations of $200,000 and Subordinated Notes in minimum denominations of $250,000, and in each case in integral multiples of $1,000 in excess thereof, or the equivalent of these amounts in other currencies or composite currencies. The authorised denominations of any note denominated in a currency other than U.S. dollars will be the amount of the Specified Currency for such note equivalent, at the Market Exchange Rate on the first Business Day in New York City and the country issuing such currency (or, in the case of euro, the first TARGET Settlement Date) immediately preceding the date on which the relevant Issuer accepts the offer to purchase such Note, to U.S.$200,000, or such other minimum denomination as may be allowed or required from time to time by any relevant central bank or equivalent governmental body, however designated, or by any laws or regulations applicable to the Notes or to such Specified Currency. The Notes will be issued in integral multiples of 1,000 units of any such Specified Currency in excess of their minimum denominations. If any of the Notes are to be denominated in a Specified Currency other than U.S. dollars, or if the principal, premium, if any, and interest, if any, on any of the Notes not denominated in U.S. dollars are to be payable at the relevant Issuer's or the holder's option in U.S. dollars, the applicable Final Terms will provide additional information, including applicable exchange rate information, pertaining to the terms of such Notes and other matters of interest to the holders thereof.

Extendible Maturity Notes

Extendible Maturity Notes will mature on the Initial Maturity Date specified in the applicable Final Terms, unless the Maturity of all or any portion of the principal of the Extendible Maturity Notes is extended in accordance

with the procedures described herein (or as otherwise specified in the applicable Final Terms). In no event will the Maturity be extended beyond the Final Maturity Date specified in the applicable Final Terms.

The election dates to extend the Maturity of the Extendible Maturity Notes will be specified in the applicable Final Terms. During the notice period relating to each election date, holders of the Extendible Maturity Notes may elect to extend the Maturity of all or any portion of the principal amount of the Extendible Maturity Notes so that the Maturity of the Extendible Maturity Notes will be extended for the period specified in the applicable Final Terms. However, if the new Maturity falls on a date that is not a Business Day, the Maturity of the Extendible Maturity Notes will be extended to the Business Day immediately preceding the date so specified for the new Maturity (unless otherwise specified in the applicable Final Terms). To make an election effective on any election date, the holder of the Extendible Maturity Notes must deliver a notice of election during the notice period for that election date. The notice of election must be delivered to the relevant Paying Agent for the Extendible Maturity Notes, through the normal clearing system channels specified in the applicable Final Terms.

If, with respect to any election date, a holder of Extendible Maturity Notes does not make an election to extend the Maturity of all or any portion of the principal amount of Extendible Maturity Notes held by that holder, the principal amount of the Extendible Maturity Notes for which such holder has failed to make such an election will become due and payable on the Initial Maturity Date, or any later date to which the Maturity of such Extendible Maturity Notes has previously been extended. The principal amount of the Extendible Maturity Notes for which such election is not exercised will be represented by a note issued on such election date. The note so issued will not be extendible and, except as otherwise described herein, will have the same terms as, but will have a different CUSIP and ISIN number from, the Extendible Maturity Notes. The failure to elect to extend the Maturity of all or any portion of the Extendible Maturity Notes will be irrevocable and will be binding upon any subsequent holder of such Extendible Maturity Notes.

The applicable Final Terms will specify certain terms with respect to which each Extendible Maturity Note is being delivered: including, the minimum denominations of Extendible Maturity Notes whose Maturity may be extended, the notice period (which shall not be less than five Business Days), the method for delivery of notice, and the method for revocation of the election (if any).

Payment of Principal, Premium, if any, and Interest, if any

Payments of principal, premium, if any, and interest, if any, to owners of beneficial interests in the Notes are expected to be made in accordance with those procedures of DTC and its participants or Euroclear or Clearstream and their account holders (as the case may be) in effect from time to time as described in the section entitled "Description of the Global Notes — Book-Entry System".

Unless otherwise specified in the applicable Final Terms, with respect to any Certificated Note, payments of interest, if any, and, in the case of Amortising Notes (as defined below), principal (other than principal payable at Maturity) will be made by mailing a cheque to the holder at the address of such holder appearing on the register for the Notes on the regular record date (the "Regular Record Date"). Notwithstanding the foregoing, at the option of the relevant Issuer, all payments of interest and, in the case of Amortising Notes, principal on the Notes may be made by wire transfer of immediately available funds to an account at a bank located within the United States as designated by each holder not less than 15 calendar days prior to the Interest Payment Date. A holder of $10,000,000 (or, if the Specified Currency is other than U.S. dollars, the equivalent thereof in that Specified Currency) or more in aggregate principal amount of Notes of like tenor and terms with the same Interest Payment Date may demand payment by wire transfer but only if appropriate payment instructions have been received in writing by any paying agent with respect to such note appointed by the relevant Issuer, not less than 15 calendar days prior to the Interest Payment Date. In the event that payment is so made in accordance with instructions of the holder, such wire transfer shall be deemed to constitute full and complete payment of such principal, premium and/or interest on the Notes. Payment of the principal, premium, if any, and interest, if any, due with respect to any Certificated Note at Maturity will be made in immediately available funds upon surrender of such note at the principal office of any paying agent appointed by the relevant Issuer with respect to that note and accompanied by wire transfer instructions, provided that the Certificated Note is presented to such paying agent in time for such paying agent to make such payments in such funds in accordance with its normal procedures.

Unless otherwise specified in the applicable Final Terms, payments of principal, premium, if any, and interest, if any, with respect to any note to be made in a Specified Currency other than U.S. dollars will be made by cheque mailed to the address of the person entitled thereto as its address appears in the register for the Notes or by wire transfer to such account with a bank located in a jurisdiction acceptable to the relevant Issuer and the Trustee as shall have been designated at least 15 calendar days prior to the Interest Payment Date or Maturity, as the case may be, by the holder of such note on the relevant Regular Record Date or at Maturity, provided that, in the case of payment of principal of, and premium, if any, and interest, if any, due at Maturity, the note is presented to any paying agent appointed by the relevant Issuer with respect to such note in time for such paying agent to make such payments in such funds in accordance with its normal procedures. Such designation shall be made by filing the appropriate information with the Trustee at its Corporate Trust Office, and, unless revoked, any such designation made with respect to any note by a holder will remain in effect with respect to any further payments with respect to such note payable to such holder. If a payment with respect to any such note cannot be made by wire transfer because the required designation has not been received by the registrar or a paying agent on or before the requisite date or for any other reason, a notice will be mailed to the holder at its registered address requesting a designation pursuant to which such wire transfer can be made and, upon such registrar's or paying agent's receipt of such a designation, such payment will be made within 15 calendar days of such receipt. The relevant Issuer will pay any administrative costs imposed by banks in connection with making payments by wire transfer, but any tax, assessment or governmental charge imposed upon payments will be borne by the holders of such Notes in respect of which such payments are made.

If so specified in the applicable Final Terms, except as provided below, payments of principal, premium, if any, and interest, if any, with respect to any note denominated in a currency other than U.S. dollars will be made in U.S. dollars, as set forth below. If the holder of such note on the relevant Regular Record Date or at Maturity, as the case may be, requests payments in a currency other than U.S. dollars, the holder shall transmit a written request for such payment to any paying agent appointed by the relevant Issuer with respect to such note at its principal office on or prior to such Regular Record Date or the date 15 calendar days prior to Maturity, as the case may be. Such request may be delivered by mail, by hand, by cable or by telex or any other form of facsimile transmission. Any such request made with respect to any note by a holder will remain in effect with respect to any further payments of principal, and premium, if any, and interest, if any, with respect to such note payable to such holder, unless such request is revoked by written notice received by such paying agent on or prior to the relevant Regular Record Date or the date 15 calendar days prior to Maturity, as the case may be (but no such revocation may be made with respect to payments made on any such note if an Event of Default has occurred with respect thereto or upon the giving of a notice of redemption). Holders of Notes denominated in a currency other than U.S. dollars whose Notes are registered in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in a currency other than U.S. dollars may be made.

The U.S. dollar amount to be received by a holder of a note denominated in a currency other than U.S. dollars who elects to receive payments in U.S. dollars will be based, unless otherwise specified in the applicable Final Terms, on the highest indicated bid quotation for the purchase of U.S. dollars in exchange for the Specified Currency obtained by the Currency Determination Agent, as specified in the applicable Final Terms, at approximately 11:00 a.m., New York City time, on the second Business Day immediately preceding the applicable payment date (the "Conversion Date") from the bank composite or multicontributor pages of the Quoting Source for three (or two if three are not available) major banks in New York City. The first three (or two) such banks selected by the Currency Determination Agent which are offering quotes on the Quoting Source will be used. If fewer than two such bid quotations are available at 11:00 a.m., New York City time, on the second Business Day immediately preceding the applicable payment date, such payment will be based on the Market Exchange Rate as of the second Business Day immediately preceding the applicable payment date. If the Market Exchange Rate for such date is not then available, such payment will be made in the Specified Currency. As used herein, the "Quoting Source" means Reuters Monitor Foreign Exchange Service, or if the Currency Determination Agent determines that such service is not available, such comparable display or other comparable manner of obtaining quotations as shall be agreed between the relevant Issuer and the Currency Determination Agent. All currency exchange costs associated with any payment in U.S. dollars on any such Notes will be borne by the holder thereof by deductions from such payment. The Currency Determination Agent with respect to any such note will be specified in the applicable Final Terms.

If the Specified Currency for a note denominated in a currency other than U.S. dollars is not available for the required payment of principal, premium, if any, and/or interest, if any, in respect thereof due to the imposition of

exchange controls or other circumstances beyond the control of the relevant Issuer, the relevant Issuer will be entitled to satisfy the obligations to the holder of such note by making such payment in U.S. dollars on the basis of the Market Exchange Rate, computed by the Currency Determination Agent, on the second Business Day prior to such payment or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate, or as otherwise specified in the applicable Final Terms. Any payment made in U.S. dollars under such circumstances where the required payment was to be in a Specified Currency other than U.S. dollars will not constitute an Event of Default under the relevant Indenture with respect to the Notes.

All determinations referred to above made by the Currency Determination Agent shall be at its sole discretion in accordance with its normal operating procedures and shall, in the absence of manifest error, be conclusive for all purposes and binding on all holders and beneficial owners of Notes.

Interest and Interest Rates

Each note other than certain Original Issue Discount Notes will bear interest from the date on which such note is issued (the "Original Issue Date") or from the most recent Interest Payment Date to which interest on such note has been paid or duly provided for at a fixed rate or rates per annum, or at a rate or rates determined pursuant to an Interest Rate Basis or Bases stated therein and in the applicable Final Terms that may be adjusted by a Spread and/or Spread Multiplier, until the principal thereof is paid or made available for payment. Interest will be payable on each Interest Payment Date and at Maturity. "Maturity" means the date, if any, on which the principal (or, if the context so requires, lesser amount in the case of Original Issue Discount Notes) of (or premium, if any, on) a note becomes due and payable in full in accordance with its terms and the terms of the relevant Indenture, whether at Stated Maturity or earlier by declaration of acceleration, call for redemption, repayment or otherwise. Interest (other than Defaulted Interest which may be paid as of a Special Record Date) will be payable to the holder at the close of business on the Regular Record Date immediately preceding such Interest Payment Date; provided, however, that interest payable at Maturity will be payable to the person to whom principal shall be payable. The first payment of interest on any note originally issued between a Regular Record Date for such note and the succeeding Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date for such note to the holder.

Interest rates, Interest Rate Basis or Bases, Spreads and Spread Multipliers are subject to change by the relevant Issuer but no such change will affect any note already issued or which the relevant Issuer has agreed to sell. The Interest Payment Dates for each Fixed Rate Note shall be as described below under the subsection entitled "— Fixed Rate Notes" and in the applicable Final Terms. The Interest Payment Dates for each Floating Rate Note shall be as described below under the subsection entitled "— Floating Rate Notes" and in the applicable Final Terms. The Regular Record Date for a note will be the fifteenth calendar day (whether or not a Business Day) immediately preceding each Interest Payment Date.

Fixed Rate Notes

Interest on Fixed Rate Notes will be payable in arrear on such dates as are specified in the applicable Final Terms (each, an "Interest Payment Date" with respect to Fixed Rate Notes) and on the date of Maturity. Unless otherwise specified in the applicable Final Terms, interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months. If any Interest Payment Date or the date of Maturity of a Fixed Rate Note falls on the day that is not a Business Day, the required payments of principal, premium, if any, and interest, if any, with respect to such note will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after such Interest Payment Date or the date of Maturity, as the case may be, to the date of such payment on the next succeeding Business Day.

Floating Rate Notes

Interest on Floating Rate Notes will be determined by reference to the applicable Interest Rate Basis or Bases as set forth in the applicable Final Terms, which may, as described below, include:

- the CD Rate;
- the CMS Rate;

- the CMT Rate;
- the Commercial Paper Rate;
- EURIBOR;
- The Federal Funds Rate;
- LIBOR;
- The Prime Rate;
- The Treasury Rate; or
- such other Interest Rate Basis or Bases or interest rate formula as may be specified in the applicable Final Terms.

The applicable Final Terms will specify certain terms with respect to which each Floating Rate Note is being delivered, including: whether such Floating Rate Note is a Regular Floating Rate Note, a Floating Rate/Fixed Rate Note, a Fixed Rate/Floating Rate Note or an Inverse Floating Rate Note, the Fixed Rate Commencement Date, if applicable, Fixed Interest Rate, if applicable, the Floating Rate Commencement Date, if any, Interest Rate Basis or Bases, Initial Interest Rate, if any, Initial Interest Reset Date, Interest Reset Dates, Interest Payment Dates, Index Maturity, Maximum Interest Rate and/or Minimum Interest Rate, if any, and Spread and/or Spread Multiplier, if any, as such terms are defined below. If one or more of the applicable Interest Rate Bases is the CMT Rate, EURIBOR or LIBOR, the applicable Final Terms will also specify the Designated CMT Maturity Index or the Designated CMT Reuters Page, the Designated EURIBOR Page or the Designated LIBOR Currency and Designated LIBOR Page respectively, as such terms are defined below.

The interest rate borne by the Floating Rate Notes will be determined as follows:

(i) Unless such Floating Rate Note is designated as a "Floating Rate/Fixed Rate Note", "Fixed Rate/Floating Rate Note" or an "Inverse Floating Rate Note", or as having an Addendum attached or having "Other/Additional Provisions" apply, in each case, relating to a different interest rate formula, such Floating Rate Note will be designated a "Regular Floating Rate Note" and, except as described below or in the applicable Final Terms, will bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any. Commencing on the Initial Interest Reset Date, the rate at which interest on such Regular Floating Rate Note shall be payable shall be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate.

(ii) If such Floating Rate Note is designated as a "Floating Rate/Fixed Rate Note", then, except as described below or in the applicable Final Terms, such Floating Rate Note will bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any. Commencing on the Initial Interest Reset Date, the rate at which interest on such Floating Rate/Fixed Rate Note shall be payable shall be reset as of each Interest Reset Date; provided, however, that (y) the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate and (z) the interest rate in effect (the "Fixed Interest Rate") for the period commencing on the date specified therefor in the applicable Final Terms (the "Fixed Rate Commencement Date") to Maturity shall be in the interest rate so specified in the applicable Final Terms or, if no such rate is specified, the interest rate in effect thereon on the day immediately preceding the Fixed Rate Commencement Date.

(iii) If such Floating Rate Note is designated as a "Fixed Rate/Floating Rate Note", then, except as described below or in the applicable Final Terms, such Floating Rate Note will bear interest at the interest rate in effect for the applicable period, if any; provided, however, that the applicable interest rate in effect for the periods commencing on the date specified therefore in the applicable Final Terms (the "Floating Rate Commencement Date") will be determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if

any, and/or (b) multiplied by the Spread Multiplier, if any. Commencing on the Initial Interest Reset Day, the rate of which interest on such Floating Rate Note shall be payable shall be reset as of each Interest Reset Date until the Final Interest Reset Date preceding Maturity.

(iv) If such Floating Rate Note is designated as an "Inverse Floating Rate Note", then, except as described below or in the applicable Final Terms, such Floating Rate Note will bear interest at the Fixed Interest Rate minus the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; provided, however, that unless otherwise specified in the applicable Final Terms, the interest rate thereon will not be less than zero. Commencing on the Initial Interest Reset Date, the rate at which interest on such Inverse Floating Rate Note shall be payable shall be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate.

The "Spread" is the number of basis points to be added or subtracted from the related Interest Rate Basis or Bases applicable to such Floating Rate Note. The "Spread Multiplier" is the percentage of the related Interest Rate Basis or Bases applicable to such Floating Rate Note by which such Interest Rate Basis or Bases will be multiplied to determine the applicable interest rate on such Floating Rate Note. The "Index Maturity" is the period to maturity of the instrument or obligation with respect to which the related Interest Rate Basis or Bases will be calculated.

Unless otherwise specified in the applicable Final Terms, the interest rate with respect to each Interest Rate Basis will be determined in accordance with the applicable provisions below. Except as set forth above or in the applicable Final Terms, the interest rate in effect on each day shall be (i) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) immediately preceding such Interest Reset Date or (ii) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date.

The applicable Final Terms will specify whether the rate of interest on the related Floating Rate Note will be reset daily, weekly, monthly, quarterly, semi-annually or annually or at such other specified intervals as specified in the applicable Final Terms (each, an "Interest Reset Period") and the dates on which such rate or interest will be reset (each, an "Interest Reset Date"). Unless otherwise specified in the applicable Final Terms, the rate of interest on Floating Rate/Fixed Rate Notes will not reset after the applicable Fixed Rate Commencement Date. If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Reset Date will be postponed to the next succeeding Business Day except that in the case of a Floating Rate Note as to which EURIBOR or LIBOR is an applicable Interest Rate Basis and such Business Day falls in the next succeeding calendar month, such Interest Reset Date will be the immediately preceding Business Day.

Save as set out in the applicable Final Terms, the interest rate applicable to each Interest Reset Period commencing on the related Interest Reset Date will be the rate determined by the Calculation Agent (as specified in the applicable Final Terms) as of the applicable Interest Determination Date and calculated on or prior to the Calculation Date (as defined below), except with respect to EURIBOR and LIBOR, which will be calculated on such Interest Determination Date, except with respect to the Commercial Paper Rate and the Prime Rate, which will be calculated on or prior to the day that is one New York City Banking Day following the Interest Reset Date pertaining to such Interest Determination Date, and except with respect to the CMT Rate, which will be calculated on the dates specified below under "—CMT Rate".

Save as set out in the applicable Final Terms, the "Interest Determination Date" with respect to:

- the CD Rate, the Commercial Paper Rate and the CMS Rate will be the second Business Day preceding the applicable Interest Reset Date;
- the Federal Funds Rate will be the Business Day immediately preceding the applicable Interest Reset Date;
- the CMT Rate will be the second U.S. Government Securities Business Day preceding the applicable Interest Reset Date;
- the Prime Rate will be the applicable Interest Reset Date;

- EURIBOR will be the second TARGET Settlement Date immediately preceding the applicable Interest Reset Date;

- LIBOR will be the second London Business Day immediately preceding the applicable Interest Reset Date, unless the Designated LIBOR Currency is pounds sterling, in which case the "Interest Determination Date" will be the applicable Interest Reset Date; and

- the Treasury Rate will be the day in the week in which the applicable Interest Reset Date falls on which day Treasury Bills, as defined below, are normally auctioned (Treasury Bills are normally sold at an auction held on Monday of each week, unless such Monday is a legal holiday, in which case the auction is normally held on the immediately succeeding Tuesday although such auction may be held on the preceding Friday); provided, however, that if an auction is held on the Friday of the week preceding the applicable Interest Reset Date, the "Interest Determination Date" will be such preceding Friday; provided, further, that if the Interest Determination Date would otherwise fall on an Interest Reset Date, then such Interest Reset Date will be postponed to the next succeeding Business Day.

The "Interest Determination Date" pertaining to a Floating Rate Note the interest rate of which is determined by reference to two or more Interest Rate Bases will be the most recent Business Day which is at least two Business Days prior to the applicable Interest Reset Date for such Floating Rate Note on which each Interest Rate Basis is determinable. Each Interest Rate Basis will be determined as of such date, and the applicable interest rate will take effect on the applicable Interest Reset Date.

Notwithstanding the foregoing, a Floating Rate Note may also have, if specified in the applicable Final Terms, either or both of the following: (i) a Maximum Interest Rate, or ceiling, that may apply during any Interest Reset Period and (ii) a Minimum Interest Rate, or floor, that may apply during any Interest Reset Period. In addition to any Maximum Interest Rate that may apply to any Floating Rate Note, the interest rate on Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified, or other applicable law.

The date(s) on which interest on Floating Rate Notes is payable (each, an "Interest Payment Date" with respect to Floating Rate Notes) will be specified in the applicable Final Terms.

If any Interest Payment Date other than the date of Maturity specified in the applicable Final Terms for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Payment Date will be postponed to the next succeeding Business Day, except that in the case of a Floating Rate Note as to which EURIBOR or LIBOR is an applicable Interest Rate Basis and such Business Day falls in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding Business Day. If the date of Maturity of a Floating Rate Note falls on a day that is not a Business Day, the required payment of principal, premium, if any, and interest will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after the date of Maturity to the date of such payment on the next succeeding Business Day.

All percentages resulting from any calculation on Floating Rate Notes will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five or more one millionths of a percentage point rounded upwards (*e.g.*, 9.876545 per cent. (or 0.09876545) would be rounded to 9.87655 per cent. (or 0.0987655)), and all amounts used in or resulting from such calculation on Floating Rate Notes will be rounded, in the case of U.S. dollars, to the nearest cent or, in the case of a Specified Currency, to the nearest unit (with one-half cent or unit being rounded upwards).

Unless otherwise specified in the applicable Final Terms, each payment of Interest on a Floating Rate Note includes interest accrued from and including the Original Issue Date, or the immediately preceding Interest Payment Date to which interest has been paid or duly provided for, to but excluding the applicable Interest Payment Date or Maturity. Accrued interest on each Floating Rate Note is calculated by multiplying its principal amount by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in the applicable interest period but excluding the date for which accrued interest is being calculated. Unless otherwise specified in the applicable Final Terms, the interest factor for each such day will be computed by dividing

the interest rate applicable to such day by 360, in the case of Floating Rate Notes for which an applicable Interest Rate Basis is the CD Rate, the CMS Rate, the Commercial Paper Rate, EURIBOR, the Federal Funds Rate, LIBOR or the Prime Rate, or by the actual number of days in the year in the case of Floating Rate Notes for which an applicable Interest Rate Basis is the CMT Rate or the Treasury Rate. Unless otherwise specified in the applicable Final Terms, the interest factor for Floating Rate Notes for which the interest rate is calculated with reference to two or more Interest Rate Bases will be calculated in each period in the same manner as if only the applicable Interest Rate Basis specified in the applicable Final Terms applied.

Upon request of the holder of any Floating Rate Note, the Calculation Agent will disclose the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next succeeding Interest Reset Date with respect to such Floating Rate Note. Unless otherwise specified in the applicable Final Terms, the "Calculation Date", if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day immediately preceding the applicable Interest Payment Date or the date of Maturity, as the case may be.

Unless otherwise specified in the applicable Final Terms, the Calculation Agent shall determine each Interest Rate Basis in accordance with the following provisions:

CD Rate

Unless otherwise specified in the applicable Final Terms, "CD Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the CD Rate, the rate on such date for negotiable U.S. dollar certificates of deposit having the Index Maturity specified in the applicable Final Terms as published in H.15(519) (as defined below), under the heading "CDs (secondary market)" or, if not so published by 3:00 p.m., New York City time on the related Calculation Date, the rate on such Interest Determination Date for negotiable U.S. dollar certificates of deposit of the Index Maturity specified in the applicable Final Terms as published in H.15 Daily Update (as defined below), or such other recognised electronic source used for the purpose of displaying such rate, under the caption "CDs (secondary market)". If such rate is not yet published in H.15(519), H.15 Daily Update or another recognised electronic source by 3:00 p.m. New York City time on the related Calculation Date, then the CD Rate on such Interest Determination Date will be calculated by the Calculation Agent (as specified in the applicable Final Terms) and will be the arithmetic mean of the secondary market offered rates as of 10:00 a.m. New York City time on such Interest Determination Date, of three leading non-bank dealers in negotiable U.S. dollar certificates of deposit in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent (after consultation with the relevant Issuer) for negotiable U.S. dollar certificates of deposit of major U.S. money centre banks with a remaining maturity closest to the Index Maturity specified in the applicable Final Terms in an amount that is representative for a single transaction in that market at that time; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the CD Rate determined as of such Interest Determination Date will be the CD Rate in effect on such Interest Determination Date, or, if no CD Rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note for the following Interest Reset Period shall be the Initial Interest Rate.

"H. 15(519)" means the weekly statistical release designated as such published by the Board of Governors of the Federal Reserve System (the "Board of Governors"), or its successor, available through the website of the Board of Governors at http://www.federalreserve.gov/releases/hl5/, or any successor site or publication.

"H.15 Daily Update" means the daily update designated as such published by the Board of Governors, or its successor, available through the website of the Board of Governors at http://www.federal reserve.gov/releases/h15/update/ - hl5upd.htm, or any successor site or publication.

CMS Rate

Unless otherwise specified in the applicable Final Terms, "CMS Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the CMS Rate, the rate for U.S. dollar swaps with a maturity for a specified number of years, expressed as a percentage

in the applicable Final Terms, which appears on Reuters ISDAFIX1 Page (the "ISDAFIX1 Page") as of 11:00 a.m., New York City time, on the related Interest Determination Date.

The following procedures will be used if the CMS Rate cannot be determined as described above:

(1) If the above rate is no longer displayed on the ISDAFIX1 Page, or if not displayed by 11:00 a.m., New York City time, on the Interest Determination Date, then the CMS Rate will be the rate for U.S. dollar swaps with a maturity of the Notes designated in the applicable Final Terms, expressed as a percentage, which appears on the ISDAFIX1 Page as of 11:00 a.m., New York City time, on the Interest Determination Date.

(2) If that information is no longer displayed by 11:00 a.m., New York City time, on the Interest Determination Date, then the CMS Rate will be a percentage determined on the basis of the mid-market, semi-annual swap rate quotations provided by five leading swap dealers in the New York City interbank market at approximately 11:00 a.m., New York City time, on the Interest Determination Date. For this purpose, the semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to the maturity of the Notes designated in the applicable Final Terms commencing on that Interest Determination Date with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to the rate for deposits in U.S. dollars with a maturity of three months which appears on Reuters (or any successor service) on the LIBOR01 page (or any other page as may replace such page on such service). The Calculation Agent will select the five swap dealers after consultation with the relevant Issuer and will request the principal New York City office of each of those dealers to provide a quotation of its rate. If at least three quotations are provided, the CMS Rate for that Interest Determination Date will be the arithmetic mean of the quotations, eliminating the highest and lowest quotations or, in the event of equality, one of the highest and one of the lowest quotations.

(3) If fewer than three leading swap dealers selected by the Calculation Agent are quoting as described above, the CMS Rate will remain the CMS Rate in effect on that Interest Determination Date or, if that Interest Determination Date is the first Interest Determination Date, the Initial Interest Rate.

CMT Rate

Unless otherwise specified in the applicable Final Terms, "CMT Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the CMT Rate:

(1) if the Reuters FRBCMT Page (as defined below) is specified in the applicable Final Terms as the Designated CMT Reuters Page:

(a) the percentage equal to the yield for United States Treasury securities at "constant maturity" having the Designated CMT Maturity Index specified in the applicable Final Terms as published in H. 15(519) under the caption "Treasury Constant Maturities", as the yield is displayed on Reuters (or any successor service) on page FRBCMT (or any other page as may replace the specified page on that service) ("FRBCMT Page"), on such Interest Determination Date, or

(b) if the rate referred to in clause (a) does not so appear on the FRBCMT Page, the percentage equal to the yield for United States Treasury securities at "constant maturity" having the particular Designated CMT Maturity Index and for such Interest Determination Date as published in H.15(519) under the caption "Treasury Constant Maturities", or

(c) if the rate referred to in clause (b) does not so appear in H. 15(519), the rate on such Interest Determination Date for the period of the particular Designated CMT Maturity Index as may then be published by either the Board of Governors or the United States Department of the Treasury that the Calculation Agent (as specified in the applicable Final Terms) determines to be comparable to the rate which would otherwise have been published in H.15(519), or

(d) if the rate referred to in clause (c) is not so published, the rate on such Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on that Interest Determination Date of three leading primary United States government securities dealers in New York City (which may include the Dealers or their affiliates) (each, a "Reference Dealer"), selected by the Calculation Agent (after consultation with the relevant Issuer) from five Reference Dealers so selected by the Calculation Agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity equal to the particular Designated CMT Maturity Index, a remaining term to maturity no more than one year shorter than that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on such Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or

(f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on such Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on that Interest Determination Date of three Reference Dealers selected by the Calculation Agent (after consultation with the relevant Issuer) from five Reference Dealers so selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the particular Designated CMT Maturity Index, a remaining term to maturity closest to that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on such Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations will be eliminated, or

(h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on such Interest Determination Date, provided that if no CMT Rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note for the following Interest Reset Period shall be the Initial Interest Rate.

(2) if the Reuters Page FEDCMT (as defined below) is specified in the applicable Final Terms as the Designated CMT Reuters Page:

(a) the percentage equal to the one-week average yield for United States Treasury securities at "constant maturity" having the Designated CMT Maturity Index specified in the applicable Final Terms as published in H.15(519) under the caption "Week Ending" and opposite the caption "Treasury Constant Maturities", as the yield is displayed on Reuters (or any successor service) (on page FEDCMT or any other page as may replace the specified page on that service) ("FEDCMT Page"), for the week preceding the week in which such Interest Determination Date falls, or

(b) if the rate referred to in clause (a) does not so appear on the FEDCMT Page, the percentage equal to the one-week average yield for United States Treasury securities at "constant maturity" having the particular Designated CMT Maturity Index and for the week preceding such Interest Determination Date as published in H.15(519) under the caption "Week Ending" and opposite the caption "Treasury Constant Maturities," or

(c) if the rate referred to in clause (b) does not so appear in H.15(519), the one-week average yield for United States Treasury securities at "constant maturity" having the particular Designated CMT Maturity Index as otherwise announced by the Federal Reserve Bank of New York for the week preceding the week in which such Interest Determination Date falls, or

(d) if the rate referred to in clause (c) is not so published, the rate on such Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on that Interest Determination Date of three Reference Dealers selected by the Calculation Agent (after consultation with the relevant Issuer) from five Reference Dealers

so selected by the Calculation Agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity equal to the particular Designated CMT Maturity Index, a remaining term to maturity no more than one year shorter than that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time, or

(e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on such Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or

(f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on such Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on that Interest Determination Date of three Reference Dealers selected by the Calculation Agent (after consultation with the relevant Issuer) from five Reference Dealers so selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the particular Designated CMT Maturity Index, a remaining term to maturity closest to that Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at the time, or

(g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on such Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations will be eliminated, or

(h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on that Interest Determination Date, provided that if no CMT Rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note for the following Interest Reset Period shall be the Initial Interest Rate.

If two United States Treasury securities with an original maturity greater than the Designated CMT Maturity Index specified in the applicable Final Terms have remaining terms to maturity equally close to the particular Designated CMT Maturity Index, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified in the applicable Final Terms with respect to which the CMT Rate will be calculated.

Commercial Paper Rate

Unless otherwise specified in the applicable Final Terms, "Commercial Paper Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the Commercial Paper Rate, the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified in the applicable Final Terms as published in H.15(519) under the caption "Commercial Paper — Nonfinancial" or, if not so published by 5:00 p.m., New York City time, on the day that is one New York City Banking Day following the Interest Reset Date pertaining to such Interest Determination Date, the Money Market Yield on such Interest Determination Date for commercial paper having the Index Maturity specified in the applicable Final Terms as published in H.15 Daily Update, or such other recognised electronic source used for the purpose of displaying such rate, under the caption "Commercial Paper — Nonfinancial". If such rate is not yet published in H.15(519), the H.15 Daily Update or another recognised electronic source by 5:00 p.m. New York City time on the day that is one New York City Banking Day following the Interest Reset Date pertaining to such Interest Determination Date, then the Commercial Paper Rate on such Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 a.m., New York City time on such Interest Determination Date of three leading dealers of U.S. dollar commercial paper in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent (after consultation with the relevant Issuer) for U.S. dollar commercial paper having the Index Maturity specified in the applicable Final Terms placed for industrial issuers whose bond rating is "Aa", or the

equivalent, from a nationally recognised statistical rating organisation; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of such Interest Determination Date will be the Commercial Paper Rate in effect on such Interest Determination Date, or, if no Commercial Paper Rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note for the following Interest Reset Period shall be the Initial Interest Rate.

"Money Market Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 \times (D \times M)}$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the applicable Interest Reset Period.

EURIBOR

Unless otherwise specified in the applicable Final Terms, "EURIBOR" means the rate determined in accordance with the following provisions:

(i) With respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to EURIBOR, EURIBOR will be the rate for deposits in euro for a period of the Index Maturity as specified in such Final Terms commencing on the applicable Interest Reset Date, that appears on the Designated EURIBOR Page as of 11:00 a.m., Brussels time, on such Interest Determination Date; or if no such rate so appears, EURIBOR on such Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to an Interest Determination Date on which no rate appears on the Designated EURIBOR Page as specified in clause (i) above, the Calculation Agent (as specified in the applicable Final Terms) will request the principal Euro-zone office of each of four major reference banks (which may include the Dealers or their affiliates) in the Euro-zone interbank market, as selected by the Calculation Agent (after consultation with the relevant Issuer), to provide the Calculation Agent with its offered quotation for deposits in euro for the period of the Index Maturity specified in the applicable Final Terms commencing on the applicable Interest Reset Date, to prime banks in the Euro-zone interbank market at approximately 11:00 a.m., Brussels time, on such EURIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in euro in such market at such time. If at least two such quotations are so provided, then EURIBOR on such Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then EURIBOR on such Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., Brussels time, on such Interest Determination Date by three major banks (which may include the Dealers or their affiliates) in the Euro-zone selected by the Calculation Agent (after consultation with the relevant Issuer) for loans in euro to leading European banks, having the Index Maturity specified in the applicable Final Terms commencing on that Interest Reset Date and in a principal amount that is representative for a single transaction in euro in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, EURIBOR determined as of such Interest Determination Date will be EURIBOR in effect on such Interest Determination Date, or, if no EURIBOR was in effect on such Interest Determination Date, the rate on such Floating Rate Note for the following Interest Reset Period shall be the Initial Interest Rate.

"Designated EURIBOR Page" means the display on the page specified in the applicable Final Terms for the purpose of displaying the Euro-zone interbank rates of major banks for the euro; provided, however, if no such page is specified in the applicable Final Terms, the display on Reuters (or any successor service) on the EURIBOR01 page (or any other page as may replace such page on such service) shall be used.

"Euro-zone" means the region comprised of member states of the European Union that have adopted the single currency in accordance with the relevant treaty of European Union, as amended.

Federal Funds Rate

Unless otherwise specified in the applicable Final Terms, "Federal Funds Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the Federal Funds Rate, the rate on such date for U.S. dollar federal funds as published in H.15(519) opposite the heading "Federal Funds (Effective)", as such rate is displayed on Reuters (or any successor service) on page FEDFUNDS 1 (or any other page as may replace such page) ("Reuters Page FEDFUNDS 1"), or, if such rate does not appear on Reuters Page FEDFUNDS1 or is not so published by 5:00 p.m., New York City time, on the related Calculation Date, the rate on such Interest Determination Date for U.S. dollar federal funds as published in H.15 Daily Update, or such other recognised electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)". If such rate does not appear on Reuters Page FEDFUNDS1 or is not yet published in H.15(519), H.15 Daily Update or another recognised electronic source by 5:00 p.m. New York City time on the related Calculation Date, then the Federal Funds Rate on such Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds arranged by three leading brokers of U.S. dollar federal funds transactions in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent (after consultation with the relevant Issuer) prior to 9:00 a.m., New York City time, on such Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Interest Determination Date will be the Federal Funds Rate in effect on such Interest Determination Date, or, if no Federal Funds Rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note for the following Interest Reset Period shall be the Initial Interest Rate.

LIBOR

Unless otherwise specified in the applicable Final Terms, "LIBOR" means the rate determined in accordance with the following:

(i) With respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to LIBOR, LIBOR will be the rate for deposits in the Designated LIBOR Currency for a period of the Index Maturity specified in such Final Terms commencing on the applicable Interest Reset Date, that appears on the Designated LIBOR Page as of 11:00 a.m., London time, on such Interest Determination Date, or if no such rate so appears, LIBOR on such Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to an Interest Determination Date on which no rate appears on the Designated LIBOR Page as specified in clause (i) above, the Calculation Agent (as specified in the applicable Final Terms) will request the principal London offices of each of four major reference banks (which may include the Dealers or their affiliates) in the London interbank market, as selected by the Calculation Agent (after consultation with the relevant Issuer), to provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity specified in the applicable Final Terms, commencing on the applicable Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such Interest Determination Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then LIBOR on such Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in the applicable Principal Financial Centre, on such Interest Determination Date by three major banks (which may include the Dealers or their affiliates) in such Principal Financial Centre selected by the Calculation Agent (after consultation with the relevant Issuer) for loans in the Designated LIBOR Currency to leading European banks, having the Index Maturity specified in the applicable Final Terms, commencing on that Interest Reset Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such Interest Determination Date will be LIBOR in effect on such Interest Determination Date or, if no LIBOR rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note for the following Interest Reset Period shall be the Initial Interest Rate.

"Designated LIBOR Currency" means the currency specified in the applicable Final Terms as to which LIBOR shall be calculated or, if no such currency is specified in the applicable Final Terms, U.S. dollars.

"Designated LIBOR Page" means the display on the page specified in the applicable Final Terms for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency, provided, however, if no such page is specified in the applicable Final Terms, the display on Reuters (or any successor service) on the LIBOR01 page (or any other page as may replace such page on such service) shall be used for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency.

Prime Rate

Unless otherwise specified in the applicable Final Terms, "Prime Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined with reference to the Prime Rate, the rate on such date as such rate is published in H.15(519) opposite the caption "Bank Prime Loan" or, if not published by 5:00 p.m., New York City time, on the day that is one New York City Banking Day following the Interest Reset Date pertaining to such Interest Determination Date, the rate on such Interest Determination Date as published in H.15 Daily Update, or such other recognised electronic source used for the purpose of displaying such rate, opposite the caption "Bank Prime Loan". If such rate is not yet published in H.15(519), H.15 Daily Update or another recognised electronic source by 5:00 p.m. New York City time on the day that is one New York City Banking Day following the Interest Reset Date pertaining to such Interest Determination Date, then the Prime Rate shall be the arithmetic mean, as determined by the Calculation Agent (as specified in the applicable Final Terms), of the rates of interest publicly announced by three major banks (which may include the Dealers or their affiliates) in New York City selected by the Calculation Agent (after consultation with the relevant Issuer) as the U.S. dollar prime rate or base lending rate in effect for such Interest Determination Date. (Each change in the prime rate or base lending rate of any bank so announced by such bank will be effective as of the effective date of the announcement or, if no effective date is specified, as of the date of the announcement.) If fewer than three major banks (which may include the Dealers or their affiliates) so selected in New York City have publicly announced a U.S. dollar prime rate or base lending rate for such Interest Determination Date, the Prime Rate with respect to such Interest Determination Date shall be the rate in effect on such Interest Determination Date, or, if no Prime Rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note for the following Interest Reset Period shall be the Initial Interest Rate.

Treasury Rate

Unless otherwise specified in the applicable Final Terms, "Treasury Rate" means, with respect to any Interest Determination Date relating to a Floating Rate Note for which the interest rate is determined by reference to the Treasury Rate, the rate from the auction held on such Interest Determination Date (the "Auction") of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified in the applicable Final Terms under the caption "INVEST RATE" on the display on Reuters (or any successor service) on page USAUCTION10 (or any other page as may replace such page) ("Reuters Page USAUCTION10") or page USAUCTION11 (or any other page as may replace such page) ("Reuters Page USAUCTION11") or, if not so published by 3:00 p.m., New York City time, on the related Calculation Date, the Bond Equivalent Yield (as defined below) of the rate for such Treasury Bills as published in H.15 Daily Update, or such other recognised electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Auction High" or, if not so published by 3:00 p.m., New York City time, on the related Calculation Date, the Bond Equivalent Yield of the auction rate of such Treasury Bills as announced by the U.S. Department of the Treasury. In the event that the auction rate of Treasury Bills having the Index Maturity specified in the applicable Final Terms is not so announced by the U.S. Department of the Treasury, or if no such Auction is held, then the Treasury Rate will be the Bond Equivalent Yield of the rate on such Interest Determination Date of Treasury Bills having the Index Maturity specified in the applicable Final Terms as published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Secondary Market" or, if not yet published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on such Interest Determination Date of such Treasury Bills as published in H.15 Daily Update, or such other recognised electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market". If such rate is not yet published in H.15(519), H.15 Daily Update or another recognised electronic source, then the Treasury Rate will be calculated by the Calculation Agent (as specified in the applicable Final Terms) and will be the Bond Equivalent Yield of the

arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on such Interest Determination Date, of three primary U.S. government securities dealers (which may include the Dealers or their affiliates) selected by the Calculation Agent (after consultation with the relevant Issuer), for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable Final Terms; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Interest Determination Date will be the Treasury Rate in effect on such Interest Determination Date, or, if no Treasury Rate was in effect on such Interest Determination Date, the rate on such Floating Rate Note for the following Interest Reset Period shall be the Initial Interest Rate.

"Bond Equivalent Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N \times 100}{360 - (D \times M)}$$

where "D" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the applicable Interest Reset Period.

Other/Additional Provisions; Addendum

Any provisions with respect to the Notes, including the specification and determination of one or more Interest Rate Bases, the calculation of the interest rate applicable to a Floating Rate Note, the Interest Payment Dates, the Stated Maturity, any redemption or repayment provisions or any other term relating thereto, may be modified and/or supplemented as specified under "Other/Additional Provisions; Addendum" in the applicable Final Terms.

Original Issue Discount Notes

The Issuers may each from time to time offer Notes ("Original Issue Discount Notes") that have an Issue Price (as specified in the applicable Final Terms) that is less than 100 per cent. of the principal amount thereof (i.e. par) by a percentage equal to or more than the product of 0.25 per cent. and the number of full years to the Stated Maturity. Original Issue Discount Notes may not bear any interest currently or may bear interest at a rate that is below market rates at the time of issuance. The difference between the Issue Price of an Original Issue Discount Note and par is referred to herein as the "Discount". In the event of redemption, repayment or acceleration of maturity of an Original Issue Discount Note, the amount payable to the holder of such Original Issue Discount Note will be equal to the sum of (i) the Issue Price (increased by any accruals of Discount) and, in the event of any redemption of such Original Issue Discount Note (if applicable), multiplied by the Initial Redemption Percentage (as adjusted by the Annual Redemption Percentage Reduction, if applicable) and (ii) any unpaid interest accrued thereon to the date of such redemption, repayment or acceleration of maturity, as the case may be (the "Amortised Fee Amount").

Unless otherwise specified in the applicable Final Terms, for purposes of determining the amount of Discount that has accrued as of any date on which a redemption, repayment or acceleration of Maturity occurs for an Original Issue Discount Note, such Discount will be accrued using a constant yield method. The constant yield will be calculated using a 30-day month, 360-day year convention, a compounding period that, except for the Initial Period (as defined below), corresponds to the shortest period between Interest Payment Dates for the applicable Original Issue Discount Note (with rateable accruals within a compounding period), a coupon rate equal to the initial coupon rate applicable to such Original Issue Discount Note and an assumption that the Maturity of such Original Issue Discount Note will not be accelerated. If the period from the Original Issue Date to the initial Interest Payment Date for an Original Issue Discount Note (the "Initial Period") is shorter than the compounding period for such Original Issue Discount Note, a proportionate amount of the yield for an entire compounding period will be accrued. If the Initial Period is longer than the compounding period, then such period will be divided into a regular compounding period and a short period with the short period being treated as provided in the preceding sentence. The accrual of the applicable Discount may differ from the accrual of original issue discount for purposes of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Certain Original Issue Discount Notes may not be treated as having original issue discount within the meaning of the Code, and Notes other than Original Issue Discount Notes may be treated as issued with original issue discount for U.S. federal income tax purposes. For a further discussion

of U.S. federal income tax implications, see the section entitled "Taxation - United States Federal Income Taxation - Original Issue Discount and Variable Rate Notes".

Index Linked Notes

The Issuers may from time to time offer Notes ("Index Linked Notes") with the amount of principal, premium and/or interest payable in respect thereof to be determined with reference to the price or prices of specified commodities or stocks, to the exchange rate of one or more designated currencies relative to an indexed currency or to other items, in each case as specified in the applicable Final Terms. In certain cases, a holder of an Index Linked Note may receive a principal payment on Maturity that is greater than or less than the principal amount of such Index Linked Note depending upon the relative value on Maturity of the specified indexed item.

Annex XII of the Prospectus Directive Regulation (Commission Regulation (EC) No 8091/2004) may apply to Index-Linked Notes and, in such a case, the relevant Issuer shall prepare and publish a supplementary prospectus, if so required, supplementing this Base Prospectus to the extent required under section 87G of the United Kingdom Financial Services and Markets Act 2000. Information as to the method for determining the amount of principal, premium, if any, and/or interest, if any, payable in respect of Index Linked Notes, certain historical information with respect to the specified indexed item and any material tax considerations associated with an investment in Index Linked Notes will be specified in the applicable Final Terms.

For further information, see the section entitled "Risk Factors — Risks Related to the Notes — Fluctuations in applicable indices may adversely affect the value of index linked Notes".

Unless otherwise stated in the applicable Final Terms, in the event that the principal, premium and/or interest, if any, or any other amount payable in respect of any note is to be determined by means of quotations obtained from major banks or other relevant sources, such quotations will be requested on the basis of a representative amount of a normal single transaction in the relevant market and at the relevant time for such quotation.

Additional Notes and Further Issues

The Issuers may each from time to time without the consent of the holders issue additional Notes of a series having identical terms and conditions in all respects to that of a prior tranche of Notes of the same series (or identical in all respects but for the Original Issue Date, the first payment of interest on the additional Notes and the public offering price) ("Additional Notes") and, if so specified in the applicable Final Terms, so that such Additional Notes shall be consolidated and form a single series with such Notes. The Final Terms relating to any Additional Notes will set forth matters related to such issuance, including identifying the prior series of Notes, their Original Issue Date and the aggregate principal amount of Notes then comprising such series. References in the relevant Indenture to the Notes include (unless the context requires otherwise) any other Notes so issued and forming a single series with the Notes.

Amortising Notes

The Issuers may from time to time offer Notes with the amount of principal thereof and interest thereon payable in instalments over the term of such Notes ("Amortising Notes"). Unless otherwise specified in the applicable Final Terms, interest on each Amortising Note will be computed on the basis of a 360-day year of twelve 30 day months. Payments with respect to Amortising Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. Further information concerning additional terms and provisions of Amortising Notes will be specified in the applicable Final Terms, including a table, formula or formulae setting forth repayment information for such Amortising Notes.

Payment of Additional Amounts

Except as otherwise provided in the relevant Final Terms, the relevant Issuer or, if applicable, the Guarantor will, pursuant to the relevant Indenture, pay to the holder of any Note such additional amounts as may be necessary in order that every net payment of the principal of (including premium or final redemption amount, initial redemption amount or early redemption amount, if any, and in the case of Original Issue Discount Notes, the Amortised Face Amount or other amount payable in respect thereof) and interest, if any, on such Note or any

payment made under the Guarantee in relation to such Note, after deduction or other withholding for or on account of any present or future tax, duty, assessment or governmental charge of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any authority thereof or therein having power to tax, will not be less than the amount provided for in such Note or payable pursuant to the Guarantee (as the case may be) as then due and payable. No such additional amount shall, however, be payable on any Note or in respect of any payment under the Guarantee in relation to such Note on account of any tax, duty, assessment or other governmental charge which is payable:

(i) otherwise than by deduction or withholding from any payments of principal (including premium or final redemption amount, initial redemption amount or early redemption amount, if any, and in the case of Original Issue Discount Notes, the Amortised Face Amount or other amount payable in respect thereof) or interest, if any, on such note or in respect of payments under the Guarantee in relation to such note (as the case may be);

(ii) by reason of the holder or beneficial owner who is liable for such taxes having some connection with the United Kingdom (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in the United Kingdom) other than by the mere holding of such note or enforcement of rights thereunder or the receipt of payments in respect thereof;

(iii) by reason of a change in law or official practice of any relevant taxing authority that becomes effective more than 30 days after the Relevant Date (as defined below) for payment of principal (including premium or final redemption amount, initial redemption amount or early redemption amount, if any, and in the case of Original Issue Discount Notes, the Amortised Face Amount or other amount payable in respect thereof) or interest, if any, in respect of such note or in respect of payments under the Guarantee in relation to such Note (as the case may be) due on such Relevant Date;

(iv) on a payment to or for the benefit of an individual and is required to be made pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000;

(v) by or on behalf of a holder or beneficial owner who would have been able to avoid such withholding or deduction by presenting the relevant note (where presentation is required) to another paying agent in a member state of the European Union;

(vi) by reason of any estate, excise, inheritance, gift, sales, transfer, wealth, personal property tax or any similar assessment or governmental charge;

(vii) as a result of the failure of a holder or beneficial owner to satisfy any statutory requirements, or make a declaration of non residence or other similar claim, for exemption to the relevant tax authority;

(viii) by reason of any Note presented for payment (where presentation is required) in the United Kingdom if such payment could have been made by or through any other paying agent without such tax, assessment, duty or other governmental charge; or

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

(x) owing to a combination of clauses (i) through (ix) above.

"Relevant Date" means the date on which the payment of principal (including premium or final redemption amount, initial redemption amount or early redemption amount, if any, and in the case of Original Issue Discount Notes, the Amortised Face Amount or other amount payable in respect thereof) or interest, if any, on a Note, or payment under the Guarantee in relation to such Note (as the case may be) first becomes due and payable but, if the full amount of the monies payable on such date has not been received by the relevant Paying Agent or as it shall

have directed on or prior to such date, the "Relevant Date" means the date on which the full amount of such monies shall have been so received and are available for payment to the holders.

Whenever reference is made in this Base Prospectus, any Final Terms or under any relevant Guarantee, in any context, to the payment of principal (including premium or final redemption amount, initial redemption amount or early redemption amount, if any, and in the case of Original Issue Discount Notes, the Amortised Face Amount or other amount payable in respect thereof) or interest, such references include the payment of additional amounts to the extent that, in the context, additional amounts are, were or would be payable.

Redemption and Repurchase

General

The Final Terms relating to a series of Notes will indicate either that such Notes cannot be redeemed prior to Maturity, other than for tax reasons (as set forth below), or the terms on which the Notes will be redeemable prior to Maturity at the option of the relevant Issuer, the Guarantor or (in the case of Senior Notes only) the holder of the Notes. Notice of redemption shall be provided as set forth below under the section entitled "— Notices".

Redemption for Tax Reasons

The Notes of any series may be redeemed, subject to any other terms set forth in the applicable Final Terms, and, in the case of the Subordinated Notes, the provisions relating to the redemption of Subordinated Notes in the Subordinated Indenture and any Relevant Supervisory Consent (as set out in the section entitled "— U.K. Financial Services Authority Consents" below), as a whole but not in part, at the option of the relevant Issuer and (only in the case of Senior Notes which are issued by the Bank, the Guarantor) upon not more than 60 days', nor less than 30 days', prior notice given as provided below under the section entitled "— Notices", at a redemption price equal to 100 per cent. of the principal amount (or at the then current Amortised Face Amount if the note is an Original Issue Discount Note or, if such note is an Index Linked Note or Amortising Note at the Redemption Price (as defined below) specified in the applicable Final Terms) (and premium, if any, thereon) together with interest and additional amounts, if any, to the date fixed for redemption, if on the next succeeding Interest Payment Date the relevant Issuer or the Guarantor, as applicable, would become obligated to pay additional amounts (as provided in the relevant Indenture or Final Terms) or (only in the case of Notes which are issued by the Bank) any tax would be imposed (whether by way of deduction or withholding or otherwise) or relief from tax would be withdrawn by United Kingdom (or the Successor Tax Jurisdiction, if applicable) or any political subdivision or taxing authority thereof or therein, upon or with respect to any interest payments received or receivable or deemed to be receivable by the Issuer from the Guarantor, as applicable or any subsidiaries of the Guarantor, as applicable, incorporated in, or resident for tax purposes under the laws of, the United Kingdom as a result of any change in or amendment to, the relevant taxation laws and regulations of the United Kingdom (or, in the case of a Substituted Issuer of the country of tax residence of such Substituted Issuer (a "Successor Tax Jurisdiction")) or any change in the application or official interpretation of such laws which change or amendment becomes effective on or after the date of issue in the first tranche of the relevant series of Notes and such obligation cannot be avoided by the use of reasonable measures available to the relevant Issuer or the Guarantor, as the case may be.

In the event that the relevant Issuer (or, if applicable, the Guarantor) elects to redeem the Notes of any series pursuant to the provisions set forth in the preceding paragraph, it will deliver to the Trustee (i) a certificate, signed by two of its duly authorised officers, evidencing compliance with such provisions and stating that it is entitled to redeem the Notes of any such series pursuant to the terms of such Notes and the relevant Indenture or (ii) a written opinion of its external legal advisors or accountants to the effect that the circumstances referred to above exist.

Redemption at the Option of the Issuer

The Notes will be redeemable at the option of the relevant Issuer prior to the Stated Maturity, if and only if an initial redemption date ("Initial Redemption Date") is specified in the applicable Final Terms. If so specified, and subject to any other terms set forth in the applicable Final Terms and, in the case of Subordinated Notes, any Relevant Supervisory Consent (as set out in the section entitled "— U.K. Financial Services Authority Consents" below), the Notes will be subject to redemption at the option of the relevant Issuer on any date on and after the applicable Initial Redemption Date in whole or from time to time in part in minimum increments of $200,000 for

Senior Notes and $250,000 for Subordinated Notes, or the minimum denomination specified in such Final Terms (provided that any remaining principal amount thereof shall be at least $200,000 for Senior Notes and $250,000 for Subordinated Notes, or such minimum denomination), at the applicable Redemption Price on notice given not more than 60 days, if the Notes are being redeemed in whole, or 45 days, if the Notes are being redeemed in part, nor less than 30 days prior to the date of redemption and in accordance with the provisions of the relevant Indenture. "Redemption Price" with respect to a note means, unless otherwise specified in the applicable Final Terms, an amount equal to the sum of (i) the Initial Redemption Percentage specified in such Final Terms (as adjusted by the Annual Redemption Percentage Reduction, if applicable (as specified in such Final Terms)) multiplied by the unpaid principal amount or the portion to be redeemed plus (ii) accrued interest, if any, to the date of redemption. Unless otherwise specified in the applicable Final Terms, the Initial Redemption Percentage, if any, applicable to a note shall decline at each anniversary of the Initial Redemption Date by an amount equal to the applicable Annual Redemption Percentage Reduction, if any, until the Redemption Price is equal to 100 per cent. of the unpaid principal amount thereof or the portion thereof to be redeemed.

Repayment at the Option of the Holders of Senior Notes

If so specified in the applicable Final Terms, Senior Notes will be repayable by the relevant Issuer in whole or in part at the option of the holders thereof on their respective optional repayment dates ("Optional Repayment Dates") specified in such Final Terms on notice given not more than 60 days nor less than 30 days prior to the date of repayment and in accordance with the provisions of the relevant Indenture. If no Optional Repayment Date is specified with respect to a Senior Note, such note will not be repayable at the option of the holder thereof prior to the Stated Maturity. Any repayment in part will be in increments of $200,000 or the minimum denomination specified in the applicable Final Terms (provided that any remaining principal amount thereof shall be at least $200,000 or such minimum denomination). Unless otherwise specified in the applicable Final Terms, the repayment price for any Senior Note to be repaid means an amount equal to the sum of the unpaid principal amount thereof or the portion thereof plus accrued interest to the date of repayment. Except as otherwise specified in the applicable Final Terms, exercise of the repayment option is irrevocable.

Selection of Notes for Partial Redemption

In the case of any partial redemption of Notes, and subject to any other terms specified in the applicable Final Terms, the Notes to be redeemed shall be selected by the Trustee individually by lot or such other method as the Trustee shall deem appropriate not more than 60 days prior to the Redemption Date from the outstanding Notes not previously called for redemption, provided that partial redemption of global notes shall be effected in accordance with the rules and procedures of DTC, Euroclear and Clearstream, as the case may be (to be reflected in the records of Euroclear and Clearstream as either a pool factor or a reduction in nominal amount, at their discretion), applicable laws, stock exchange requirements and the requirements of any other relevant authority.

Repurchase

The relevant Issuer, its holding company, any of the relevant Issuer's subsidiaries or any other subsidiary of its holding company from time to time may at any time purchase Notes at any price or prices in the open market or otherwise. Notes so purchased may be held or resold or, at the discretion of the relevant Issuer or of such other group company as is then holding the repurchased Notes, surrendered to the Trustee for cancellation.

U.K. Financial Services Authority Consents

In the case of the redemption of Subordinated Notes (save for final redemption at the Stated Maturity), the U.K. Financial Services Authority requires to be notified by the relevant Issuer one month before the relevant Issuer becomes committed to the proposed repayment (or such other period, longer or shorter, as the U.K. Financial Services Authority may then require or accept) and such redemption shall only take place if a Relevant Supervisory Consent is received from the U.K. Financial Services Authority before the relevant Issuer becomes committed to the proposed repayment. Such notification to be made to the U.K. Financial Services Authority must provide details of the position of the relevant Issuer after such repayment in order to show how it will (a) meet its Capital Resources Requirement and (b) have sufficient financial resources to meet the Overall Financial Adequacy Rule.

Events of Default — Senior Notes

The Senior Indenture provides that, if any Event of Default (other than an Event of Default specified in (ii) below) with respect to Senior Notes of any series at the time outstanding occurs and is continuing, either the Trustee or the holders of not less than 25% in principal amount of the outstanding Senior Notes of that series may, by notice as provided in the Senior Indenture, declare the principal amount (or, if the Senior Notes of that series are Original Issue Discount Notes, such portion of the principal amount as may be specified in the applicable Final Terms) of all the Senior Notes of that series to be due and payable immediately and upon such declaration such principal amount (or specified amount) shall become immediately due and payable. If an Event of Default specified in paragraph (ii) below with respect to Senior Notes of any series at the time outstanding occurs, then the principal amount (or if the Senior Notes of that series are Original Issue Discount Notes, such portion of the principal amount as may be specified in the applicable Final Terms) of all the Senior Notes of that series shall, without any act by the Trustee or the holders of such Senior Notes, become immediately due and payable without presentment, demand, protest or other notice of any kind at their Early Redemption Amount together with accrued interest (calculated as provided in the Senior Indenture). Upon certain conditions such acceleration or declaration may be annulled and past defaults may be waived by the holders of a majority in principal amount of the outstanding Senior Notes of that series on behalf of the holders of all Senior Notes of that series as described in "— Events of Default — General."

Unless otherwise provided in the applicable Final Terms the following shall be an "Event of Default" with respect to the Senior Notes of any series:

(i) failure by the relevant Issuer or, if such Senior Notes are issued by the Bank and guaranteed by the Guarantor, the Guarantor to pay any principal or interest or amounts under the Guarantee (as the case may be) within 14 days or more after the due date for the same;

(ii) otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for the winding-up of the relevant Issuer or, if such Senior Notes are issued by the Bank and guaranteed by the Guarantor, the Guarantor;

(iii) failure by the relevant Issuer of such Senior Notes or, if such Senior Notes are guaranteed, the Guarantor to perform any other covenant or warranty of such Issuer (other than a covenant expressly included in the Senior Indenture solely for the benefit of one or more series of Senior Notes other than such series of Senior Notes) and such failure continues for 30 days or more after written notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Senior Notes of that series; or

(iv) any other Event of Default provided for in the Final Terms in respect of Senior Notes of such series.

Events of Default — Subordinated Notes

The following shall constitute "Events of Default" of the Issuer with respect to the Subordinated Notes:

(i) failure by the relevant Issuer to pay any principal or interest within 14 days or more after the due date for the same; or

(ii) otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for the winding-up of the relevant Issuer.

If an Event of Default relating to the relevant Issuer occurs the Subordinated Notes shall become due and payable each at the Early Redemption Amount, together with accrued interest, if any, and additional amounts, if any, payable on such Subordinated Notes immediately without any act by the Trustee or the holders.

The following shall constitute "Events of Default" of the Guarantor with respect to the Guarantee of the Subordinated Notes of any series:

(i) failure by the Guarantor to pay amounts due under the Guarantee in respect of the Notes within 14 days or more after the due date or the deemed due date for the same; or

(ii) otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for the winding up of the Guarantor.

If an Event of Default relating to the Guarantor occurs, the Subordinated Notes shall be deemed, for the purposes of the Guarantee only, to become due and payable each at the Early Redemption Amount, together with accrued interest, if any, and additional amounts, if any, payable on such Subordinated Notes immediately without any act by the Trustee or the holders.

There will be no other right of acceleration of the maturity of the outstanding Subordinated Notes, whether upon a default in the making of any payment of principal or interest with respect to the Subordinated Notes or in the performance of any covenant of the relevant Issuer thereof, the Guarantor or otherwise.

If the relevant Issuer fails to pay such amounts (or any damages awarded for breach of any obligations in respect of the Notes or the Subordinated Indenture), the Trustee (on behalf of the noteholders) may institute proceedings for the winding-up of the relevant Issuer (in the case of the Company, in Scotland but not elsewhere, and, in the case of the Bank, in England but not elsewhere) and/or prove in such a winding-up or in a Qualifying Administration for all such due and payable amounts (including any damages awarded for breach of any obligations in respect of the Notes or the Subordinated Indenture) but no other remedy shall be available to the Trustee.

If the Guarantor fails to pay such amounts (or any damages awarded for breach of any obligations in respect of the Subordinated Notes or the Subordinated Indenture) forthwith upon demand, the Trustee, in its own name and as trustee of an express trust, may institute proceedings for the winding up of the Guarantor (in Scotland but not elsewhere) and/or prove in such a winding up or in a Qualifying Administration of the Guarantor for all such due and payable amounts (including any damages awarded for breach of any obligations in respect of the Subordinated Notes or the Subordinated Indenture) but no other remedy shall be available to the Trustee.

Holders shall not have any remedies against the relevant Issuer or, if applicable, the Guarantor or under the Subordinated Notes or, if applicable, the Subordinated Guarantee, in addition to those granted to the Trustee.

For the purposes of the Subordinated Guarantee, all amounts of principal, premium, interest and additional amounts payable under the Subordinated Notes shall be deemed to be immediately due and payable upon the occurrence of a winding-up of the Guarantor, notwithstanding that the Subordinated Notes may not themselves have become immediately due and payable in those circumstances.

Events of Default — General

The holders of a majority in aggregate principal amount of outstanding Notes (as defined in the relevant Indenture) of a series may waive any past default with respect to such Notes, except a default in the payment of principal, premium or interest or in respect of other provisions requiring the consent of the holder of each note of such series.

Subject to the provisions of the relevant Indenture relating to the duties of the Trustee, in case an Event of Default shall occur and be continuing with respect to the Notes of a series, the Trustee will be under no obligation to any of the holders Notes of such series unless such holders shall have offered an indemnity to the Trustee satisfactory to the Trustee in its sole discretion. Subject to such provisions for the indemnification of the Trustee, the holders of a majority in aggregate principal amount of the outstanding Notes of such series shall have the right to direct the time, method and place of conducting any proceedings for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

The Trustee shall not have the right to institute any proceedings and/or, as the case may be, to take such other action if the relevant Issuer (or the Guarantor, if applicable) withholds or refuses any such payment (A) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment, the relevant Issuer, a relevant paying agent, registrar or holder or (B) (subject as provided in the relevant Indenture) in the 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 advisors acceptable to the Trustee.

Each of the Indentures provides that the Trustee will, within 90 days after the occurrence of any default with respect to the Notes of any series, give to the holders of Notes of such series notice of such default known to it, unless such default shall have been cured or waived; provided that, except in the case of a default in the payment of principal of or premium or interest on the Notes of such series, the Trustee shall be protected in withholding such notice if it determines in good faith that the withholding of such notice is in the interest of such holders.

Judgments

Under current New York law, a state court in the State of New York rendering a judgment in respect of a note denominated in other than U.S. dollars would be required to render such judgment in the Specified Currency, and such judgment would be converted by the relevant court into the U.S. dollar at the prevailing rate on the date of entry of such judgment. Accordingly, the holder of such note denominated in other than U.S. dollars would be subject to exchange rate fluctuations between the date of entry of a judgment in a currency other than U.S. dollars and the time the amount of such judgment is paid to such holder in U.S. dollars and converted by such holder into the Specified Currency. It is not certain, however, whether a non-New York state court would follow the same rules and procedures with respect to conversions of judgments in currency other than U.S. dollars.

The relevant Issuer and, in relation to Notes issued by the Bank, the Guarantor will indemnify the holder of any note against any loss incurred by such holder as a result of any judgment or order being given or made for any amount due under such note and such judgment or order requiring payment in a currency (the "Judgment Currency") other than the Specified Currency, and as a result of any variation between (i) the rate of exchange at which the Specified Currency amount is converted into the Judgment Currency for the purpose of such judgment or order, and (ii) the rate of exchange at which the holder of such note, on the date of payment of such judgment or order, is able to purchase the Specified Currency with the amount of the Judgment Currency actually received by such holder, as the case may be.

Consolidation, Merger and Sale or Lease of Assets

The Issuers and the Guarantor may each, without the consent of any of the holders of Notes, consolidate with, merge or amalgamate into or transfer their respective assets substantially as an entirety to, any corporation organised under the laws of the United Kingdom or any political subdivision thereof, provided that the successor corporation assumes such Issuer's obligations on the Notes and under the relevant Indenture or the Guarantor's obligations on the Senior or Subordinated Guarantee (as applicable) and under the relevant Indenture, as the case may be, and that certain other conditions are met.

Upon any such consolidation, amalgamation or merger, or any such conveyance, transfer or lease, the successor corporation will succeed to, and be substituted for, and may exercise every right and power of the relevant Issuer or the Guarantor as the case may be, under the relevant Indenture with the same effect as if such successor corporation has been named as the issuer or the guarantor thereunder, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under the relevant Indenture and such Notes.

Defeasance, Satisfaction and Discharge

Except as may otherwise be set forth in the Final Terms relating to the Notes of a series, each of the Indentures provide that the relevant Issuer and the Guarantor will be discharged from its obligations under the Notes of a series and the Guarantee thereof (in each case, subject to certain exceptions) at any time prior to the Stated Maturity, or redemption of such Notes when (i) the relevant Issuer or the Guarantor (in the case of Notes issued by the Bank) has irrevocably deposited with or to the order of the Trustee, in trust, (a) sufficient funds in the currency, currencies, currency unit or units in which such Notes are payable (without consideration of any reinvestment thereof) to pay the principal of (and premium, if any, on) and interest, if any, on such Notes to the Stated Maturity (or Redemption Date), or (b) such amount of U.S. Government Obligations (as defined below) as will, together with the predetermined and certain income to accrue thereon (without consideration of either any reinvestment thereof or any withholding or other tax imposed), be sufficient to pay when due the principal of (and premium, if any, on) and interest in each case (without deduction or reduction on account of any withholding or other tax imposed), if any, to the Stated Maturity (or Redemption Date), on such Notes, or, (c) such amount equal to the amount referred to in

clause (a) or (b) in any combination of currency or currency unit of U.S. Government Obligations; (ii) the relevant Issuer or the Guarantor has paid all other sums payable with respect to such Notes or under the Guarantee; (iii) the relevant Issuer or the Guarantor either (a) has delivered to the Trustee an opinion of counsel to the effect that the holders of such Notes will not recognise income, gain or loss for U.S. federal income tax purposes as a result of such discharge and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such discharge had not occurred, provided that such opinion must state it is based on a change in law or (b) received a ruling to that effect from or published by the U.S. Internal Revenue Service; and (iv) certain other conditions are met. Upon such discharge, the holders of the Notes of such a series shall no longer be entitled to the benefits of the terms and conditions of the relevant Indenture and Notes, except for certain provisions including registration of transfer and exchange of such Notes and replacement of mutilated, destroyed, lost or stolen Notes of such series, and shall look for payment only to such deposited funds or obligations. In the event U.S. Government Obligations are held by the Trustee on behalf of the beneficial holders of the Notes, holders that hold their Notes in definitive form may be required to provide U.S. tax forms in order to avoid any deduction on account of U.S. withholding tax imposed on the U.S. Government Obligations.

In addition, any such discharge with respect to the Subordinated Notes of any series would require a Relevant Supervisory Consent.

"U.S. Government Obligations" means non-callable (i) direct obligations (or certificates representing an ownership interest in such obligations) of the United States for which its full faith and credit are pledged or (ii) obligations of a Person controlled or supervised by, and acting as an agency or instrumentality of, the United States, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States in each case with a maturity date of 183 calendar days or less from the date of original issue of such U.S. Government Obligations.

Substitution

The relevant Issuer may, without the consent of the Trustee or any holder, substitute for itself any other body corporate incorporated in any country in the world and which is a subsidiary, subsidiary undertaking or the holding company of the relevant Issuer or another subsidiary of any such holding company in place of the relevant Issuer as the principal debtor in respect of the Notes ("Substituted Issuer") upon notice by the Issuer and the Substituted Issuer (and, if applicable, the Guarantor) to be given in accordance with the section entitled "— Notices", provided that:

(i) there is no Event of Default continuing in relation to the relevant series of Notes;

(ii) the relevant Issuer and the Substituted Issuer have entered into such documents (the "Documents") including (without limitation) a supplemental indenture or indentures and a supplemental paying agency agreement as are necessary to give effect to the substitution and to ensure that the Substituted Issuer has assumed all undertakings in favour of each holder and agreed to be bound by the provisions of the relevant Indenture as the principal debtor in respect of the relevant series of Notes in place of the relevant Issuer (or of any previous Substituted Issuer);

(iii) if the Substituted Issuer is resident for tax purposes in a territory (the "New Residence") other than that in which the relevant Issuer prior to such substitution was resident for tax purposes (the "Former Residence"), the Documents contain an undertaking and/or such other provisions as may be necessary to ensure that each holder has the benefit of an undertaking in terms corresponding to the provisions of section "— Payment of Additional Amounts" above, with the substitution of references to the Former Residence with references to the New Residence;

(iv) the relevant series of Notes is irrevocably guaranteed by the relevant Issuer on a basis equivalent to that mentioned in the sections entitled "— Status of Senior Notes" or "— Status and Subordination of Subordinated Notes" above as applicable;

(v) in relation to a series of Subordinated Notes, such Subordinated Notes remain subordinated on a basis equivalent to that mentioned in the section entitled "— Status and Subordination of Subordinated Notes" to the rights of the Substituted Issuer's unsubordinated creditors (including, in the case of a Substituted Issuer that is a banking company, its depositors) but not further or otherwise;

(vi) the Issuer and the Substituted Issuer have obtained all necessary governmental approvals and consents (if any) (including, without limitation, in the case of Subordinated Notes, any Relevant Supervisory Consent) for such substitution and for the performance by the Substituted Issuer of its obligations under the Documents;

(vii) the primary stock exchange and any other relevant authority on which the Notes are admitted to listing or to trading (if any) shall have confirmed that, following the proposed substitution of the Substituted Issuer, the Notes will continue to be admitted to listing or to trading (as the case may be) on such stock exchange and any other relevant authority; and

(viii) if applicable, the Substituted Issuer has appointed an authorised agent in The City of New York upon which process may be served in any suit or proceeding arising out of or relating to the Notes or the relevant Indenture which may be instituted in any State or Federal court located in the Borough of Manhattan, City of New York, State of New York, and has submitted (for the purposes of any such suit or proceeding) to the jurisdiction of any such New York court in which any such suit or proceeding is so instituted.

Upon such substitution, the Substituted Issuer shall succeed to, and be substituted for, and may exercise every right and power of, the relevant Issuer under the Notes and the relevant Indenture with the same effect as if the Substituted Issuer had been named as the issuer therein, and the relevant Issuer shall be released from its obligations under the relevant series of Notes and the relevant Indenture. After a substitution pursuant to the relevant Indenture, the Substituted Issuer may, without the consent of any holder, effect a further substitution or reverse the substitution pursuant to the terms of the relevant Indenture. Principal copies of the Documents shall be delivered to, and kept by, the Trustee. Copies of the Documents will be available free of charge during normal business hours at the specified office of each of the paying agents.

Any substitution of a Substituted Issuer for the Issuer may be considered for U.S. federal income tax purposes to be an exchange of the Notes for new Notes by the beneficial owners of such Notes, resulting in recognition of taxable gain or loss for U.S. federal income tax purposes and other possible adverse tax consequences. U.S. beneficial owners should consult their own tax advisers regarding the U.S. federal, state and local income tax consequences of any substitution.

Prescription

Neither of the Indentures contain a time limit affecting the validity of claims to interest and repayment of principal under the Senior Notes, the Subordinated Notes or the Guarantees.

Modification and Amendment

Each of the Indentures contain provisions permitting the relevant Issuer and the Trustee (i) without the consent of the holders of any Notes issued under the relevant Indenture, to execute supplemental indentures for certain enumerated purposes, such as to cure any ambiguity or inconsistency or to make any change that does not have a materially adverse effect on the rights of any holder of such Notes, and (ii) with the consent of the holders of 66⅔% in aggregate principal amount of the outstanding Notes of each series of Notes issued under the relevant Indenture and affected thereby, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the relevant Indenture or of modifying in any manner the rights of holders of any such note under the relevant Indenture; provided, that no such supplemental indenture may, without the consent of the holder of each such outstanding note affected thereby (a) change the Stated Maturity or the principal of or interest on any such note, or reduce the principal amount of any such note or the rate of interest thereon, if any, or any premium or principal payable upon redemption thereof, or change any obligation of the relevant Issuer to pay additional amounts thereon, or change any place of payment where, or change the currency in which, any such note or the interest, if any, thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity, if any, thereof or the date any such payment is otherwise due and payable (or, in the case of redemption, on or after the redemption date); or (b) reduce the percentage in aggregate principal amount of such outstanding Notes of any particular series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the relevant Indenture or certain defaults thereunder and their consequences) provided for in the relevant Indenture; or (c) change any obligation the Issuers and the Guarantor

have to maintain an office or agency in the places and for the purposes specified in the relevant Indenture; or (d) modify certain of the provisions of the relevant Indenture pertaining to the waiver by holders of such Notes of past defaults, supplemental indentures with the consent of holders of such Notes and the waiver by holders of such Notes of certain covenants, except to increase any specified percentage in aggregate principal amount required for any actions by holders of Notes or to provide that certain other provisions of the relevant Indenture cannot be modified or waived without the consent of the holder of each such note affected thereby; or (e) change in any manner adverse to the interests of the holders of outstanding Notes issued under the relevant Indenture the terms and provisions of any Guarantee in respect of the due and punctual payment of the principal, premium, if any, and interest, if any, on such Notes (including any additional amounts payable under any such Guarantee); or (f) in the case of Subordinated Notes, change in any manner adverse to the interests of the holders of such outstanding Subordinated Notes the subordination provisions of such Subordinated Notes contained in the Subordinated Indenture.

In addition, variations in the terms and conditions of the Subordinated Notes of any series, which includes modifications relating to the status, subordination, redemption, repurchase or Events of Default with respect to such Subordinated Notes, require a Relevant Supervisory Consent.

Subject to any modification being effected in accordance with the provisions set forth herein and in the relevant Indenture, such modification will be binding on all holders of Notes of the same series (whether or not a holder has consented to such modification).

Waivers

The holders of not less than a majority in aggregate principal amount of the outstanding Notes of a series of Notes affected thereby, may on behalf of the holders of all Notes of such series waive compliance by the relevant Issuer or the Guarantor as the case may be with certain restrictive provisions of the relevant Indenture as pertain to the corporate existence of the relevant Issuer or the Guarantor as the case may be and/or the maintenance of certain agencies by the relevant Issuer or the Guarantor as the case may be.

The holders of a majority in aggregate principal amount of the outstanding Notes of a series of Notes may waive on behalf of the holders of all Notes of such series, any past default and its consequences under the relevant Indenture, except a default in the payment of the principal of (or premium, if any, on) or interest, if any, on any such note of that series or a default in respect of a covenant or a provision which under the relevant Indenture cannot be modified or amended without the consent of the holder of each outstanding note of such series.

Notices

Save as set out in the global note, notices to holders of Notes will be given by mail to addresses of such holders as they appear in the Notes' register.

Governing Law

The Indentures, the Notes and the Guarantees shall be governed by and construed in accordance with the laws of the State of New York; except that the subordination provisions contained in the Subordinated Notes and in section 9.5 of the Subordinated Indenture and the waiver of set-off provisions contained in the Subordinated Notes and, in the case of the Bank, section 5.3 and, in the case of the Company, section 5.3.1 (only) of the Subordinated Indenture will (i) in the case of the Company, be governed by and construed in accordance with the laws of Scotland and (ii) in the case of the Bank, be governed by and construed in accordance with the laws of England and Wales and, in relation to any Subordinated Note guaranteed by the Company, section 11.4 (other than section 11.4.5(ii)) (in relation to the subordination of the Subordinated Guarantees and the waiver of set-off of the Guarantor's obligations) of the Subordinated Indenture shall be governed by, and construed in accordance with, the law of Scotland, with the intention that such provisions be given full effect in any insolvency proceeding relating to the Company in Scotland and the Bank in England and Wales.

Consent to Service

The Indentures provide that the Issuers and the Guarantor have each designated and appointed Chief U.S. counsel, Lloyds TSB Bank plc (or any successor thereto) at 1095 Avenue of the Americas, 34th Floor, New York,

NY 10036 as its authorised agent upon which process may be served in any suit or proceeding arising out of or relating to the Notes, the Indentures or the Guarantees which may be instituted in any State or Federal court located in the Borough of Manhattan, City of New York, State of New York, and have submitted (for the purposes of any such suit or proceeding) to the jurisdiction of any such New York court in which any such suit or proceeding is so instituted.

Notwithstanding the foregoing, any actions arising out of or relating to the Notes or the relevant Indenture may be instituted (i) in the case of the Company, by the Company, the Trustee or the holder of any note in any competent court in Scotland and (ii) in the case of the Bank, by the Guarantor, the Bank, the Trustee or the holder of any note in any competent court in England and Wales, and in both cases, in such other competent jurisdiction, as the case may be.

Concerning the Trustee

The Indentures provide that, except during the continuance of an Event of Default for a series of Notes, the Trustee will have no obligations other than the performance of such duties as are specifically set forth in the relevant Indenture. Subject to the provisions of the relevant Indenture relating to the indemnification of the Trustee, if an Event of Default has occurred and is continuing, the Trustee shall use the same degree of care and skill in its exercise of the rights and powers vested in it by the relevant Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Company may maintain accounts with and conduct banking and other business transactions with the Trustee in the ordinary course of its business.

Concerning the Paying Agents, the Currency Determination Agent, the Note Registrars and the Calculation Agent

The Paying Agents initially appointed by the Issuers are The Bank of New York Mellon, New York branch, The Bank of New York Mellon, London branch, and The Bank of New York Mellon (Luxembourg) S.A. The Note Registrars initially appointed by the Issuers are The Bank of New York Mellon, New York branch, and The Bank of New York Mellon (Luxembourg) S.A. (the "Note Registrars"). The Issuers may appoint The Bank of New York Mellon, London branch as the Currency Determination Agent. The Calculation Agent who may be appointed by the Issuers is The Bank of New York Mellon, London branch.

Subject as provided in the Indenture, the Agency Agreement and the Calculation Agency Agreement, the Paying Agents, the Note Registrars and the Calculation Agent act solely as agents of the relevant Issuer and do not assume any obligation or relationship of agency or trust for or with any holder of Notes.

The Issuers reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of the Paying Agents, the Currency Determination Agent, the Note Registrars or the Calculation Agent and to appoint additional or other paying agents, currency determination agents, note registrars or calculation agents, provided that the Issuers shall at all times maintain (a) a paying agent, (b) a currency determination agent, (c) a note registrar and (d) one or more calculation agent(s) where so required and shall ensure that there is, at all times, (i) a Paying Agent having a specified office in Europe, which, so long as the Notes are listed on the official list (the "Official List") of the U.K. Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") and are admitted to trading on the London Stock Exchange plc's Regulated Market, shall be in London, (ii) a Paying Agent outside the United Kingdom, (iii) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case as approved by the Trustee, and (iv) a Paying Agent with a specified office in a European Union member state (other than the United Kingdom) that is not obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

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

DESCRIPTION OF THE GLOBAL NOTES

Global Notes

So long as DTC, Euroclear or Clearstream or any of their respective nominees is the holder of the global notes, any owner of a beneficial interest in the Notes of a series must rely upon the procedures of DTC and institutions having accounts with DTC to exercise or be entitled to any rights of a holder of such global notes. See the subsection entitled "— Book-Entry Systems" for a further description of DTC's procedures.

Book-Entry Systems

DTC

DTC may act as securities depositary for the global notes. The global notes for which DTC acts as the depositary will be issued as fully-registered securities registered in the name of Cede (DTC's partnership nominee), unless otherwise specified. No global note registered in the name of the nominee of DTC may be transferred except by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or any successor thereof.

The Issuers have been advised by DTC that upon the deposit of a global note with DTC, DTC will immediately credit, on its book-entry registration and transfer system, the respective principal amounts of such beneficial interests in that global note to the accounts of the Direct Participants (as defined below). The accounts to be credited shall be designated by the relevant Dealer or, to the extent that the Notes are offered and sold directly, by the relevant Issuer.

The Bank and the Company understand that DTC is a limited-purpose trust company organised under the laws of the State of New York, a "Banking Organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the clearance and settlement among Participants of transactions in such securities through electronic book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to DTC's system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the United States Securities and Exchange Commission.

Ownership of beneficial interests in a global note in respect of a series of Notes will be limited to DTC Participants, including Clearstream and Euroclear, or persons who hold interests through Participants. In addition, ownership of beneficial interests will be evidenced only by, and the transfer of that ownership interest will be effected only through, records maintained by DTC or its nominee and Participants until such time, if any, as Certificated Notes are issued, as set forth above under the section entitled "Description of the Notes and the Guarantees — Form, Transfer, Exchange and Denomination". The laws of some states require that certain purchasers of Notes take physical delivery of such Notes in certificated form. Such laws may impair the ability to transfer beneficial interests in a global note.

Interests held through Clearstream and Euroclear will be recorded on DTC's books as being held by the U.S. depositary for each of Clearstream and Euroclear, which U.S. depositaries will in turn hold interests on behalf of their participants' customers' securities accounts.

To facilitate subsequent transfers, all global notes deposited with DTC are registered in the name of DTC's partnership nominee, Cede. DTC has no knowledge of the actual owners of beneficial interests in the global notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such beneficial interests in global notes are credited, which may or may not be the beneficial owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede and any subsequent nominee of DTC. If less than all of the Notes within a series are being redeemed, DTC's current practice is to determine pro rata or by lot the amount of the beneficial interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the global notes will be made to DTC as the registered holder of the global notes. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to beneficial owners will be governed by standing instructions and customary practices, as in the case of securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, or the Company or the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Company or the Bank as the case may be, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct Participants and Indirect Participants.

A beneficial owner shall give notice to elect to have its beneficial interests in the global notes purchased or tendered, through its Participant, to the Trustee for a series of Notes, and shall effect delivery of such beneficial interests in the global notes by causing the Direct Participant to transfer the Participant's beneficial interest in the global notes, on DTC's records, to or to the order of the Trustee.

DTC may discontinue providing its services as securities depositary with respect to the global notes at any time by giving reasonable notice to the relevant Issuer and the Dealers. Under such circumstances, in the event that a successor securities depositary is not obtained, Certificated Notes in registered form will be printed and delivered in exchange for beneficial interests in the global notes as described under the subsection entitled "Description of the Notes and the Guarantees — Form, Transfer, Exchange and Denomination".

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

General

The Bank and/or the Company may decide to discontinue use of the system of book-entry transfers through DTC, Euroclear or Clearstream (as the case may be) (or a successor securities depositary). In that event, Certificated Notes in registered form will be printed and delivered in exchange for beneficial interests in the global notes as described under the section entitled "Description of the Notes and the Guarantees — Form, Transfer, Exchange and Denomination".

The information in this section concerning DTC, Euroclear and Clearstream and their respective book-entry systems has been obtained from sources that the Bank and the Company believe to be reliable, but the Bank and the Company take no responsibility for the accuracy thereof.

In no event will Notes in bearer form representing any series of Notes be issued.

None of the Company, the Bank, any trustee (including the Trustee), any paying agent, any transfer agent, any registrar for the Notes or any dealer will have any responsibility or liability for any aspect of the records of DTC, Euroclear or Clearstream or any Participant's or account holder's (as the case may be) records relating to or payments made on account of beneficial ownership interests in a global note or for maintaining, supervising or reviewing any of the records of DTC, Euroclear or Clearstream or any Participant's or account holder's (as the case may be) records relating to such beneficial ownership interests.

Arrangements for Trading

Secondary market sales between book-entry interests in the Notes held through Euroclear or Clearstream to purchasers of book-entry interest in the Notes through Euroclear or Clearstream will be conducted and settled in accordance with the normal rules and operating procedures of Euroclear and Clearstream.

Secondary market sales of book-entry interest in the Notes between DTC participants are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in the Notes will be required to be settled in immediately available funds. The Issuers do not know the effect, if any, of such settlement arrangements on trading activity in the Notes or interests in the Notes.

Secondary market sales of book-entry interests in the Notes between DTC participants on the one hand and Euroclear/Clearstream account holders on the other will be conducted in accordance with the rules and procedures established for such sales by DTC, Euroclear and Clearstream, as applicable, and will be settled using the procedures established for such sales by DTC, Euroclear and Clearstream, as applicable.

Issuance of Certificated Notes

If (i) in the case of Notes registered in the name of a nominee of DTC, DTC notifies the relevant Issuer and the Trustee that it is unwilling or unable to continue as holder of the global notes or if at any time it ceases to be a clearing agency registered under the Exchange Act and, in either case, a successor holder is not appointed by the relevant Issuer within 90 days of such notification or of it becoming aware of such ineligibility, (ii) in the case of Notes registered in the name of a nominee of or a common depositary for Euroclear and Clearstream, the relevant Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention to permanently cease business or have in fact done so and, in each case, no successor clearing system is available, (iii) an Event of Default occurs with respect to one or more series of Notes, or (iv) the relevant Issuer determines in its sole discretion (subject to the procedures of DTC, Euroclear and Clearstream (as the case may be)) that Certificated Notes of such series will be issued in registered form, then in any such case, upon the written request of the holder of the global note, the registrar for the series of Notes will issue certificated registered Notes in the names and in the amounts as specified by the holder of the global note. The request for Certificated Notes may be made by the holder in the circumstances and subject to the conditions described under the section entitled "Description of the Notes and the Guarantees — Form, Transfer, Exchange and Denomination".

The exchange of interests in the global note for Certificated Notes of a particular series shall be made free of any fees of the Trustee, paying agents, transfer agents and/or the registrar to the holder, provided, however, that such person receiving Notes in certificated form will be obligated to pay or otherwise bear the cost of any tax or other governmental charge as required by the relevant Indenture and any cost of insurance, postage, transportation and the like.

Repayment

If a note becomes repayable at the option of the holder on a date or dates specified prior to its Stated Maturity, if any, and the Trustee is so notified, the Trustee will promptly notify the holder of the global note that such note has become repayable. In order for the repayment option on any note to be exercised, the owners of beneficial interests in the global note must instruct the broker or other Participant through which it holds an interest in the global note to notify the Trustee of its desire to exercise that right to repayment. Different firms have different cut-off times for accepting instructions from their customers and, accordingly, each beneficial owner should consult the broker or

other Participant through which it holds its beneficial interest in a global note in order to ascertain the cut-off time by which such an instruction must be given in order for timely notice to be delivered to the depositary.

Record Date

Unless otherwise specified in the applicable Final Terms, or unless the relevant Issuer otherwise instructs the registrar in writing, the record date for the determination of the holder of global notes entitled to receive payment in respect of a global note will be the date which is 15 calendar days prior to the applicable payment date on such global note in respect of such global note, provided that interest payable at Maturity will be payable to the person to whom principal shall be payable. If such 15th day is not a Business Day, the record date for determination will be the next succeeding Business Day. Whenever the Bank, the Company or the Trustee deems it appropriate to fix a record date for the determination of the holder of global notes who should be entitled to receive payment or take any action in respect of global notes, the Trustee, with the consent of the relevant Issuer, will set such record date at least 15 days prior to the date on which such payment is to be made or such action is to be taken.

Reports

The Trustee will send promptly to applicable holders any notices, reports and other communications from the relevant Issuer that are received by the custodian as holder of the global notes and that the relevant Issuer generally makes available to holders of the Notes.

USE OF PROCEEDS

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

LLOYDS BANKING GROUP

Overview

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

History and development of Lloyds Banking Group

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

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

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

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

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

Strategy of Lloyds Banking Group

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

The main focus for the Group remains the financial services markets in the UK and the Group's strategic position was strengthened through the Acquisition. The Group is a well diversified UK financial services group and the largest retail financial services provider in the UK. The Group has leading positions in many of the markets in which it participates, a comprehensive distribution capability, well recognised brands and a large customer base. The Group continues to invest in products and services, systems and training that combined will offer improved choice and service to the Group's customers. The Group's corporate strategy is focused on:

Developing strong customer franchises that are based on deep customer relationships

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

Building a high performance organisation

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

- The Group aspires to have one of the lowest cost:income ratios amongst UK financial institutions and further improving the Group's processing efficiency and effectiveness will remain a priority. The effective integration of the HBOS business and the anticipated synergies arising from the Acquisition will be key to further improving the Group's efficiency.

- Utilising capital more effectively is increasingly important in the current environment and capital will continue to be rigorously allocated across the Group's portfolio of businesses to support core business growth.

- The prudent Lloyds TSB "through the cycle" approach to risk has been applied to the enlarged Group. The Group's conservative and prudent approach to risk is core to the business model and the "through the cycle" approach means that the Group will continue to support its customers throughout the economic cycle. The risk structures and frameworks that have been implemented are the foundation for good business management.

Managing the Group's most valuable resource, people

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

Summary

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

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

Businesses and Activities

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

Retail

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

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

Wholesale

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

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

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

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

Wealth and International

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

The Wealth business comprises private banking, wealth management and asset management. Wealth's global private banking and wealth management operations cater to the full range of wealth clients from affluent to Ultra High Net Worth within the UK, Channel Islands and Isle of Man, and internationally. The private banking and wealth management business operates under the Lloyds TSB and Bank of Scotland brands. The asset management business, Scottish Widows Investment Partnership, has a broad client base, managing assets for Lloyds Banking Group customers as well as a wide range of clients including pension funds, charities, local authorities, Discretionary Managers and Financial Advisers. In addition, the Group holds a 60 per cent. stake in St James's Place, the UK's largest independent listed wealth manager and a 55 per cent. stake in Invista Real Estate.

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

Insurance

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

Life, Pensions and Investments UK

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

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

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

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

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

Life, Pensions And Investments Europe

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

General Insurance

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

Competitive Environment

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

In the retail banking market, the Group competes with banks and building societies, major retailers and internet-only providers. In the mortgage market, competitors include the traditional banks and building societies and specialist mortgage providers. The Group competes with both UK and foreign financial institutions in the wholesale banking markets and with bancassurance, life assurance and general insurance companies in the UK insurance market.

Regulation

Overview of UK Regulation

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

Regulatory Approach of the FSA

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

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

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

Other Bodies Impacting the Regulatory Regime

The Bank of England and HM Treasury

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

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

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

UK Financial Ombudsman Service (FOS)

The FOS provides customers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from the regulated firm. The FOS resolves disputes for eligible persons that cover most financial products and services provided in (or from) the UK. The jurisdiction of the FOS extends to include firms conducting activities under the Consumer Credit Act. Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve cases on the basis of what is fair and

reasonable; in this regard, the FOS is not bound by law or even its own precedent. The decisions made by the FOS are binding on regulated firms.

The Financial Services Compensation Scheme (FSCS)

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

Lending Standards Board

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

UK Office of Fair Trading (OFT)

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

UK Information Commissioner's Office

The UK Information Commissioner's Office is responsible for overseeing implementation of the Data Protection Act 1998. This Act regulates, among other things, the retention and use of data relating to individual customers. The Freedom of Information Act 2000 (the "**FOIA**") sets out a scheme under which any person can obtain information held by, or on behalf of, a 'public authority' without needing to justify the request. A public authority will not be required to disclose information if certain exemptions set out in the FOIA apply.

Independent Commission on Banking

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

The ICB will make recommendations covering both:

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

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

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

- Financial stability;
- Lending to UK consumers and businesses and the pace of economic recovery;
- Consumer choice;

- The competitiveness of the UK financial and professional services sectors and the wider UK economy; and
- Risks to the fiscal position of the Government.

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

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

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

EU Regulation

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

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

U.S. Operations and Regulation

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

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

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

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

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

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

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

Regulatory Actions

FSA Supervisory Review Into Historical HBOS Disclosures

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

Legal Actions and Regulatory Matters

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

Unarranged Overdraft Charges

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

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

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

Interchange Fees

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

Payment Protection Insurance

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

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

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

On 8 October 2010, the British Bankers' Association (the "**BBA**"), the principal trade association for the UK banking and financial services sector, filed an application for permission to seek judicial review against the FSA and

the FOS. The BBA sought an order quashing the FSA Policy Statement and an order quashing the decision of the FOS to determine PPI sales in accordance with the guidance published on its website in November 2008.

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

Since publication of the judgment, the Group has been in discussions with the FSA with a view to seeking clarity around the detailed implementation of the Policy Statement. As a result, and given the initial analysis that the Group has conducted of compliance with applicable sales standards which is continuing, the Group has concluded that there are certain circumstances where customer contact and/or redress will be appropriate. Accordingly the Group has made a provision in the Company's 2010 Annual Report on Form 20-F of £3,200 million in respect of the anticipated costs of such contact and/or redress, including administration expenses. There are still a number of uncertainties as to the eventual costs from any such contact and/or redress given the inherent difficulties of assessing the impact of detailed implementation of the Policy Statement for all PPI complaints, uncertainties around the ultimate emergence period for complaints, the availability of supporting evidence and the activities of claims management companies, all of which will significantly affect complaints volumes, uphold rates and redress costs.

U.S. Economic Sanctions

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

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

Customer Goodwill Payments

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

Interbank Offered Rate Setting Investigations

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

Other Legal Actions and Regulatory Matters

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

In addition, during the ordinary course of business the Group is subject to other threatened and actual legal proceedings (which may include class action lawsuits brought on behalf of customers, shareholders or other third parties, arising out of regulatory investigations or otherwise), regulatory investigations, regulatory challenges and enforcement actions, both in the UK and overseas. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required to settle the obligation at the relevant balance sheet date. In some cases it will not be possible to form a view, either because the facts are unclear or because further time is needed properly to assess the merits of the case and no provisions are held against such matters. However the Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position.

Material Contracts

The Company and its subsidiaries are party to various contracts in the ordinary course of business.

In 2009, the Company entered into a placing and compensatory open offer agreement with HM Treasury (as amended and restated on 20 March 2009 between the Company, HM Treasury, Citigroup Global Markets U.K. Equity Limited, J.P. Morgan Cazenove Limited and UBS Limited and further amended and restated between the same parties on 18 May 2009). In addition, the Company entered into a registration rights agreement with HM Treasury on 12 January 2009 (as amended with effect from 11 June 2009). The Company also entered into a resale rights agreement with HM Treasury pursuant to its obligations under the 2009 placing and compensatory open offer agreement. In addition, in connection with the Rights Issue and the Group's withdrawal from its proposed participation in the Government Asset Protection Scheme, the Company entered into a GAPS Withdrawal Deed with HM Treasury as well as the HMT undertaking to subscribe and the cost reimbursement deed. For further details on each of the 2009 agreements described above, see "– Major shareholders and related party transactions – Information about Lloyds Banking Group's Relationship with the UK Government".

In addition to those agreements discussed above, the Company entered into the following agreements, which it considers to be material:

Rights Issue Underwriting Agreement

Pursuant to an underwriting agreement dated 3 November 2009 (entered into in relation to the Rights Issue between the Company, the banks, the senior co-lead managers, the co-lead managers and the co-bookrunner (all as named therein)), new shares in the Company were issued at a price of 37 pence per share. Sufficient new shares were issued to ensure that the gross proceeds of the Rights Issue receivable by the Company, including pursuant to the HMT Undertaking to Subscribe, were not less than £13.5 billion.

HM Treasury undertook to subscribe for its pro rata entitlement under the Rights Issue and the new shares that were the subject of the HMT Undertaking to Subscribe were not underwritten pursuant to the Rights Issue Underwriting Agreement. Further details of the HMT Undertaking to Subscribe are set out in "– Major Shareholders and Related Party Transactions – Information about Lloyds Banking Group's Relationship with the UK Government".

In consideration of their services under the Rights Issue Underwriting Agreement, (i) the underwriters (as named in the Rights Issue Underwriting Agreement) were paid an aggregate base fee of 2.25 per cent. of the issue price multiplied by the aggregate number of new shares issued (excluding the new shares that were subscribed for by HMT), and (ii) the joint bookrunners (as named in the Rights Issue Underwriting Agreement) were paid

additional performance-based discretionary fees. Out of such fees (to the extent received by the joint global coordinators (as named in the Rights Issue Underwriting Agreement), the joint global coordinators were to pay any sub-underwriting commissions (to the extent that sub-underwriters were procured). The joint global coordinators had the ability to arrange sub-underwriting in respect of some, all or none of the new shares issued (other than the new shares to be subscribed by HM Treasury).

The Company agreed to pay all costs and expenses of, or in connection with, the Rights Issue, the general meeting of the Company convened to approve the Rights Issue, the related subdivision of the Company's shares, the allotment and issue of the new shares and the Rights Issue Underwriting Agreement, including (but not limited to) the UK Listing Authority and the London Stock Exchange listing and trading fees, other regulatory fees and expenses, printing and advertising costs, postage, Equiniti Limited's charges (as registrar), its own and the banks', the senior co-lead managers' and the co-lead managers' properly incurred legal and other out of-pocket expenses, all accountancy and other professional fees, properly incurred public relations fees and expenses and all stamp duty and stamp duty reserve tax (if any) and other duties and taxes (other than corporation tax incurred by any of the banks, the senior co-lead managers and the co-lead managers on the commissions payable to them).

The obligations of the banks, the senior co-lead managers and the co-lead managers under the Rights Issue Underwriting Agreement were subject to certain limited conditions which were satisfied.

Top Up Issues Underwriting Agreement

Pursuant to the Top Up Issues Underwriting Agreement dated 3 November 2009 among the Company, LBG Capital No.2 plc (as issuer), the Bank (as guarantor) and the joint bookrunners (as named therein), in the event that the two exchange offers announced by the Group on 3 November 2009 (the "**Exchange Offers**") did not generate or were not expected to generate prior to 30 April 2010, or such other date as the Company and the joint global bookrunners (as named therein) might agree, £7.5 billion or more of core tier 1 and/or nominal value of contingent core tier 1 capital, the joint bookrunners severally agreed to underwrite one or more further issues of enhanced capital notes in an aggregate amount sufficient to reduce such shortfall to zero by such date.

In consideration of their underwriting services under the Top Up Issues Underwriting Agreement, and subject to their obligations under the Top Up Issues Underwriting Agreement having become unconditional and the Top Up Issues Underwriting Agreement not having been terminated, the joint bookrunners were paid an aggregate underwriting fee of £75 million and additional performance-based discretionary fees.

The obligations of the joint bookrunners under the Top Up Issues Underwriting Agreement and, in relation to each issue of additional enhanced capital notes, the obligations of the joint bookrunners under the Top Up Issues Underwriting Agreement were subject to certain conditions which were satisfied.

Each of the Company, the issuer and the guarantor gave certain customary representations, warranties, undertakings and indemnities to the joint bookrunners, all of which have now expired.

In addition to the fees described above, the joint bookrunners and their affiliates were paid pursuant to the Rights Issue Underwriting Agreement and the Top Up Issues Underwriting Agreement:

(i) an aggregate transaction praecipuum of 0.088 per cent. of £15.1 billion (being the aggregate of the underwriting commitments of the underwriters and the joint bookrunners), or of a sum in excess thereof dependent on the notional amount of the securities submitted in the Exchange Offers; and

(ii) a further discretionary aggregate transaction praecipuum (to be paid at the sole discretion of the Company, as to payment and allocation) of 0.088 per cent. of £15.1 billion (being the aggregate of the underwriting commitments of the underwriters and the joint bookrunners), or of a sum in excess thereof dependent on the notional amount of the securities submitted in the Exchange Offers.

Major Shareholders and Related Party Transactions

Major Shareholders

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

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

Related Party Transactions

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

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

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

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

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

HM Treasury Shareholding

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

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

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

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

The 2008 Placing and Open Offer

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

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

HBOS also entered into a placing and open offer agreement in October 2008 with HM Treasury and the HBOS joint sponsors and joint bookrunners on similar terms and for similar purposes as the Company. A total of 7,482,394,366 HBOS open offer shares were offered at the issue price of 113.6 pence per share. HBOS also entered into a preference share subscription agreement with HM Treasury pursuant to which HM Treasury acquired new HBOS preference shares for a total consideration of £3,000 million (before costs and expenses).

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

The Company and HM Treasury in January 2009 entered into a registration rights agreement with HM Treasury granting customary demand and 'piggyback' registration rights in the United States under the United States Securities Act of 1933, as amended to HM Treasury with respect to any ordinary shares of the Group held by HM Treasury. HM Treasury may transfer its registration rights to any third party to whom it transfers not less than U.S.$500 million in registrable securities. The customary 'piggyback' registration rights provide that holders of registrable securities may participate in an offering of ordinary shares by the Group registered under the Securities

Act to the extent that such participation would not prevent successful completion of the offering. All holders of registrable securities have 'piggyback' registration rights, on a pro rata basis, in any demand registration made by another holder pursuant to the registration rights agreement. The registration rights agreement was amended in June 2009 to include as registrable securities the new shares subscribed for by HM Treasury in the 2009 placing and compensatory open offer described below, any other securities in the Company called by HM Treasury to be issued by any person and any securities issued by HM Treasury which are exchangeable for, convertible into, give rights over or are referable to any such securities.

The 2009 Compensatory Placing and Open Offer

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

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

The Company also in June 2009 entered into a resale rights agreement with HM Treasury in which it agreed to provide its assistance to HM Treasury in connection with any proposed sale by HM Treasury of ordinary shares, other securities held by HM Treasury in the Company or any securities of any description caused by HM Treasury to be issued by any person which are exchangeable for, convertible into, give rights over or are referable to such ordinary shares or other securities issued by the Group, to be sold in such jurisdictions (other than the United States) and in such manner as HM Treasury may determine. Such assistance may include the provision by the Company of assistance with due diligence and the preparation of marketing and such other documentation (including any offering memorandum, whether or not a prospectus) as HM Treasury may reasonably request.

2009 Rights Issue

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

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

Other Related Party Transactions with the UK Government

Credit Guarantee Scheme

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

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

Lending Commitments

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

GAPS Withdrawal Deed

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

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

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

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

(i) acknowledged its commitment to the principle that it should be at the leading edge of implementing the G20 principles, the FSA Code on remuneration and any remuneration provisions accepted by the Government from the Walker Review, provided that this principle shall always be applied in such a way as to allow the Company to operate on a level playing field with its competitors. In addition, the Group agreed with HM Treasury the specific deferral and clawback terms which applied to bonuses in respect of the 2009 performance year;

(ii) reaffirmed its lending commitments;

(iii) agreed to implement a (now published) customer charter for lending to businesses;

(iv) committed:

(a) to ensure that its public financial statements comply with best industry practice; and

(b) to enter into discussions with HM Treasury with a view to ensuring that such public financial statements: (A) enable investors to assess the quality of the assets and liabilities of banking institutions, the financial position and performance of banking institutions and the nature and extent of risks arising from financial instruments to which banking institutions are exposed; and (B) are comparable as between similar banking institutions;

(v) agreed to develop with the FSA, and implement, a medium term funding plan aimed at reducing dependence on short term funding to be regularly reviewed by the FSA and other members of the Tripartite Authorities; and

(vi) agreed to implement any measures relating to personal current accounts agreed between the OFT and the UK banking industry: (i) as detailed in the OFT's report ''Personal current accounts in the UK – a follow up report, October 2009'' and (ii) relating to fees and charges, and the terms and conditions of personal current accounts where any such measures are within the scope of current negotiations with respect thereto.

State Aid

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

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

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

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

Other Relationships with the UK Government

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

Directors

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

Name	Principal outside activities
Sir Winfried Bischoff Chairman	A non-executive director of Eli Lilly and Company, and The McGraw-Hill Companies Inc. in the United States. A member of the Akbank International Advisory Board, Chairman of the Advisory Council of TheCityUK, and a member of the National Advisory Board of the UK Career Academy Foundation..
Lord Leitch Deputy Chairman	Chairman of Scottish Widows. Chairman of the Government's Review of Skills and deputy chairman of the Commonwealth Education Fund. Chairman of BUPA, Intrinsic Financial Services, and Chairman of Medical Aid Films. Chancellor of Carnegie College and a non-executive director of Paternoster.
Executive directors	
António Horta-Osório Group Chief Executive	A member of the Board and Council of the British Bankers' Association, the Advisory Council of TheCityUK and the Chartered Banker Professional Standards Board.
G. Truett Tate Group Executive Director, Wholesale	A non-executive director of BritishAmerican Business Inc. and AFME. Chairman of Arora Holdings and a director of Business in the Community and a director and trustee of In Kind Direct.
Tim J.W. Tookey Group Finance Director	A non-executive director of British Bankers' Association and chairman of its audit committee and remuneration committee.
Non-executive directors	
Anita Frew	Chairman of Victrex Plc. Senior non-executive director of Aberdeen Asset Management Plc and Non-Executive director of IMI Plc.

Sir Julian Horn-Smith	A non-executive director of De La Rue, Digicel Group and Emobile (Japan), a director of Sky Malta, a member of the Altimo International advisory board and a senior adviser to UBS and CVC Capital Partners in relation to the global telecommunications sector. Deputy chairman of Vallar plc. Pro vice-chancellor of the University of Bath.
Glen R. Moreno	Chairman of Pearson and a non-executive director of Fidelity International. Deputy chairman of the Financial Reporting Council.
David Roberts	Non-executive chairman of The Mind Gym and a non-executive director of Campion Willcocks.
T. Timothy Ryan Jr	President and chief executive of the Securities Industry and Financial Markets Association. A director of the U.S.-Japan Foundation, Great-West Life Annuity Insurance Co., Power Corporation of Canada, Power Financial Corporation and Putnam Investments and a member of the Global Markets Advisory Committee for the National Intelligence Council.
Martin A. Scicluna	Chairman of Great Portland Estates. A member of the council of Leeds University and a governor of Berkhamsted School.
Anthony Watson CBE	A non-executive director of Hammerson, Vodafone and Witan Investment Trust. A member of the Norges Bank Investment Advisory Board. Chairman of Marks and Spencer Pension Trust and Lincoln's Inn investment committee.

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

EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING HOLDERS OF NOTES

Subject to the withholding tax requirements set out under the section entitled “Taxation - U.K. Taxation”, there are currently no U.K. laws, decrees or regulations that would affect the payment of interest or other payments to holders of Notes who are neither residents of, nor trading in, the United Kingdom. For further discussion, see the section entitled “Taxation - U.K. Taxation”. There are also no restrictions under either Issuer’s memorandum and rules or under current U.K. laws that limit the right of non-resident or foreign owners to hold the Notes or to vote, when entitled to do so.

FORM OF FINAL TERMS

[Date]

[Lloyds Banking Group plc] [Lloyds TSB Bank plc]
Issue of [Title of relevant Series of Notes (specifying type of Notes)] (the "Notes")
[guaranteed by Lloyds Banking Group plc]
issued pursuant to the Lloyds Banking Group plc and Lloyds TSB Bank plc $35,000,000,000 Senior and Subordinated Medium-Term Notes Programme

PART A — CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Description of the Notes and the Guarantees set forth in the prospectus dated [date] [and the supplemental prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such prospectus [as supplemented]. Full information on the Issuer [and the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the base prospectus. The prospectus [and the supplemental prospectus [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [Lloyds Banking Group plc] [Lloyds TSB Bank plc], 25 Gresham Street, London EC2V 7HN and the specified offices of each of the paying agents, One Canada Square, London E14 5AL, United Kingdom; 101 Barclay Street, New York, NY 10286, USA; and Aerogolf Center, 1A, Hochenhof, L-1736, Senningerberg.]

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

[Terms used herein shall be deemed to be defined as such for the purposes of the Description of the Notes and the Guarantees (the "Conditions") set forth in the prospectus dated [original date] [and the supplemental prospectus dated [original date]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") and must be read in conjunction with the prospectus dated [current date] [and the supplemental prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. The prospectuses [and the supplemental prospectuses are available for viewing at [address] [and] [website] and copies may be obtained from [Lloyds Banking Group plc] [Lloyds TSB Bank plc], 25 Gresham Street, London EC2V 7HN and the specified offices of each of the paying agents, One Canada Square, London E14 5AL, United Kingdom; 101 Barclay Street, New York, NY 10286, USA; and Aerogolf Center, 1A, Hochenhof, L-1736, Senningerberg.]

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

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

TYPE OF NOTE

1	[(a)] Status of the Notes:		[Senior/Subordinated]
	[(b) Guarantor:		Lloyds Banking Group plc]
	[(c) Status of the Guarantee:		Senior/Subordinated]
2	(a)	Interest/Payment Basis:	[•]
	(b)	Redemption Basis:	[Fixed Rate/Floating Rate/Index Linked/Amortising/Other] [Redemption at par/Index Linked Redemption/Dual Currency/Partly-paid/Instalment/Other] *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply and the Issuer will prepare and publish a supplement to the prospectus)*

3	If Original Issue Discount Note, insert:	
	Total Amount of OID):	[•]
	Yield to Maturity:	[•]
	Initial Accrual Period:	[•]
4	If Extendible Maturity Notes, insert:	
	Initial Maturity Date:	[•]
	Final Maturity Date:	[•]
	Election Dates:	[•]
	Minimum Denominations for extension:	[•]
	Notice Period:	[•]
	Method for delivery of Notice:	[•]
	Method for revocation of election:	[•]

DESCRIPTION OF THE NOTES

5	Registered Notes:		The Notes are in [certificated/book-entry] form *[Specify the name and address of Registrar]*
6	(a)	Series Number:	[•]
	(b)	Details (including the date, if any, on which the Notes become fully fungible) if forming part of an existing Series:	[number and other details]
7	(a)	Nominal Amount of Notes to be issued:	[•]
	(b)	Aggregate nominal amount of Series (if more than one Tranche for the Series):	[•]
	(c)	Specified Currency:	[•]

	(d)	Currency Determination Agent:	[●]
	(e)	Specified Denomination(s):	[●]
	(f)	Method for Making U.S. Dollar Payments for a Specified Currency (if other than as set out in the Note):	[●]
8	Issue Price:		[●] (before deduction of commission) [●] (after deduction of commission)
9	Issue Date:		[●]
10	Interest Commencement Date:		[*Specify*/Issue Date/Not Applicable]
PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE ON FIXED RATE NOTES			[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
11	(a)	Interest Basis/Bases:	[●] per cent. per annum
	(b)	Interest Payment Date(s):	[●]
	(c)	Day Count Fraction:	[Actual/Actual (ICMA) or 30/360 or specify other]
	(d)	[Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
	(e)	Business Day convention:	[next succeeding Business Day]
	(f)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not applicable/give details]
FLOATING RATE NOTES OR INDEX LINKED INTEREST NOTES			[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
12	(a)	Interest Payment Date(s):	[●]
	(b)	Minimum Interest Rate (if any):	[●] per cent. per annum
	(c)	Maximum Interest Rate (if any):	[●] [●] per cent. per annum
	(d)	Business Day convention:	[next succeeding Business Day/preceding Business Day/other convention — insert details]
	(e)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/360 30/360 *Other*]

	(f)	Other terms relating to the method of calculating interest, including party responsible for such calculation if not the Calculation Agent:	[●]
FLOATING RATE NOTES			[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)* *(If this is applicable, review the discussion under "United States Federal Income Taxation-Contingent Debt Obligations" to determine whether the Notes are CPDI Notes and contact U.S. tax counsel if you are unable to make such a determination. If the Notes are CPDI Notes, in order to comply with applicable U.S. treasury regulations, the issuer must include in the Final Terms either (i) a projected payment schedule prepared in accordance with the applicable U.S. treasury regulations or (ii) the name and contact information of a person who will provide the projected payment schedule upon request.)*
13	(a)	Type of Floating Rate Note:	[Regular Floating Rate Note OR Floating Rate/Fixed Rate Note OR Inverse Floating Rate Note]
	(b)	Fixed Rate Commencement Date:	[●]
	(c)	Fixed Interest Rate:	[●]
	(d)	Floating Rate Commencement Date:	[●]
	(e)	Interest Rate Basis/Bases:	[●]
	(f)	Initial Interest Rate:	[●]
	(g)	Initial Interest Reset Date:	[●]
	(h)	Interest Determination Date:	[●]
	(i)	Interest Reset Dates:	[●]
	(j)	Index Maturity:	[●]
	(k)	Spread:	[●]
	(l)	Spread Multiplier:	[●]

INDEX LINKED INTEREST NOTES	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)* *(If this is applicable, review the discussion under "United States Federal Income Taxation-Contingent Debt Obligations" to determine whether the Notes are CPDI Notes and contact U.S. tax counsel if you are unable to make such a determination. If the Notes are CPDI Notes, in order to comply with applicable U.S. treasury regulations, the issuer must include in the Final Terms either (i) a projected payment schedule prepared in accordance with the applicable U.S. treasury regulations or (ii) the name and contact information of a person who will provide the projected payment schedule upon request.)*
14 Index/Formula:	*[insert details of the index to which amounts payable in respect of interest are linked and/or the formulae to be used in determining the rate of interest together with details of the Calculation Agent and the fallback provisions including a description of market disruption or settlement disruption events and adjustment provisions]* N.B. *(If the Final Redemption Amount is linked to an underlying reference or security, the Notes will be derivative securities for the purpose of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply and the Issuer will prepare and publish a supplement to the prospectus)*.
PROVISIONS REGARDING REDEMPTION/MATURITY	
15 Maturity:	*[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year or (for Extendible Notes) specify Initial Maturity Date and Final Maturity Date]*
16 (a) Redemption at Issuer's option:	[No/Yes]
[If Yes, insert Initial Redemption Date(s)/ Redemption Percentage of each Note:	[●] per Note of [●] Specified Denomination]
(b) Notice Period:	[●]
17 (a) Redemption at holder's option:	[No/Yes] [If Yes, insert Optional Repayment Date(s)/repayment price of each Note [●] per Note of [●] Specified Denomination]
(b) Notice Period:	[●]

18	Redemption where index/formula linked:	[Include a description of market disruption or settlement disruption events and adjustment provisions]
19	Calculation Agent responsible for calculating final redemption amount:	*[Name and address]*
20	Other terms applicable to maturity or applicable on redemption:	*[●] [specify (for Extendible Notes) the election dates to extend Maturity]*

GENERAL PROVISIONS APPLICABLE TO THIS ISSUE OF NOTES

21	Other final terms:	[insert details] *(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the base prospectus under Article 16 of the Prospectus Directive.)* [insert details]
22	Additional selling restrictions:	(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the base prospectus under Article 16 of the Prospectus Directive.) [insert details]
23	Additional federal income tax considerations:	[insert details (e.g. projected payment schedule for CPDI Notes)/None]
24	Method of distribution:	[Syndicated/Non-syndicated] [insert name(s) of relevant dealer(s) here]
25	Stabilising Manager:	[insert details/None]
26	Clearing System:	[●]
27	Redenomination and Exchange provisions:	[●]
28	Date [Board] approval for issuance of Notes [and guarantee] obtained:	[●] *(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related guarantee)*

[LISTING AND ADMISSION TO TRADING:

These final terms comprise the final terms required for the issue of Notes described herein pursuant to the $35,000,000,000 Senior and Subordinated Medium-Term Notes Programme of Lloyds Banking Group plc and Lloyds TSB Bank plc to be admitted to listing on the Official List of the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange's regulated market (as from [insert Issue Date for the Notes]) for which purpose it is hereby submitted.]

RESPONSIBILITY

The Issuer [and the Guarantor] accepts] responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]. [Each of the] [The] Issuer [and the Guarantor] confirms] that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Acceptance for and on behalf of [each of] the Issuer [and the Guarantor] of the terms of the Final Terms

SIGNED ON BEHALF OF LLOYDS BANKING GROUP PLC AS [ISSUER] [GUARANTOR]

By: _____
Name:
Title:

[SIGNED ON BEHALF OF LLOYDS TSB BANK PLC AS ISSUER]

By: _____
Name:
Title:

PART B — OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

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

2 RATINGS

Ratings:	The [Programme/Notes to be issued] [has/have] been rated: [Moody's: ●]] [S&P: [●]] [Fitch: [●]] [[Other]: [●]] [and endorsed by [●]] *(The above disclosure should reflect the rating allocated to Notes.)* *Insert one (or more) of the following options, as applicable:* [[*Insert credit rating agency/ies*] [is]/[are] established in the European Union and [has]/[have each] applied for registration under Regulation (EC) No 1060/2009, although the result of such application has not yet been determined.] [[*Insert credit rating agency/ies*] [is]/[are] established in the European Union and registered under Regulation (EC) No 1060/2009.] [[*Insert credit rating agency/ies*] [is]/[are] not established in the European Union and [has]/[have] not applied for registration under Regulation (EC) No 1060/2009.]

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. — Amend as appropriate if there are other interests]

4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)	Reasons for the offer	[●] (See "Use of Proceeds" wording in the base prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those

	reasons here)]
[(ii)] Estimated net proceeds:	[●] (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
[(iii)] Estimated total expenses:	[●] [Include breakdown of expenses] (If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

5 YIELD (Fixed Rate Notes only)

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

6 PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index Linked Notes only)

[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

The Issuer [intends to provide post-issuance information] [specify what information will be reported and where it can be obtained] [does not intend to provide post-issuance information].

7 PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)

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

8 OPERATIONAL INFORMATION

(i)	CUSIP	[●]
(ii)	ISIN Code:	[●]
(iii)	Common Code:	[●]
(iv)	Clearing system(s) and, if applicable, the relevant identification number(s):	[DTC/Euroclear and/or Clearstream/give name(s) and number(s)]
(v)	Settlement Procedures	
(vi)	Delivery	Delivery [against/free of] payment
(vii)	Names and addresses of additional	[●]

Paying Agent(s) (if any):

TAXATION

The following discussion is a summary of (i) the United Kingdom ("U.K.") withholding taxation treatment as at the date of this Base Prospectus in relation to payments of principal and interest in respect of the Notes and payments under the Guarantee and (ii) certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes under the law and practice in the United States. The discussion reflects laws, regulations, rulings and decisions currently in effect, which may be subject to retroactive changes. The discussion is only a summary for general information purposes. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. PROSPECTIVE PURCHASERS ARE URGED TO SATISFY THEMSELVES AS TO THE OVERALL TAX CONSEQUENCES OF PURCHASING, HOLDING AND/OR SELLING THE NOTES.

U.K. TAXATION

The following is a summary of the United Kingdom ("U.K.") withholding taxation treatment as at the date of this Base Prospectus in relation to payments of principal and interest in respect of the Notes and payments under the Guarantee and does not deal with other U.K. tax aspects of acquiring, holding or disposing of the Notes. This summary relates only to persons who are absolute beneficial owners of the Notes. Prospective holders should be aware that the particular terms of issue of any series of the Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. This summary is a general guide based on current U.K. law and H.M. Revenue and Customs practice and does not purport to be a complete or exhaustive analysis of all tax considerations relating to the Notes, and prospective purchasers should treat it with appropriate caution.

Prospective purchasers should seek independent professional advice should they have any doubt as to their tax position. If prospective purchasers may be liable to taxation in jurisdictions other than the U.K. in respect of the acquisition, ownership, holding and disposition of Notes, they are particularly advised to consult professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain U.K. taxation aspects of payments in respect of the Notes. In particular, prospective purchasers should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes, even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the U.K.

U.K. Withholding on U.K. Source Interest

Notes Listed on a Recognised Stock Exchange

Notes issued by an issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for those purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) by the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange. While the Notes are and continue to be quoted Eurobonds, payments of interest by an issuer on the Notes may be made without withholding or deduction for or on account of U.K. income tax.

Other Cases

In other cases, interest on the Notes will generally be paid under deduction of U.K. income tax at the basic rate of (currently) 20 per cent., subject to the availability of other relief or exemption or to any direction to the contrary from H.M. Revenue and Customs in respect of such relief as may be available under the provisions of any applicable double taxation treaty.

Provision of Information

Holders who are individuals should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by an issuer, or any person in the U.K. acting on behalf of that issuer (a "paying agent"), or is

received by any person in the U.K. acting on behalf of the relevant individual holder (a "collecting agent"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to H.M. Revenue and Customs details of the payment and certain details relating to the individual holder or person entitled to the interest (including the name and address of the individual holder or person entitled to the interest). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of U.K. income tax and whether or not the holder is resident in the U.K. for U.K. taxation purposes. Where the holder or person entitled to the interest is not so resident, the details provided to HMRC may, in certain cases, be passed by HMRC to the tax authorities of the jurisdiction in which the holder or person entitled to the interest is resident for taxation purposes.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes. However, in relation to such amounts, HMRC published practice indicates that HMRC will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2012.

Other Rules Relating to U.K. Withholding Tax

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes should not be subject to any U.K. withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest may be subject to U.K. withholding tax and reporting requirements as outlined above.

In addition to the above, in relation to U.K. withholding tax, where interest has been paid under deduction of U.K. income tax, holders who are not resident in the U.K. may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" in this U.K. Taxation summary mean "interest" as understood in U.K. tax law. The statements in this summary do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. This description of the U.K. withholding tax position assumes that there will be no substitution of the issuer of the Notes pursuant to the terms and conditions of the Notes and does not consider the tax consequences of any such substitution.

Holders should be aware that the withholding tax treatment of payments under the Guarantee is not free from uncertainty and any holder who is in any doubt as to the tax treatment of payments under the Guarantee is advised to obtain professional advice.

Payments under the Guarantee in respect of interest on the Notes (or other amounts due under the Notes, other than the repayment of amounts subscribed for the Notes) may be subject to U.K. withholding tax at the basic rate of (currently) 20 per cent., subject to the availability of such relief as may be available under the provisions of any applicable double taxation treaty.

EU Savings Directive

Under European Commission Council Directive 2003/48/EC on the taxation of savings income (the "EU Savings Directive"), each member state is required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by certain entities within its jurisdiction for, an individual resident in that other member state or to certain limited types of entities established in that member state. For a transitional period, however, Austria and Luxembourg may instead apply a withholding system in relation to such payments unless during that period they elect otherwise (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

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

A number of non-EU countries, and certain dependent or associated territories of certain member states have adopted similar measures (either provision of information or transitional withholding arrangements) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain other persons in a member state. In addition, the member states have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a member state to, or collected by such a person for, an individual resident in one of those territories.

United States Federal Income Taxation

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Notes. This tax disclosure was written in connection with the promotion or marketing of the Notes by the Issuers, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code. Holders should seek their own advice based on their particular circumstances from an independent tax adviser.

The following is a discussion of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes. This discussion only applies to Notes that are purchased by a U.S. Holder described below who purchases Notes at the "issue price," which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money, and holds the Notes as capital assets.

This discussion does not describe all of the tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- regulated investment companies;
- insurance companies;
- real estate investment trusts;
- dealers in securities or foreign currencies;
- traders in securities that elect to use a mark-to-market method of tax accounting;
- persons holding Notes as part of a hedging transaction, straddle, conversion or other integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons subject to the alternative minimum tax;
- persons that own, or are deemed to own, ten percent or more of any class of the Issuer's stock; or
- persons carrying on a trade or business in the United Kingdom through a permanent establishment.

If a partnership holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding Notes and partners in a partnership holding Notes should consult their tax advisors.

This discussion is based on the Internal Revenue Code of 1986, as amended to the date hereof, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described herein, possibly with retroactive effect. Persons considering the purchase of Notes are urged to consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

This discussion applies only to Notes that are classified as indebtedness for U.S. federal income tax purposes and does not apply to any Notes that are subject to different U.S. federal income tax consequences than those described below, including Index Linked Notes, Dual Currency Notes and Partly-paid Notes. Additional material U.S. federal income tax consequences of such Notes may be addressed in the applicable Final Terms.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or of any political subdivision thereof; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Payments of Interest

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes, provided that the interest is qualified stated interest (as defined below). Interest income earned by a U.S. Holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant to a U.S. Holder in calculating the U.S. Holder's foreign tax credit limitation. Special rules governing the treatment of interest paid with respect to OID Notes, including certain Variable Rate Notes (each as defined below), are described under "—Original Issue Discount and Variable Rate Notes" and "—Foreign Currency Notes" below.

Any amounts withheld with respect to interest paid on the Notes and any additional amounts paid with respect to interest pursuant to the Notes would be treated as ordinary interest income.

Original Issue Discount and Variable Rate Notes

A Note that is issued at an issue price less than its "stated redemption price at maturity" will be considered to have been issued at an original issue discount for U.S. federal income tax purposes (and will be referred to in this section as an "OID Note") unless the Note satisfies a *de minimis* threshold (as described below) or is a Short-Term Note (as defined below). The "stated redemption price at maturity" of a Note will equal the sum of all payments required under the Note other than payments of "qualified stated interest." "Qualified stated interest" is stated interest unconditionally payable as a series of payments in cash or property (other than in debt instruments of the Issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest or, subject to certain conditions, based on one or more floating rates or indices.

All stated interest on a Variable Rate Note (as defined below) will constitute qualified stated interest if it provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof that is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually. Therefore, such a Variable Rate Note will not be treated as having been issued with original issue discount unless it is issued at a "true" discount (i.e., at a price below the Note's stated principal amount in excess of a specified *de minimis* amount). In general, a "Variable Rate Note" is a Note that provides for one or more qualified floating rates of interest, a single fixed rate and one or more qualified floating rates, a single objective rate, or a single fixed rate and a single objective rate that is a qualified inverse floating rate (as such terms are defined in applicable Treasury regulations), provided that the issue price of the Note does not exceed the total noncontingent principal payments due under the Note by more than an amount equal to the lesser of (x) 0.015 multiplied by the

product of the total noncontingent principal payments and the number of complete years to maturity from the issue date or (y) 15% of the total noncontingent principal payments.

In general, a "qualified floating rate" is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Rate Note is denominated. An interest rate that is based on the product of a qualified floating rate, or that subjects a qualified floating rate to a cap, floor, governor or similar restriction, may also be treated as a qualified floating rate if certain conditions are satisfied. An "objective rate" is generally a rate that is determined using a single fixed formula and that is based on objective financial or economic information. If a Variable Rate Note provides for two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate. If interest on a debt instrument is stated at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate. Two or more qualified floating rates or a fixed rate and a variable rate will be conclusively presumed to meet the requirements of the preceding sentences if the values of the applicable rates on the issue date are within 1/4 of one percentage point of each other. If a Variable Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount, such discount must be allocated to a holder's accrual periods using the constant-yield method described below by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Rate Note.

In general, a Variable Rate Note that provides for (i) multiple floating rates or (ii) one or more floating rates in addition to a single fixed rate (in circumstances such that the Note is not treated as having a single qualified floating rate or objective rate as described in the preceding paragraph) will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of original issue discount and qualified stated interest on the Variable Rate Note. A Variable Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Rate Note's Original Issue Date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Rate Note. In the case of a Variable Rate Note that provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Rate Note provides for a qualified inverse floating rate). Under such circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Rate Note as of the Variable Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the replaced qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Rate Note is then converted into an "equivalent" fixed rate debt instrument in the manner described above.

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

If the difference between a Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., 1/4 of one percent of the stated redemption price at maturity multiplied by the number of complete years to maturity, then the Note will not be considered to have original issue discount.

A U.S. Holder of OID Notes will be required to include any qualified stated interest payments in income in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes as described above under "—Payments of Interest."

U.S. Holders of OID Notes will be required to include original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant-yield method based on a compounding of interest. Under this method, U.S. Holders of OID Notes generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including stated interest, original issue discount or *de minimis* original issue discount and unstated interest as adjusted by any amortizable bond premium) in accordance with a constant-yield method based on the compounding of interest (a "constant-yield election").

A Note that matures one year or less from its date of issuance (a "Short-Term Note") will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest. The Final Maturity Date will be used for the purpose of determining whether an Extendible Maturity Note is a Short-Term Note. In general, a cash-method U.S. Holder of a Short-Term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. U.S. Holders who so elect and certain other U.S. Holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straightline basis, unless another election is made to accrue the discount according to a constant-yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realized on the sale, exchange or retirement of the Short-Term Note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant-yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, such U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry Short-Term Notes in an amount not exceeding the accrued discount until the accrued discount is included in income.

Under applicable Treasury regulations, if the Issuer or the U.S. Holder has an unconditional option to redeem a Note prior to its Maturity (or in the case of Extendible Maturity Notes, the Final Maturity Date), this option will be presumed to be exercised if, by utilizing any date on which the Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Note as the stated redemption price at maturity, in the case of the Issuer's option, the yield on the Note would be lower than its yield to Maturity or, in the case of the U.S. Holder's option, the yield on the Note would be higher than its yield to Maturity. If this option is not in fact exercised, the Note would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new note were issued, on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date. Unless otherwise provided for in the applicable Final Terms, in the case of an Extendible Maturity Note the Initial Maturity Date should be treated as a date upon which the holder has an unconditional option to redeem an Extendible Maturity Note. The adjusted issue price of a note is generally the issue price of the Note, increased by the amount of original issue discount includible in gross income of any holder and decreased by the amount of any payment previously made, other than a payment of qualified stated interest.

Contingent Debt Obligations

Special rules govern the tax treatment of debt obligations that are treated under applicable Treasury regulations as providing for contingent payments. Certain Index Linked Notes and Variable Rate Notes that provide for interest based on rates other than a single qualified floating rate or a single objective rate will be treated as "contingent payment debt instruments" for U.S. federal income tax purposes (and will be referred to in this section as "CPDI Notes"), provided that such Notes are not Short-Term Notes. CPDI Notes will be subject to special rules that govern the tax treatment of debt obligations that are treated under applicable Treasury regulations (the "contingent debt regulations") as providing for contingent payments.

Pursuant to the contingent debt regulations, a U.S. Holder of a CPDI Note will be required to accrue interest income on the CPDI Note on a constant yield basis, based on a comparable yield, as described below, regardless of whether such holder uses the cash or accrual method of accounting for U.S. federal income tax purposes. As such, a U.S. Holder generally will be required to include interest in income each year in excess of stated interest payments actually received in that year, if any.

The contingent debt regulations provide that a U.S. Holder must accrue an amount of ordinary interest income, as original issue discount for U.S. federal income tax purposes for each accrual period prior to and including the maturity date of the CPDI Note that equals the product of:

- the adjusted issue price (as defined below) of the CPDI Note as of the beginning of the accrual period,
- the comparable yield (as defined below) of the CPDI Note, adjusted for the length of the accrual period and
- the number of days during the accrual period that the U.S. Holder held the CPDI Note divided by the number of days in the accrual period.

The "adjusted issue price" of a CPDI Note is its issue price, increased by any interest income previously accrued, determined without regard to any adjustments to interest accruals described below, and decreased by the projected amount of any payments (in accordance with the projected payment schedule described below) previously made with respect to the CPDI Note.

The term "comparable yield" as used in the contingent debt regulations means the greater of (i) the annual yield the Issuer would pay, as of the issue date, on a fixed-rate, nonconvertible debt instrument with no contingent payments, but with terms and conditions otherwise comparable to those of the CPDI Notes, and (ii) the "applicable federal rate".

The contingent debt regulations require that the Issuer provide to U.S. Holders, solely for U.S. federal income tax purposes, a schedule of the projected amounts of payments (the "projected payment schedule") on the CPDI Notes. This schedule must produce a yield to maturity that equals the comparable yield. The projected payment schedule, or the information necessary to obtain the projected payment schedule, will be provided in the applicable Final Terms.

The comparable yield and the projected payment schedule are not used for any purpose other than to determine a U.S. Holder's interest accruals and adjustments thereto in respect of the CPDI Notes for U.S. federal income tax purposes. They do not constitute a projection or representation regarding the actual amounts that will be paid on the CPDI Notes.

If, during any taxable year, a U.S. Holder of a CPDI Note receives actual payments with respect to such CPDI Note that, in the aggregate, exceed the total amount of projected payments for that taxable year, the U.S. Holder will incur a "net positive adjustment" under the contingent debt regulations equal to the amount of such excess. The U.S. Holder will treat a net positive adjustment as additional interest income in that taxable year.

If a U.S. Holder receives in a taxable year actual payments with respect to the CPDI Note that, in the aggregate, are less than the total amount of projected payments for that taxable year, the U.S. Holder will incur a ''net negative adjustment'' under the contingent debt regulations equal to the amount of such deficit. This net negative adjustment:

- will first reduce the U.S. Holder's interest income on the CPDI Note for that taxable year;
- to the extent of any excess after the application of the previous bullet point, will give rise to an ordinary loss to the extent of the U.S. Holder's interest income on the CPDI Note during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments; and
- to the extent of any excess after the application of the previous two bullet points, will be carried forward as a negative adjustment to offset future interest income with respect to the CPDI Note or to reduce the amount realized on a sale, exchange or retirement of the CPDI Note.

Generally, the sale, exchange or retirement of a CPDI Note will result in taxable gain or loss to a U.S. Holder. The amount of gain or loss on a sale, exchange or retirement of a CPDI Note will be equal to the difference between (a) the amount of cash plus the fair market value of any other property received by the U.S. Holder (the "amount realized"), and (b) the U.S. Holder's adjusted tax basis in the CPDI Note. As discussed above, to the extent that a U.S. Holder has any net negative adjustment carryforward, the U.S. Holder may use such net negative adjustment from a previous year to reduce the amount realized on the sale, exchange or retirement of the CPDI Notes.

For purposes of determining the amount realized on the scheduled retirement of a note, a U.S. Holder will be treated as receiving the projected amount of any contingent payment due at maturity. As previously discussed, to the extent that actual payments with respect to the notes during the year of the scheduled retirement are greater or lesser than the projected payments for such year, a U.S. Holder will incur a net positive or negative adjustment, resulting in additional ordinary income or loss, as the case may be.

A U.S. Holder's adjusted tax basis in a CPDI Note generally will be equal to the U.S. Holder's original purchase price for the CPDI Note, increased by any interest income previously accrued by the U.S. Holder (determined without regard to any adjustments to interest accruals described above) and decreased by the amount of any noncontingent payments and projected payments that previously have been scheduled to be made in respect of the CPDI Notes (without regard to the actual amount paid).

Gain recognized by a U.S. Holder upon a sale, exchange or retirement of a CPDI Note generally will be treated as ordinary interest income. Any loss will be ordinary loss to the extent of the excess of previous interest inclusions over the total net negative adjustments previously taken into account as ordinary losses in respect of the CPDI Note, and thereafter capital loss (which will be long-term if the CPDI Note has been held for more than one year). The deductibility of capital losses is subject to limitations.

Special rules will apply if one or more contingent payments on a CPDI Note become fixed. If one or more contingent payments on a CPDI Note become fixed more than six months prior to the date each such payment is due, a U.S. Holder will be required to make a positive or negative adjustment, as appropriate, equal to the difference between the present value of the amounts that are fixed and the present value of the projected amounts of the contingent payments as provided in the projected payment schedule, using the comparable yield as the discount rate in each case. If all remaining scheduled contingent payments on a CPDI Note become fixed substantially contemporaneously, a U.S. Holder will be required to make adjustments to account for the difference between the amounts treated as fixed and the projected payments in a reasonable manner over the remaining term of the note. For purposes of the preceding sentence, a payment (including an amount payable at maturity) will be treated as fixed if (and when) all remaining contingencies with respect to it are remote or incidental within the meaning of the contingent debt regulations. A U.S. Holder's tax basis in the note and the character of any gain or loss on the sale of the note will also be affected. U.S. Holders should consult their tax advisers concerning the application of these special rules.

Additional material U.S. federal income tax consequences of CPDI Notes may be disclosed in the applicable Final Terms.

Additional Notes and Further Issues—Tax Fungibility Issue

As described in "Description of the Notes and the Guarantees—Additional Notes and Further Issues," the Issuers may, without the consent of the holders of outstanding Notes, issue Additional Notes with identical terms and conditions in all respects to a prior tranche of Notes except for the Original Issue Date, the first payment of interest and the public offering price. Such Additional Notes may have original issue discount for U.S. federal income tax purposes ("OID"), and if the existing Notes were issued with OID, may have more or less OID than the existing Notes. Purchasers of Notes after the date of any further issue may not be able to differentiate between Additional Notes and previously issued Notes. Depending on whether the Issuers issue Additional Notes with OID, purchasers of Notes after such further issue may be required to accrue OID (or greater or lesser amounts of OID than they would otherwise have accrued) with respect to their Notes. This may affect the price of outstanding Notes following a further issue. Purchasers are advised to consult their tax advisers with respect to the implications of any future decision by the Issuers to issue Additional Notes with OID.

Amortizable Bond Premium.

If a U.S. Holder purchases a Note for an amount that is greater than the sum of all amounts payable on the Note other than qualified stated interest, the U.S. Holder will be considered to have purchased the Note with amortizable bond premium. In general, amortizable bond premium with respect to any Note will be equal in amount to the excess of the purchase price over the sum of all amounts payable on the Note other than qualified stated interest and the U.S. Holder may elect to amortize this premium, using a constant-yield method, over the remaining term of the Note. Special rules may apply in the case of Notes that are subject to optional redemption. A U.S. Holder may generally use the amortizable bond premium allocable to an accrual period to offset qualified stated interest required to be included in the U.S. Holder's income with respect to the Note in that accrual period. A U.S. Holder who elects to amortize bond premium must reduce the U.S. Holder's tax basis in the Note by the amount of the premium amortized in any year. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by the U.S. Holder and may be revoked only with the consent of the Internal Revenue Service.

If a U.S. Holder makes a constant-yield election (as described under "—Original Issue Discount and Variable Rate Notes" above) for a Note with amortizable bond premium, such election will result in a deemed election to amortize bond premium for all of the U.S. Holder's debt instruments with amortizable bond premium and may be revoked only with the permission of the Internal Revenue Service with respect to debt instruments held or acquired after the election.

Sale, Exchange or Retirement of the Notes.

Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis in the Note. Gain or loss, if any, will generally be U.S.-source for purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued qualified stated interest. Amounts attributable to accrued qualified stated interest are treated as interest as described under "—Payments of Interest" above. A U.S. Holder's adjusted tax basis in a Note (other than a CPDI Note) generally will equal such U.S. Holder's initial investment in the Note increased by any original issue discount included in income and decreased by any bond premium previously amortized and principal payments or payments other than qualified stated interest previously received.

Except as described below, gain or loss realized on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. Exceptions to this general rule apply in the case of a Short-Term Note, to the extent of any accrued discount not previously included in the U.S. Holder's taxable income. See "Original Issue Discount and Variable Rate Notes" above. In addition, other exceptions to this general rule apply in the case of certain Foreign Currency Notes and Contingent Debt Obligations. See "—Foreign Currency Notes" below and "—Contingent Debt Obligations" above.

Foreign Currency Notes.

The rules applicable to Notes denominated in (or the payments on which are determined by reference to) a single Specified Currency other than U.S. dollars (referred to in this section as "Foreign Currency Notes") could require some or all of the gain or loss on the sale, exchange or retirement of a Foreign Currency Note to be recharacterized as ordinary income or loss. The rules applicable to Foreign Currency Notes are complex and their application may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. Holder should make any of these elections may depend on the U.S. Holder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of Foreign Currency Notes.

A U.S. Holder who uses the cash method of tax accounting and who receives a payment of qualified stated interest (or who receives proceeds from a sale, exchange or other disposition attributable to accrued qualified stated interest) in a foreign currency with respect to a Foreign Currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined based on a spot rate on the date the payment is received)

regardless of whether the payment is in fact converted into U.S. dollars at that time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency received.

An accrual-method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount, but reduced by amortizable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Foreign Currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder may recognize ordinary income or loss (which generally will not be treated as interest income or expense, but will be treated as U.S. source income or loss) with respect to accrued interest income on the date the interest payment or proceeds from the sale, exchange or other disposition attributable to accrued interest is actually received. The amount of ordinary income or loss recognized will equal the difference between the U.S. dollar value of the foreign currency payment received (determined based on a spot rate on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of cash-method U.S. Holders who are required to currently accrue original issue discount on a Foreign Currency Note. An accrual-method U.S. Holder may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service.

Original issue discount and amortizable bond premium on a Foreign Currency Note are to be determined in the relevant foreign currency.

If an election to amortize bond premium is made, amortizable bond premium taken into account on a current basis will reduce interest income in units of the relevant foreign currency. Gain or loss attributable to fluctuations in exchange rates will be realized on amortized bond premium with respect to any period by treating the bond premium amortized in the period in the same manner as it would have been treated on the sale, exchange or retirement of the Foreign Currency Note. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any bond premium will be taken into account in determining the overall gain or loss on the Notes and any loss realized on the sale, exchange or retirement of a Foreign Currency Note with amortizable bond premium by a U.S. Holder who has not elected to amortize the premium will be a capital loss to the extent of the bond premium.

A U.S. Holder's tax basis in a Foreign Currency Note, and the amount of any subsequent adjustment to the U.S. Holder's tax basis (including adjustments for original issue discount included as income and any bond premium previously amortized or principal payments received), will be the U.S. dollar value of the foreign currency amount paid for such Foreign Currency Note, as discussed below, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. Holder who purchases a Foreign Currency Note with previously owned foreign currency will recognize ordinary income or loss in an amount equal to the difference, if any, between the U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the Foreign Currency Note on the date of purchase.

Gain or loss realized upon the sale, exchange or retirement of a Foreign Currency Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of (or if the Note is traded on an established securities market, on the settlement date if the holder is a cash basis U.S. Holder or an electing accrual basis U.S. Holder); and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on Foreign Currency Notes described above. The foreign currency gain or loss will be recognized only to the extent of the total gain or loss realized by a U.S. Holder on the sale, exchange or retirement of the Foreign Currency Note. The foreign currency gain or loss for U.S. Holders will be U.S.-source. Any gain or loss realized by a U.S.

Holder in excess of the foreign currency gain or loss will be capital gain or loss (except in the case of a Short-Term Note, to the extent of any discount not previously included in the U.S. Holder's income).

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a Foreign Currency Note equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. Provided the Foreign Currency Notes are traded on an established securities market, a cash-method U.S. Holder who buys or sells a Foreign Currency Note is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. An accrual-method U.S. Holder may elect the same treatment for all purchases and sales of Foreign Currency Notes, provided the Foreign Currency Notes are traded on an established securities market. This election cannot be changed without the consent of the Internal Revenue Service. Any gain or loss realized by a U.S. Holder on a sale or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase Foreign Currency Notes) will be ordinary income or loss.

A U.S. Holder may be required to file a reportable transaction disclosure statement with the U.S. Holder's U.S. federal income tax return, if such U.S. Holder realizes a loss on the sale or other disposition of a Foreign Currency Note and such loss is greater than applicable threshold amounts, which differ depending on the status of the U.S. Holder. A U.S. Holder that claims a deduction with respect to a Foreign Currency Note should consult its own tax adviser regarding the need to file a reportable transaction disclosure statement.

Backup Withholding and Information Reporting

Information returns may be filed with the Internal Revenue Service in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

TRANSFER RESTRICTIONS

The Notes have not been registered under the Securities Act or any other applicable securities laws, and they may not be offered or sold except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only:

- in the United States, to qualified institutional buyers ("QIBs") in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or
- outside of the United States, to certain persons, other than U.S. persons within the meaning of Regulation S, in offshore transactions meeting the requirements of Rule 903 of Regulation S.

Purchasers' Representations and Restrictions on Resale

Each purchaser of Notes (other than a Dealer in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein, will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(i) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-U.S. person that is outside the United States within the meaning of Regulation S;

(ii) It is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the relevant Issuer and is not acting on the relevant Issuer's behalf;

(iii) It acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iv) It understands and agrees that Notes initially offered in the United States to QIBs will be represented by U.S. Global Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by International Global Notes;

(v) If the purchaser is in the United States or is a U.S. person, it shall not resell or otherwise transfer any of such Notes except (a) to the relevant Issuer or a Dealer or by, through, or in a transaction approved by a Dealer, (b) within the United States to a QIB in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States, in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;

(vi) If the purchaser is outside the United States and is not a U.S. person, if it should resell or otherwise transfer the Notes prior to the expiration of the Distribution Compliance Period (as defined in Regulation S) applicable to such Notes, it will do so only (a) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (b) to a QIB in compliance with Rule 144A;

(vii) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;

(viii) It acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the relevant Indenture;

(ix) It acknowledges that the trustee for the Notes will not be required to accept for registration transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to the relevant Issuer and such trustee that the restrictions set forth herein have been complied with; and

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

A legend to the following effect will appear on the face of Notes, other than International Global Notes, and which will be used to notify transferees of the foregoing restrictions on transfer. Additional copies of this notice may be obtained from the trustee.

"THE SECURITIES EVIDENCED HEREBY (THE "NOTES") HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR ANY OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THE NOTES, (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A")), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED NOTES THAT IT WILL NOT PRIOR TO (X) THE DATE WHICH IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE U.S. SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THE NOTES (OR OF ANY PREDECESSOR THEREOF) OR THE LAST DAY ON WHICH LLOYDS BANKING GROUP PLC (THE "COMPANY") OR LLOYDS TSB BANK PLC (THE "BANK," AND EACH OF THE COMPANY AND THE BANK, AN "ISSUER") OR ANY AFFILIATE OF THE RELEVANT ISSUER WERE THE OWNERS OF THE NOTES (OR ANY PREDECESSOR THEREOF) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES EXCEPT (I) TO THE RELEVANT ISSUER OR ONE OR MORE DEALERS FOR THE NOTES (EACH, A "DEALER" AND COLLECTIVELY, THE "DEALERS") OR BY, THROUGH OR IN A TRANSACTION APPROVED BY A DEALER, (II) SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (III) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (IV) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT (IF AVAILABLE), (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT OR (VI) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION. THE HOLDER OF THE NOTES, BY PURCHASING THE NOTES, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THE NOTES FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (VI) ABOVE, TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE RELEVANT ISSUER. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT."

"THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ON SATISFACTION OF THE CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN".

BY ITS PURCHASE AND HOLDING OF A NOTE, EACH PURCHASER AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT (A) EITHER (i) IT IS NOT AN EMPLOYEE BENEFIT PLAN AS DESCRIBED IN SECTION 3(3) OF ERISA AND SUBJECT TO TITLE I OF ERISA, OR A PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR A GOVERNMENTAL PLAN OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF

THE CODE, OR AN ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH PLAN OR (ii) ITS PURCHASE AND HOLDING OF A NOTE WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR PROVISIONS OF ANY FEDERAL, STATE OR LOCAL LAW AND (B) NEITHER THE ISSUER NOR ANY OF ITS AFFILIATES IS A "FIDUCIARY" (WITHIN THE MEANING OF ERISA SECTION 3(21) OR, WITH RESPECT TO A GOVERNMENTAL PLAN OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, ANY SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH SUCH PERSON'S PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF SUCH PURCHASER OR HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES.

For further discussion of the requirements (including the presentation of transfer certificates) under the Indentures to effect exchanges or transfers of interest in global notes and Certificated Notes, see the section entitled "Description of the Notes and the Guarantees—Form, Transfer, Exchange and Denomination".

PLAN OF DISTRIBUTION

The Notes are being offered on a continuous basis for sale by the Issuers to or through the Dealers, including Barclays Capital Inc., BNP Paribas Securities Corp., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Lloyds Securities Inc., Lloyds TSB Bank plc, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, RBS Securities Inc., UBS Securities LLC and Wells Fargo Securities, LLC together with such other Dealer as may be appointed by the relevant Issuer with respect to a particular tranche of Notes. One or more Dealers may purchase Notes, as principal, from the Issuers from time to time for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any Dealer, or, if so specified in the applicable Final Terms, for resale at a fixed offering price. If the Issuers and a Dealer agree, a Dealer may also utilise its reasonable efforts on an agency basis to solicit offers to purchase the Notes. Any Dealers of the Notes that are not U.S. registered broker-dealers will agree that they will offer and sell the Notes within the United States only through U.S. registered broker-dealers. The relevant Issuer will pay a commission to a Dealer to be agreed between the relevant Issuer and such Dealer at the time of such sale.

Unless otherwise specified in an applicable Final Terms, any note sold to one or more Dealers as principal will be purchased by such Dealers at a price equal to 100 per cent. of the principal amount thereof less a percentage of the principal amount equal to the commission as agreed between the relevant Issuer and the Dealer. A Dealer may sell Notes it has purchased from the Issuers as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with such purchase. The Dealer may allow, and such dealers may reallow, a discount to certain other dealers. After the initial offering of Notes, the offering price (in the case of Notes to be resold at a fixed offering price), the concession and the reallowance may be changed.

The relevant Issuer may withdraw, cancel or modify the offering contemplated hereby without notice and may reject offers to purchase Notes in whole or in part. Each Dealer shall have the right to reject in whole or in part any offer to purchase Notes received by it on an agency basis.

In connection with an offering of Notes purchased by one or more Dealers as principal on a fixed offering price basis, such Dealer(s) will be permitted to engage in transactions that stabilise the price of Notes. These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of Notes. If the Dealer creates or the Dealers create, as the case may be, a short position in Notes, that is, if it sells or they sell Notes in an aggregate principal amount exceeding that set forth in the applicable Final Terms, such Dealer(s) may reduce that short position by purchasing Notes in the open market. In general, purchase of Notes for the purpose of stabilisation or to reduce a short position could cause the price of Notes to be higher than it might be in the absence of such purchases.

Neither the Issuers nor any of the Dealers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of Notes. In addition, neither the Issuers nor the Dealers make any representation that the Dealers will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Issuers have agreed to indemnify the Dealers against some liabilities (including liabilities under the Securities Act) or to contribute to payments the Dealers may be required to make in respect thereof. The Issuers have also agreed to reimburse the Dealers for some other expenses.

The Dealers may from time to time purchase and sell Notes in the secondary market, but they are not obligated to do so, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. From time to time, the Dealers may make a market in the Notes.

The Notes have not been registered under the Securities Act or any other applicable securities laws and they are being offered and sold only in the United States, to qualified institutional buyers ("QIBs") in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, or outside of the United States, to certain persons, other than U.S. persons within the meaning of Regulation S, in offshore transactions meeting the requirements of Rule 903 of Regulation S.

Each Dealer subscribing for or purchasing Notes will be required to represent and agree (i) that it will not offer to sell Notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the tranche of which such Notes are a part (such period, the "Distribution Compliance Period"), within the United States or to, or for the account or benefit of, U.S. persons other than in accordance with Rule 144A and (ii) that it will send to each dealer to which it sells any Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each purchaser of Notes will be deemed, by its acceptance or purchase thereof, to have made the representations set forth under "Transfer Restrictions" herein.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

Certain of the Dealers and/or their affiliates have, directly or indirectly, performed investment and commercial banking or financial advisory services for the Issuers, for which they have received customary fees and commissions, and they expect to provide these services to the Issuers and their affiliates in the future, for which they also expect to receive customary fees and commissions.

In the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and instruments of the issuer. The Dealers and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

Public Offer Selling Restriction Under the Prospectus Directive

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

(i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of a Non-exempt Offer;

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

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

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

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

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

In relation to an offer and sale of Notes, each Dealer has represented and agreed:

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

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

(iii) In relation to Notes issued by the Company, it has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(iv) In relation to any Notes issued by the Company which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes issued by the Company other than 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 who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Notes would otherwise constitute a contravention of section 19 of the FSMA by the Company.

Singapore

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

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

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

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

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

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

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

Hong Kong

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

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

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

SETTLEMENT

Unless otherwise specified in the applicable Final Terms, you must pay the purchase price of the Notes in immediately available funds in the applicable specified currency in New York City three business days after the trade date.

INDEPENDENT AUDITORS

The consolidated financial statements of Lloyds Banking Group plc as of 31 December 2010 and 2009 and for the three years ended 31 December 2010 and management's assessment of the effectiveness of internal controls over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this Base Prospectus by reference from the Annual Report on Form 20-F for the year ended 31 December 2010, have been audited by PricewaterhouseCoopers LLP, independent registered public accounting firm, as stated in their report incorporated herein.

The consolidated financial statements of the Bank as of 31 December 2010, 2009 and 2008 and for the three years ended 31 December 2010, incorporated by reference in this Base Prospectus, have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their reports incorporated herein.

The consolidated financial statements of HBOS plc as of 31 December 2009 and for the year ended 31 December 2009, incorporated by reference in this Base Prospectus, have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their report incorporated herein, and the consolidated financial statements of HBOS plc for the year ended 31 December 2008, incorporated by reference in this Base Prospectus, has been audited by KPMG Audit Plc, independent auditors, as stated in their reports incorporated herein.

LEGAL MATTERS

Certain legal matters will be passed upon for the Issuers by Davis Polk & Wardwell LLP, their United States counsel, with respect to matters of New York law and U.S. federal law, Linklaters LLP, their English counsel, with respect to matters of English law and by Dundas & Wilson CS LLP with respect to matters of Scots law and for the Dealers by Allen & Overy LLP with respect to matters of New York law, U.S. federal law and English law.

GENERAL INFORMATION

1. The Company was incorporated and registered in Scotland on 21 October 1985 with registered number 95000 as a public company limited by shares under the name TSB Group Public Limited Company. On 28 December 1995, it changed its name to Lloyds TSB Group plc. On 16 January 2009, the Company changed its name to its present name. The principal legislation under which the Company operates is the Companies Act 2006 and regulations made thereunder. The Company is domiciled in Scotland. Its head office is at 25 Gresham Street, London EC2V 7HN (Tel. +44 (0)20 7626 1500) and its registered office is at The Mound, Edinburgh EH1 1YZ.

2. The Bank was incorporated on 20 April 1865 (Registration number 2065). The Bank's registered office is 25 Gresham Street, London EC2V 7HN, England. The telephone number of the Company and the Bank is +44 (0)20 7626 1500. The Bank, together with HBOS plc and BOS, are wholly owned subsidiaries of the Company.

3. The admission of the programme to trading on the regulated market of the London Stock Exchange is expected to take effect on or around 25 May 2011. The price of the Notes on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any series of Notes intended to be admitted to trading on the regulated market of the London Stock Exchange will be so admitted to trading upon submission to the London Stock Exchange of the relevant Final Terms and any other information required by the London Stock Exchange, subject to the issue of the relevant Notes. Prior to admission to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in New York after the day of the transaction, unless otherwise specified in the relevant Final Terms.

4. The global notes have been accepted for clearance either through DTC or its nominees or through Euroclear and Clearstream. If the global notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms.

5. Save as disclosed in the section entitled "Lloyds Banking Group - Legal Actions and Regulatory Matters" on pages 78 to 81 of this Base Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have or have had in the recent past, significant effects on the financial position or profitability of the Company or Lloyds Banking Group.

6. Save as disclosed in the section entitled "Lloyds Banking Group - Legal Actions and Regulatory Matters" on pages 78 to 81 of this Base Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Bank is aware) during the 12 months preceding the date of this Prospectus, which may have or have had in the recent past, significant effects on the financial position or profitability of the Bank or Lloyds TSB Bank Group.

7. Save as disclosed in the section entitled "Lloyds Banking Group – Legal Actions and Regulatory Matters – Payment Protection Insurance" on pages 79 to 80 of this Base Prospectus, there has been: (i) no significant change in the financial or trading position of Lloyds Banking Group since 31 December 2010, the date to which Lloyds Banking Group's last published audited financial information (as set out in the Company's 2010 Annual Report) was prepared and (ii) no material adverse change in the prospects of the Company since 31 December 2010.

8. Save as disclosed in the section entitled "Lloyds Banking Group – Legal Actions and Regulatory Matters – Payment Protection Insurance" on pages 79 to 80 of this Base Prospectus, there has been: (i) no significant change in the financial or trading position of Lloyds TSB Bank Group since 31 December 2010, the date to which Lloyds TSB Bank Group's last published audited financial information (as set out in the Bank's 2010 Annual Report) was prepared and (ii) no material adverse change in the prospects of the Bank since 31 December 2010.

9. For so long as the medium-term note programme described in this Base Prospectus remains in effect or any Notes shall be outstanding, the following documents may be inspected and, where appropriate, copies obtained, during normal business hours at the specified office of the paying agent and the registered office of the Company, The Mound, Edinburgh EH1 1YZ, including:

(a) the constitutive documents of the Company and the Bank;

(b) this Base Prospectus in relation to the medium-term note programme, together with any amendments;

(c) the Programme Agreement;

(d) the Senior Indenture;

(e) the Subordinated Indenture;

(f) the most recent publicly available reviewed or audited consolidated financial statements for the Company and the Bank beginning with such financial statements for the years ended 31 December 2010, 2009 and 2008;

(g) the report of PricewaterhouseCoopers LLP in respect of the audited consolidated financial statements of the Company and the Bank for the financial years ended 31 December 2010, 31 December 2009 and 31 December 2008; and

(h) any Final Terms relating to Notes issued under the medium-term note programme described in this Base Prospectus that are listed, traded and/or quoted on a stock exchange.

The issue of Notes under the programme by the Company and the giving of the Guarantees by the Company has been authorised by resolutions of the board of directors of the Company dated 24 February 2011. The issue of Notes under the programme by the Bank has been authorised by resolutions of the board of directors of the Bank dated 24 February 2011.

REGISTERED OFFICE OF THE COMPANY

The Mound
Edinburgh EH1 1YZ

REGISTERED OFFICE OF THE BANK

25 Gresham Street
London EC2V 7HN

DEALERS

BNP Paribas Securities Corp.
787 Seventh Avenue
New York, NY 10019

Barclays Capital Inc.
745 Seventh Avenue
New York, NY 10019

Credit Suisse Securities (USA) LLC
Eleven Madison Avenue
New York, NY 10010

Citigroup Global Markets Inc.
388 Greenwich Street
New York, NY 10013

Goldman, Sachs & Co.
200 West Street
New York, NY 10282

Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005

J.P. Morgan Securities LLC
383 Madison Avenue
New York, NY 10179

HSBC Securities (USA) Inc.
452 Fifth Avenue, 3rd Floor
New York, NY 10018

Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park
New York, NY 10036

Lloyds Securities Inc.
1095 Avenue of the Americas
New York, NY 10036

Lloyds TSB Bank plc
10 Gresham Street
London EC2V 7AE

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036

RBS Securities Inc.
600 Washington Boulevard
Stamford, CT 06901

UBS Securities LLC
677 Washington Blvd.
Stamford, CT 06901

Wells Fargo Securities, LLC
301 S. College Street
Charlotte, NC 28288

TRUSTEE

The Bank of New York Mellon
One Canada Square
London E14 5AL

NOTE REGISTRAR AND PAYING AGENT

The Bank of New York Mellon
101 Barclay Street
New York, NY 10286

PAYING AGENT

The Bank of New York Mellon
One Canada Square
London E14 5AL

NOTE REGISTRAR AND PAYING AGENT

The Bank of New York Mellon (Luxembourg) S.A.
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To the Issuers as to U.S. law
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To the Issuers as to English law
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To the Issuers as to Scots law
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To the Dealers as to English and U.S. law
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AUDITORS

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Edinburgh EH2 4NH